



**CONFIDENTIAL OFFERING MEMORANDUM**  
**May 5, 2015**

**STONE GALEFORCE DIVIDEND GROWTH POOL\***

\* a class of Shares of Stone GaleForce Investment Corporation

The securities in this offering memorandum (“**Memorandum**”) are being offered by Stone GaleForce Investment Corporation (“**GaleForce Investment Corporation**” or the “**Corporation**”) on a private placement basis. This Memorandum constitutes an offering of the securities described herein only in those jurisdictions where they may be lawfully offered for sale and is not, and under no circumstances, is to be construed as, a public offering of such securities. There is no market for these securities; accordingly it may be difficult or even impossible for the holders to sell them. Holders may sell their securities only pursuant to an exemption prescribed by securities legislation of their particular province or territory or with a prospectus or pursuant to an exemption granted by the applicable securities regulatory authority. The securities, however, may be redeemed in accordance with the provisions described in this Memorandum. This document, though it is entitled “Confidential Offering Memorandum”, is not, and is not intended to be, an offering memorandum in compliance with the requirements of section 2.9 of National Instrument 45-106 *Prospectus Exemptions*.

The Stone GaleForce Dividend Growth Pool is an open-ended investment fund constituted as a separate class of special shares of the Corporation designated as Dividend Growth Shares (the “**Dividend Growth Pool**” or the “**Pool**”), with the Dividend Growth Shares being divisible into series (“**Series**”) of special shares. The special shares of the Pool (the “**Shares**”) are not expected to be listed or quoted on any exchange. Neither the Corporation nor the Stone GaleForce Dividend Growth Pool is a reporting issuer under applicable securities laws.

**The Offering**

Shares are being offered for sale on a private placement basis. The price per Share will be based on the net asset value per Share on the purchase date. There is no minimum number of Shares that will be sold as part of the offering. This means that you may be the only purchaser of Shares. There is also no maximum number of Shares that may be issued as part of the offering. You must pay the full subscription price for Shares by cheque or bank draft (or other means acceptable to us) at the time of your purchase. See “Investing in the Pool”. There are important tax consequences associated with an investment in Shares. See “Canadian Federal Income Tax Considerations”.

We have not hired an agent or underwriter to sell Shares on our behalf. Shares are available through registered dealers (“**Dealers**”).

**Purchaser’s Rights**

If there is a misrepresentation in this Memorandum, you have the right to sue for damages, or to cancel the purchase agreement. See “Purchaser’s Rights”.

**No securities commission or similar regulatory authority has in any way passed upon the merits of an investment in the securities offered hereby nor has it reviewed this Memorandum and any representation to the contrary is an offence.**

## FORWARD LOOKING STATEMENTS

The Memorandum may contain forward-looking information (“**FLI**”). FLI means disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action, and includes any future-oriented financial information (“**FOFI**”) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. FOFI is FLI about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement or cash flow statement.

Similarly, financial outlook is FLI about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, but is not presented in the format of a historical balance sheet, income statement or cash flow statement. FLI can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue” or “believe”, or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Stone GaleForce Dividend Growth Pool may differ materially from those reflected or contemplated in such FLI and statements. Material risk factors that could affect actual results are identified under the heading “*Risk Factors*”. Investors are also cautioned that FLI is based on a number of factors and assumptions, including a Pool’s current plans, estimates, opinions and analysis made in light of its experience, current conditions and expectations of future developments, as well as other relevant factors.

The forward-looking statements and information contained in this Memorandum are made as of the date hereof. Upon receipt of this Memorandum, each investor acknowledges and agrees that the Corporation is under no obligation to update or revise any FLI, whether as a result of new information, future events or otherwise and the investor will not receive any additional information updating such FLI other than as described in this Memorandum and/or as expressly agreed to by contract. The FLI contained herein is expressly qualified in its entirety by this cautionary statement.

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## INTRODUCTION

Stone GaleForce Dividend Growth Pool is an open-ended investment fund constituted as a separate class of special shares of Stone GaleForce Investment Corporation (“**GaleForce Investment Corporation**” or the “**Corporation**”) designated as Dividend Growth Shares (the “**Dividend Growth Pool**” or the “**Pool**”), with the Dividend Growth Shares being divisible into series (“**Series**”) of special shares. The special shares of the Pool (the “**Shares**”) are not expected to be listed or quoted on any exchange. Neither the Corporation nor the Stone GaleForce Dividend Growth Pool is a reporting issuer under applicable securities laws.

GaleForce Investment Corporation was incorporated under the laws of Ontario on July 29, 2011 to constitute and organize the Pool and other pools comprised of classes of shares of the Corporation (“**Future Pools**”) and, thereafter, to manage or arrange for management of the Pool and Future Pools. GaleForce Investment Corporation is a wholly-owned subsidiary of Stone Asset Management Limited.

Stone Asset Management Limited (“**SAM**”, the “**Manager**” or the “**Portfolio Manager**”), is the investment fund manager and portfolio manager of the Pool. Our office is located at 36 Toronto Street, Suite 710, Toronto, Ontario, M5C 2C5 P: 416 364 9188 or 800 336 9528 F: 416 364 8456; e-mail address: info@stoneco.com and internet address: www.stoneco.com.

## INVESTMENT APPROACH

SAM is an award-winning, skill-based Canadian asset management team that maintains the core belief of creating long-term value for investors through active and disciplined strategies built on the principle of Growth Over Time®. The firm generates investment ideas through its rigorous proprietary investment process which is comprised of a complementary blend of quantitative, fundamental and technical disciplines. Fundamental bottom-up security selection forms the foundation of our analysis process supplemented by quantitative multi-factor models and technical analysis. Used together, these three disciplines act as a powerful combination and validation against each method to identify investment ideas with attractive long-term return potential. Using a combination of top-down and bottom-up analysis techniques, broader investment themes are cultivated into individual investment opportunities for which the manager determines an intrinsic value. Once a target price has been established it is then compared to the current market price of a security in order to calculate a potential return.

- For a buy decision, the potential return calculation is compared to a desired return based on SAM’s proprietary matrix. If the calculated return meets (or exceeds) the desired return, then the security is a candidate for purchase (or retention if already held).
- Conversely, a sell decision is driven by (but not limited to) two primary situations. In one scenario, the stock price has achieved our target price (with recent analysis indicating the target price is fully valued). In the other circumstance, a company’s future outlook has turned negative indicating limited upside and low likelihood of achieving desired return levels.

SAM’s investment process begins with a combined macro and micro-economic approach, seeking to find compelling investment themes and/or company-specific investment opportunities. First, quantitative analysis is employed to screen a broad universe of securities that demonstrate shareholder-friendly characteristics including, but not limited to, improving earnings, cash flow growth, quality management, balance sheet strength and inexpensive valuation. Individual securities within our universe are ranked based on their relative strength with respect to growth, value, momentum and defensive characteristics. Second, the investment management team conducts detailed fundamental analysis of the company which may include, but is not limited to, meeting management and completing an in-depth competitive analysis profile of the company and their peer group. This investment analysis seeks to ensure that the investment provides a meaningful rate of return for an appropriate level of risk over a long-term investment horizon. The third and final step in our analytical process is the use of technical analysis to confirm that buy and sell decisions are consistent with current market conditions. Long-term investment success is driven by owning growth at a reasonable valuation and allowing time to create shareholder value. Overall, the objective is to construct a portfolio that achieves three benefits for the investor:

1. Inflation protection – to protect their long-term purchasing power
2. Interest rate hedge – reducing market volatility via exposure to interest-sensitive companies
3. Growth of capital – to allow investors not to outlive their money

The end result of our approach is to seek above-average, long-term performance while providing investors with stable and consistent portfolio returns.

## **STONE GALEFORCE DIVIDEND GROWTH POOL**

The Stone GaleForce Dividend Growth Pool is a separate class of special shares of the Corporation, such class currently consists of Series A Shares only. Additional pools and Series may be added from time to time and the investment represented by each class of shares will be treated as a separate investment fund for the purposes of the *Securities Act* (Ontario).

### **Stone GaleForce Dividend Growth Pool**

#### ***Investment Objective***

The investment objective of the Dividend Growth Pool is to achieve above-average long-term capital growth that is consistent with a prudent investment philosophy encompassing a diversified portfolio approach. The Dividend Growth Pool will invest primarily in equity securities of Canadian companies that demonstrate financial strength and potential for a strong total return combining dividend income and the potential for capital appreciation.

#### ***Investment Strategies***

The Dividend Growth Pool will invest in companies that offer potential for strong growth of both dividends and share price. When evaluating the investment potential of a particular company, the Portfolio Manager may assess the financial condition and management of the company, analyze financial data and other information sources to compare revenue acceleration, earnings and cash flows and conduct company interviews. Investment selections are broadly diversified among all market segments.

A portion of the assets of the Dividend Growth Pool may also be invested in foreign securities. Under normal market conditions, it is anticipated that the Dividend Growth Pool will invest approximately 30% of its assets in foreign securities in accordance with its performance benchmark, although the Dividend Growth Pool's investment in foreign securities may range from 0% to 100% from time to time. The Dividend Growth Pool may invest, from time to time, in mutual funds with an investment objective consistent with that of the Dividend Growth Pool. In the event that the Dividend Growth Pool invests in securities of a mutual fund managed by the Manager, the Manager will not charge a management fee or a performance fee to the Dividend Growth Pool to the extent of its investment in such fund.

