CONFIDENTIAL OFFERING MEMORANDUM

No. _____

*This confidential offering memorandum (the "**Offering Memorandum**") constitutes an offering of the securities described herein only in those jurisdictions where, and to those persons to whom, they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or an advertisement or a public offering of these securities. No securities commission or similar regulatory authority in Canada has reviewed this Offering Memorandum nor has it in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. No prospectus has been filed with any such authority in Canada in connection with the securities offered hereunder.*

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained herein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

Continuous Offering **August 31, 2016**

SPROTT ALTERNATIVE INCOME FUND

Class A, Class F and Class I trust units (collectively, the "**Units**") of Sprott Alternative Income Fund (the "**Fund**") are being offered on a private placement basis pursuant to exemptions from the prospectus requirements and, where applicable, the registration requirements under applicable securities legislation. Units are being offered on a continuous basis to an unlimited number of eligible subscribers who are prepared to invest a minimum initial subscription amount of $5,000 if the subscriber qualifies as an "accredited investor" under applicable securities legislation. If the subscriber does not qualify as an "accredited investor" then the minimum initial subscription amount for Units is $150,000 pursuant to the "minimum amount investment" exemption under National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**"); provided that such subscriber is (i) not an individual, and (ii) not created or used solely to rely on the "minimum amount investment" exemption. Sprott Asset Management LP (the "**Manager**"), the manager of the Fund, may, in its sole discretion, accept subscriptions for lesser amounts provided such subscribers are "accredited investors" under applicable securities legislation. Units will be offered at the net asset value ("**Net Asset Value**") per Unit for the applicable class (determined in accordance with the trust agreement dated as of August 31, 2016 (the "**Trust Agreement**"), as the same may be amended, restated or supplemented from time to time) as at the relevant Valuation Date (as hereinafter defined). Units are only transferable with the consent of the Manager and in accordance with applicable securities legislation.

Units are subject to restrictions on resale under applicable securities legislation, unless a further statutory exemption may be relied upon by the investor or an appropriate discretionary order is obtained from the appropriate securities regulatory authorities pursuant to applicable securities legislation. As there is no market for the Units, it may be difficult or even impossible for a subscriber to sell them other than by way of a redemption of their Units on a Valuation Date. Units may be redeemed at their Net Asset Value per Unit for the applicable class (determined in accordance with the Trust Agreement at the close of business on a Valuation Date, provided the request for redemption is submitted to the Manager at least 30 calendar days prior to such Valuation Date.

The Units offered hereby are distributed exclusively by the Fund by way of a private placement. Investors should carefully review the risk factors outlined in this Offering Memorandum. Investors are urged to consult with an independent legal advisor prior to signing the subscription form for

the Units which accompanies this Offering Memorandum. Investors relying on this Offering Memorandum must comply with all applicable securities legislation with respect to the acquisition or disposition of Units.

Sprott Private Wealth LP is a registered dealer participating in the offering of the Units to its clients for which it will receive a service commission with respect to Class A Units. In addition, the Fund may execute a portion of its portfolio transactions through Sprott Private Wealth LP. The Fund, the Partnership (as hereinafter defined), and the Portfolio Funds may be considered to be "connected issuers" and "related issuers" of Sprott Private Wealth LP and the Manager under applicable securities legislation. Sprott Private Wealth LP, Sprott Private Wealth GP Inc., the Manager and Sprott Asset Management GP Inc. are controlled, directly or indirectly, by the same individual. See "Conflicts of Interest".

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SUMMARY

Prospective investors are encouraged to consult with their own professional advisors as to the tax and legal consequences of investing in the Fund. The following is a summary only and is qualified by the more detailed information contained in this Offering Memorandum and the Trust Agreement.

The Fund:

Sprott Alternative Income Fund (the "**Fund**") is an open-ended unincorporated investment trust established under the laws of the Province of Ontario pursuant to the trust agreement dated as of August 31, 2016 (the "**Trust Agreement**"), as the same may be amended, restated or supplemented from time to time. See "The Fund".

The Manager:

Pursuant to the Trust Agreement, Sprott Asset Management LP (in such capacity, the "**Manager**") is the manager of the Fund. The Manager is a limited partnership formed and organized under the laws of the Province of Ontario. The Manager is responsible for the day-to-day business and administration of the Fund, including management of the Fund's investment portfolio. The Manager is also the manager of each of the Portfolio Funds (as defined below). See "Management of the Fund – The Manager".

The Trustee:

Pursuant to the Trust Agreement, RBC Investor Services Trust (in such capacity, the "**Trustee**") is the trustee of the Fund. The Trustee is a trust company continued under the federal laws of Canada. See "Trustee".

Investment Objective and Strategy of the Fund:

The investment objective of the Fund is to seek to provide investors with exposure to alternative strategies that generate superior income and long term capital growth. The Fund's investment strategy will be to mirror the performance of the credit-based products (the "**Portfolio**") underlying the Sprott Bridging Income Fund LP, Sprott Private Credit Trust II, Sprott Credit Income Opportunities Fund and the Sprott Diversified Bond Fund (each, a "**Portfolio Fund**" and collectively, the "**Portfolio Funds**"). The Fund will invest directly in Class I units of each of the Portfolio Funds in unequal amounts subject to the Manager's sole discretion. The Manager, or an investment committee of the Manager, will determine the allocation of Fund assets to each Portfolio Fund from time to time in its sole discretion. See "Investment Objective and Strategy of the Fund" and "Investment Restrictions of the Fund".

Investment Objective and Strategy of Sprott Bridging Income Fund LP

The investment objective of the Sprott Bridging Income Fund LP is to achieve superior risk-adjusted returns for Limited Partners with minimal volatility and low correlation to most traditional asset classes. In general, the investment strategy seeks to invest in an actively managed portfolio comprised of (i) asset-based loans primarily to Canadian and U.S. based companies that have good quality collateral ("**Asset-Based Investments**") and (ii) factored accounts receivable and inventory financing primarily to Canadian and U.S. based companies and Canadian federal and provincial tax credit financing ("**Factoring Investments**"). The portfolio will include only Asset-Based Investments that are fully collateralized based on liquidation values and/or potential cash flow events. For Asset-Based Investments, the portfolio strategy emphasizes liquidation values over reliance on future cash flows. The portfolio strategy involves a fundamental analysis that identifies good companies that are overlooked by the general financing community and targets diversification through asset type, investment size and industry. Factoring Investments will be well diversified by industry, sector and size according to underwriting standards determined by Bridging Finance Inc., the sub-advisor to the Portfolio Fund. Each investment follows a rigorous documentation process that is managed by the independent credit function of the sub-advisor. This Portfolio Fund may also make incidental investments in assets such as promissory notes, convertible debentures, warrants and other "equity sweeteners" issued in connection with the primary investments.

Investment Objective and Strategy of Sprott Private Credit Trust II

The investment objective of the Fund is to achieve superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes. To achieve its investment objective this Portfolio Fund intends to allocate capital to invest in securities of funds managed by certain third-party managers selected by the Manager from time to time who will employ various credit strategies across the credit quality spectrum with portfolios comprised of asset-based loans of companies based primarily in Canada and/or the United States.

Investment Objective and Strategy of Sprott Credit Income Opportunities Fund

The investment objective of the Sprott Credit Income Opportunities Fund is to provide investors with income and capital appreciation. This Portfolio Fund seeks to achieve its investment objectives by primarily investing in a diversity of Canadian, U.S. and international fixed income securities for short-term and long-term gain. The securities comprising the portfolio will be selected by the investment manager based on its assessment of the markets and potential investment opportunities. The Fund may employ the use of derivative instruments and currency hedging from time to time to hedge against losses from movements in fixed income and equity markets or to realize additional gains. In addition, government bonds may be sold short to reduce interest rate risk.

Investment Objective and Strategy of Sprott Diversified Bond Fund

The Sprott Diversified Bond Fund's investment objectives are to maximize total return and to provide income by investing primarily in debt and debt-like securities of corporate and government issuers from around the world. To achieve its investment objectives, this Portfolio Fund takes a flexible approach in investing in debt instruments and debt-like securities (such as convertible bonds) and the allocation depends on the investment manager's view of economic and market conditions. In addition, the investment manager selects investments in an effort to take advantage of the credit cycle and the differences in currencies, interest rates and credits between countries based on global macroeconomic and political analysis. There are no restrictions on the credit rating of the securities of this Portfolio Fund and the investment manager may invest a significant portion of this Portfolio Fund's assets in non-investment grade and high yield debt securities. The investment manager may also invest a portion of the Portfolio Fund's assets in exchange-traded funds to gain exposure to the securities described herein. This Portfolio Fund's holdings are denominated in foreign currencies and the currency exposures will be actively managed and will be generally hedged back to the Canadian dollar as the investment manager deems appropriate. Capital is allocated based on the investment manager's assessment of anticipated market opportunities and expected risk reward profile. The Portfolio Fund's portfolio is monitored and rebalanced intra-day as appropriate using both qualitative and quantitative measures. In particular, the portfolio is reviewed under different stress testing scenarios.

See "Portfolio Funds – Investment Objective" and "Portfolio Funds – Investment Strategy" for each Portfolio Fund.

The Manager has received exemptive relief from securities regulatory authorities from certain requirements under applicable securities legislation to permit the Fund to invest in securities of related persons or companies (each individually, a "**Related Issuer**" and collectively, the "**Related Issuers**"). Each purchase of securities of a Related Issuer will occur in the secondary market and not under primary distributions or treasury offerings of such Related Issuers. Furthermore, the independent review committee of the Fund must approve the purchase or sale of securities of such Related Issuers by the Fund in accordance with section 5.2 of National Instrument 81-107 *Independent Review Committee for Investment*

	Funds. Not later than the 90th day after the end of each financial year of the Fund, the Manager will file with the applicable securities regulatory authority the particulars of any such investments on behalf of the Fund. In addition, the Fund may obtain exposure to securities through investing in underlying investment funds (each individually, an "**Underlying Fund**" and collectively, the "**Underlying Funds**"), including underlying mutual funds, pooled funds and closed-end funds managed by the Manager and/or its affiliates and associates. Underlying Funds will be selected with consideration for each Underlying Fund's investment objectives and strategies, past performance and volatility, among other factors.
Loan Facilities	The Fund may enter into loan facilities with one or more lenders. The Manager views the loan facilities as being able to provide liquidity in the event of Unitholder redemptions. See "Investment Objective and Strategy of the Fund – Loan Facilities".
The Portfolio Funds:	Sprott Bridging Income Fund LP is a limited partnership organized under the laws of the Province of Ontario and governed by the provisions of a limited partnership agreement as amended and restated as of January 1, 2016, as the same may be further amended, restated or supplemented from time to time. The general partner of this Portfolio Fund is Sprott GenPar Ltd. Bridging Finance Inc. is the sub-advisor. The sub-advisor also acts as administrator of the Asset-Based Investments and Factoring Investments for which it may receive fees directly from the borrowers. Commonwealth Fund Services Ltd. is the administrator of this Portfolio Fund and provides certain administrative services other than the administration of the Asset-Based Investments and Factoring Investments. The Manager has provided notice to unitholders of this Portfolio Fund and to the administrator that effective August 1, 2016, the administrator will be RBC Investor Services Trust. Bank of Montreal acts as custodian for the monetary assets and RBC Investor Services Trust acts as custodian for the other assets and securities of this Portfolio Fund. Sprott Private Credit Trust II is an open-ended unincorporated investment trust established under the laws of the Province of Ontario and is governed pursuant to a trust agreement dated as of June 1, 2016, as the same may be amended, restated or supplemented from time to time. RBC Investor Services Trust is the trustee and also acts as custodian and record-keeper. Sprott Credit Income Opportunities Fund is an open-ended unincorporated investment trust existing under the laws of the Province of Ontario and is governed pursuant to the terms of an amended and restated trust agreement dated as of June 1, 2015, as the same may be amended, restated or supplemented from time to time. CIBC Mellon Trust Company is the trustee and also acts as custodian. RBC Investor Services Trust acts as record-keeper. Sprott Diversified Bond Fund is an open-ended mutual fund trust established under the laws of the Province of Ontario and is governed by an amended and restated trust agreement dated as of June 2, 2014, as the same may be amended, restated or supplemented from time to time. This Portfolio Fund is a mutual fund managed in accordance with National Instrument 81-102 *Investment Funds* of the Canadian Securities Administrators. RBC Investor Services Trust acts as the trustee, custodian and record-keeper. Each of the Portfolio Funds is managed by the Manager. See "The Portfolio Funds".
Investment Guidelines and Restrictions:	As the Fund will be investing in each of the Portfolio Funds, the Fund will indirectly be subject to the investment guidelines and restrictions of each Portfolio Fund.

	The Fund is also subject to a number of general investment restrictions. See "Investment Restrictions of the Fund".
The Offering by the Fund:	A continuous offering of Class A units, Class F units and Class I units of the Fund (collectively, the "**Units**"). There need not be any correlation between the number of Class A Units, Class F Units and Class I Units sold hereunder. The differences among the three classes of Units are the different eligibility criteria, fee structures and administrative expenses associated with each class. However, classes of Units may not necessarily track or reflect such differences given certain differences with respect to the securities and fee structure of a Portfolio Fund. See "Description of Units of the Fund" and "Fees and Expenses". Each Unit represents a beneficial interest in the Fund. The Fund is authorized to issue an unlimited number of classes of Units and an unlimited number of Units in each such class. The Fund may issue fractional Units so that subscription funds may be fully invested. Each whole Unit of a particular class has equal rights to each other Unit of the same class with respect to all matters, including voting, receipt of distributions from the Fund, liquidation and other events in connection with the Fund. See "Description of Units of the Fund". Units may be purchased as at the close of business on a Valuation Date if a duly completed subscription form and the required payment reaches the Manager no later than 4:00 p.m. (Toronto time) on such Valuation Date. The issue date for subscription orders received and accepted after 4:00 p.m. (Toronto time) on a Valuation Date will be the next Valuation Date. No certificates evidencing ownership of Units will be issued to unitholders of the Fund (individually, a "**Unitholder**" and collectively, the "**Unitholders**"). See "Details of the Offering by the Fund".
Personal Investment Capital:	Certain directors, officers and employees of the Manager and/or its affiliates and associates may purchase and hold Units of the Fund and units of one or more of the Portfolio Funds, and the securities of certain of the portfolio companies held by such funds from time to time. See "Conflicts of Interest".
Valuation Date:	The net asset value ("**Net Asset Value**") of the Fund and the Net Asset Value per Unit of each class will be calculated on the last business day (that is, the last day on which the Toronto Stock Exchange is open for trading) of each month and on such other business day or days as the Manager may in its discretion designate (each, a "**Valuation Date**").
Price:	Units will be offered at a price equal to the Net Asset Value per Unit for the applicable class of Units on each Valuation Date (determined in accordance with the Trust Agreement). See "Computation of Net Asset Value of the Fund".
Minimum Initial Subscription:	Units are being offered to investors resident in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon (the "**Offering Jurisdictions**") pursuant to exemptions from the prospectus requirements under section 2.3 under National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-106**") or Section 73.3 of the *Securities Act* (Ontario), as the case may be (in each case, the accredited investor exemption), and section 2.10 (minimum amount investment exemption) under NI 45-106 and, where applicable, the registration requirements under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**"). Units will not be issued to individuals under section 2.10 of NI 45-106 (minimum amount investment exemption). See "Details of the Offering by the Fund". Units are being offered by the Fund on a continuous basis to an unlimited number of eligible subscribers who are prepared to invest a sufficient amount to meet the minimum initial subscription requirements or who are otherwise qualified investors. As at the date of this Offering Memorandum, the minimum initial

subscription amount for persons relying on the "accredited investor" exemption is $5,000. The minimum initial subscription amount for persons relying on the "minimum amount investment" exemption is $150,000; provided that such subscriber is (i) not an individual, and (ii) not created or used solely to rely on the "minimum amount investment" exemption. At the sole discretion of the General Partner, subscriptions may be accepted for lesser amounts from persons who are "accredited investors" as defined under applicable securities legislation. See "Details of the Offering by the Fund". These minimum initial subscription amounts are net of any sales commissions payable by an investor to their registered dealer. See "Dealer Compensation".