The Dividend Growth Pool may use derivatives consistent with its investment objective. The Dividend Growth Pool may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Pool. The Pool may also purchase put options in order to protect the Pool from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Pool may enter into trades to close out positions in such derivatives. The Pool may also use derivatives to hedge the Pool's foreign currency exposure. Such derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts. The Dividend Growth Pool may use these instruments to provide exposure to securities, indices, or currencies without investing in them directly. Derivatives may also be used to manage risk.

The Dividend Growth Pool may depart from its investment objective by temporarily investing its assets in cash, cash-equivalents or fixed-income securities, guaranteed by a Canadian government or government agency, or company, in response to adverse market conditions, for cash management or defensive purposes.

### ***Dividend Policy***

The Corporation will pay ordinary dividends monthly and capital gains dividends annually, as permitted under Canadian Income Tax legislation, on the Shares forming the Dividend Growth Pool. In addition, the Corporation may make distributions in the form of returns of capital on the Shares forming the Dividend Growth Pool.

### ***Risks of Investing in the Dividend Growth Pool***

The risks that may be associated with the Dividend Growth Pool are described under “Risk Factors”.

### ***Who Should Invest in the Dividend Growth Pool?***

The Dividend Growth Pool is suitable for equity investors seeking capital growth and income within their portfolio. The Dividend Growth Pool will invest in equities using a growth discipline and is suitable for investors with mid-term to long-term investment horizons with a low to medium risk tolerance.

## **ORGANIZATION AND MANAGEMENT OF THE POOL**

### **Stone GaleForce Investment Corporation**

GaleForce Investment Corporation was incorporated under the laws of Ontario on July 29, 2011 to constitute and organize the Pool and Future Pools and, thereafter, to manage or arrange for management of the Pool and Future Pools. GaleForce Investment Corporation is a wholly-owned subsidiary of Stone Asset Management Limited. GaleForce Investment Corporation has retained the Manager to direct the business, operations and affairs of the corporation and to manage the Pools’ investment portfolio. The management of the business of the Pool and Future Pools is the sole business of GaleForce Investment Corporation.

The executive officers and portfolio managers of GaleForce Investment Corporation have extensive experience in a variety of management and investment activities, including portfolio management and corporate finance. The name, municipality of residence, office and principal occupation of each of the directors and executive officers of GaleForce Investment Corporation are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with GaleForce Investment Corporation</b>	<b>Principal Occupation</b>
Richard G. Stone, CIM Toronto, Ontario	President, CEO and Director	President, CEO and director of Stone Investment Group Limited, Stone & Co. Limited and President, CEO, CIO and a director of Stone Asset Management Limited.
James A. Elliott, CPA, CA Toronto, Ontario	CFO and Director	CFO and director of Stone Investment Group Limited, Stone & Co. Limited and Stone Asset Management Limited.
Suzanne Grimble, CPA, CA Toronto, Ontario	Secretary and Director	Vice President, Corporate Development, Corporate Secretary and director of Stone & Co. Limited.

## Stone Asset Management Limited

SAM is the investment fund manager and the portfolio manager of the Pool. SAM is registered as an investment fund manager in the province of Ontario and as a portfolio manager in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. As investment fund manager, SAM is responsible for the overall business, operations and affairs of the Pool. This includes providing or arranging to provide, accounting, portfolio valuation, investor reporting and other administrative services. As portfolio manager, SAM is responsible for all portfolio management activities relating to the Pool's investments. SAM manages the Pool's investment portfolio in accordance with the Pool's investment objective and investment strategies and implements all brokerage transactions on behalf of the Pools.

The executive officers and portfolio managers of the Manager have extensive experience in a variety of management and investment activities, including portfolio management and corporate finance. The name, municipality of residence, office and principal occupation of each of the directors, executive officers and portfolio managers of the Manager are set out below:

Name and Municipality of Residence	Position with Portfolio Manager	Principal Occupation
Richard G. Stone, CIM Toronto, Ontario	President, CEO and Director	President, CEO and director of Stone Investment Group Limited, CEO and director Stone & Co. Limited and President, CEO, CIO and director of Stone Asset Management Limited.
James A. Elliott, CPA, CA Toronto, Ontario	CFO and Director	CFO and director of Stone Investment Group Limited, Stone & Co. Limited and Stone Asset Management Limited.
Chyanne Fickes, CFA Toronto, Ontario	Vice President Investments	Portfolio Manager for Stone & Co. Flagship Stock Fund Canada and Stone Agribusiness Fund.
Michael Giordano, CPA, CA, CIM Toronto, Ontario	Vice President Investments	Portfolio Manager of Stone & Co. Resource Plus Class and Stone 2013 Flow-Through Limited Partnership.
Brian Lavery, CFA Toronto, Ontario	Vice President Investments	Portfolio Manager for Stone & Co. Growth Industries Fund.
Mohsin Bashir, CFA Toronto, Ontario	Vice President Investments	Portfolio Manager for Stone & Co. Dividend Growth Class Canada and Stone & Co. Flagship Growth & Income Fund Canada.
Suzanne Grimble, CPA, CA Toronto, Ontario	Secretary	Vice President, Corporate Development, Corporate Secretary and director of Stone & Co. Limited.

Additional information concerning the directors, senior officers and portfolio managers of the Manager is set out below:

**Richard G. Stone.** Mr. Stone has experience involving the creation, promotion, operation and management of a wide variety of investment funds and tax-deferred limited partnerships. Mr. Stone founded Stone & Co. Limited in 1994 and continues to serve as its CEO and as a director. He is the President, CEO and a director of Stone Investment Group Limited, which owns all of the issued and outstanding shares of the Manager. Mr. Stone is also the President, CEO and a director of GaleForce and the President, CEO, CIO and a director of the Manager.

**James A. Elliott.** Mr. Elliott is the CFO and a director of Stone Investment Group Limited, the Manager, GaleForce and Stone & Co. Limited. Mr. Elliott joined Stone & Co. Limited in 1995. He has also been the CFO

and a director of the Manager since November 2004 and prior thereto from September 1999 until June, 2003. Mr. Elliott has more than 30 years of financial experience, including corporate finance, lending and asset management. Mr. Elliott holds the designation of Chartered Professional Accountant.

**Chyanne Fickes.** Ms. Fickes, Vice President and Portfolio Manager, joined the Manager in November, 2002. Previously, Ms. Fickes was Vice President and Portfolio Advisor for Canadian Equities at Canadian Pacific Investment Management Limited. Ms. Fickes obtained a Master of Business Administration degree from the University of Western Ontario in 1978 and obtained her Chartered Financial Analyst designation in 1982. Ms. Fickes is Portfolio Manager for the Stone & Co. Flagship Stock Fund Canada and Stone Agribusiness Fund.

**Michael Giordano.** Mr. Giordano joined the Manager in 2005. Mr. Giordano is Vice President Investments and Portfolio Manager of Stone & Co. Resource Plus Class and Stone 2013 Flow-Through Limited Partnership. Prior to joining the Manager, Mr. Giordano spent 10 years in portfolio management with Pinetree Capital Corp. and Lawrence and Company Inc. Mr. Giordano is a chartered accountant and managed internal audit at Gordon Capital Corporation from 1992 to 1996. Mr. Giordano received his Master of Business Administration degree from York University in 1995, obtained his Chartered Professional Accountant designation in 1992 and obtained his CIM in 2010.

**Brian Lavery.** Mr. Lavery joined the Manager in November, 2010 as Vice President and Portfolio Manager. Previously, Mr. Lavery was with BMO Harris Investment Management Inc. from 1997 to 2009, most recently in the capacity of Portfolio Manager. Mr. Lavery obtained his Chartered Financial Analyst designation in 1996. Mr. Lavery is Portfolio Manager for the Stone & Co. Growth Industries Fund.

**Mohsin Bashir.** Mr. Bashir joined the Manager in 2012. Mr. Bashir is Vice President, Investments and Portfolio Manager. Prior to joining the Manager, Mr. Bashir accumulated seven years of investment experience and spent 10 years in positions of increasing responsibility with Highwater Capital Management, TD Bank Financial Group, Sentry Select Capital and RBC Royal Bank of Canada. Mr. Bashir received his Chartered Financial Analyst designation in 2008 and graduated from the University of Waterloo in 2003 with a joint Honours Bachelor of Arts in Economics and Applied Studies. Mr. Bashir also sits on the Faculty of the University of Waterloo as an Adjunct Lecturer. Mr. Bashir is the Portfolio Manager of the Stone & Co. Dividend Growth Class, Stone GaleForce Dividend Growth Pool and Stone & Co. Flagship Growth & Income Fund Canada.

**Suzanne Grimble.** Ms. Grimble is currently the Vice President, Corporate Development, Corporate Secretary and a director of Stone & Co. Limited. Ms. Grimble has been with Stone & Co. Limited since January, 2007 and prior thereto she was Vice President and Corporate Secretary of Clarington Funds Inc. from 1996.