Subscriptions for Units are subject to acceptance or rejection in whole or in part by the Manager in its sole discretion. No subscription for Units will be accepted from a subscriber unless the Manager is satisfied that the subscription is in compliance with the requirements of applicable securities legislation. Subscribers whose subscriptions have been accepted by the Manager will become Unitholders.

Description of Units of the Fund:

Class A Units will be issued to qualified purchasers.

Class F Units will be issued to: (i) qualified purchasers who participate in fee-based programs through eligible registered dealers; (ii) qualified purchasers in respect of whom the Fund does not incur distribution costs; and (iii) qualified individual purchasers in the Manager's sole discretion. If a Unitholder ceases to be eligible to hold Class F Units, the Manager may, in its sole discretion, reclassify such Unitholder's Class F Units for Class A Units on five days' notice, unless such Unitholder notifies the Fund during the notice period and the Manager agrees that the Unitholder is once again eligible to hold Class F Units.

Class I Units will be issued to institutional investors at the discretion of the Manager. If a Unitholder ceases to be eligible to hold Class I Units, the Manager may, in its sole discretion, reclassify such Unitholder's Class I Units for Class A Units on five days' notice, unless such Unitholder notifies the Fund during the notice period and the Manager agrees that the Unitholder is once again eligible to hold Class I Units.

Subject to the consent of the Manager, Unitholders may reclassify or switch all or part of their investment in the Fund from one class of Units to another class if the Unitholder is eligible to purchase that class of Units. The timing and processing rules applicable to purchases and redemptions of Units also applies to reclassifications or switches between classes of Units. See "Details of the Offering" and "Redemption of Units". Upon a reclassification or switch from one class of Units to another class, the number of Units held by the Unitholder will change since each class of Units has a different Net Asset Value per Unit.

Generally, reclassifications or switches between classes of Units are not dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding any tax implications of reclassifying or switching between classes of Units.

Any investor who is or becomes a non-resident of Canada for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") or a partnership that is not a "Canadian partnership" (as defined in the Tax Act) (a "**non-Canadian partnership**") shall disclose such status to the Fund at the time of subscription (or when such status changes) and the Fund may restrict the participation of any such investor or require any such investor to redeem all or some of such investor's Units at the next Valuation Date.

By executing a subscription form for Units in the form prescribed by the Manager, each subscriber is making certain representations, and the Manager and the Fund are entitled to rely on such representations to establish the availability of exemptions from the prospectus and registration requirements described under

NI 45-106 and NI 31-103. In addition, the subscriber is also acknowledging in the subscription form that the investment portfolio and trading procedures of the Fund are proprietary in nature and agrees that all information relating to such investment portfolio and trading procedures will be kept confidential by such subscriber and will not be disclosed to third parties (excluding the subscriber's professional advisors) without the prior written consent of the Manager.

Additional Subscriptions:

Following the required initial minimum investment in the Fund, Unitholders resident in the Offering Jurisdictions may make additional investments in the Fund of not less than $5,000 provided that, at the time of the subscription for additional Units, the Unitholder is an "accredited investor" as defined under NI 45-106. Unitholders who are not "accredited investors" nor individuals, but previously invested in, and continue to hold, Units having an aggregate initial acquisition cost or current Net Asset Value equal to $150,000, will also be permitted to make subsequent investments in the Fund of not less than $5,000. Subject to applicable securities legislation, the Manager, in its sole discretion, may from time to time permit additional investments in Units of lesser amounts. Unitholders subscribing for additional Units should complete the subscription form prescribed from time to time by the Manager. See "Additional Subscriptions".

Management Fees Payable by the Fund:

The Manager will receive, as compensation for providing services to the Fund, a monthly management fee (the "**Management Fee**") from the Fund attributable to Class A Units, Class F Units and, in certain circumstances described below, Class I Units of the Fund. Each class of Units is responsible for the Management Fee attributable to that class. See "Fees and Expenses – Management Fees Payable by the Fund".

Class A Units:

The Fund will pay the Manager a monthly Management Fee equal to 1/12 of 2.0% of the Net Asset Value of the Class A Units (determined in accordance with the Trust Agreement), plus any applicable federal and provincial taxes ("**HST**"), calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class A Units as at the last business day of each month.

Class F Units:

The Fund will pay the Manager a monthly Management Fee equal to 1/12 of 1.0% of the Net Asset Value of the Class F Units (determined in accordance with the Trust Agreement), plus any applicable HST, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class F Units as at the last business day of each month.

Class I Units:

Subject to the discretion of the Manager, investors who purchase Class I Units must either: (i) enter into an agreement with the Manager which identifies the monthly Management Fee negotiated with the investor which is payable by the investor directly to the Manager; or (ii) enter into an agreement with the Fund which identifies the monthly Management Fee negotiated with the investor which is payable by the Fund to the Manager. In each circumstance, the monthly Management Fee, plus any applicable HST, is calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class I Units as at the last business day of each month.

The Fund will not pay a management fee to the Manager that to a reasonable person would duplicate a fee payable to the Manager by a Portfolio Fund for the same service. In addition, the Fund will not pay any sales commissions or redemption fees for its purchase or redemption of units of the units of a Portfolio Fund.

Management Fee Payable by a Portfolio Fund:	As the Fund will invest in assets of a Portfolio Fund, Unitholders will indirectly bear the fees and expenses of such Portfolio Fund, including any management and performance fees, if any, that are charged to the Class I units of such Portfolio Fund.
Operating Expenses Payable by the Fund:	The Fund is responsible for the payment of all routine and customary fees and expenses incurred relating to the administration and operation of the Fund including, but not limited to: trustee fees and expenses; Management Fees (if any); custodian, and safekeeping fees and expenses; registrar and transfer agency fees and expenses; audit, legal and record-keeping fees and expenses; communication expenses; printing and mailing expenses; all costs and expenses associated with the qualification for sale and distribution of the Units in the Offering Jurisdictions including securities filing fees (if any); investor servicing costs; costs of providing information to Unitholders (including proxy solicitation material, financial and other reports) and convening and conducting meetings of Unitholders; taxes, assessments or other governmental charges of all kinds levied against the Fund; interest expenses; and all brokerage commissions and other fees associated with the purchase and sale of portfolio securities and other assets of the Fund. In addition, the Fund will be responsible for the payment of all expenses associated with ongoing investor relations and education relating to the Fund. See "Fees and Expenses – Operating Expenses Payable by the Fund".
Operating Expenses of the Portfolio Funds:	Since the Fund invests directly in units of the Portfolio Funds, the Fund will indirectly bear the fees and expenses incurred by such Portfolio Funds.
Sales Commission:	No sales commission is payable to the Manager in respect of Units purchased directly by a subscriber. However, registered dealers may, at their discretion, charge purchasers a front-end sales commission of up to 5% of the Net Asset Value of the Class A Units purchased by the subscriber. Any such sales commission will be negotiated between the registered dealer and the purchaser and will be payable directly by the purchaser to their dealer. All minimum subscription amounts described in this Offering Memorandum are net of such sales commissions. See "Dealer Compensation – Sales Commission".
Service Commission:	The Manager intends to pay a monthly service commission to participating registered dealers, including Sprott Private Wealth LP, equal to $1/12^{th}$ of 1% of the Net Asset Value of the Class A Units sold by such dealers then outstanding. Payments are calculated and paid monthly to registered dealers from the Management Fees the Manager receives from the Fund. Notwithstanding the foregoing, the Manager, in its sole discretion, reserves the right to change the frequency of payment to registered dealers of the service commission to a quarterly or annual basis. See "Dealer Compensation – Service Commission".
Distributions:	The Manager intends to make a monthly distribution on the Class A Units, the Class F Units and the Class I Units, to holders of such Units, out of the net income of the Fund. The amount of any distributions may fluctuate and there can be no assurance that any distributions will be made in any period or of any particular amount. Purchasers should not confuse these distributions with the Fund's rate of return or yield.The distributions on the Class A Units, the Class F Units and the Class I Units are not guaranteed. Subject to applicable securities legislation, monthly distributions will be automatically reinvested in additional Units of the Class at the Net Asset Value of such Class of Units on the date of distribution, unless a Unitholder elects, by written notice to the Manager, to receive such distributions in cash. If a Unitholder does not elect to receive cash, all distributions will be automatically reinvested in additional units of the same Class at the Net Asset Value per Unit on the last Valuation Date of the fiscal year of the Fund. The Fund will also distribute on the last Valuation Date in each year its net realized capital gains in such amount (and in addition to any distributions) as will result in the Fund paying no tax under the Tax Act. The net income and net

realized capital gains of the Fund will be calculated as of such Valuation Dates during the year as the Manager in its discretion may decide. Allocations and distributions of income/gains will generally be made by reference to the number of Units held as of the close of business on the last Valuation Date prior to such allocation or distribution (or such other distribution date as may be determined by the Manager); however, the Manager may make allocations in a manner to fairly reflect, as best as possible, subscriptions and redemptions made during the year.

See "Distribution Policy".

Redemption:

An investment in Units is intended to be a long-term investment. However, Units may be redeemed at their Net Asset Value per Unit for the applicable class (determined in accordance with the Trust Agreement) on any Valuation Date, provided the written request for redemption, in satisfactory form and all necessary documents relating thereto, is submitted to the Manager at least 30 calendar days prior to such Valuation Date. See "Redemption of Units".

Redemption requests must be received by the Manager prior to 4:00 p.m. (Toronto time) on a business day which is at least 30 calendar days prior to a Valuation Date. If a redemption request is received by the Manager at such time, Units will be redeemed at the Net Asset Value per Unit for the applicable class determined on the first Valuation Date which is at least 30 calendar days following receipt of the redemption request. The redemption amount (the "**Redemption Amount**") will be paid to the redeeming Unitholder as soon as is practicable and in any event within 30 days following the Valuation Date upon which such redemption is effective (or 60 days if such redemption date is the Fund's fiscal year-end).

On direction from the Manager, the Administrator of the Fund shall hold back up to 20% of the Redemption Amount on any redemption to provide for an orderly disposition of assets. Any Redemption Amount which is held back shall be paid within a reasonable time period, having regard for applicable circumstances.

The Administrator of the Fund shall, upon any redemption of Units, deduct from the Redemption Amount an amount equal to any accrued and applicable fees and taxes payable by the Unitholder in connection with such redemption, including estimated brokerage costs incurred in the conversion of portfolio securities of the Fund into cash in order to effect the redemption. An appropriate portion of any accrued management fees and/or performance fees, payable to the Manager or to any investment manager will also be deducted and paid to the Manager or to any investment manager, as the case may be. See "Fees and Expenses – Management Fees Payable by the Fund".

In the sole discretion of the Manager, payment of all or any part of any Redemption Amount may be made by the transfer of a *pro rata* portion of any portfolio securities then held by the Fund. In the event the Manager determines to pay all or any part of the Redemption Amount by the transfer of portfolio securities then held by the Fund, it shall provide the Trustee, the Administrator of the Fund and the Unitholder with prompt notice thereof and the redeeming Unitholder shall have, and shall be advised that they have, the right to withdraw their Redemption Notice, or a portion thereof

The Manager may suspend the right of Unitholders to require the Fund to redeem Units held by them and the concurrent payment for Units tendered for redemption for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of the assets of the Fund or which impair the ability of the Fund to determine the value of the assets of the Fund.

Early Redemption Fee:

The Manager may, in its sole discretion, impose an early redemption fee equal to 2% of the aggregate Net Asset Value of Units redeemed if such Units are redeemed within 90 days of their date of purchase. This early redemption fee

	will be deducted from the Redemption Amount otherwise payable to a Unitholder and will be paid to the Fund. No early redemption fee will be charged in respect of the redemption of Units which were acquired by a Unitholder through the automatic reinvestment of all distributions of net income or capital gains by the Fund or where the Manager requires a Unitholder to redeem some or all of the Units owned by such Unitholder. This early redemption fee is in addition to any other fees a Unitholder is otherwise subject to under this Offering Memorandum. See "Fees and Expenses – Early Redemption Fee".
Risk Factors and Conflicts of Interest:	The Fund is subject to various risk factors and conflicts of interest. **An investment in the Fund may be deemed speculative and is not intended as a complete investment program.** A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Prospective investors should review closely the investment objective, strategies and restrictions to be utilized by the Fund and the Portfolio Funds as outlined herein and the respective offering documents of such funds to familiarize themselves with the risks associated with an investment in the Fund. An investment in the Fund is also subject to certain other risks. These risk factors and the Code of Ethics to be followed by the Manager to address conflicts of interest are described under "Risk Factors" and "Conflicts of Interest".
Canadian Federal Income Tax Considerations:	A prospective investor should consider carefully all of the potential tax consequences of an investment in the Fund and should consult with their tax advisor before subscribing for Units. For a discussion of certain income tax consequences of this investment, see "Canadian Federal Income Tax Considerations".
Eligibility for Investment by Tax Deferred Plans:	Provided the Fund qualifies at all relevant times as a "mutual fund trust" for the purposes of the Tax Act and the regulations thereunder (the "**Income Tax Regulations**"), Units will be "qualified investments", as defined in the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered disability savings plan ("**RDSP**"), a deferred profit sharing plan ("**DPSP**"), a registered education savings plan ("**RESP**"), a tax-free savings account ("**TFSA**") (RRSPs, RRIFs, RDSPs, DPSPs, TFSAs and RESPs are collectively referred to as "**Tax Deferred Plans**"). A fee of up to $125 may be charged for each transfer or deregistration of Units held directly with the Manager in a Tax Deferred Plan. See "Canadian Federal Income Tax Considerations – Eligibility for Investment".
Year-End:	December 31
Auditors to the Fund:	KPMG LLP Toronto, Ontario
Legal Counsel to the Fund:	Baker & McKenzie LLP Toronto, Ontario
Custodian:	RBC Investor Services Trust
Administrator and Record-keeper of the Fund:	RBC Investor Services Trust Toronto, Ontario

THE FUND

The Fund is an open-ended unincorporated investment trust. The Fund was established under the laws of the Province of Ontario pursuant to a trust agreement dated as of August 31, 2016 (the "**Trust Agreement**"), as the same may be amended, restated or supplemented from time to time.

Pursuant to the Trust Agreement, RBC Investor Services Trust is the trustee of the Fund. The Trustee is a trust company continued under the federal laws of Canada. The principal office of the Trustee is located at 155 Wellington Street West, 2nd Floor, RBC Centre, Toronto, Ontario, M5V 3L3. See "Trustee". The Trustee also acts as the administrator and record-keeper of the Fund. See "Administrator, Record-keeper and Fund Reporting".

Pursuant to the Trust Agreement, Sprott Asset Management LP is the manager of the Fund. The principal office of the Fund and of the Manager is located at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. A copy of the Trust Agreement is available for review during regular business hours at the offices of the Manager. See "Management of the Fund – The Manager".

The capital of the Fund is divided into an unlimited number of Units issuable in one or more classes of Units. The Fund currently offers three classes of Units: Class A Units, Class F Units and Class I Units. Additional classes of Units may be offered in the future. See "Description of Units".

Subscribers whose subscription for Units have been accepted by the Manager will become Unitholders.

INVESTMENT OBJECTIVE AND STRATEGY OF THE FUND

Investment Objective

The investment objective of the Fund is to seek to provide investors with exposure to alternative strategies that generate superior income and long term capital growth.

Investment Strategy

The Fund's investment strategy will be to mirror the performance of the credit-based products (the "**Portfolio**") underlying the Sprott Bridging Income Fund LP, Sprott Private Credit Trust II, Sprott Credit Income Opportunities Fund and the Sprott Diversified Bond Fund (each, a "**Portfolio Fund**" and collectively, the "**Portfolio Funds**"). The Fund will invest directly in Class I units of each of the Portfolio Funds in unequal amounts subject to the Manager's sole discretion. The Manager, or an investment committee of the Manager, will determine the allocation of Fund assets to each Portfolio Fund from time to time in its sole discretion. The financial instruments available for purchase and sale are not limited and shall be within the sole discretion of the Manager. Some or all of the Fund's assets may from time to time be invested in cash or other investments as the Manager may deem prudent in the circumstances. The business of the Fund shall include all things necessary or advisable to give effect to the Fund's investment objective.

Loan Facilities

The Fund may enter into loan facilities with one or more lenders. The Manager views the loan facilities as being able to provide liquidity in the event of Unitholder redemptions. There is relatively little immediate liquidity for the Fund to meet unexpected redemption requests, except for income-generating securities, if any, and cash or cash equivalents held by the Fund. The loan facilities could be used to fund redemptions and would be repaid as cash flow within the Fund permits or as new Units are issued.

The Manager expects the terms, conditions, interest rate, fees and expenses of the loan facilities will be typical for loans of this nature. In connection with any such loan advances, the Fund may grant security over the assets of the Fund to secure repayment of such loan advances.

INVESTMENT RESTRICTIONS OF THE FUND

The Manager may from time to time establish restrictions with respect to the investments of the Fund including, without limitation, restrictions as to the proportion of the assets of the Fund which may be invested in the securities of issuers operating in any industry sector or in any class of investment. The Manager does not anticipate imposing any restrictions with respect to the investments of the Fund other than those outlined above and under the heading "Investment Objective and Strategy of the Fund". Additional restrictions may also be imposed in order to ensure the Fund qualifies at all relevant times as a "mutual fund trust" for the purposes of the Tax Act.

The Manager may, to the fullest extent now or hereafter permitted by applicable securities legislation regarding soft dollar transactions, cause the Fund to enter into soft dollar arrangements and to effect transactions pursuant to such soft dollar arrangements.

The Manager may open accounts for the Fund with brokerage firms, banks or others and may invest assets of the Fund in, and may conduct, maintain and operate these accounts for, the purchase, sale and exchange of stocks, bonds and other securities, and in connection therewith, may borrow money or securities on behalf of the Fund to complete trades, obtain guarantees, pledge securities and engage in all other activities necessary or incidental to conducting, maintaining and operating such accounts.

The foregoing investment objective, strategy and restrictions of the Fund may be changed from time to time by the Manager to adapt to changing circumstances. Unitholders will be given not less than 60 days' prior written notice of any material changes to the investment objective, strategies and restrictions of the Fund unless such changes are required to comply with applicable laws in which case prompt notice will be given.

The foregoing disclosure of investment objective, strategy and restrictions may constitute "forward-looking information" for the purpose of applicable securities legislation as it contains statements of the intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Manager of the success of its investment strategy in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are strongly advised to read the section of this Offering Memorandum under the heading "Risk Factors" for a discussion of factors that may impact the operations and success of the Fund.

MANAGEMENT OF THE FUND

The Manager

Pursuant to the Trust Agreement, Sprott Asset Management LP is the manager of the Fund. The Manager is a limited partnership formed under the *Limited Partnerships Act* (Ontario) by the filing and recording of a declaration dated September 17, 2008. The Manager is responsible for the day-to-day business and administration of the Fund, including management of the Fund's investment portfolio with the Sub-Advisor. The general partner of the Manager is Sprott Asset Management GP Inc. ("**SAM GP**"), which is a corporation incorporated under the laws of the Province of Ontario on September 17, 2008. SAM GP is

a directly wholly-owned subsidiary of Sprott Inc., which is a corporation incorporated under the laws of the Province of Ontario on February 13, 2008. Sprott Inc. is also the sole limited partner of the Manager. Sprott Inc. is a public company listed on the Toronto Stock Exchange under the symbol "SII". Eric S. Sprott is the principal shareholder of Sprott Inc. through a holding company which he controls.

The Manager, together with its affiliates and related entities, provides management and investment advisory services to many entities, including the Sprott Mutual Funds, the Sprott Hedge Funds, the Sprott Offshore Funds, exchange-traded bullion funds that invest in physical gold, physical platinum and palladium or physical silver bullion, flow-through limited partnerships and discretionary managed accounts, and provides management and administrative services to certain public companies, such as Sprott Resource Corp. The Manager may establish and manage other investment funds from time to time.

The Manager's and SAM GP's principal office is located at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. The Manager may also be contacted by toll-free telephone at 1-888-362-7172, by telephone at (416) 362-7172, by facsimile at (416) 362-4928 or by e-mail to invest@sprott.com.

The Manager is also the manager of each of the Portfolio Funds. The following information applies to each of the Portfolio Funds.

Directors and Officers of the Manager and of SAM GP

The name, municipality of residence and position(s) with the Manager and SAM GP, and the principal occupation of the directors and senior officers of the Manager and of SAM GP are as follows:

Name and Municipality of Residence	**Position with the Manager**	**Position with SAM GP**	**Principal Occupation**
John Wilson Toronto, Ontario,	Chief Executive Officer, Co-Chief Investment Officer and Senior Portfolio Manager	Chief Executive Officer and Director	Chief Executive Officer of the Manager and the GP, Co-Chief Investment Officer and Senior Portfolio Manager of the Manager.
Peter Grosskopf Toronto, Ontario	-	Director	Chief Executive Officer and Director of Sprott Inc.
James R. Fox Toronto, Ontario,	President	President and Director	President of the Manager and the GP.
Kevin Hibbert Toronto, Ontario,	as chief financial officer	Director	Chief Financial Officer and Corporate Secretary of Sprott Inc.
Kirstin H. McTaggart Mississauga, Ontario,	Chief Compliance Officer	Corporate Secretary and Director	Chief Compliance Officer of the Manager.
Scott Colbourne Toronto, Ontario,	Co-Chief Investment Officer and Senior Portfolio Manager	-	Co-Chief Investment Officer and Senior Portfolio Manager of the Manager.

Set out below are the particulars of the professional experience of the directors and senior officers of the Manager and of SAM GP:

John Wilson

Mr. Wilson joined the Manager in January 2012 and has over 26 years of investment and business experience. Mr. Wilson currently serves as the Chief Executive Officer and co-Chief Investment Officer of the Manager. Most recently, Mr. Wilson was the Chief Investment Officer of Cumberland Private Wealth Management from March 2009 to January 2012. Previously, Mr. Wilson was the founder of DDX Capital Partners, an alternative investment manager, where he worked from September 2004 to March 2009. Prior to that, from December 2000 to January 2004, he was a Managing Director and a top-rated technology analyst at RBC Capital Markets; and previously, a Director at UBS Canada. Mr. Wilson is an MBA graduate of The Wharton School, University of Pennsylvania in 1996.

Peter Grosskopf

Mr. Grosskopf assumed the role of Chief Executive Officer of Sprott Inc. in September 2010. Mr. Grosskopf has over 26 years of experience in the financial services industry and an extensive background as an advisor and underwriter to companies in a wide variety of sectors. In addition to his role at Sprott Inc., he also serves as Chief Executive Officer and a director of Sprott Resource Lending Corp., President and a director of Sprott Consulting LP and Managing Director and a director of Sprott Resource Corp. Prior to joining Sprott Inc., he was President of Cormark Securities Inc. Prior to joining Cormark Securities Inc., Mr. Grosskopf was one of the co-founders of Newcrest Capital Inc., which was acquired by the TD Bank Financial Group in 2000. Mr. Grosskopf holds a Bachelor of Arts degree and a Masters of Business Administration from the University of Western Ontario.

James Fox

Mr. Fox was appointed as the President of the Manager in 2009. Mr. Fox is also a Director of the Manager and a member of Sprott Inc.'s Steering Committee. Mr. Fox began his career at Sprott Securities Inc. in 1999 and was one of the Manager's founding executives when the firm spun out of Sprott Securities Inc. in 2001. Mr. Fox has been a key contributor to the growth of Sprott. Domestically, Mr. Fox has led the development and management of the Wholesale and Institutional sales teams and is actively involved in product development, product launches and overall management decisions. In recent years, Mr. Fox helped lead the launch of three Bullion Trust investment vehicles that are dually-listed on the NYSE Arca and Toronto Stock Exchange, raising approximately $4 billion in assets. Internationally, Mr. Fox has represented Sprott as a panel speaker at Institutional conferences in London, Geneva, New York, Tokyo and has been a key contributor to the firm's Institutional accounts and client relationships. Mr. Fox is an MBA graduate of the Rotman School of Management at the University of Toronto (1999) and has a B.A. in Finance and Economics from the University of Western Ontario (1996).

Kevin Hibbert

Mr. Hibbert was appointed as Chief Financial Officer of Sprott Inc. in December 2015. Mr. Hibbert has been in the financial services industry for more than 14 years. Prior to joining Sprott Inc. in 2014 as Vice-President, Finance, Mr. Hibbert was employed at the Royal Bank of Canada, serving as Controller, RBC Dominion Securities Inc., and was also the Chief Financial Officer, RBC Direct Investing Inc. and the Chief Financial Officer of the RBC Capital Markets Real Estate Group. These companies had over $250 billion of combined assets under administration/management. During his time at RBC, Mr. Hibbert oversaw all aspects of financial reporting, regulatory reporting, bank reporting, investment administration, general accounting, controls and governance for these companies. Prior to joining RBC, Mr. Hibbert held

roles at other Canadian financial institutions and service providers including Ernst & Young LLP where his audit clients included some of the firm's largest asset management, hedge fund and investment banking firms. Mr. Hibbert holds a B.A. (Hons.) degree in Management (High Distinction) from the University of Toronto and is a CPA, CA (Ontario).

Kirstin McTaggart

Ms. McTaggart joined the Manager (and its predecessor Sprott Asset Management Inc.) in April 2003 as a Compliance Officer and subsequently became the Chief Compliance Officer in April 2007. Ms. McTaggart currently also serves as the Chief Compliance Officer of SAM GP, Sprott Private Wealth LP and Sprott Private Wealth GP Inc. In addition, Ms. McTaggart is also currently the Corporate Secretary of SAM GP and Sprott Private Wealth GP Inc., and the Treasurer of Sprott GenPar Ltd. Ms. McTaggart has accumulated over 26 years of experience in the financial and investment industry. Prior to April 2003, Ms. McTaggart spent five years as a Senior Manager at Trimark Investment Management Inc., where her focus was the development of formal compliance and internal control policies and procedures.

Scott Colbourne

Mr. Colbourne joined the Manager in March 2010 and brings over 22 years of global fixed income and currency market experience to the firm. Mr. Colbourne currently serves as the co-Chief Investment Officer of the Manager. Prior to joining Sprott, Mr. Colbourne was a senior fixed income portfolio manager at TD Asset Management, as part of a team that managed all the firm's active fixed income institutional, retail and private client assets from October 2007 to February 2010. Previously, Mr. Colbourne was senior Vice President and portfolio manager at AGF Funds Inc. where he managed all of the fixed income mandates and co-managed balanced funds from May 1996 to April 2006. Mr. Colbourne began his career at the Bank of Canada where he worked in both research and trading which assisted in the execution of monetary policy from September 1986 to August 1989 and from May 1993 to May 1996. Mr. Colbourne is a four-time winner of the Best Foreign Bond Fund at the Morningstar Canadian Investment Awards. Mr. Colbourne is a CFA charterholder and earned an MBA from University of Toronto in 1991 and an Honours BA from Queen's University in 1986.

Powers and Duties of the Manager

Pursuant to the Trust Agreement, the Manager has the full authority and exclusive responsibility to manage the business and affairs of the Fund including, without limitation, to provide the Fund with all necessary investment management and all clerical, administrative and operational services.

In particular, the Manager is responsible for:

(a) determining the investment policies, practices, fundamental objectives and investment strategies applicable to the Fund, including any restrictions on investments which it deems advisable and to implement such policies, practices, objectives, strategies and restrictions, provided that the investment policies, practices, objectives, strategies and restrictions applicable to the Fund shall concur with those set forth in any current offering memorandum or like offering document of the Fund or in any amendment thereto;

(b) receiving all subscriptions for Units, approving or rejecting subscriptions, and submitting such subscriptions to the record-keeper of the Fund for processing;

(c) offering Units for sale to prospective purchasers and entering into arrangements regarding the distribution and sale of Units, including arrangements relating to the right

to charge fees of any nature or kind (including, without limitation, sales commissions, redemption fees, distribution fees and transfer or switch fees) in connection with the distribution or sale of Units. Any such fees may be deducted from the amount of a subscription, redemption proceeds or a distribution if not paid separately;

(d) conducting or causing to be conducted the day-to-day correspondence and administration of the Fund;

(e) providing, at its own expense, the office accommodation, secretarial staff and other facilities that may be required to properly and efficiently carry out its duties;

(f) appointing the auditors of the Fund, changing the auditors of the Fund and causing the financial statements of the Fund to be audited for each fiscal year;

(g) appointing the bankers of the Fund and establishing banking procedures to be implemented by the Trustee;

(h) establishing general matters of policy and governance of the Fund subject, where specifically provided in the Trust Agreement, to the approval of the Trustee;

(i) authorizing, negotiating, entering into and executing all contractual arrangements relating to the Fund including, without limitation, any loan agreement, granting of a security interest and supporting documentation;

(j) if deemed advisable, appointing a record-keeper, valuation service provider, registrar, transfer agent, and one or more custodians and prime brokers of the Fund, all of which appointments shall be subject to the approval of the Trustee;

(k) subject to applicable laws, prescribing any minimum initial and/or subsequent subscription amounts and minimum aggregate Net Asset Value balances of the Fund with respect to all classes of Units, and prescribing any procedures in connection therewith;

(l) on or before March 31 in each year, other than a leap year in which case on or before March 30 in such year, preparing and delivering to Unitholders the information pertaining to the Fund, including all distributions and allocations which is required by the Tax Act or which is necessary to permit Unitholders to complete their individual tax returns for the preceding year;

(m) keeping proper records relating to the performance of its duties as Manager;

(n) using its best efforts to ensure that the Fund qualifies at all times as a "unit trust" pursuant to subsection 108(2) of the Tax Act and a "mutual fund trust" pursuant to subsection 132(6) of the Tax Act;

(o) delegating any or all of the powers and duties of the Manager contained in the Trust Agreement to one or more agents, representatives, officers, employees, independent contractors or other persons without liability to the Manager except as specifically provided in the Trust Agreement; and

(p) doing all such other acts and things as are incidental to the foregoing, and exercising all powers which are necessary or useful to carry on the business of the Fund, promoting any

of the purposes for which the Fund was formed and carrying out the provisions of the Trust Agreement.

The Manager may appoint one or more investment managers in respect of the Fund. The Manager shall enter, in its sole discretion, into an investment management agreement with any such investment manager to act for all or part of the portfolio investments of the Fund. The investment manager will be a person or entity, or persons or entities who, if required by applicable laws, will be duly registered and qualified as an investment adviser under applicable securities legislation and the regulations thereunder and will determine, in its sole discretion, which securities and other assets of the Fund shall be purchased, held or sold and shall execute or cause the execution of purchase and sale orders in respect of such determinations. As at the date hereof, the Manager does not intend to appoint any other investment manager for the Fund.

Units will be distributed in the Offering Jurisdictions through registered dealers, including the Manager and Sprott Private Wealth LP, and such other persons as may be permitted by applicable law. In the event of such distribution, registered dealers (other than the Manager) will be entitled to the compensation described under "Dealer Compensation". Subject to the requirements under NI 31-103, the Manager may pay, out of the Management Fees it receives from the Fund, a negotiated referral fee to registered dealers or other persons in connection with the sale of Units. See "Dealer Compensation – Referral Fees".