### **Management and Portfolio Management Agreements**

In its role as manager of the Pool, and in accordance with a management agreement dated May 17, 2012 between GaleForce Investment Corporation and the Manager (the “**Management Agreement**”), the Manager will direct the business, operations and affairs of the Pool and provide management, financial and accounting, consulting, administrative and support services including, without limitation, the provision of general advice, both written and oral, attendance at meetings that may be held with management (including meetings of the board of directors of GaleForce Investment Corporation and meetings of the shareholders (“**Shareholders**”) of the Pool), attendance, discussions and correspondence with bankers, accountants, tax advisers and other suppliers, assisting with identifying prospective investments and monitor any investment portfolio of the Pool and maintaining the financial accounting records of GaleForce Investment Corporation and the Pool all as may be reasonably requested and the Manager agrees to provide such services. The Manager will also provide GaleForce Investment Corporation with secretarial and other general office services as reasonably requested by GaleForce Investment Corporation.

In its role as the portfolio manager of the Pool, and in accordance with a portfolio management agreement May 17, 2012 between GaleForce Investment Corporation and the Manager (the “**Portfolio Management Agreement**”), the Manager will identify, analyze and select investment opportunities and structure and negotiate prospective investments. The Manager will monitor the performance of securities of the Pool. Further, under the Portfolio Management Agreement, the Manager has agreed to act at all times on a basis which is fair and reasonable to the Pool, to act honestly and in good faith with a view to the best interests of the Shareholders, and, in connection

therewith, to exercise a degree of care, diligence and skill that a reasonably prudent and qualified Portfolio Manager would exercise in comparable circumstances. The Portfolio Management Agreement provides that the Manager will not be liable in any way for any loss, default, failure, or defect in any of the securities comprising the investment portfolio of the Pool, unless such loss, default, failure or defect is attributable to the Manager's failure to satisfy the foregoing standard of care. In the purchase and sale of securities for the Pool, the Portfolio Manager will seek to obtain overall services and prompt execution of orders on favourable terms.

### **Custodian**

CIBC Mellon Trust Company is the custodian of the Pool. The custodian is responsible for the safekeeping of the securities of the Pool. The custodian may retain sub-custodians to hold the investments of the Pool.

### **Auditors**

PricewaterhouseCoopers LLP, Toronto, Ontario are the auditors of the Pool and are responsible for auditing the financial statements of the Pool and reporting on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles.

### **Registration and Transfer Agent**

International Financial Data Services (Canada) Ltd. ("IFDS"), Toronto, is the registrar and transfer agent of the Pool. IFDS maintains shareholder records, processes subscription and redemption orders, issues account statements, trade confirmations and tax reporting information to Shareholders.

### **Valuation Agent and Fund Administrator**

CIBC Mellon Global Securities Services Company (the "**Valuation Agent**"), located in Toronto, Ontario, is the valuation agent and fund accountant of the Pool. The Valuation Agent provides valuation services to the Pool pursuant to a fund administration agreement between the Pool, the Manager and the Valuation Agent.

## **INVESTING IN THE POOL**

Shares are offered without any sales charge on a continuous basis and are distributed by Dealers in the Offering Jurisdictions at a price equal to the applicable Net Asset Value ("**NAV**") per Share ("**NAVPS**") at the time of purchase. The Manager may end or restrict purchases. Each Series (if applicable) will have a separate NAVPS based on the assets and liabilities of that particular Series. Shares of the Pool may be redeemed at the request of a Shareholder at the applicable NAVPS as described under "Redemption of Shares".

### **Shares of the Pool**

The Corporation is currently offering Series A Shares to investors. However, the Corporation may choose to introduce additional Series in the future. The Shares are of equal value since each represents a *pro rata* interest in the net assets of the Pool. In the event that additional Series are introduced, the shares of such Series will be of equal value since each represents a *pro rata* interest in the net assets of that Series. The number of Shares of any Series that may be issued are unlimited unless we otherwise decide in our sole discretion. Each Share ranks equally with every other Share, except that holders of a fraction of a Share will not be entitled to vote at a meeting of Shareholders in respect of the fractional share. Outstanding Series participate equally in all distributions of assets of the Pool and on the termination of the Pool. We may at any time subdivide or consolidate all Shares that are outstanding. Shares are valued in accordance with the method set out under the heading "Net Asset Value and Portfolio Valuation".

### **Purchase of Shares**

Investors may purchase Shares through their Dealer in the Offering Jurisdictions. Dealers will send orders and an accompanying subscription agreement to SAM or its designated agent at its principal office on the day such orders

are placed by courier, priority post or telecommunications facilities (including the FUNDSERV network) without charge to the investor. Investors who wish to subscribe for Shares must complete, execute and deliver the Subscription Agreement which accompanies this Memorandum to their Dealer, together with a cheque or bank draft in an amount equal to the purchase price. The purchase price is an amount equal to the applicable NAVPS subscribed for. The NAVPS for subscriptions, which are received and accepted by SAM prior to 4:00 p.m. (EST) on a Valuation Date, will be calculated as of that Valuation Date. The NAVPS for subscriptions received and accepted after 4:00 p.m. (EST) will be calculated on the next Valuation Date. If payment for a purchase order is not received from an investor by SAM within three Business Days of processing the purchase order, SAM or its designated agent will redeem your Shares on the next Business Day. If proceeds are greater than the investor's payment owed, the Pool will keep the difference. If the proceeds are less than the payment owed, SAM will require the investor or the investor's Dealer to pay the difference, and the Dealer may collect the difference, plus expenses, from the investor.

SAM reserves the right to accept or reject orders for any reason in their sole discretion, provided that any decision to reject an order must be made promptly and any monies received with a rejected order will be refunded immediately after such determination has been made. In accepting any orders for Shares, SAM or its designated agent will rely on the statements, including the representations and warranties, made in the Subscription Agreement. Any transferee of Shares must also complete, execute and deliver to SAM a Subscription Agreement.

Shares are denominated in Canadian dollars and are available for purchase in Canadian dollars.

### **Minimum Investment**

Shares may be purchased at any time by: (i) "accredited investors", within the meaning of National Instrument 45-106 *Prospectus Exemptions* who are purchasing Shares with a minimum initial investment of at least \$25,000, (ii) by non-accredited investors, other than individuals, in every Offering Jurisdiction, who are purchasing Shares with a minimum initial investment of at least \$150,000, or (iii) by employees, executive officers, directors and consultants of the Corporation who are purchasing Shares with a minimum initial investment of at least \$5,000. The Manager may waive the minimum threshold for accredited investors and for employees, executive officers, directors and consultants at its discretion, to the extent permitted by appropriate law.

### **Additional Investments**

The minimum subsequent investment in any Shares of a Pool is \$5,000. We may, to the extent permitted by applicable law, waive any minimum investment requirement at any time. If the investor is not an accredited investor and (i) initially acquired Shares as principal with an acquisition cost not less than \$150,000, paid in cash at the time of purchase, and (ii) the Shares held by the investor have an acquisition cost or a NAV equal to at least \$150,000; then an additional investment by such investor may be permitted.

At the time of making each additional investment in the Pool, each investor will be deemed to have repeated to the Pool the covenants and representations contained in the Subscription Agreement delivered by the investor to the Pool at the time of the initial purchase and, if applicable, that the Shares held by the investor have an acquisition cost (determined in accordance with applicable securities laws) or a NAV, whichever is applicable, at least equal to the required amount as described above.

### **Statement of Policies and Procedures**

In the course of providing services to the Pool, we will attempt to avoid potential conflicts of interest that may arise by acting honestly and in good faith in discharging our duties as an investment fund manager and a portfolio manager in the best interests of the Pool, and will exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in the circumstances.

## **DIVIDEND POLICY**

The Corporation will pay ordinary dividends monthly and capital gains dividends annually, as permitted under Canadian income tax legislation, on the Shares forming the Dividend Growth Pool. In addition, the Corporation may make distributions in the form of returns of capital on the Shares forming the Pool. Outside a Registered Plan, dividends and/or distributions of capital are automatically reinvested in additional Shares of a Pool, unless you request in writing that your dividends and/or returns of capital be paid in cash via cheque or direct deposit to your bank account. Inside a Registered Plan, dividends and/or returns of capital are automatically reinvested in additional Shares of the Pool.

## **REDEMPTION OF SHARES**

Shareholders of a Pool may redeem Shares by delivery to their Dealer of a redemption request. Redemption requests received by the Manager prior to 4:00 p.m. (EST) on the 20<sup>th</sup> day in a particular month, or the prior business day if the 20<sup>th</sup> day in a particular month is not a business day, will be executed on the last Valuation Date of such month. Redemption requests received after 4:00 p.m. (EST) on the 20<sup>th</sup> day in a particular month, or the prior business day if the 20<sup>th</sup> day in a particular month is not a business day will be effective on the last Valuation Date of the following month. Redemption orders must be in writing and signature guaranteed by a Dealer, Canadian chartered bank, trust company, a member of a stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. Shares will be redeemed at the applicable NAVPS calculated on the last Valuation Date, less applicable redemption fees, of the relevant month.

Except as described below, a redemption fee will not be charged when an investor redeems Shares. If an investor makes five or fewer redemption requests in a calendar year, no redemption fee will be charged by the Manager. A redemption fee, equal to 2% of the value of Shares redeemed, will be charged on all redemption requests in excess of five during a calendar year.

The amount payable to a Shareholder redeeming Shares will be equal to the aggregate NAV of the Shares being redeemed as of the last Valuation Date in the month in which the redemption request was made, less any applicable redemption fees, short-term trading fees and/or withholding taxes that may apply.

If the Shareholder is a corporation, partnership, agent, fiduciary or surviving joint owner, additional documentation may be required by the Manager. If all necessary redemption documents have been properly completed and sent with the redemption request, we will pay the redemption amount within three Business Days of the Business Day on which the redemption request is processed.

If, within ten Business Days of the receipt of a redemption request by a Pool, we have not received the completed redemption documentation, the Pool will be deemed to have received and accepted, on the tenth Business Day, a purchase order for the equivalent number of Shares of the applicable class being redeemed. If the purchase price is less than the redemption price for such Shares, the applicable Pool is entitled to keep the difference. If the purchase price is greater than the redemption price for such Shares, the investor or the investor's Dealer will be responsible for paying the difference and associated costs. The investor's Dealer may seek reimbursement of these costs from the investor.

We may suspend your right to redeem Shares for all or part of a period when such suspension is approved by the Canadian securities regulators or when:

- (i) normal trading is suspended on a stock, options or futures exchange in Canada or outside Canada on which securities or derivatives that make up more than 50% of the value or underlying exposure of the Pool's total assets, without allowance for liabilities, are traded, and
- (ii) those securities or derivatives are not traded on any other exchange that represents a reasonable alternative for the Pool.

During any period of suspension there will be no calculation of the Pool's NAVPS and no additional Shares of the Pool will be issued. The calculation of the NAV will resume 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. If there is a suspension of the calculation of the NAVPS, (a) a Shareholder who has requested redemption may withdraw the redemption request (if a Shareholder does not withdraw the redemption request prior to the termination of the suspension period, the Shareholder will receive payment based on the NAVPS next calculated after the termination of the suspension period), and (b) a Shareholder who has placed a purchase order may either withdraw the purchase order prior to the termination of the suspension period or receive Shares based on the NAVPS next calculated after the termination of the suspension period.

### **Redemption of Nominal Amounts for Shares**

Due to the relatively high cost of maintaining smaller denominated accounts, the Corporation reserves the right to redeem Shares of a Pool in any account (other than registered retirement income funds, locked-in retirement income funds and life income funds) if, at any time, the aggregate NAV of such Shares is less than \$15,000. Shareholders will be notified and given 30 days to make additional investments to increase the aggregate NAV of the Shares of the Pool in their account to not less than \$15,000 before such a redemption is processed.

### **Mandatory Redemptions**

We reserve the right, at any time and from time to time, in our sole and absolute discretion, to require the redemption of any Shares of any Series.

## **OPTIONAL SERVICES**

### **Systematic Withdrawal Plan**

You may establish a Systematic Withdrawal Plan. Your Shares will be redeemed automatically on the last Valuation Date of a particular month to provide you with regular monthly, quarterly, semi-annual or annual payments. Payments will be made either by cheque or, if the necessary information has been provided to SAM, by direct deposit to the investor's account with a Canadian chartered bank or trust company or member of the Canadian Payments Association. You must have Shares valued at a minimum of \$100,000 to use this plan. **If your regular withdrawals are greater than the growth in your investment, you will erode your original investment.**

Redemptions made pursuant to a Systemic Withdrawal Plan will be executed on the last Valuation Date of a month and will be calculated using the NAVPS on the last Valuation Date of the month.

We may change or discontinue this service at any time.

## **FEES AND EXPENSES**

### **Investment Management Fees – Series A Shares**

In consideration for our services as Manager, SAM is entitled to receive an annual management fee (the “**Annual Management Fee**”) equal to 0.48% of the NAV of the Series A Shares, plus applicable taxes. The Annual Management Fee is calculated and accrued daily. In the event that additional Pools or Series are introduced by the Corporation, such Pools or Series may introduce alternative fee arrangements.

### **Performance Fees**

As compensation for providing services as portfolio manager of the Pool, a performance fee (“**Performance Fee**”) may be payable to SAM. The Performance Fee is based on the performance of a Series of Shares from the last time a Performance Fee was payable for the Series to the next calendar year at which a Performance Fee is payable (the “**Performance Measurement Period**”) in respect of the Series. Where a Performance Fee has not previously been paid by the Pool, the Performance Measurement Period commences on the first date of issuance of the Series. If a

Performance Fee is payable at the end of a calendar year, the Performance Measurement Period ends at such year-end. If a Performance Fee is not payable at the end of a calendar year, the Performance Measurement Period is extended until the next calendar year at which a Performance Fee is payable.

The Performance Fee is equal to 10% of the amount of positive performance of the Series is calculated from the last time a Performance Fee was paid by the Pool with respect to the Series over the Performance Measurement Period, multiplied by the Series' average net asset value over the performance Measurement Period.

Performance Fees, if any, for a Series will be paid directly to SAM by the Corporation from the Pool. Performance Fees for a Series are payable at the end of each calendar year. Performance Fees are subject to applicable taxes.

### **Administrative and Operating Expenses**

All reasonable expenses incurred in the administration, management and operation of a Pool will be payable by the Pool, as permitted by applicable law, including, but not limited to:

- Accounting, custodial and transfer agency fees;
- Filing fees and regulatory fees;
- Commissions and brokerage fees on portfolio investments of the Pool;
- Clearance and settlement costs, and any other fees relating to the purchase and sale of investments of the Pool;
- Applicable taxes;
- Bank fees and expenses;
- Legal, audit and other professional fees;
- Financial reports, offering memorandum and other disclosure requirements; and
- Convening and holding meetings of unitholders of the Pool.

### **Redemption Fees**

Shares may be redeemed by an investor on the last Valuation Date of a month by delivery of a written redemption request to the investor's Dealer. Redemption requests received by the Manager prior to 4:00 p.m. (EST) on the 20<sup>th</sup> day in a particular month, or the prior business day if the 20<sup>th</sup> day in a particular month is not a business day, will be executed on the last Valuation Date of such month. Redemption requests received after 4:00 p.m. (EST) on the 20<sup>th</sup> day in a particular month, or the prior business day if the 20<sup>th</sup> day in a particular month is not a business day will be effective on the last Valuation Date of the following month. Shares will be redeemed at the applicable NAVPS calculated on the last Valuation Date, less applicable redemption fees, of the relevant month. Except as described below, a redemption fee will not be charged when an investor redeems Shares. If an investor makes five or fewer redemption requests in a calendar year, no redemption fee will be charged by the Manager. A redemption fee, equal to 2% of the value of Shares redeemed, will be charged if an investor places more than five redemption requests during a calendar year. In certain circumstances, SAM may make redemptions in-kind, or suspend redemptions

### **Short-Term Trading Fees**

As frequent trading of Shares can hurt a Pool's performance, we have adopted policies and procedures to detect and deter inappropriate short-term trading. If you redeem Shares within 90 days of purchase, you may be charged a short-term trading fee of 2% of the value of the Shares redeemed. We may waive this fee at our discretion in special circumstances. Short-term trading fees are retained by the Pool from which the Shares are redeemed and are in addition to any other redemption fees that may be payable. We may also, without notice, take other steps such as, restricting, rejecting or cancelling any purchase or switch order where such order, in our reasonable opinion, amounts to inappropriate short-term trading.

## **Other Fees**

An investor will also be responsible for all applicable regulatory filing fees if Shares are redeemed within 90 days of the date of purchase. These fees may include such things as private placement filing fees in the Offering Jurisdictions. SAM may also levy a fee of \$25 (plus applicable taxes) for cheques that are not honoured.

## **DEALER COMPENSATION**

### **No Sales Charges**

Purchases and sales of Shares are not subject to a sales charge.

### **No Trailing Commissions**

We do not pay an investor's Dealer a trailing commission with respect to Shares held through that Dealer.

### **Other Compensation**

We pay an investor's Dealer up to 10% of the Performance Fees earned, if any, with respect to Shares held by the investor through that Dealer.

### **Other Dealer Support**

We pay for marketing materials that we give Dealers to help support their sales efforts and to help educate investors. These materials include reports and commentaries on securities, the markets, the Pool and the services that we provide to investors. Subject to any applicable regulatory requirements, we may share the cost of local advertising or other marketing or sales related expenses or provide various training support programs to assist Dealers in servicing their clients, and in their efforts to sell Shares. These programs may include, but are not limited to, training materials and audio/visual materials for seminar programs operated at the Dealer level. We may also pay up to 10% of the costs of educational seminars or conferences held by Dealers for their financial advisors to teach them about, among other things, new developments in the mutual fund industry, financial planning or new financial products. The Dealer makes all decisions about where and when the conference is held and who can attend. In addition, we may arrange seminars for financial advisors where we inform them about new developments relating to the Pool, our products and services, and investment fund industry matters. We may invite Dealers to send their financial advisors to our seminars, but we do not decide who attends. The financial advisors must pay their own travel, accommodation and personal expenses to attend our seminars. We may also provide financial advisors with promotional items of nominal value and may engage in business promotion activities with financial advisors.

## **NET ASSET VALUE AND PORTFOLIO VALUATION**

The Net Asset Value ("NAV") is calculated after the close of business on each Valuation Date. A "Valuation Date" is any day that Toronto Stock Exchange is open for trading. A separate NAV will be calculated for each Pool and Series. The NAV of the Pool is calculated by valuing the assets of the Pool and deducting the aggregate of the liabilities of the Corporation applicable to that Pool. The NAV of a Series of a Pool is calculated by valuing the assets of that particular Series minus the aggregate of the common series liabilities of the Pool allocated to that particular Series and the liabilities of that Series. The NAV per Share ("NAVPS") with respect to a Pool or Series is calculated by dividing the NAV of the applicable Pool or Series by the total number of outstanding Shares in the respective Pool or Series.