The Manager shall have the right to resign as Manager of the Fund by giving notice in writing to the Trustee and the Unitholders not less than 90 days prior to the date on which such resignation is to take effect. Such resignation shall take effect on the date specified in such notice. Notwithstanding the foregoing, no approval of, or notice to, Unitholders is required to effect a reorganization of the Manager as provided for in the Trust Agreement. The Manager shall appoint a successor manager of the Fund, and, unless the successor manager is an affiliate of the Manager, such appointment must be approved by a majority of the Unitholders. If, prior to the effective date of the Manager's resignation, a successor manager is not appointed or the Unitholders do not approve of the appointment of the successor manager as required under the Trust Agreement, the Fund shall be terminated and dissolved upon the effective date of resignation of the Manager and, after providing for the liabilities of the Fund, the property of the Fund shall be distributed in accordance with the provisions of the Trust Agreement and the Trustee shall continue to act as trustee of the Fund until such property of the Fund has been so distributed. See "Termination of the Fund".

Fees and Expenses of the Fund

The Manager will receive, as compensation for providing services to the Fund, a monthly Management Fee from the Fund attributable to Class A Units, Class F Units and, in certain circumstances, Class I Units. Each class of Units is responsible for the Management Fee attributable to that class. Management Fees in respect of each class of Units will be calculated and payable monthly in arrears as of each Valuation Date. See "Fees and Expenses – Management Fees Payable by the Fund". The Fund will not pay a Management Fee to the Manager that to a reasonable person would duplicate a fee payable to the Manager by a Portfolio Fund for the same service.

The Fund is responsible for the payment of all routine and customary fees and expenses incurred relating to the administration and operation of the Fund including the Management Fee payable to the Manager by the Fund. See "Fees and Expenses – Management Fees Payable by the Fund" and "Fees and Expenses – Operating Expenses Payable by the Fund".

Fees and Expenses of a Portfolio Fund

Since the Fund invests directly in units of the Portfolio Funds, the Fund will indirectly bear the fees and expenses incurred by such Portfolio Funds. See "Fees and Expenses – Fees and Operating Expenses Payable by the Portfolio Funds".

Standard of Care and Indemnification of the Manager

The Manager will exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager may employ or engage, and rely and act on information or advice received from auditors, distributors, brokers, depositories, custodians, prime brokers, electronic data processors, advisers, lawyers and others and will not be responsible or liable for the acts or omissions of such persons or for any other matter, including any loss or depreciation in value of the property of the Fund. The Manager shall be entitled to assume that any information received from the Trustee, custodian, prime broker or a sub-custodian or their respective authorized representatives associated with the day-to-day operation of the Fund is accurate and complete and no liability shall be incurred by the Manager as a result of any error in such information or any failure to receive any notices required to be delivered pursuant to the Trust Agreement.

The Manager will not be required to devote its efforts exclusively to or for the benefit of the Fund and may engage in other business interests and may engage in other activities similar or in addition to those relating to the activities to be performed for the Fund. In the event that the Manager, its partners, officers, employees, associates and affiliates or any of them now or hereafter carry on activities competitive with those of the Fund or buy, sell or trade in assets and portfolio securities of the Fund or of other investment funds, none of them will be under any liability to the Fund or to the Unitholders for so acting.

The Manager and its related entities, affiliates, subsidiaries and agents, and their respective directors, partners, officers and employees and any other person will at all times be indemnified and saved harmless by the Fund from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by them in connection with the Manager's services provided pursuant to the Trust Agreement, provided that the Fund has reasonable grounds to believe that the action or inaction that caused the payment of the legal fees, judgments and amounts paid in settlement was in the best interests of the Fund and provided that such person or companies shall not be indemnified by the Fund where: (i) there has been negligence, wilful misconduct or dishonesty on the part of the Manager or such other person; (ii) a claim is made as a result of a misrepresentation contained in any current offering memorandum or like offering documents of the Fund distributed or filed in connection with the issue of Units and officers, directors or partners of the Manager or SAM GP or both have granted a contractual right of action forming part of any current offering memorandum or like offering documents of the Fund; or (iii) the Manager has failed to fulfill its standard of care or other obligations as set forth in the Trust Agreement, unless in an action brought against such persons or companies they have achieved complete or substantial success as a defendant.

The Fund will be indemnified and saved harmless by the Manager against any costs, charges, claims, expenses, actions, suits or proceedings arising from a claim made as a result of a misrepresentation contained in any current offering memorandum or like offering document of the Fund distributed or filed in connection with the issue of Units and officers, directors or partners of the Manager or SAM GP or both have granted a contractual right of action forming part of any current offering memorandum or like offering documents of the Fund.

THE PORTFOLIO FUNDS

Sprott Bridging Income Fund LP

Sprott Bridging Income Fund LP (in this section, the "**Bridging Partnership**") is a limited partnership formed and organized under the laws of the Province of Ontario pursuant to the *Limited Partnerships Act* (Ontario) as "Bridging Credit Fund LP" by the filing and recording of a declaration on August 8, 2013. Pursuant to the fourth amended and restated limited partnership agreement dated as of July 25, 2014, the name of the Bridging Partnership was changed to "Sprott Bridging Income Fund LP". The day-to-day business and affairs of the Bridging Partnership is managed by Sprott GenPar Ltd. (in this section, the "**Bridging GP**") pursuant to the provisions of the sixth amended and restated limited partnership agreement dated as of January 1, 2016 (the "**Bridging Partnership Agreement**"), as the same may be amended, restated and supplemented from time to time. However the Bridging GP has engaged the Manager to carry out the day-to-day business, management and administrative functions of the Bridging Partnership. The offices of the Bridging GP are located at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. Initial capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the offering documents of this particular Portfolio Fund.

The capital of the Bridging Partnership is divided into an unlimited number of LP Units issuable in one or more classes of LP Units. The Partnership currently offers three classes of LP Units: Class A LP Units, Class F LP Units and Class I LP Units. Additional classes of LP Units may be offered in the future.

The Bridging GP

Sprott GenPar Ltd. is a corporation incorporated under the laws of the Province of Ontario on October 12, 2000. The Bridging GP is an indirectly wholly-owned subsidiary of Sprott Inc., which is a corporation incorporated under the laws of the Province of Ontario on February 13, 2008. Sprott Inc. is a public company listed on the Toronto Stock Exchange under the symbol "SII". The Bridging GP may act as a general partner of other limited partnerships and currently acts as the general partner to Sprott Enhanced Long-Short Equity Fund LP, Sprott Hedge Fund LP and Sprott Hedge Fund LP II.

The Bridging GP is responsible for the management and control of the business and affairs of the Bridging Partnership on a day-to-day basis in accordance with the terms of the Bridging Partnership Agreement, but has engaged Sprott Asset Management LP as the investment manager and the investment fund manager to carry out investment advisory functions and management of the day-to-day business and administrative functions for the Bridging Partnership.

Generally, Net Income or Net Loss (as defined in the Bridging Partnership Agreement) of the Bridging Partnership which is allocable to Limited Partners during any fiscal year will be accrued on each Partnership Valuation Date to Limited Partners in proportion to the number of LP Units held by each of them as at each Partnership Valuation Date, subject to adjustment to reflect subscriptions and redemptions of LP Units made during the fiscal year, as described below.

To the extent the Bridging Partnership generates a Total Return per Unit (as defined below) in any fiscal year which is equal to or less than the Target Minimum Return (as defined below), then 99.999% of the Net Income of the Partnership for such fiscal year will be allocated to the Limited Partners and 0.001% of the Net Income of the Bridging Partnership for such fiscal year will be allocated to the General Partner. To the extent the Bridging Partnership generates a Total Return per Unit in any fiscal year which is greater than the Target Minimum Return but equal to or less than the Hurdle Rate (as defined below), then 100% of such return between the Target Minimum Return and the Hurdle Rate for such fiscal year

will be allocated to the Bridging GP (in this section, the "**Bridging Incentive Allocation**"). To the extent the Bridging Partnership generates a Total Return per Unit which is greater than the Hurdle Rate in any fiscal year and the Net Asset Value per Unit on the applicable Partnership Valuation Date exceeds the Prior High NAV (as defined below), then all of the Net Income of the Bridging Partnership above such Hurdle Rate for such fiscal year will be allocated on such Partnership Valuation Date as to 20% to the Bridging GP as a Bridging Incentive Allocation and as to 80% to the Limited Partners.

Net Losses of the Bridging Partnership for any fiscal year will be allocated as to 99.999% to the Limited Partners and as to 0.001% to the Bridging GP.

The Bridging GP reserves the right to adjust allocations to account for LP Units purchased or redeemed during a fiscal year and other relevant factors.

The Bridging Partnership is responsible for its own operating expenses. Operating expenses include, among others, legal, audit, custodian, prime broker and safekeeping fees, distribution expenses, taxes, brokerage commissions, interest, operating and administrative costs, investor servicing costs and the costs of reports to the Limited Partners. Each class of LP Units is responsible for the operating expenses that relate specifically to that class and for its proportionate share of the common expenses of the Bridging Partnership that relate to all classes of LP Units.

Directors and Officers of the Bridging GP

The name, municipality of residence, position with the Bridging GP, and the principal occupation of the directors and officers of the Bridging GP are as follows:

Name and Municipality of Residence	**Position with the Bridging GP**	**Principal Occupation**
James R. Fox Toronto, Ontario	President and Director	President of the Manager
Kevin Hibbert Toronto, Ontario	Chief Financial Officer and Director	Chief Financial Officer and Corporate Secretary of Sprott Inc.
Kirstin H. McTaggart Mississauga, Ontario	Treasurer and Director	Chief Compliance Officer of the Manager, SAM GP, Sprott Private Wealth LP and Sprott Private Wealth GP Inc.

For a description of the professional experience of the directors and officers of the General Partner see "Management of the Fund – Directors and Officers of the Manager and of SAM GP".

The Sub-Advisor

Bridging Finance Inc. (the "**Bridging Sub-Advisor**") was incorporated on January 8, 2013 under the laws of Canada. The principal business address of the Bridging Sub-Advisor is 77 King Street West, Suite 2925, P.O. Box 322, Toronto, Ontario, M5K 1K7 and its registered office address is 949 Wilson Avenue, Toronto, Ontario, M3K 1G2.

Pursuant to an investment sub-advisory agreement dated as of May 29, 2014, as amended and restated as of February 27, 2015 and further as of January 1, 2016, the Bridging Sub-Advisor was appointed to act as the sub-advisor to the Bridging Partnership to provide portfolio management, administrative and other services to the Bridging Partnership. The Bridging Sub-Advisor will assist with the identification of

prospective Canadian and U.S. companies and the negotiation of the terms of Asset-Based Investments and Factoring Investments and will monitor the portfolio to ensure compliance with the investment guidelines of the Bridging Partnership. The Bridging Sub-Advisor will procure, service, administer and monitor the portfolio of the Bridging Partnership for which the Bridging Sub-Advisor will retain all or a portion (in certain circumstances) of the work fees, commitment/facility fees and monitoring fees collected from borrowers. The Manager, in certain circumstances, may receive a portion of such fees. The Bridging Sub-Advisor is currently registered with the Ontario Securities Commission as a (restricted) portfolio manager and exempt market dealer under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations.*

The name, municipality of residence, position with the Bridging Sub-Advisor and principal occupation of certain of the directors and officers of the Bridging Sub-Advisor are as follows:

Name and Municipality of Residence	**Position with the Bridging Sub-Advisor**	**Principal Occupation**
Natasha Sharpe Toronto, Ontario	Director, Chief Executive Officer and Chief Investment Officer	Chief Executive Officer and Chief Investment Officer of the Bridging Sub-Advisor
Jenny Virginia Coco Toronto, Ontario	Executive Vice-President and Director	Chief Executive Officer of Coco Paving Inc.
Rock-Anthony Coco Belle River, Ontario	Executive Vice-President and Director	President of Coco Paving Inc.
Farzana Merchant Toronto, Ontario	Director of Finance	Director of Finance of the Bridging Sub-Advisor
David Sharpe Toronto, Ontario	President and Chief Operating Officer	President and Chief Operating Officer of the Bridging Sub-Advisor
Andrew Mushore Toronto, Ontario	Chief Compliance Officer	Chief Compliance Officer of the Bridging Sub-Advisor

The following is biographical information for such directors and officers:

Natasha Sharpe: Natasha is a Director, Chief Executive Officer and Chief Investment Officer of the Bridging Sub-Advisor. Natasha was previously the Chief Credit Officer for Sun Life Financial where she was responsible for creating risk policy for the company's $110-billion global portfolio of managed assets. Prior to that, Natasha spent over 10 years at BMO Financial Group where she led various teams in risk assessment and corporate finance. In 2010, Natasha was named as one of Canada's Top 40 Under 40. Natasha is a director of public, private, and non-profit companies. She holds a PhD and a Masters of Business Administration from the University of Toronto.

Jenny Virginia Coco: Jenny is Executive Vice-President and a Director of the Bridging Sub-Advisor. Jenny is the Chief Executive Officer of Coco Paving Inc., a division of the Coco Group. Jenny joined the Coco Group full time in 1987, having spent many summers learning the family business. Jenny oversees the daily management of the Canadian and U.S. Operations, and is largely responsible for the negotiation of acquisitions as well as overseeing Company expansions, including a concrete pipe manufacturing facility and an aggregate dock for the importing of materials, both of which have resulted in a vertical

integration that has allowed Coco Paving to obtain a high degree of success in its heavy construction division. Under Ms. Coco's stewardship, Coco Group has successfully integrated five businesses and acquisitions over the last 12 years. She continues to be the liaison for private-public partnerships for the development of highway infrastructure in Ontario. Jenny has also taken an active role in the expansion of the residential and commercial divisions of the company. Jenny received a Masters of Business Administration (Finance) from the University of Windsor. Jenny has been a member of the Integrated Financial Planning Committee for the London Diocese, and has previously served on the Board of Directors of the University of Windsor and the Federal Business Development Bank of Canada.

Rock-Anthony Coco: Rocky is Executive Vice-President and a Director of the Bridging Sub-Advisor. Rocky is President of Coco Paving Inc., a division of the Coco Group where he oversees all activities of the Heavy Construction Division from asphalt paving to underground site servicing and concrete paving. Under Rocky's management, Coco Paving Inc. has successfully tendered and completed all MTO projects since 2004 in South Western Ontario on Highway 402 and Highway 401, encompassing over 50 kilometres of highway infrastructure. Rocky is a civil engineering graduate from the University of Windsor in 1987, and gained his license to practice as a Professional Engineer in 1991. He has been a President of the Heavy Construction Association of Windsor.

David Sharpe: David is President and Chief Operating Officer of the Bridging Sub-Advisor. David is responsible for strategic relationships for the firm and ensuring there are proper operational controls in place for sustainable growth of the organization. Prior to joining Bridging Finance Inc., David was the President of an investment management firm and led a TSX-listing in 2012 of 3 closed-end funds with a market capitalization of approximately $1.2 billion. David has close to two decades of financial services industry experience, in roles such as General Counsel, Chief Compliance Officer and Chief Risk Officer for leading financial organizations, and previously was the head of investigations for the Mutual Fund Dealers Association of Canada. David is a lawyer and has been a member of the Law Society of Upper Canada since 1997. David has an LLB from Queen's University, an LLM in Securities Law from Osgoode Hall Law School and a Masters of Business Administration from the Richard Ivey School of Business, University of Western Ontario.

Farzana Merchant: Farzana is Director of Finance of the Bridging Sub-Advisor. Farzana is responsible for providing strategic management of the accounting and finance functions of the Bridging Sub-Advisor including fund accounting, corporate accounting, financial reporting and budgeting. She has a decade of experience in providing accounting, finance and administration services to pension, mutual, hedge and private equity funds. Prior to joining Bridging Finance Inc., Farzana led a team at SS&C Fund services and CIBC Mellon both leading global service providers to provide operational support for funds with complex strategies, products and structures. Farzana holds a Bachelor's degree in Commerce and a Post Graduate Diploma in Banking and Finance from the National Institute of Bank Management.