### **Valuation Policies and Procedures**

The NAV of the Pool will be calculated using the fair value of the Pool's assets and liabilities. The valuation principles used to value the assets of the Pool are as follows:

1. The value of any cash on hand or its equivalent or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends declared and interest accrued and not yet received, will be its face amount, unless the Manager determines an otherwise fair value.
2. The value of a security or interest in a security listed on a stock exchange will be determined by:
  - (a) in the case of a security which was traded on the day the NAV is being determined, the closing sale price on the principal exchange on which it is traded;
  - (b) in the case of a security which was not traded on the day the NAV is being determined because such exchange is closed for business, the most recent closing sale price;
  - (c) in the case of a security which was not traded on the day the NAV is being determined, subject to paragraph 3 below, a price which is the average of the bid and asked prices.
3. Securities and other assets for which market quotations are, in the Manager's opinion, inaccurate or unreliable, not reflective of all available material information, or not readily available, are valued at their fair value, as determined by the Manager.
4. The value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Pool or by the Pool's predecessor in title, shall be the lesser of: (a) the value based on the reported closing price; and (b) a percentage of the market value of unrestricted securities of the same class. This percentage is equal to the percentage of the security's market value when the Pool acquired the security. If the date when the restriction will be lifted is known, the actual value of the securities is generally taken into account.
5. The value of any securities denominated in a currency other than Canadian currency and liabilities payable in a currency other than Canadian currency shall be translated to Canadian currency at the day's exchange rate.
6. The value of any security that is not listed on a stock exchange will be determined as nearly as possible in the manner described in paragraph 2, except that, for the purposes of determining the sale price or the bid and asked prices, any commonly used public quotations may be used. In the absence of any commonly used public quotations, the Manager will use certain valuation techniques, including taking into account general market conditions, to determine fair value.
7. The value of long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be determined by:
  - (a) the closing sale price on the principal exchange on which it is traded, if a security listed on a stock exchange was traded on the day the NAV is being determined;
  - (b) the price which is the average of the closing and asked prices, if a listed security was not traded on the day the NAV is being determined;
  - (c) the price last determined for the security for the purposes of determining the NAV.
8. Where a clearing corporation option, option on futures or over-the-counter option is written by a Pool, the premium received by the Pool will be reflected as a deferred credit which will be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; the deferred credit shall be deducted in arriving at the NAV of the Pool; the securities, if any, which are the subject of a written clearing corporation option or over-the-counter option will be valued in the manner described above for listed securities. If an option expires on its stipulated date or if the Pool enters into a closing purchase transaction, the Pool will realize a

gain (or a loss if the cost of a closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying securities and the liability related to each call will be extinguished. If an option is exercised, the Pool will realize a gain or loss from the sale of the underlying securities and proceeds of the sale will be increased by the premium originally received.

9. The value of a futures contract or a forward contract shall be the gain or loss, if any, that would arise as a result of closing the position in the futures contract or forward contract, as the case may be, on that valuation date unless daily limits are in effect, in which case fair market value shall be based on the current value of the underlying interest.
10. The value of any security of a mutual fund held by a Pool will be the last available NAV per security.
11. If an asset cannot be valued under the above rules or under any valuation rules set out in securities legislation or if any of the valuation rules adopted by the Manager but not set out in securities legislation are at any time considered by the Manager to be inappropriate in the circumstances, then the Manager shall use a valuation that it considers to be fair in the circumstances.
12. The value of the derivative, the investment in which or the use of which is permitted by Canadian securities legislation together with any premium received or margin paid or deposited with respect thereto, shall be determined in accordance with Canadian securities legislation.

The Manager has exercised its discretion in determining the fair market value of certain illiquid securities and warrants of unlisted securities in the past three years, in accordance with the Manager's valuation principles.

The liabilities of the Pool shall be deemed to include, without limitation, all bills, notes and accounts payable; all administrative or operating expenses payable or accrued; all obligations for the payment of money or property, including the amount of any declared but unpaid distributions; all allowances authorized or approved by us for taxes or contingencies; and all other liabilities of the Pool of whatever kind and nature.

## **DESCRIPTION OF THE SHARES OF THE CORPORATION**

### *Common Shares*

Stone GaleForce Investment Corporation is authorized to issue an unlimited number of common shares, each entitled to one vote at all meetings of shareholders, except meetings at which only holders of another specified class of shares are entitled to vote. Subject to the rights, privileges, restrictions and conditions attaching to any class of special shares of the Corporation, dividends may be paid on the common shares as and when declared by the board of directors of the Corporation out of moneys of the Corporation properly applicable to the payment of dividends and the amount per share of each such dividend shall be determined by the board of directors of the Corporation at the time of declaration. Subject to the rights, privileges, restrictions and conditions attaching to any class of special shares of the Corporation, holders of common shares shall be entitled to receive the remaining property of the Corporation upon liquidation, dissolution or winding-up or other distribution of assets of the Corporation. The sole holder of common shares of the Corporation is Stone Asset Management Limited.

### *Special Shares*

The Stone GaleForce Dividend Growth Pool is an open-ended investment fund constituted as a class of special shares of Stone GaleForce Investment Corporation and designated as Dividend Growth Shares. The Shares are issuable in series and the initial Series is designated as "Series A Shares". The Shares are issuable in series, with the Series A Shares being the only Series currently issued and outstanding. It is expected that additional Series will be authorized if the Corporation determines to introduce a differential fee structure. The board of directors of the Corporation has authority to create and designate Series from time to time.

Subject to the *Business Corporations Act* (Ontario) (“**OBCA**”) or the laws and policies of applicable regulatory authorities, Shareholders shall not be entitled to receive notice of or to attend any meeting of the common shareholders or to vote at any such meeting. Notwithstanding the foregoing, holders of special shares shall at all times be entitled to one vote for each whole Share held by them at all meetings of the Shareholders convened in respect of any matter which is required by the articles of the Corporation, or the by-laws of the Corporation, or by the laws and policies of applicable regulatory authorities, or by any agreement, to be submitted to a vote of the Shareholders. Dividends may be paid on the special shares as and when declared by the board of directors out of moneys of the Corporation properly applicable to the payment of dividends and the amount per Share of each such dividend shall be determined by the board of directors at the time of declaration. The board of directors may declare a dividend on a class or series of Shares without declaring a dividend on any other class or series of Shares. The Shares of any class or series shall rank equally, both as regards to dividends and return of capital, and shall rank in priority to the common shares in each of these respects. In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its Shareholders for the purpose of winding-up its affairs, the holders of the Shares of a particular series of a particular class shall participate in the remaining property of the Corporation together with all other Shares of that class and series, which may be distributed in cash or *in specie* in the discretion of the board of directors. If any non-cumulative dividends which are declared or amounts payable on a return of capital in the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among its shareholders are not paid in full all series of a class of Shares shall participate rateably in respect of such dividends or such return of capital.

## **SHAREHOLDER MATTERS**

### **Meetings of Shareholders and Matters Requiring Shareholder Approval**

Subject to the OBCA or the laws and policies of applicable regulatory authorities, Shareholders shall not be entitled to receive notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting. Where a Shareholder vote is required, each Share will have one vote at such a meeting and will not vote separately as a class in respect of any vote taken (except if a class is affected by the matter in a manner different from the other classes of shares of the Corporation. Two shareholders, represented in person or by proxy at such a meeting will constitute a quorum. If no quorum is present, the Shareholders then present will constitute a quorum at an adjourned meeting. See “Description of the Shares of the Corporation”.

The Corporation will not hold annual meetings of shareholders. All annual matters for shareholders will be conducted in writing by the sole holder of the common shares of the Corporation.

### **Reporting to Shareholders**

Investors will be asked to provide their instructions as to whether they wish to receive annual and interim financial statements of the Pool. Investors choosing to receive such statements and reports, will receive audited annual financial statements (within 90 days of the Corporation’s year end) and unaudited semi-annual financial statements (within 60 days of the end of the period).