Andrew Mushore: Andrew is Chief Compliance Officer of the Bridging Sub-Advisor. Andrew is responsible for the oversight of the firm's compliance system. Prior to joining Bridging Finance Inc., Andrew was the Senior Manager, Compliance of an investment management firm in Toronto. Prior to that, Andrew was a Senior Compliance Officer at CI Financial. Andrew holds a Bachelor's degree in Finance with a minor in Economics and a Bachelor's degree in Management, from Fordham University.

Bridging Sub-Advisory Agreement

Pursuant to the Sub-Advisory Agreement, the Bridging Sub-Advisor was appointed to provide or engage others to provide all necessary or advisable investment management services to the Partnership. The Bridging Sub-Advisor will manage the assets of the Bridging Partnership in the name of the Bridging Partnership with full discretionary authority as to all investments on a continuing basis until terminated

and subject to, and in accordance with, the provisions of the Sub-Advisory Agreement. The Bridging Sub-Advisor will manage the assets of the Bridging Partnership by taking such action from time to time in connection therewith as the Sub-Advisor, in its sole discretion, will deem necessary or desirable for the proper investment management of the assets of the Bridging Partnership at all times in compliance with the investment objective, strategy, guidelines and restrictions set forth in the Sub-Advisory Agreement.

The Bridging Sub-Advisor may from time to time employ or retain any other person or entity to manage on behalf of the Bridging Sub-Advisor or to assist the Bridging Sub-Advisor in managing or providing investment management services to all or any portion of the assets of the Bridging Partnership, and in performing other duties of the Bridging Sub-Advisor set out in the Sub-Advisory Agreement. In the event that the Bridging Sub-Advisor engages such other person or entity with respect to providing investment management services to the assets of the Bridging Partnership, and such other person or entity is not registered as an adviser (or exempt from such registration requirement) under applicable securities legislation, the Bridging Sub-Advisor will be responsible under the terms of the Sub-Advisory Agreement to the Bridging Partnership, the Bridging GP and the Manager for advice received from such other person or entity with respect to the assets of the Bridging Partnership as if such advice were given by the Bridging Sub-Advisor.

Funds of the Bridging Sub-Advisor will not be commingled with those of the Bridging Partnership under any circumstances.

The Bridging Sub-Advisor will exercise the powers granted and discharge its duties pursuant to the Sub-Advisory Agreement honestly, in good faith and in the best interests of the Bridging Partnership and, in connection therewith, will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. However, the Bridging Sub-Advisor does not in any way guarantee the performance of the assets of the Bridging Partnership and will not be responsible for any loss in respect of the assets of the Bridging Partnership, except where such loss arises out of acts and omissions of the Bridging Sub-Advisor done or suffered in bad faith or through the Bridging Sub-Advisor's own gross negligence, wilful misconduct, wilful neglect, default or a material failure to comply with applicable laws or the provisions set forth in the Sub-Advisory Agreement.

The Bridging Sub-Advisor will not be liable to the Bridging Partnership or any Limited Partner thereof for any loss suffered by the Bridging Partnership or any Limited Partner thereof, as the case may be, which arises out of any action or inaction of the Bridging Sub-Advisor if such course of conduct did not constitute bad faith, gross negligence, wilful misconduct, wilful neglect, default or a material failure to comply with applicable laws or the provisions set forth in the Sub-Advisory Agreement, and if the Bridging Sub-Advisor, in good faith, determined that such course of conduct was in the best interests of the Bridging Partnership.

The Manager will indemnify and hold harmless the Bridging Sub-Advisor and its directors, officers, employees and agents from and against any and all expenses, losses, damages, liabilities, demands, charges, costs and claims of any kind or nature whatsoever (including legal fees, judgments and amounts paid in settlement, provided that the Manager has approved such settlement) in respect of the acts, omissions, transactions, duties, obligations or responsibilities of the Sub-Advisor as investment manager to the Bridging Partnership, save and except where such expenses, losses, damages, liabilities, demands, charges, costs or claims are caused by acts or omissions of the Bridging Sub-Advisor done or suffered in breach of its standard of care or through the Bridging Sub-Advisor's own gross negligence, wilful misconduct, wilful neglect, default or a material failure to comply with applicable laws or the provisions set forth in the Sub-Advisory Agreement.

The Bridging Sub-Advisor will indemnify and hold harmless the Manager, the Bridging Partnership and the Bridging GP and their respective directors, partners, officers, employees and agents from and against any and all expenses, losses, damages, liabilities, demands, charges, costs and claims of any kind or nature whatsoever (including legal fees, judgments and amounts paid in settlement, provided that the Bridging Sub-Advisor has approved such settlement) as a result of, in respect of, connected with, or arising out of, under, or pursuant to the breach of the Bridging Sub-Advisor's standard of care or the gross negligence, wilful misconduct, wilful neglect, default or a material failure to comply with applicable laws or the provisions set forth in the Sub-Advisory Agreement by the Bridging Sub-Advisor and its directors, officers, employees and agents.

The Sub-Advisory Agreement will continue in full force and effect until the Sub-Advisory Agreement is terminated by either party giving at least 12 months' prior written notice (or such shorter period as the parties may mutually agree upon) to the other party of such termination.

The Manager or Bridging Sub-Advisor may terminate the Sub-Advisory Agreement at any time if the Bridging Sub-Advisor breaches any of its material obligations under the Sub-Advisory Agreement and such breach has not been cured within 30 days following notice thereof from the other party.

Notwithstanding the foregoing, the Sub-Advisory Agreement will terminate immediately where a winding-up, liquidation, dissolution, bankruptcy, sale of substantially all assets, sale of business or insolvency proceeding have been commenced by the Manager or the Bridging Sub-Advisor, and terminated upon the completion of any such proceeding by the Bridging Partnership.

Such termination of the Sub-Advisory Agreement will be without prejudice to the rights and liabilities created under the Sub-Advisory Agreement prior to the effective date of the termination. Termination of the Sub-Advisory Agreement in accordance with the terms hereof shall not result in any penalty or other fee.

The Manager may, in its sole discretion, terminate and replace the Bridging Sub-Advisor where it deems it to be in the best interests of the Bridging Partnership.

Bridging Sub-Advisor Fees and Expenses

In consideration for the investment management services rendered by the Bridging Sub-Advisor pursuant to the Sub-Advisory Agreement, the Manager shall pay to the Bridging Sub-Advisor, out of the Management Fees it receives from the Bridging Partnership as set forth in the Management Agreement, a monthly advisory fee (the "**Advisory Fee**"). In addition, the Bridging GP shall pay to the Bridging Sub-advisor, out of any Bridging Incentive Allocation it receives from the Bridging Partnership as set forth in the Bridging Partnership Agreement, an advisory performance fee (the "**Advisory Performance Fee**").

In addition to the Advisory Fee and Advisory Performance Fee paid to the Bridging Sub-Advisor pursuant to the foregoing paragraph, the Manager, on behalf of the Partnership, agrees that the Bridging Partnership shall reimburse the Bridging Sub-Advisor for all expenses incurred by the Bridging Sub-Advisor in connection with the duties set out in the Sub-Advisory Agreement (including payments to third parties in that regard) to the extent such expenses were incurred for and on behalf of the Bridging Partnership and do not represent administrative costs of the Bridging Sub-Advisor necessary for it to carry out its functions hereunder. Such expenses shall be reimbursed on each Partnership Valuation Date when incurred.

The Bridging Administrator and Record-keeper

The administrator of the Bridging Partnership (the "**Administrator**") is Commonwealth Fund Services Ltd. The Administrator was retained to provide certain administrative services to the Bridging Partnership pursuant to the terms of an administration agreement (the "**Administration Agreement**"). The Administrator is a majority-owned subsidiary of Caledon Trust Company and has its principal place of business at Suite 2401, 20 Queen Street West, Toronto, Ontario, M5H 3R3. The Manager has provided notice to unitholders of this Portfolio Fund and to the administrator that effective August 1, 2016, the administrator will be RBC Investor Services Trust.

Pursuant to the Administration Agreement, the Administrator is responsible for computing the Net Asset Value of the Bridging Partnership and of each Class, maintaining the books and records of the Bridging Partnership, providing Limited Partners recordkeeping and administration services, establishing and maintaining accounts on behalf of the Bridging Partnership with financial institutions, effecting the registration or transfer of Units, administering the procedure for the issue, transfer, allotment, redemption and purchase of Units in accordance with the Bridging Partnership Agreement, entering on the register of Limited Partners all issues, allotments, transfers, conversions, redemptions and/or purchases of LP Units and any other matters necessary for the administration of the Bridging Partnership. The Administrator may delegate certain functions under the Administration Agreement to affiliated companies. Under the Administration Agreement, the Bridging Partnership pays the Administrator an administration fee. The Bridging Partnership is also responsible for out-of-pocket expenses (such as copying and mailing of reports) incurred by the Administrator on behalf of the Bridging Partnership.

The Administrator has agreed to exercise the care, diligence and skill that a prudent service provider would exercise in comparable circumstances. The Administrator shall not be liable for any act or omission in the course of, or connected to, rendering its services, except to the extent that such liability directly arises out of the negligence, wilful misconduct or lack of good faith of the Administrator. The Administrator shall not be responsible for any loss or diminution in the value of the Bridging Partnership's assets.

The Bridging Partnership has agreed to indemnify and save harmless the Administrator, and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by any of them in connection with the services provided under the Administration Agreement except to the extent incurred as a result of the negligence, wilful misconduct or lack of good faith on the part of the Administrator.

The Administration Agreement may be terminated by either party giving the other party at least three months' written notice. The Administration Agreement may also be terminated immediately by either party under certain circumstances, including bankruptcy or insolvency of the other party.

Custodian of the Bridging Partnership

Bank of Montreal is the custodian of the monetary assets of the Bridging Partnership pursuant to banking arrangements entered into between the Bridging Partnership and the Partnership Custodian. RBC Investor Services Trust (each of Bank of Montreal and RBC Investor Services Trust, as applicable in such capacity, the "**Partnership Custodian**"), is the custodian of other assets and securities of the Bridging Partnership. As compensation for the custodial services rendered to the Partnership, the Partnership Custodian will receive such fees from the Bridging Partnership as agreed thereto and the Bridging GP may approve from time to time. The Bridging Partnership Custodian will be responsible for the safekeeping of all of the cash assets of the Bridging Partnership delivered to it and will act as the custodian of such assets, other than those assets transferred to the Partnership Custodian or another entity,

as the case may be, as collateral or margin. The Partnership Custodian may also provide the Bridging Partnership with financing lines. The Bridging Partnership is responsible for the payment of all fees incurred in connection with the provision of such services by the Partnership Custodian.

The Bridging Partnership reserves the right, in its discretion, to change the custodial arrangement described above including, but not limited to, the appointment of a replacement custodian and/or additional custodians.

The Bridging GP, the Manager and the Bridging Sub-Advisor shall not be responsible for any losses or damages to the Bridging Partnership arising out of any action or inaction by the Partnership Custodian or any sub-custodian holding the assets of the Bridging Partnership.

Investment Objective

The Bridging Partnership's investment objective is to achieve superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes.

Investment Strategies

To achieve its investment objective, the Bridging Partnership intends to invest in an actively managed portfolio comprised of (i) asset-based loans primarily to Canadian and U.S. based companies that have good quality collateral ("**Asset-Based Investments**") and (ii) factored accounts receivable and inventory financing primarily to Canadian and U.S. based companies and Canadian federal and provincial tax credit financing ("**Factoring Investments**"). The portfolio will include only Asset-Based Investments that are fully collateralized based on liquidation values and/or potential cash flow events. For Asset-Based Investments, the portfolio strategy emphasizes liquidation values over reliance on future cash flows. The portfolio strategy involves a fundamental analysis that identifies good companies that are overlooked by the general financing community and targets diversification through asset type, investment size and industry. Factoring Investments will be well diversified by industry, sector and size according to underwriting standards determined by the Bridging Sub-Advisor on behalf of the Bridging Partnership. Each investment follows a rigorous documentation process that is managed by the independent credit function of the Bridging Sub-Advisor. The Bridging Partnership may also make incidental investments in assets such as promissory notes, convertible debentures, warrants and other "equity sweeteners" issued in connection with the primary investments.

The Bridging GP reserves the right to amend (without the approval of the Limited Partners) the foregoing investment objective and strategies, provided that not less than 60 days' prior written notice of the proposed material change is given to each Limited Partner.

The foregoing disclosure of investment objective, strategies and restrictions may constitute "forward-looking information" for the purpose of applicable securities legislation as it contains statements of the intended course of conduct and future operations of the Bridging Partnership. These statements are based on assumptions made by the Manager of the success of its investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are strongly advised to read the section of the current offering memorandum of the Bridging Partnership under the heading "Risk Factors" for a discussion of factors that may impact the operations and success of the Bridging Partnership.

Loan Facilities

The Bridging Partnership may enter into loan facilities with one or more lenders. The Manager views the loan facilities as being able to provide liquidity in the event of Unitholder redemptions. There is no secondary market for Asset-Based Investments or Factoring Investments, so there is relatively little immediate liquidity for the Bridging Partnership to meet unexpected redemption requests, except for income-generating securities, if any, and cash or cash equivalents held by the Bridging Partnership. The loan facilities could be used to fund redemptions and would be repaid as cash flow within the Bridging Partnership permits or as new Units are issued.

The Manager expects the terms, conditions, interest rate, fees and expenses of the loan facilities will be typical for loans of this nature. In connection with any such loan advances, the Bridging Partnership may grant security over the assets of the Bridging Partnership to secure repayment of such loan advances. The Bridging Partnership may enter into such loan facilities with one or more lenders that may include affiliates of the Bridging Sub-Advisor. However, in such circumstances where the credit facility is used for an investment, such investment decision shall be made by the Bridging Sub-Advisor with oversight by the Bridging Partnership Manager.

Investment Guidelines of the Bridging Partnership

The Bridging Partnership will follow the Investment Guidelines for the Bridging Partnership set forth in the Bridging Partnership Agreement. The Investment Guidelines of the Bridging Partnership may be changed from time to time by the Manager to adapt to changing circumstances and the Limited Partners shall be provided not less than 60 days' prior written notice of any material changes to the Investment Guidelines. For the purposes of the Investment Guidelines listed below, all amounts and percentage limitations will be determined on the date of the relevant investment, and any subsequent change in any applicable percentage resulting from changing Net Asset Values will not require the disposition of any investment from the portfolio. The Bridging Partnership's Investment Guidelines provide, among other things, as follows:

- The Bridging Partnership will seek to achieve superior long-term performance through a strict and disciplined credit selection strategy with an emphasis on preserving capital and income generation.

- The Bridging Partnership will principally provide asset-based financial services to Canadian and U.S. based companies. The product offering includes factoring and receivable financing, which entails financing or purchasing select accounts receivable, as well as asset-based lending, namely, financing secured by assets such as contracts, purchase orders, inventory, commodities, equipment, buildings, and land as well as consumer finance transactions.

- The Bridging Partnership will seek to identify companies that may require additional financing, which, traditional sources, namely, large financial institutions, are unable to provide.

- The portfolio strategy involves a fundamental analysis that identifies companies with strong management teams and provides for diversification through asset type, investment size and industry.

- The Bridging Partnership will target Asset-Based Investments that have an identifiable catalyst that will enable the borrower to deleverage the loan within a reasonable period of time (typically between 6 months and 36 months). Such deleveraging may come from a variety of sources, including projected free cash flow, accelerating earnings, the possibility of equity issuance,

improved operations, assets sales, mergers and acquisitions, refinancing or corporate restructuring.

• The Asset-Based Investments may have varying terms with respect to overcollateralization, seniority or subordination, purchase price, convertibility, interest terms, and maturity, but will consist primarily of non-participating positions, those being positions whereby the Bridging Partnership does not have any management influence by way of its investment.

• The industries in which the Bridging Partnership will make Asset-Based Investments and Factoring Investments include but are not limited to apparel, financial and professional services, construction, manufacturing, real estate, leasing, food processing, transportation, chemicals, electronics, oilfield services, telecommunications, textiles, furniture, sporting goods, film and television, and industrial products.