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations that generally apply to investors who, for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and at all relevant times, are resident or deemed to be resident in Canada, deal at arm’s length with the Corporation, are not affiliated with the Corporation and hold Shares as capital property. Generally, Shares will be considered to be capital property to a purchaser provided that the purchaser does not hold such Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who might not otherwise be considered to hold Shares as capital property may, in certain circumstances, be entitled to have such securities and all other “Canadian securities” 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 based on the facts set out in this Memorandum regarding certain factual matters, the provisions of the Tax Act in force on the date hereof, the current publicly available published administrative positions and assessing practices of the CRA and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof (the “**Tax Proposals**”). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is based on the assumption that the Corporation will qualify at all times as a “mutual fund corporation” within the meaning of the Tax Act. **In the event the Corporation were not to qualify as a mutual fund corporation at all times, the income tax consequences described below would in some respects be materially different.**

This summary is also based on the assumption that none of the issuers of the securities held by the Corporation will be foreign affiliates of the Corporation or of any Shareholder. This summary also assumes that none of the securities held by the Corporation will be (a) an offshore investment fund property that would require the Corporation to include significant amounts in the Corporation’s income pursuant to section 94.1 of the Tax Act, as modified by the Tax Proposals, (b) interests in a non-resident trust, other than an “exempt foreign trust” for the purposes of proposed section 94 of the Tax Act, as set forth in the Tax Proposals, or (c) interests in a trust (or a partnership which holds such an interest) which would require the Corporation to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, as set forth in the Tax Proposals (or, in each of (a), (b) and (c) amendments to such proposals, provisions as enacted into law or successor provisions thereto). This summary does not apply to investors that are “financial institutions” (as defined in the Tax Act) or to an investor an interest in which is a “tax shelter investment” (as defined in the Tax Act) or to an investor that makes a functional currency reporting election in accordance with the provisions in the Tax Act in that regard.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Shares and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Shares. Moreover, the income and other tax consequences of acquiring, holding or disposing of Shares will vary depending on the investor’s particular circumstances including the province(s) or territory(ies) in which the purchaser 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 particular investor. Prospective investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Shares based on their particular circumstances.**

### **Status of the Corporation**

The Corporation intends to qualify at all relevant times as a “mutual fund corporation” as defined in the Tax Act. To qualify as a mutual fund corporation, (i) the Corporation must be a “Canadian corporation” that is a “public corporation” for purposes of the Tax Act, (ii) the only undertaking of the Corporation must be the investing of its funds in property (other than real property or interests in real property); and (iii) at least 95% of the fair market value of all of the issued shares of the capital stock of the Corporation must be redeemable at the demand of the holders of those shares. Provided that the Corporation qualifies as a mutual fund corporation at all times, the Corporation will be entitled, in certain circumstances, to a refund of tax paid by it in respect of its net realized capital gains. Provided that the Corporation qualifies as a “public corporation” (other than a mortgage investment corporation) as defined in the Tax Act, the Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“**TFSAs**”) (each a “**Registered Plan**”).

Notwithstanding the foregoing, if the Shares are a “prohibited investment” (as that term is defined in the Tax Act) for an RRSP, an RRIF or a TFSA, an annuitant of the RRSP or RRIF or a holder of the TFSA, as the case may be, (each a “Plan Holder”) will be subject to a penalty tax as set out in the Tax Act. The Shares will be a “prohibited investment” for an RRSP, an RRIF or a TFSA of a Plan Holder who has a “significant interest” (as defined in the Tax Act) in the Corporation or who does not deal at arm’s length, within the meaning of the Tax Act, with the

Corporation. Plan Holders should consult their own tax advisors to ensure the Shares would not be a prohibited investment in their particular circumstances.

### **Taxation of the Corporation**

The Corporation intends to qualify as a “mutual fund corporation” as defined in the Tax Act. If the Corporation were not to qualify as a mutual fund corporation, the tax considerations described herein would in some respects be materially and adversely different. As a mutual fund corporation, the Corporation is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Corporation has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable in connection with the payment of sufficient capital gains dividends (as defined below) and/or capital gains redemptions. Also, as a mutual fund corporation, the Corporation is entitled to maintain a capital gains dividend account in respect of its realized net capital gains from which it may elect to pay dividends (“**Capital Gains Dividends**”) which are treated as capital gains in the hands of the Shareholders of the Corporation (see “Taxation of Shareholders” below).

The Corporation has made an irrevocable election in accordance with subsection 39(4) of the Tax Act to have each of its “Canadian securities”, as that term is defined in the Tax Act, treated as capital property. Such an election will ensure that gains or losses realized by the Corporation on Canadian securities are treated as capital gains or capital losses.

In computing income for a taxation year, the Corporation will be required to include in income all dividends received by the Corporation in the year. In computing taxable income, the Corporation will generally be permitted to deduct all dividends received by it from taxable Canadian corporations.

As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Corporation is generally subject to a refundable tax of 33 1/3% under Part IV of the Tax Act on taxable dividends received by the Corporation during the year to the extent that such dividends were deductible in computing the Corporation’s taxable income for the year. This tax is refundable upon payment by the Corporation of sufficient dividends other than Capital Gains Dividends (“**Ordinary Dividends**”). The Corporation qualifies as a “financial intermediary corporation” (as defined in the Tax Act) and, thus, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Corporation.

To the extent that the Corporation earns income (other than dividends from taxable Canadian corporations and taxable capital gains), including interest and dividends from corporations other than taxable Canadian corporations, the Corporation will be subject to income tax on such income and no refund will be available in respect thereof.

The Corporation, like any other mutual fund corporation with a multi-class structure, must compute its earnings for tax purposes as a single entity. As a result, dividends paid to an investor in a Pool could differ from the dividends or distributions that would be paid to the investor if the investor invested in a mutual fund corporation that made the same investments but did not have a multi-class corporate structure. For example, in the event the Corporation introduces other pools and if a Pool has a net loss or net realized capital loss associated with it, that net loss or net realized capital loss may be applied to reduce the income and net realized capital gains of the Corporation as a whole. This treatment will generally benefit investors in other Pools (if applicable) even if it may reduce the amount of dividends that would otherwise be paid to such investors currently since the value of their shares in such other Pools should not be reduced. The amount of capital gains dividends paid by the Corporation on a class of shares will be affected by the level of redemptions from all Pools as well as accrued gains and losses of all Pools as a whole. The Corporation may have to dispose of some of its investments as a result of investors switching from one Pool to another Pool (if applicable). Consequently, more of its accrued gains and losses may be recognized at an earlier time compared with a mutual fund that does not allow for tax-deferred switching. In certain circumstances, this switching could accelerate the recognition of gains by investors as a consequence of the earlier payment of capital gains dividends.

The earnings and tax liability, if any, of the Corporation will be allocated among the Pools (if applicable) in the sole discretion of the Corporation acting reasonably.

The Corporation will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the Shares. Such issue expenses will be deductible by the Corporation rateably over a five-year period subject to reduction in any taxation year which is less than 365 days. The Corporation will generally be entitled to deduct administrative expenses and interest payable by it on money borrowed to purchase securities.

Any non-capital losses incurred by the Corporation may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Corporation. Tax Proposals released for public comment on October 31, 2003 (the “**October 31 Proposed Amendments**”) may deny losses realized in a year in respect of a business or property if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business or has held, and can reasonably be expected to hold, that property. For these purposes, profit does not include capital gains. If the October 31 Proposed Amendments applied to the Corporation, certain losses in respect of a business or property of the Corporation could be denied. On February 23, 2005 the Department of Finance announced that it will, at an early opportunity, release an alternative to the October 31 Proposed Amendments for comment. To date, such alternative Tax Proposal has not been released.

While the principal sources of income of the Corporation are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Corporation earns net income, after expenses, from other sources, including dividends from non-Canadian sources and interest income upon interim investment of its reserves, the Corporation will be subject to income tax on such income and no refund of such tax will be available.

Given the investment and dividend policy of the Corporation and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Corporation may be subject to non-refundable Canadian income tax.

### **Taxation of Shareholders**

Shareholders must include in income Ordinary Dividends paid to them by the Corporation. For individual Shareholders, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations, including an enhanced dividend gross-up and tax credit for eligible dividends designated by the Corporation. For corporate Shareholders, other than “specified financial institutions” (as defined in the Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation. A Shareholder that is a corporation and that receives an Ordinary Dividend that is paid in Shares should consult with its own tax advisor regarding the cost of such Shares because under the Tax Proposals such cost may be less than the amount of the dividend if such dividend is deductible by such corporation and to the extent that such dividend exceeds the “safe income” in respect of the Shares held by such corporation.

In the case of a Shareholder that is a specified financial institution (as defined in the Tax Act), Ordinary Dividends received on Shares will be deductible in computing its taxable income generally only if the specified financial institution did not acquire the shares in the ordinary course of its business.

A Shareholder that is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the Shares to the extent that such dividends are deductible in computing the Shareholder’s taxable income.

The amount of any Capital Gains Dividend received by a Shareholder from the Corporation will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the Capital Gains Dividend is received. Where a Capital Gains Dividend is paid in Shares, the cost of such Shares will be equal to the amount of such dividend.

The amount of any payment received by a Shareholder on the Shares as a return of capital will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of such Shares to the

Shareholder. To the extent that the adjusted cost base to the Shareholder of such Shares would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain at that time equal to the negative amount and the adjusted cost base of such Shares will be increased to nil.

Upon the redemption, retraction or other disposition of a Share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. If the Shareholder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. The adjusted cost base of each Share will generally be the weighted average of the cost of the Shares of a Pool acquired by a Shareholder at a particular time and the aggregate adjusted cost base of all other Shares of such Pool held as capital property immediately before the particular time.

One-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Tax Act. A Shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains.

Individuals (other than certain trusts) who realize net capital gains or receive dividends may be subject to minimum tax under the Tax Act.

### **Taxation of Registered Plans**

Income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Shares are qualified investments under the Tax Act for the Registered Plan.

See "Canadian Federal Income Tax Considerations – Status of the Corporation". Shareholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

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

A person acquiring Shares in the future, including on the reinvestment of distributions, may become taxable on income or capital gains accrued or realized by the Corporation before such person acquired such Shares.

Any additional Shares acquired by a Shareholder on a reinvestment of distributions from the Corporation will have an initial cost to the Shareholder equal to the amount of the distributions so reinvested. The cost of such Shares will be averaged with the adjusted cost base of all other Shares then held by the Shareholder as capital property to determine the adjusted cost base of each Share held by the Shareholder.

## **TERMINATION OF A POOL**

### **Termination of the Pool**

The Corporation has the authority to redeem all of the Shares, provided that the Corporation has given 60 days' prior written notice of the intention to redeem of a Pool to all holders of the Shares. No Shares may be redeemed after we have issued a notice of termination with respect to the Series A Shares. In such a situation, we will make appropriate arrangements for converting the assets of the Series A Shares into cash or making an *in specie* distribution. After paying or providing for the liabilities and obligations of the Series, each Shareholder of the Series, registered as such at the close of business on the date on which such Series is to be terminated, shall be entitled to receive his proportionate share of the value of such Series based on the number of shares of such Series that the Shareholder holds.

## MATERIAL CONTRACTS

The material contracts pertaining to the Pool are:

- Custodian Agreement;
- Management Agreement; and
- Portfolio Management Agreement.

The Pool may also from time to time enter into distribution and/or administration agreements with service providers in order to facilitate the distribution of Shares.

Copies of the aforementioned documents are available and may be consulted during normal business hours at the offices of the Manager, 36 Toronto Street, Suite 710, Toronto, Ontario M5C 2C5.

No other material contracts have been, or are expected to be, entered into, by or on behalf of the Pool.

## RISK FACTORS

An investment in the Pool involves significant risks. **Investors should consider the following risk factors in evaluating the merits and suitability of an investment in the Pool. The following does not purport to be a summary of all the risks associated with an investment in the Pool. Rather, the following are only certain risks to which the Pool are subject. Investors are urged to consult with their Dealer and tax advisers to discuss these risks and the suitability of an investment in the Pool.**

### Investment Risk

An investment in a Pool should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with such investment. Investors should review closely the investment objective and investment strategies to be utilized by the Pool as outlined herein and to familiarize themselves with the risks associated with such an investment.

### Market Risk

The value of securities may be affected by stock market conditions rather than each company's performance. The value of the market is affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

### 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.

### Fluctuations in Net Asset Value

The NAVPS will vary as the value of the securities in the Pool varies. The Pool has no control over the factors that affect the value of the securities in the Pool, 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 a Pool, 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.

## **Interest Rate Risk**

A Pool may invest in fixed-income securities, such as bonds and money market instruments, and is therefore sensitive to changes in interest rates. Generally, when interest rates are rising, the value of these investments falls; when interest rates are falling, the value of these investments rises. Moreover, fixed-income securities with longer terms to maturity are usually more sensitive to changes in interest rates.

## **Foreign Investment Risk**

The Pool's investments may, 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 Risk**

The Pool may invest in securities denominated or traded in currencies other than the Canadian dollar. Changes in foreign currency exchange rates will affect the value of the securities in the Pool. When the Canadian dollar rises in value against a foreign currency, your investment is worth fewer Canadian dollars. Similarly, when the Canadian dollar decreases in value against a foreign currency, your investment is worth more Canadian dollars. This is generally known as "currency risk", which is the possibility that a stronger Canadian dollar will reduce returns for Canadians investing outside of Canada and a weaker Canadian dollar will increase returns for Canadians investing outside of Canada.

## **Derivatives Risk**

If a Pool invests in derivatives it enters into a contract (with a "counterparty"), the value of which will be based on the performance of some underlying security, index, currency or other instrument. Some of the common risks associated with using derivatives include: the use of derivatives for hedging may not be effective; there is no guarantee a market will exist when a fund wants to buy or sell a derivative contract; the counterparty to the derivative contract may not be able to meet its obligations; the exchanges on which some derivatives are traded may set daily trading limits on futures contracts, preventing a Pool from closing a contract; if an exchange halts trading in a certain stock option, a Pool may not be able to close its position in an option; and the price of a derivative may not accurately reflect the value of the underlying security or index.

## **Capital Depreciation Risk**

The Pool aims to generate or maximize income while preserving capital. In certain situations, such as periods of declining markets or changes in interest rates, a Pool's NAV could be reduced such that a Series is unable to preserve capital. In these circumstances, a Series' distributions may include a return of capital and the total amount of any returns of capital made by the Series in any year may exceed the amount of the net unrealized appreciation in the Series assets for the year and any return of capital received by the Series from the underlying investments. This may reduce the NAV of a Pool and affect its ability to generate future income.

## **Concentration Risk**

A Pool that concentrates their investments in a relatively small number of securities, certain sectors or specific regions or countries are susceptible to higher volatility since the value of the Pool's portfolio will vary more in response to changes in the market value of these securities, sectors, regions or countries.

## **Liquidity Risk**

Investments with low liquidity can be subject to greater fluctuations in value. Liquidity is a measure of how easily an investment can be converted to cash. An investment could be less liquid if it is not widely-traded or if there are restrictions on the exchange where trading of the investment occurs.

## **Systemic Risk**

A Pool may be exposed to the risk of the collapse of an entire financial system or entire market. There are risks imposed by the interdependency in a system or market, where the failure of a single entity or cluster of entities can cause a cascading failure.

## **Conflicts of Interest**

The Manager and its 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 Pool.

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

## **Possible Effect of Redemptions**

Substantial redemptions of Shares could require the Pool to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the outstanding Shares.

## **Marketability and Transferability of Shares**

There is not now, and there is not likely to develop, any market for the resale of the Shares. The Shares have not been qualified for sale by prospectus under the securities laws of any of the Offering Jurisdictions. Accordingly, Shares may not be transferred unless appropriate prospectus exemptions from applicable securities laws are available.

## **Not a Public Mutual Fund**

The Pool is not a “mutual fund” governed by National Instrument 81-102. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Shares and certain restrictions imposed on mutual funds under Canadian securities laws, including investor voting rights, do not apply to the Pool.

## **Restrictions on Certain Shareholders**

At no time may non-residents of Canada be the beneficial owner of a majority of Shares. This restriction may limit the rights of Shareholders, including non-residents of Canada.

## **Securities Lending Risk**

A Pool may enter into securities lending agreements. Securities lending involves loaning a security to a party in return for a fee together with the right to demand the return of the security at any time. The risk of these types of transactions is that the other party may default under the agreement or go bankrupt. In the case of a securities lending agreement, a Pool could incur a loss if the value of the security sold or loaned has increased more than the value of the cash or collateral held. A Pool may reduce the risk of using securities lending transactions by requiring the other party to deliver cash, put up collateral or deliver securities, depending on the nature of the transaction. We

only deal with parties who we believe have the resources and the financial strength to live up to the terms of the agreements.

### **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 Pool or the investors.

### **EXEMPTION FROM PROSPECTUS REQUIREMENTS**

Shares are offered pursuant to certain exemptions from the prospectus requirements of the securities legislation of various provinces and territories of Canada. Subscribers for Shares will be required to execute a Subscription Agreement, as described under the heading “Purchase of Shares”, and may be required to execute such certificates and other documents as we may reasonably require to evidence the investor’s eligibility as a Shareholder.

### **RIGHT OF ACTION FOR DAMAGES OR RESCISSION**

#### **Contractual and Statutory Rights of Action**

Securities legislation in the provinces of Canada in which the Shares are being offered is being made provide Subscriber for shares (“**Subscribers**”), in addition to any other rights they may have at law, with a remedy for rescission or damages, or both, where this Memorandum, or any amendment to the Memorandum, contains a misrepresentation. A “misrepresentation” is generally defined under applicable securities laws as an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the Subscriber within the time limit prescribed, and are subject to the defences contained, in the applicable securities legislation. Subscribers should refer to the provisions of the applicable securities legislation for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to Subscribers.

#### **Rights for Purchasers in Ontario**

Ontario Securities Commission Rule 45-501 – Ontario Prospectus and Registration Exemptions provides that when an offering memorandum, such as this document, is delivered to an investor to whom securities are distributed in reliance upon the “accredited investor” prospectus exemption in Section 2.3 of National Instrument 45-106 – Prospectus Exemptions (“**NI 45-106**”), the right of action referred to in Section 130.1 (“**Section 130.1**”) of the Securities Act (Ontario) (the “**Ontario Act**”) is applicable, unless the prospective purchaser is:

- (a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;
- (b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (d) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (e) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The right of action referred to in Section 130.1 is also applicable to a purchaser to whom securities are distributed in reliance upon the “minimum amount investment” prospectus exemption in Section 2.10 of NI 45-106.

Section 130.1 provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a “misrepresentation”. In Ontario, the term “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities laws.

Where this document is delivered to a prospective purchaser of securities in connection with a trade made in reliance on either Section 2.3 or Section 2.10 of NI 45-106, and this document contains a misrepresentation, the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Corporation for damages or, while still the owner of the securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser gives notice to the Corporation, not more than 180 days after the date of the transaction that gave rise to the cause of action, that the purchaser is exercising such right; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The Corporation will not be liable for a misrepresentation if it proves that the purchaser purchased securities with knowledge of a misrepresentation.

In an action for damages, the Corporation will not be liable for all or any portion of the damages that the Corporation proves do not represent the depreciation in value of securities as a result of a misrepresentation relied upon.