• From time to time, the Bridging Partnership may take the following types of collateral as security: common or preferred stock; warrants to purchase common stock or other equity interests; or real estate/property. However, this will not be a focus of the Bridging Partnership.

• The Bridging Partnership is not obligated to hedge against fluctuations in the value of its investments as a result of changes in market interest rates, currency changes, or other events, but intends to mitigate such risks through structuring and favourable asset based lending loan terms (including, but not limited to, interest rate floors, availability reserves, and assignment rights). The Manager will have the sole discretion whether to engage in hedging strategies and in what capacity. The Bridging Partnership may utilize a variety of financial instruments including, without limitation, derivatives, options, interest rate swaps, caps and floors, futures, and forward contracts, to seek to hedge against declines in the values of the investments of the Bridging Portfolio.

• In furtherance of the Bridging Partnership's investment objective, the Bridging Partnership may give guarantees and grant security in favour of third parties to secure the Bridging Partnership's obligations and the obligations of intermediary vehicles and it may grant any assistance to intermediary vehicles, including, without limitation, assistance in the management and the development of such companies and their portfolio, financial assistance, loans, advances, or guarantees. The Bridging Partnership may pledge, transfer, encumber, or otherwise create security over some or all of the Bridging Partnership's assets.

• Investments may be made by the Bridging Partnership through intermediary vehicles, including, without limitation, special purposed vehicles or joint ventures, general or limited partnerships, and limited liability companies. The Bridging Partnership may hold investments through joint ventures where the Bridging Partnership may seek to retain control over management, sale, and financing of the venture's assets or alternatively will have a viable mechanism for exiting the venture, within a reasonable period of time. Unless otherwise provided for in this offering memorandum, an investment into an intermediary vehicle should be treated as if it was a were direct investment made by the Bridging Partnership in the assets of the intermediary vehicle and is therefore not subject to the individual investment concentration investment restriction above.

• The Bridging Partnership will seek to reduce risk in the portfolio by minimizing the concentration in the Partnership of any individual investment. The Bridging Partnership may from time to time impose limitations with respect to size, industry, and geography concentration of its Asset-Based Investments, as determined by the Bridging GP; however, there can be no assurance that such limitations will not be exceeded from time to time.

• Any unallocated cash will be held by the Bridging Partnership until such time as the Bridging Partnership identifies attractive investment opportunities or requires additional funding for portfolio management purposes. Any reserve cash held by the Bridging Partnership will be used to manage cash flows, pay expenses, and facilitate redemption payments. Such reserve will be held in an interest-bearing account or invested in money market funds, other Short-Term Securities or U.S. Treasury bills.

• The Bridging Partnership may invest up to 10% of the Net Asset Value of the Bridging Partnership in assets such as promissory notes, convertible debentures, warrants and other "equity sweeteners" issued in connection with any Asset Based Investments or Factoring Investments made by the Bridging Partnership. Notwithstanding the foregoing, at the Manager's discretion, the Bridging Partnership may invest the entirety of any monies awaiting investment, reinvestment or distribution in fixed income assets.

Investment Restrictions of the Bridging Partnership

The assets of the Bridging Partnership will be invested in accordance with the Bridging Partnership's investment objectives and the investment restrictions. The following investment restrictions may not be changed without the approval of the Limited Partners by Extraordinary Resolution:

• The Bridging Partnership shall not invest more than 30% of the Net Asset Value of the Bridging Partnership in any one investment. This investment restriction need not be complied with during the initial 12 month period following the date of the Bridging Partnership's first investment provided that the Manager endeavours to ensure at all times an appropriate level of diversification of risk within the portfolio.

• The Bridging Partnership may borrow permanently (either directly or at the level of any intermediary vehicle) to meet redemption requests of Limited Partners, and secure these borrowings with liens or other security interests in its assets (or the assets of any of its intermediary vehicles), provided that the portfolio may not, at any point in time, incur a level of borrowing (including any short-term borrowings) in excess of 100% of the Net Asset Value of the Bridging Partnership. The Bridging Partnership may not use leverage to enhance performance returns.

• The risk exposure of the Bridging Partnership to a single counterparty in over-the-counter derivative transactions may not exceed 30% of the Net Asset Value of the portfolio.

• The Bridging Partnership will not engage in derivative transactions other than for the purpose of reducing risk (i.e. not for enhancing returns of the portfolio).

The Investment Selection Process of the Bridging Partnership

The industries in which the Bridging Partnership will make Asset-Based Investment and Factoring Investments include but are not limited to apparel, financial and professional services, construction, manufacturing, real estate, leasing, food processing, transportation, chemicals, electronics, oilfield services, telecommunications, textiles, furniture, sporting goods, film and television, and industrial products.

The Bridging Sub-Advisor will create a term sheet for each potential Asset-Based Investments and Factoring Investments and the Bridging Sub-Advisor's internal investment team will review and approve

the term sheet subject to successful due diligence on collateral and/or projected cash flows. For Asset-Based Investments, the Bridging Sub-Advisor considers the following factors:

1. industry overview and competitors;
2. market analysis;
3. management team review;
4. financial analysis including projections and cash flows;
5. stress cases;
6. collateral analysis;
7. key risks and mitigants; and
8. exit strategy.

Once an Asset-Based Investment is made, the Bridging Sub-Advisor monitors the investment using key process control procedures that are auditable and replicable by third parties.

Documentation prior to making a Factoring Investment includes the written analysis of the risk framework, the completion of a pre-proposal checklist, the completion of a credit approval request, and supplementary information. The key process control document supporting each investment is a comprehensive outline of each of the steps in the investment, monitoring and collateral tracking procedures.

For Factoring Investments, the Bridging Sub-Advisor considers the following factors:

1. factorable receivables (and/or government of Canada/provincial tax credits and/or appropriate inventory);
2. appropriate additional security, which can include corporate guarantees, personal guarantees, cross-collateralization with machinery, equipment and/or real estate. The Partnership is not relying primarily on this security for repayment but uses it for enhancement of the collateral position;
3. exit strategy;
4. viability of the business;
5. integrity of management;
6. service delivery of the business;
7. return on capital; and
8. capability to implement action plan.

Distributions

Distributions will be made to holders of LP Units only at such times and in such amounts as may be determined in the discretion of the General Partner. The Partnership intends to make monthly distributions on the Class A Units, the Class F Units and the Class I Units, to holders of such Units, out of the Net Income it derives from its Asset-Based Investments and in certain cases, capital of the Partnership. The amount of any distributions may fluctuate and there can be no assurance that any distributions will be made in any period or of any particular amount.

Computation and Allocation of Net Income or Net Losses of the Bridging Partnership

Generally, Net Income or Net Loss of the Bridging Partnership which are allocable to Limited Partners during any fiscal year will be accrued on each Partnership Valuation Date to Limited Partners in proportion to the number of LP Units held by each of them as at each Partnership Valuation Date, subject to adjustment to reflect subscriptions and redemptions of LP Units made during the fiscal year, as described below.

To the extent the Bridging Partnership generates a Total Return per Unit (as defined below) in any fiscal year which is equal to or less than the Target Minimum Return (as defined below), then 99.999% of the Net Income of the Bridging Partnership for such fiscal year will be allocated to the Limited Partners and 0.001% of the Net Income of the Bridging Partnership for such fiscal year will be allocated to the General Partner.

To the extent the Bridging Partnership generates a Total Return per Unit in any fiscal year which is greater than the Target Minimum Return but equal to or less than the Hurdle Rate (as defined below), then 100% of such return between the Target Minimum Return and the Hurdle Rate for such fiscal year will be allocated to the General Partner.

To the extent the Partnership generates a Total Return per Unit which is greater than the Hurdle Rate in any fiscal year and the Net Asset Value per Unit on the applicable Partnership Valuation Date exceeds the Prior High NAV (as defined below), then all of the Net Income of the Partnership above such Hurdle Rate for such fiscal year will be allocated on such Partnership Valuation Date as to 20% to the General Partner as an Incentive Allocation and as to 80% to the Limited Partners.

Net Losses of the Partnership for any fiscal year will be allocated as to 99.999% to the Limited Partners and as to 0.001% to the General Partner.

The Incentive Allocation is calculated on a class by class basis. The Incentive Allocation will be calculated and accrued monthly and paid annually upon determination on the last Partnership Valuation Date of the year. For subscriptions and redemptions other than at year-end, the Net Income of the Partnership will be annualized for purposes of determining whether the Total Return threshold has been met. No Incentive Allocation will be made on Class I LP Units.

For purposes of the foregoing allocations,

"Hurdle Rate" means the Target Minimum Return plus 2% per annum, subject to a maximum of 10% per annum, determined on the first business day of each fiscal year and applicable for the entire fiscal year;

"Net Income" of the Partnership for any period means the sum of Partnership income earned by the Partnership, dividends, if any, received by the Partnership, less all fees and expenses of the Partnership; provided that if the foregoing results in a negative amount, such amount for such period shall be referred to as a "Net Loss" of the Partnership;

"Prime Rate" means the annual rate of interest equivalent to the prime business rate as set by the Bank of Canada from time to time, as published on the Bank of Canada website at www.bankofcanada.ca, determined on the first business day of each fiscal year and applicable for the entire fiscal year;

"Prior High NAV" per Unit of a Class is the Net Asset Value per Unit of that Class on the most recent year-end Partnership Valuation Date in respect of which an Incentive Allocation was paid or payable with respect to such Unit (or if no Incentive Allocation has yet become payable with respect to such Unit, the Net Asset Value per Unit at which such Unit was issued);

"Target Minimum Return" means the Prime Rate plus 3.5% per annum, subject to a maximum of 8% per annum, determined on the first business day of each fiscal year and applicable for the entire fiscal year; and

"Total Return per Unit" means the amount equal to the percentage appreciation of the Net Asset Value per Unit, without taking into account any accrued Incentive Allocation, but including the amount of any distributions on a per Unit basis.

The General Partner reserves the right to adjust allocations to account for LP Units purchased or redeemed during a fiscal year and other relevant factors.

Financial Disclosure of the Partnership

KPMG LLP, Chartered Accountants, Toronto, Ontario are the auditors of the Bridging Partnership. KPMG LLP are also the auditors of the Manager and Bridging General Partner.

A copy of the annual audited financial statements of the Bridging Partnership, including a calculation of the Net Asset Value per Unit for each class of Units, will be sent to Limited Partners within 90 days after the end of each fiscal year. The Bridging GP will forward to each Limited Partner a copy of the interim unaudited financial statements of the Bridging Partnership as at and for the six months then ended within 60 days after the end of the first six-month period of the year. Within 60 days of the end of each fiscal quarter, the Bridging GP will provide a short written commentary outlining highlights of the Bridging Partnership's activities. The most recent audited annual and/or unaudited interim financial statements of the Bridging Partnership are hereby incorporated by reference.

Sprott Private Credit Trust II

Sprott Private Credit Trust II ("**Private Credit Fund**") is an open-ended unincorporated investment trust established under the laws of the Province of Ontario and is governed by a trust agreement dated as of June 1, 2016, as the same may be amended, restated or supplemented from time to time. RBC Investor Services Trust is the Trustee of the Private Credit Fund. The principal office of the Trustee is located at 155 Wellington Street West, 5th Floor, RBC Centre, Toronto, Ontario, M5V 3L3. RBC Investor Services Trust also acts as the custodian and the record-keeper of the Private Credit Fund. Initial capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the offering documents of this particular Portfolio Fund.

The capital of the Private Credit Fund is divided into an unlimited number of Units issuable in one or more classes and/or series of Units. The Private Credit Fund currently offers six classes of Units: Class A Units, Class D Units, Class E Units, Class F Units, Class FD Units and Class I Units. Additional classes and/or series of Units may be offered in the future.

Investment Objective

The investment objective of the Private Credit Fund is to achieve superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes.

Investment Strategy

To achieve its investment objective the Private Credit Fund intends to allocate capital to invest in securities of funds (the "**Portfolio**") managed by certain third-party managers selected by the Manager from time to time who will employ various credit strategies across the credit quality spectrum (each an "**Underlying Fund**"). Such Underlying Funds will hold an actively managed portfolio of asset-based loans that will be focused on private and public companies that are unable to access traditional financing.

The Portfolio will not be subject to geographical or industry sector restrictions. However, it is intended that the portfolios of each of the Underlying Funds will focus primarily on private and public companies based in Canada and/or the United States.

The Private Credit Fund will execute its investment strategy through various third-party managers selected by the Manager from time to time that employ their own strategies for the Underlying Funds in which the Private Credit Fund will invest.

Initially, the Private Credit Fund intends to invest substantially all of its capital in Class SD units of the Third Eye Capital Alternative Credit Trust (the "**TEC Trust**"), an open-ended unincorporated investment trust established under the laws of the Province of Ontario (the "**TEC Units**"). The TEC Trust focuses on identifying short–term credit investments principally in Canadian companies that are unable to access traditional financing. Portfolio construction in respect of each of its investments will involve (i) origination and term sheet construction, (ii) due diligence on collateral and business strength, (iii) risk rating assignment and preparation of an investment summary, (iv) the credit committee review, (v) monitoring of the investment by collateral tracking and covenant testing, and (vi) risk rating updates, audits and appraisals. Third Eye Capital Management Inc., a corporation formed and organized under the laws of the Province of Ontario, is the manager of the TEC Trust and is registered under securities legislation as an investment fund manager in Ontario, Quebec and Newfoundland and Labrador, a portfolio manager in Ontario and an exempt market dealer in each of the provinces and territories of Canada.

The Private Credit Fund may invest in other Underlying Funds with similar strategies from time to time and allocate capital to such funds in its sole discretion. Where possible, to the extent the Fund allocates capital to an Underlying Fund that has a distribution class of securities, the Private Credit Fund will invest in such distribution class. The Private Credit Fund may also hold at any time cash, short-term money market instruments, fixed income securities (including government bonds, investment-grade corporate bonds and T-bills) and equity securities.

Information contained in the confidential offering memorandum of TEC Trust, its marketing materials, the website of Third Eye Capital Management Inc., or any offering memorandum or other similar disclosure document, marketing materials or website of the manager of any other Underlying Fund is not part of this Offering Memorandum and is not incorporated by reference herein. Unitholders may request and receive from the Manager, free of charge, a copy of the offering memorandum or other similar disclosure of the Underlying Fund(s), if available, and the annual and semi-annual financial statements of the Underlying Fund(s) in which the Private Credit Fund invests its assets.

Investment Restrictions

The Manager may from time to time establish restrictions with respect to the investments of the Private Credit Fund including, without limitation, restrictions as to the proportion of the assets of the Private Credit Fund which may be invested the securities of issuers operating in any industry sector or in any class of investment. The Manager does not anticipate imposing any restrictions with respect to the investments of the Private Credit Fund other than those outlined above under the heading "Investment Objective and Strategy of the Fund". These restrictions may be changed from time to time by the Manager to adapt to changing circumstances. Additional restrictions may also be imposed in order to ensure generally that the Private Credit Fund is not subject to tax under the Tax Act.

The Manager may open accounts for the Private Credit Fund with brokerage firms, banks or others and may invest assets of the Private Credit Fund in, and may conduct, maintain and operate these accounts for, the purchase, sale and exchange of stocks, bonds and other securities, and in connection therewith, may borrow money or securities on behalf of the Private Credit Fund to complete trades, obtain

guarantees, pledge securities and engage in all other activities necessary or incidental to conducting, maintaining and operating such accounts.

The foregoing investment objective, strategy and restrictions of the Private Credit Fund may be changed from time to time by the Manager to adapt to changing circumstances. Unitholders will be given not less than 60 days' prior written notice of any material changes to the investment objective, strategy and restrictions of the Private Credit Fund unless such changes are required to comply with applicable laws in which case prompt notice will be given.

Investment Through Intermediary Vehicles

Investments may be made by the Private Credit Fund through intermediary vehicles, including, without limitation, special purposes or joint ventures, general or limited partnerships, and limited liability companies. The Private Credit Fund will seek to fully control any such intermediary vehicles, but may also hold investments through joint ventures where the Private Credit Fund will seek to retain control over management, sale, and financing of the venture's assets or alternatively will have a viable mechanism for exiting the venture, within a reasonable period of time.

Security Interests and Guarantees

In furtherance of the Private Credit Fund's investment objective, the Private Credit Fund may give guarantees and grant security in favour of third parties to secure the Private Credit Fund's obligations and the obligations of intermediary vehicles and it may grant any assistance to intermediary vehicles, including, without limitation, assistance in the management and the development of such companies and their portfolio, financial assistance, loans, advances, or guarantees. The Private Credit Fund may pledge, transfer, encumber, or otherwise create security over some or all of the Private Credit Fund's assets.

Distributions

The Manager intends to make a monthly distribution on the Class A Units, the Class F Units and the Class I Units, to holders of such Units, out of the net income of the Private Credit Fund. Initially, the Manager intends to target a distribution of 6.0%, however, the amount of any distributions may fluctuate and there can be no assurance that any distributions will be made in any period or of any particular amount. The target distribution percentage may be reset each year in the sole discretion of the Manager. Purchasers should not confuse these distributions with the Private Credit Fund's rate of return or yield. The distributions on the Class A Units, the Class F Units and the Class I Units are not guaranteed**.**

Subject to applicable securities legislation, annual distributions will be automatically reinvested in additional Units of the Class at the Net Asset Value of such Class of Units on the date of distribution, unless a Unitholder elects, by written notice to the Manager, to receive such distributions in cash. If a Unitholder does not elect to receive cash, all distributions will be automatically reinvested in additional units of the same Class at the Net Asset Value per Unit on the last Valuation Date of the fiscal year of the Private Credit Fund.

The Private Credit Fund will also distribute on the last Valuation Date in each year its net realized capital gains in such amount (and in addition to any distributions) as will result in the Private Credit Fund paying no tax under the Tax Act. The net income and net realized capital gains of the Private Credit Fund will be calculated as of such Valuation Dates during the year as the Manager in its discretion may decide. Allocations and distributions of income/gains will generally be made by reference to the number of Units held as of the close of business on the last Valuation Date prior to such allocation or distribution (or such other distribution date as may be determined by the Manager); however, the Manager may make

allocations in a manner to fairly reflect, as best as possible, subscriptions and redemptions made during the year.

Auditors

The auditors of the Fund are KPMG LLP with its principal offices located at 333 Bay Street, Suite 4600, Bay Adelaide Centre, Toronto, Ontario, M5H 2S5. The auditors of the Fund may only be changed with the approval of the Unitholders in accordance with the provisions of the Trust Agreement.

Unitholder Reporting

The Manager shall forward to Unitholders a copy of the audited annual financial statements of the Fund within 90 days of each fiscal year-end as well as unaudited interim financial statements of the Fund within 60 days of the end of the first six month period in each fiscal year. Within 60 days of the end of each fiscal quarter, the Manager will make available to Unitholders an unaudited schedule of Net Asset Value per Unit for each class of Units and may provide a short written commentary outlining highlights of the Fund's activities.

Sprott Credit Income Opportunities Fund

Sprott Credit Income Opportunities Fund is an open-ended unincorporated investment trust existing under the laws of the Province of Ontario pursuant to the terms of the amended and restated trust agreement dated as of June 1, 2015, as the same may be amended, restated or supplemented from time to time. CIBC Mellon Trust Company is the trustee of the Fund. The Trustee is a trust company organized under the federal laws of Canada. The principal office of the Trustee is located at 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6. RBC Investor Services Trust is the record-keeper of the Fund. CIBC Mellon Global Securities Services Company is the valuation agent to the Fund and will provide financial reporting services to the Fund. CIBC Mellon Trust Company is the custodian of the assets of the Fund pursuant to the Custodian Agreement. Initial capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the offering documents of this particular Portfolio Fund.

The capital of the Fund is divided into an unlimited number of Units issuable in one or more classes and/or series of Units. The Fund currently offers three classes of Units: Class B Units, Class F Units and Class I Units. The Fund previously issued Class A Units to qualified purchasers. The Class A Units are closed to subscriptions. The Manager, in its sole discretion, may accept subscriptions for such Units in certain circumstances. Additional classes and/or series of Units may be offered in the future.

Custodian

CIBC Mellon Trust Company (in such capacity, the "**Custodian**") is the custodian of the assets of the Fund pursuant to the terms of a custodial services agreement entered into between the Fund and the Custodian (the "**Custodian Agreement**"), as amended from time to time. As compensation for the custodial services rendered to the Fund, the Custodian will receive such fees from the Fund as agreed from time to time in writing. The Custodian will be responsible for the safekeeping of all of the assets of the Fund delivered to it and will act as the custodian of such assets. The Fund is responsible for the payment of all reasonable fees incurred in connection with the provision of such services by the Custodian or its agents.

The Custodian Agreement will be in force until it is terminated by either party giving the other at least 90 days written notice. The Custodian Agreement may be terminated immediately by either party under certain circumstances, including bankruptcy or insolvency of the other party.The Manager reserves the

right, in its discretion, to change the custodial arrangement described above including, but not limited to, the appointment of a replacement custodian and/or additional custodians.

The Fund has agreed to indemnify and save harmless the Custodian for any loss, damage or expense, including reasonable counsel fees and expenses, arising in connection with the Custodian Agreement except to the extent caused as a result of the gross negligence, willful misconduct, fraud or lack of good faith on the part of the Custodian.

The Custodian will exercise the same degree of care in the safekeeping of assets of the Fund as it uses in respect of its own property of a similar nature in its custody. The Manager shall not be responsible for any losses or damages to the Fund arising out of any action or inaction by the Custodian or any sub-custodian holding the assets of the Fund.

Record-Keeper

RBC Investor Services Trust is the record-keeper to the Fund. The principal office of the record-keeper is located at 155 Wellington Street West, 5th Floor, RBC Centre, Toronto, Ontario, M5V 3L3.

Valuation and Fund Reporting

CIBC Mellon Global Securities Services Company is the valuation agent to the Fund and also provides financial reporting services to the Fund. The principal office of the valuation agent is located at 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6.

Investment Objectives

The investment objective of the Fund is to provide investors with income and capital appreciation.

Investment Strategies

The Fund will seek to achieve its investment objectives by primarily investing in a diversity of Canadian, U.S. and international fixed income securities for short-term and long-term gain. The securities comprising the portfolio of the Fund (the "**Portfolio**") will be selected by the Manager based on its assessment of the markets and potential investment opportunities. The Fund has no geographic, industry sector, asset class or market capitalization restrictions. Notwithstanding the foregoing, the Manager will not acquire an investment that is not a "qualified investment" under the *Income Tax Act* (Canada) (the "**Tax Act**") for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**") and deferred profit sharing plans ("**DPSPs**") if, as a result thereof, the Fund would become subject to tax under Part X.2 of the Tax Act. If at any time the Fund is a "mutual fund trust" for the purposes of the Tax Act, it would not be subject to Part X.2 tax for holding non-qualified investments for RRSPs, RRIFs or DPSPs at that time.

The Manager may employ the use of derivative instruments and currency hedging from time to time to hedge against losses from movements in fixed income and equity markets or to realize additional gains. In addition, government bonds may be sold short to reduce interest rate risk.

The Fund may at any time hold cash, short-term money market instruments, fixed income securities (including government bonds, investment-grade corporate bonds, high-yield bonds, credit-linked notes, credit default swaps, asset swaps, asset-backed securities, mortgage-backed securities, collateralized debt, government agencies, convertible debentures and bank loans), equities (including common shares, preferred shares, trust securities), warrants, forwards, futures contracts and distressed debt securities,

provided such investments are "qualified investments" under the Tax Act for RRSPs, RRIFs and DPSPs, unless the Fund is a "mutual fund trust" for the purposes of the Tax Act at that time, in which case, it may hold non-qualified investments for RRSPs, RRIFs and DPSPs.

Investment Restrictions

The Manager may from time to time establish restrictions with respect to the investments of the Fund including, without limitation, restrictions as to the proportion of the assets of the Fund which may be invested in the securities of issuers operating in any industry sector or in any class of investment. The Manager does not anticipate imposing any restrictions with respect to the investments of the Fund other than those outlined above and under the heading "Investment Objectives and Strategies of the Fund". Additional restrictions may also be imposed in order to ensure the Fund qualifies at all relevant times as a "registered investment" as defined in section 204.4 of the Tax Act ("**Registered Investment**").

The Manager may, to the fullest extent now or hereafter permitted by applicable securities legislation regarding soft dollar transactions, cause the Fund to enter into soft dollar arrangements and to effect transactions pursuant to such soft dollar arrangements.

The Manager may open accounts for the Fund with brokerage firms, banks or others and may invest assets of the Fund in, and may conduct, maintain and operate these accounts for, the purchase, sale and exchange of stocks, bonds and other securities, and in connection therewith, may borrow money or securities on behalf of the Fund to complete trades, obtain guarantees, pledge securities and engage in all other activities necessary or incidental to conducting, maintaining and operating such accounts.

The foregoing investment objective, strategy and restrictions of the Fund may be changed from time to time by the Manager to adapt to changing circumstances. Unitholders will be given not less than 60 days' prior written notice of any material changes to the investment objective, strategies and restrictions of the Fund unless such changes are required to comply with applicable laws in which case prompt notice will be given.

The foregoing disclosure of investment objectives, strategies and restrictions may constitute "forward-looking information" for the purpose of applicable securities legislation as it contains statements of the intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Manager of the success of its investment strategy in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are strongly advised to read the section of this Offering Memorandum under the heading "Risk Factors" for a discussion of factors that may impact the operations and success of the Fund.

Performance Fees

In addition to Management Fees, the Manager is entitled to receive from the Fund for each fiscal year an annual performance fee (the "**Performance Fee**") attributable to Class B Units, Class F Units and Class I Units. Each such class of Units is charged a Performance Fee equal to 15% of the amount by which the Net Asset Value per Unit of the particular class of Units (including any distributions paid on such Units, but before calculation and accrual for the Performance Fee) at the end of the current fiscal year exceeds the High Water Mark (as defined below), plus applicable HST. For purposes of the foregoing calculation in respect of the Class I Units of the Fund, the Net Asset Value of such class of Units will also be reduced by any Management Fee that are directly paid to the Manager.

If any class of Units of the Fund are redeemed prior to the last Valuation Date of a fiscal year, the Manager will determine if any Performance Fee is payable on such Units immediately before such Units are redeemed. If a Performance Fee is payable on such Units being redeemed, the Performance Fee will be accrued and paid to the Manager as soon as practicable.

"High Water Mark" in respect of an annual Performance Fee for a particular class of Units of the Fund shall be equal to the Net Asset Value of the particular class of Units on such date a Performance Fee was payable adjusted for subscriptions and redemptions subsequent to such date, plus 4% for the same period. The Performance Fee shall be prorated based on the number of months for the calculation.

If the performance of a particular class of Units in any year is negative, such negative return will be added to the subsequent year's High Water Mark for that class of Units. If the performance of a particular class of units in any year is positive, but below the hurdle, the subsequent year's High Water Mark will be the prior fiscal year's ending Net Asset Value of the particular class of Units.

The Performance Fee in respect of each such class of Units will be calculated and accrued monthly as of each Valuation Date and will be payable annually on the last Valuation Date of each fiscal year.

Distributions

The Manager intends to make a monthly distribution on the Class B Units, the Class F Units and the Class I Units, to holders of such Units, out of the net income of the Fund. The amount of any distributions may fluctuate and there can be no assurance that any distributions will be made in any period or of any particular amount. Purchasers should not confuse these distributions with the Fund's rate of return or yield. The distributions on the Class B Units, the Class F Units and the Class I Units are not guaranteed.

The Fund will also distribute on the last Valuation Date in each year its net realized capital gains in such amount (and in addition to any distributions) as will result in the Fund paying no tax under the Tax Act. The net income and net realized capital gains of the Fund will be calculated as of such Valuation Dates during the year as the Manager in its discretion may decide. Allocations and distributions of income/gains will generally be made by reference to the number of Units held as of the close of business on the last Valuation Date prior to such allocation or distribution (or such other distribution date as may be determined by the Manager); however, the Manager may make allocations in a manner to fairly reflect, as best as possible, subscriptions and redemptions made during the year.

All distributions made by the Fund to Unitholders will result in the Fund automatically purchasing additional Units of the same class at the Net Asset Value per Unit for such class on the applicable Valuation Date or as may be determined by the Manager.

Any distributions to Unitholders shall be accompanied by a statement advising the Unitholders of the source of the funds so distributed so that distributions of ordinary income, dividends, return of capital and capital gains will be clearly distinguished, or, if the source of funds so distributed has not been determined, the communication shall so state, in which event the statement of the source of funds shall be forwarded to Unitholders promptly after the close of the fiscal year in which the distribution was made.

The Trustee may cause to be paid such additional distributions of monies or properties of the Fund and make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which the Fund has received, paid, declared payable or allocated to Unitholders and of expenses incurred by the Fund and of tax deductions of which the Fund may be entitled as the Trustee may, in its sole discretion, determine.

Auditors

The auditors of the Fund are KPMG LLP with its principal offices located at 333 Bay Street, Suite 4600, Bay Adelaide Centre, Toronto, Ontario, M5H 2S5. The auditors of the Fund may only be changed with the approval of the Unitholders in accordance with the provisions of the Trust Agreement.

Sprott Diversified Bond Fund

Sprott Diversified Bond Fund is an open-ended mutual fund trust established under the laws of the Province of Ontario and is governed by an amended and restated trust agreement dated as of June 2, 2014, as the same may be amended, restated or supplemented from time to time. This Portfolio Fund is a mutual fund managed in accordance with National Instrument 81-102 *Investment Funds* of the Canadian Securities Administrators. RBC Investor Services Trust acts as the trustee, custodian and record-keeper. Initial capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the offering documents of this particular Portfolio Fund.

The capital of this Portfolio Fund is divided into Series A, Series F and Series I units. Sprott Diversified Bond Fund has also created Series T and FT units and Series P, Series PT, Series PF, Series PFT, Series Q, Series QT, Series QF and Series QFT units.

The Funds are considered to be "dealer managed" investment funds for the purposes of NI 81-102. Applicable securities laws impose restrictions on investments by dealer managed investment funds. In accordance with such rules, subject to certain exemptions or prior authorizations to the contrary, each Fund may not make an investment in any class of securities of any issuer (other than those guaranteed by the Government of Canada, the government of a province of Canada or an agency of the foregoing) (i) for which the Manager or its associates or affiliates have acted as underwriter (except for a small selling group participation) during the preceding 60 days; or (ii) of which any director, officer or employee of the Manager or an affiliate or associate of the Manager, is a partner, director or officer, if such person participates in the formulation of, influences or has access prior to implementation of, investment decisions made on behalf of the Fund.

In accordance with the requirements of NI 81-102 and NI 81-107, the Manager has obtained IRC approval in respect of transactions including investing in equity securities and debt securities of an issuer during the offering of the securities or at any time during the 60-day period following the completion of the offering of such securities, notwithstanding that a related dealer has acted as underwriter in the relevant offering of the same class of such securities (in accordance with the Related Dealer Relief (defined below) and in accordance with the policies and procedures relating to such investments).

Investment Objective

The Sprott Diversified Bond Fund's investment objectives are to maximize total return and to provide income by investing primarily in debt and debt-like securities of corporate and government issuers from around the world.