In no case will the amount recoverable for a misrepresentation exceed the price at which the securities were offered.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the Ontario Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

### **Rights for Purchasers in Saskatchewan**

Section 138 of The Securities Act, 1988 (Saskatchewan), as amended (the “Saskatchewan Act”) provides that where an offering memorandum or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

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

- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

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

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

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

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

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

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in

contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

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

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

Section 147 of the Saskatchewan Act provides that no action will be commenced to enforce any of the foregoing rights more than:

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

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

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

### **Rights for Purchasers in Nova Scotia**

The right of action for rescission or damages described herein is conferred by section 138 of the Securities Act (Nova Scotia) (the "**Nova Scotia Act**"). Section 138 provides, in the relevant part, that in the event that an offering memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the Nova Scotia Act) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (in Nova Scotia, a "misrepresentation"), a purchaser of securities is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the seller of such securities, the directors of the seller and the persons who have signed the offering memorandum or, alternatively, while still the owner of such securities, may elect instead to exercise a statutory right of rescission against the seller, in which case the purchaser will have no right of action for damages against the seller, the directors of the seller or the persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action will be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date payment was made for the securities (or after the date on which initial payment was made for the securities where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

This summary is subject to the express provisions of the Nova Scotia Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

### **Rights for Purchasers in New Brunswick**

New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in Section 150 (“**Section 150**”) of the Securities Act (New Brunswick) (the “**New Brunswick Act**”) apply to information relating to an offering memorandum, such as this document, that is provided to a purchaser of securities in connection with a distribution made in reliance on either the “accredited investor” prospectus exemption in Section 2.3 of NI 45-106 or the “minimum amount investment” exemption in Section 2.10 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the New Brunswick Act with a statutory right of action against the issuer of securities for rescission or damages in the event that an offering memorandum provided to the purchaser contains a “misrepresentation”. In New Brunswick, “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this document is delivered to a prospective purchaser of securities in connection with a trade made in reliance on either Section 2.3 of NI 45-106 or Section 2.10 of NI 45-106, and this document contains a misrepresentation, a purchaser who purchases securities will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Corporation for damages or, while still the owner of securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences an action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased securities with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of securities as a result of the misrepresentation relied upon.

In no case will the amount recoverable for the misrepresentation exceed the price at which securities were offered.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the New Brunswick Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

## Rights for Purchasers in Prince Edward Island

The right of action for rescission or damages described herein is conferred by Section 112 of the *Securities Act* (Prince Edward Island) (the “**PEI Act**”). Section 112 provides, that in the event that an offering memorandum, such as this document, contains a “misrepresentation”, a purchaser who purchased securities during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum. Alternatively, the purchaser while still the owner of securities may elect to exercise a statutory right of action for rescission against the issuer, or the selling security holder on whose behalf the distribution is made. Under the PEI act, “misrepresentation” means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the PEI Act, or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

- (a) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;
- (b) in the case of any action other than an action for rescission;
  - (i) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or
  - (ii) three years after the date of the transaction giving rise to the cause of action or whichever period expires first;
- (c) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (d)
  - (i) no person will be liable if the person proves that the offering memorandum was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
  - (ii) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person’s consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
  - (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;
    - (A) there had been a misrepresentation; or
    - (B) the relevant part of the offering memorandum:
      - (I) did not fairly represent the report, statement or opinion of the expert, or
      - (II) was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which securities were offered to the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of securities as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express conditions of the PEI Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

### **Rights for Purchasers in Manitoba**

Pursuant to section 141.1(1) of *The Securities Act* (Manitoba) (the “**Manitoba Act**”), where an offering memorandum, such as this document, or any amendment to an offering memorandum, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases securities in the offering contemplated by this document or any amendment to this document is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of purchase and, subject to the defences described in the Manitoba Act, has:

- (a) a right of action for damages against:
  - (i) the Corporation;
  - (ii) every director of the Corporation at the date of this document or any amendment to this document; and
  - (iii) every person or company who signed this document or any amendment to this document; and
- (b) a right of rescission against the Corporation;

provided that:

- (a) no person or company is liable if the person or company proves that the purchaser purchased securities with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of securities resulting from the misrepresentation relied on; and
- (c) in no case will the amount recovered exceed the price at which securities were offered to the public.

Where a purchaser elects to exercise a right of rescission against the Corporation, the purchaser will have no right of action for damages against the Corporation or against a person or Corporation referred to in (a)(ii) or (iii) above.

No person or company is liable:

- (a) if the person or company proves that this document or any amendment to this document was sent without the person’s or company’s knowledge or consent and that, after becoming aware of its

being sent, the person or company promptly gave reasonable notice to the Corporation that it was so sent;

- (b) if the person or company proves that after becoming aware of any misrepresentation in this document or any amendment to this document, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Corporation of the person's or company's withdrawal and the reason for it;
- (c) if the person or company proves that with respect to any part of this document or of any amendment to this document purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation; or
  - (ii) the relevant part of this document or of the amendment to this document:
    - (A) did not fairly represent the report, opinion or statement of the expert; or
    - (B) was not a fair copy of or extract from the report, opinion or statement of the expert; or
- (d) with respect to any part of this document or of the amendment to this document not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:
  - (i) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
  - (ii) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

- (e) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or
- (f) in the case of an action for damages, the earlier of:
  - (i) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) two years after the date of the transaction that gave rise to the cause of action.

In an action for damages, the Corporation will not be liable for all or any part of the damages that the Corporation proves do not represent the depreciation in value of securities as a result of the misrepresentation relied upon.

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

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

### **Alberta (\$150,000 Minimum Amount Exemption)**

If a non-individual purchaser has purchased Shares in reliance on the \$150,000 minimum amount exemption in NI 45-106, where this Memorandum or a record incorporated by reference in or deemed incorporated into the Memorandum or any amendment to the Memorandum contains a misrepresentation, every purchaser in Alberta to whom the Memorandum was delivered has certain statutory rights. Each such purchaser shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase, and has a right of action for damages against the Corporation and each person or company who signed the Offering Memorandum, or, alternatively, for rescission, against the Corporation.

This right of action is subject to the following limitations:

- (a) no person or company will be liable if the person or company proves the purchaser purchased the Shares with the knowledge of the misrepresentation;
- (b) no person or company, other than the Corporation, will be liable if the person or company provides that the Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that upon becoming aware of its being sent, the person or company gave reasonable notice to the Corporation that it was sent without the knowledge or consent of the person or company;
- (c) no person or company, other than the Corporation, will be liable if the person or company proves that, on the person or company becoming aware of the misrepresentation in the Memorandum, the person or company withdrew the person or company consent to the Memorandum and gave reasonable notice to the Corporation of the withdrawal and the reason for it;
- (d) no person or company, other than the Corporation, will be liable if, with respect to any part of the Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that:
  - (i) there has been a misrepresentation, or
  - (ii) the relevant part of the Memorandum:
    - A. did not fairly represent the report, opinion or statement of the expert, or
    - B. was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
- (e) no person or company, other than the Corporation, will be liable if, with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:
  - (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or
  - (ii) believed there had been a misrepresentation;
- (f) in an action for damages, the defendant will not be liable for all or any portion of those damages that the defendant proves does not represent the depreciation in value of the Shares as a result of the misrepresentation; and
- (g) in no case will the amount recoverable exceed the price at which the Shares were sold to the purchaser.

No such action may be commenced to enforce the right of action for rescission or damages:

- (a) in the case of recession, not later than 180 days from the day of the transaction that gave rise to the right of action, or
- (b) in the case of damages, not later than the earlier of:
  - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the right of action, or
  - (ii) three years from the day of the transaction that gave rise to the right of action.

**Rights for Purchasers in Alberta (except under the \$150,000 Minimum Amount Exemption), British Columbia and Québec**

By purchasing Shares hereunder, purchasers in Alberta (except under the \$150,000 Minimum Amount Exemption), British Columbia and Québec are not entitled to the statutory rights described above. In consideration of their purchase of Shares and upon accepting a purchase confirmation in respect thereof, these purchasers are hereby granted a contractual right of action for damages or rescission that is substantially the same as the statutory right of action, if any, provided to residents of Ontario who purchase Shares.

**General**

The foregoing summaries are subject to the express provisions of the applicable securities law in the Qualifying Jurisdictions, and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

**TO: ALBERTA RESIDENTS PURCHASING UNITS IN RELIANCE ON THE EXEMPTION IN SECTION 2.10 (\$150,000 MINIMUM AMOUNT EXEMPTION) OF NATIONAL INSTRUMENT 45-106**

**CERTIFICATE OF  
STONE GALEFORCE INVESTMENT CORPORATION**

Date: May 5, 2015

This Memorandum does not contain a misrepresentation.

*(signed) "Richard G. Stone"*

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Richard G. Stone  
President and Chief Executive Officer  
Stone GaleForce Investment Corporation

*(signed) "James A. Elliott"*

\_\_\_\_\_  
James A. Elliott  
Chief Financial Officer  
Stone GaleForce Investment Corporation

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
STONE GALEFORCE INVESTMENT CORPORATION**

*(signed) "Suzanne Grimble"*

\_\_\_\_\_  
Suzanne Grimble  
Director

**CONFIDENTIAL OFFERING MEMORANDUM**

**May 5, 2015**

**STONE GALEFORCE DIVIDEND GROWTH POOL  
STONE ASSET MANAGEMENT LIMITED**

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