Investment Strategy

To achieve its investment objectives, this Portfolio Fund takes a flexible approach in investing in debt instruments and debt-like securities (such as convertible bonds) and the allocation depends on the investment manager's view of economic and market conditions. In addition, the investment manager selects investments in an effort to take advantage of the credit cycle and the differences in currencies, interest rates and credits between countries based on global macroeconomic and political analysis. There

are no restrictions on the credit rating of the securities of this Portfolio Fund and the investment manager may invest a significant portion of this Portfolio Fund's assets in non-investment grade and high yield debt securities. The investment manager may also invest a portion of the Portfolio Fund's assets in exchange-traded funds to gain exposure to the securities described herein. This Portfolio Fund's holdings are denominated in foreign currencies and the currency exposures will be actively managed and will be generally hedged back to the Canadian dollar as the investment manager deems appropriate. Capital is allocated based on the investment manager's assessment of anticipated market opportunities and expected risk reward profile. The Portfolio Fund's portfolio is monitored and rebalanced intra-day as appropriate using both qualitative and quantitative measures. In particular, the portfolio is reviewed under different stress testing scenarios.

This Portfolio Fund has obtained relief from the Canadian securities regulators to invest up to: (i) 35% of the proportion of its net asset value then invested in evidences of indebtedness, taken at market value at the time of purchase, in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies (as defined in NI 81-102) or governments other than the government of Canada, the government of a province or territory of Canada, or the government of the United States of America and are rated "AAA" by Standard & Poor's, or have an equivalent rating by one or more other approved credit rating organizations; and (ii) 20% of the proportion of its net asset value then invested in evidences of indebtedness, taken at market value at the time of purchase, in evidences of indebtedness of any other issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies (as defined in NI 81-102) or governments other than the government of Canada, the government of a province or territory of Canada, or the government of the United States of America and are rated "AA" by Standard & Poor's, or have an equivalent rating by one or more other approved credit rating organizations (such evidences of indebtedness are collectively referred to as Foreign Government Securities). The Fund will only invest in Foreign Government Securities that are traded on a mature and liquid market and where the acquisition of which is consistent with the fundamental investment objectives of the Fund.

Securities Lending Agent

RBC Investor Services Trust of Toronto, Ontario is the securities lending agent (the "Securities Lending Agent") for the Funds that engage in securities lending. The Securities Lending Agent is independent of the Manager. The Manager has appointed the Securities Lending Agent under the terms of a written agreement between the Manager, the Trustee and the Securities Lending Agent on behalf of the Trust Fund in order to administer any securities lending, repurchase and reverse repurchase transactions for the Funds (the "Securities Lending Agreement"). The Securities Lending Agreement complies with the applicable provisions of NI 81-102. Under the provisions of the agreement, the Securities Lending Agent will:

- assess the creditworthiness of potential counterparties to these transactions (typically, registered brokers and/or dealers);
- negotiate the actual securities lending, repurchase and reverse repurchase agreements with such counterparties;
- collect lending and repurchase fees and provide such fees to the Manager;
- monitor (daily) the market value of the securities sold, loaned or purchased and the collateral and ensure that each Fund holds collateral equal to at least 102% of the market value of the securities sold, loaned or purchased; and
- ensure that each Fund does not loan or sell more than 50% of the net asset value of its assets (not including the collateral held by the Fund, as applicable) through lending and repurchase transactions.

The Securities Lending Agreement may be terminated by a party on at least 15 business days' prior notice to the other parties. The notice must specify the date of the termination subject to an obligation to ensure that all loans which have been entered into, but not discharged at the time the notice is given, are duly discharged in accordance with the terms of the agreement.

Distributions

In each calendar year, the Fund will distribute to its investors a sufficient amount of the Fund's net investment income and net capital gains so that the Fund will not pay any income tax. For Series A, Series F, Series P, Series PF, Series Q, Series QF and Series I units, distributions of net realized income, if any, are made monthly and distributions of net realized capital gains, if any, are made annually in December. All distributions paid to an investor will be reinvested automatically in additional units of the same series of units of the Fund at the net asset value per unit of that series without any fee unless you ask us to be paid in cash rather than receive units of the Fund at least 5 business days in advance of the date on which distributions are payable.

Auditors

The auditors of the Fund are KPMG LLP with its principal offices located at 333 Bay Street, Suite 4600, Bay Adelaide Centre, Toronto, Ontario, M5H 2S5. The auditors of the Fund may only be changed with the approval of the Unitholders in accordance with the provisions of the Trust Agreement.

DESCRIPTION OF UNITS OF THE FUND

Each Unit represents a beneficial interest in the Fund. The Fund is authorized to issue an unlimited number of classes of Units and an unlimited number of Units in each such class. The Fund may issue fractional Units so that subscription funds may be fully invested. Each whole Unit of a particular class has equal rights to each other Unit of the same class with respect to all matters, including voting, receipt of distributions from the Fund, liquidation and other events in connection with the Fund.

The Fund will consult with its tax advisors prior to the establishment of each new class to ensure that the issuance of Units of that class will not have adverse Canadian tax consequences. Three classes of Units of the Fund are offered under this Offering Memorandum, namely Class A Units, Class F Units and Class I Units. There need not be any correlation between the number of Class A Units, Class F Units and Class I Units sold hereunder. The differences among the three classes of Units are the different eligibility criteria, fee structures and administrative expenses associated with each class. However, classes of Units may not necessarily track or reflect such differences given certain differences with respect to the securities and fee structure of a Portfolio Fund.

Class A Units will be issued to qualified purchasers.

Class F Units will be issued to: (i) qualified purchasers who participate in fee-based programs through eligible registered dealers; (ii) qualified purchasers in respect of whom the Fund does not incur distribution costs; and (iii) qualified individual purchasers in the Manager's sole discretion. If a Unitholder ceases to be eligible to hold Class F Units, the Manager may, in its sole discretion, reclassify such Unitholder's Class F Units for Class A Units on five days' notice, unless such Unitholder notifies the Fund during the notice period and the Manager agrees that the Unitholder is once again eligible to hold Class F Units.

Class I Units will be issued to institutional investors at the discretion of the Manager. If a Unitholder ceases to be eligible to hold Class I Units, the Manager may, in its sole discretion, reclassify such Unitholder's Class I Units for Class A Units on five days' notice, unless such Unitholder notifies the Fund during the notice period and the Manager agrees that the Unitholder is once again eligible to hold Class I Units.

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

All Units of the same class have equal rights and privileges. Units and fractions thereof will be issued only as fully paid and non-assessable. Units will have no preference, conversion, exchange or pre-emptive rights. Each whole Unit of a particular class entitles the holder thereof to one vote at meetings of Unitholders where all classes vote together, or to one vote at meetings of Unitholders where that particular class of Unitholders votes separately as a class.

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

All Units of the same class are entitled to participate *pro rata*: (i) in any allocations or distributions made by the Fund to the Unitholders of the same class; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of the same class of net assets of the Fund attributable to the class remaining after satisfaction of outstanding liabilities of such class. Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager in accordance with applicable securities legislation. To dispose of Units, a Unitholder must have them redeemed.

The Fund may issue fractional Units so that subscription funds may be fully invested. Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion which they bear to a whole Unit. Outstanding Units of any class may be subdivided or consolidated in the Manager's discretion upon the Manager giving at least 21 days' prior written notice to each Unitholder of its intention to do so. Units of a class may be reclassified by the Manager as Units of any other class having an aggregate equivalent Class Net Asset Value (as described under "Computation of Net Asset Value of the Fund") if such reclassification is approved by the holder of the Units to be reclassified or with 30 days' prior written notice.

Subject to the consent of the Manager, Unitholders may reclassify or switch all or part of their investment in the Fund from one class of Units to another if the Unitholder is eligible to purchase that class of Units. The timing and processing rules applicable to purchases and redemptions of Units also applies to reclassifications or switches between classes of Units. See "Details of the Offering" and "Redemption of Units". Upon a reclassification or switch from one class of Units to another class, the number of Units held by the Unitholder will change since each class of Units has a different Net Asset Value per Unit.

Generally, reclassifications or switches between classes of Units are not dispositions for tax purposes. However, Unitholders should consult with their own tax advisors regarding any tax implications of reclassifying or switching between classes of Units. A fee of up to $125 may be charged for each transfer or deregistration of Units held directly with the Manager in a Tax Deferred Plan. See "Canadian Federal Income Tax Considerations – Eligibility for Investment".

FEES AND EXPENSES

Management Fees Payable by the Fund

The Manager will receive, as compensation for providing services to the Fund, a Management Fee from the Fund attributable to Class A Units, Class F Units and, in certain circumstances described below, Class I Units. Each class of Units is responsible for the Management Fee attributable to that class.

Class A Units

The Fund will pay the Manager a monthly Management Fee equal to 1/12 of 2.0% of the Net Asset Value of the Class A Units (determined in accordance with the Trust Agreement), plus applicable HST, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class A Units as at the last business day of each month.

Class F Units

The Fund will pay the Manager a monthly Management Fee equal to 1/12 of 1.0% of the Net Asset Value of the Class F Units (determined in accordance with the Trust Agreement), plus applicable HST, calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class F Units as at the last business day of each month.

Class I Units

Subject to the discretion of the Manager, investors who purchase Class I Units must either: (i) enter into an agreement with the Manager which identifies the monthly Management Fee negotiated with the investor which is payable by the investor directly to the Manager; or (ii) enter into an agreement with the Fund which identifies the monthly Management Fee negotiated with the investor which is payable by the Fund to the Manager. In each circumstance, the monthly Management Fee, plus any applicable HST, is calculated and accrued on each Valuation Date and payable on the last business day of each month based on the Net Asset Value of the Class I Units as at the last business day of each month.

The Fund will not pay a Management Fee to the Manager that to a reasonable person would duplicate a fee payable to the Manager by a Portfolio Fund for the same service.

Management Fee and Performance Fee Payable by a Portfolio Fund

As the Fund will invest in assets of the Portfolio Funds, Unitholders will indirectly bear the fees and expenses of such Portfolio Funds, including any management and performance fees, if any, that are charged to the Class I units of such Portfolio Fund.

To the extent the Fund invests in any other Portfolio Fund, the Manager will provide to Unitholders the management fee payable and any incentive fee payable by such Portfolio Fund.

Early Redemption Fee

The Manager may, in its sole discretion, impose an early redemption fee equal to 2% of the aggregate Net Asset Value of Units redeemed if such Units are redeemed within 90 days of their date of purchase. This early redemption fee will be deducted from the Redemption Amount otherwise payable to a Unitholder and will be paid to the Fund. No early redemption fee will be charged in respect of the redemption of Units which were acquired by a Unitholder through the automatic reinvestment of all distributions of net income or capital gains by the Fund or where the Manager requires a Unitholder to redeem some or all of the Units owned by such Unitholder. This early redemption fee is in addition to any other fees a Unitholder is otherwise subject to under this Offering Memorandum. See "Redemption of Units".

Operating Expenses Payable by the Fund

The Fund is responsible for the payment of all routine and customary fees and expenses incurred relating to the administration and operation of the Fund including, but not limited to: trustee fees and expenses; Management Fees (if any); custodian, and safekeeping fees and expenses; registrar and transfer agency fees and expenses; audit, legal and record-keeping fees and expenses; communication expenses; printing and mailing expenses; all costs and expenses associated with the qualification for sale and distribution of the Units in the Offering Jurisdictions including securities filing fees (if any); investor servicing costs; costs of providing information to Unitholders (including proxy solicitation material, financial and other reports) and convening and conducting meetings of Unitholders; taxes, assessments or other governmental charges of all kinds levied against the Fund; interest expenses; and all brokerage commissions and other fees associated with the purchase and sale of portfolio securities and other assets of the Fund. In addition, the Fund will be responsible for the payment of all expenses associated with ongoing investor relations and education relating to the Fund.

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

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

Fees and Expenses of the Portfolio Funds

Since the Fund invests directly in units of the Portfolio Funds, the Fund will indirectly bear the fees and expenses incurred by such Portfolio Funds.

DEALER COMPENSATION

Units will be distributed in the Offering Jurisdictions through registered dealers, including the Manager and Sprott Private Wealth LP, and such other persons as may be permitted by applicable law. In the event of such distribution, registered dealers (other than the Manager) will be entitled to the compensation described below.

Sales Commission

No sales commission is payable to the Manager in respect of Units purchased directly by a subscriber. However, registered dealers may, at their discretion, charge purchasers a front-end sales commission of up to 5% of the Net Asset Value of the Class A Units purchased by the subscriber. Any such sales

commission will be negotiated between the registered dealer and the purchaser and will be payable directly by the purchaser to their dealer. All minimum subscription amounts described in this Offering Memorandum are net of such sales commissions.

Service Commission

The Manager intends to pay a monthly service commission to participating registered dealers, including Sprott Private Wealth LP, equal to $1/12^{th}$ of 1% of the Net Asset Value of the Class A Units sold by such dealers then outstanding. Payments are calculated and paid monthly to registered dealers from the Management Fees the Manager receives from the Fund. Notwithstanding the foregoing, the Manager, in its sole discretion, reserves the right to change the frequency of payment to registered dealers of the service commission to a quarterly or annual basis.

Referral Fees

Subject to the requirements under NI 31-103, the Manager may pay, out of the Management Fees it receives from the Fund, a negotiated referral fee to registered dealers or other persons in connection with the sale of Units.

DETAILS OF THE OFFERING BY THE FUND

Subscription Process

Units are being offered by the Fund on a continuous basis to an unlimited number of eligible subscribers who are prepared to invest a sufficient amount to meet the minimum initial subscription requirements or who are otherwise qualified investors. As at the date of this Offering Memorandum, the minimum initial subscription amount for persons relying on the "accredited investor" exemption is $5,000. The minimum initial subscription amount for persons relying on the "minimum amount investment" exemption is $150,000; provided that such subscriber is (i) not an individual, and (ii) not created or used solely to rely on the "minimum amount investment" exemption. At the sole discretion of the Manager, subscriptions may be accepted for lesser amounts from persons who are "accredited investors" as defined under applicable securities legislation. These minimum initial subscription amounts are net of any sales commissions payable by an investor to their registered dealer. See "Dealer Compensation".

Units are being offered to investors resident in the Offering Jurisdictions pursuant to exemptions from the prospectus requirements under section 2.3 under National Instrument 45-106 *Prospectus Exemptions* ("**NI 45-106**") or Section 73.3 of the *Securities Act* (Ontario), as the case may be (in each case, the accredited investor exemption), and section 2.10 (minimum amount investment exemption) under NI 45-106 and, where applicable, the registration requirements under NI 31-103. Units will not be issued to individuals under section 2.10 of NI 45-106 (minimum amount investment exemption).

Investors, other than individuals that are "accredited investors" (as defined under applicable securities legislation), must also execute a subscription form for Units which includes a representation (and a requirement to provide additional evidence promptly upon request to establish) that such investor was not formed solely in order to make private placement investments which may not have otherwise been available to any persons holding an interest in such investor.

Any investor who is or becomes a non-resident of Canada for the purposes of the Tax Act or a partnership that is not a "Canadian partnership" (as defined in the Tax Act) (a "**non-Canadian partnership**") must disclose such status to the Fund at the time of subscription (or when such status changes) and the Fund may restrict the participation of any such investor or require any such investor to redeem all or some of

such investor's Units. Where the Manager determines that the Fund is at risk of being deemed not to be a "mutual fund trust" under the Tax Act by virtue of a majority of Units being beneficially held by one or more persons who are non-residents of Canada and/or non-Canadian partnerships for the purposes of the Tax Act or by virtue that such non-residents of Canada and/or non-Canadian partnerships own more than 50% of the fair market value of all issued and outstanding Units, the Manager may forthwith redeem a sufficient number of such Units so that the Fund will prevent the loss of its mutual fund trust status. The Manager will select the Units held by non-residents of Canada and non-Canadian partnerships to be redeemed in inverse order of acquisition of such Units (excluding Units held as a result of reinvestment of distributions). The Manager will mail a notice of redemption to all Unitholders whose Units are to be so redeemed. To determine the residency of the Unitholders, the Manager may require declarations from Unitholders as to the jurisdictions in which beneficial owners of Units are resident or where a partnership is the beneficial owner of Units, the jurisdictions in which the partners are resident. See "Redemption of Units".

Units will be offered at a price equal to the Net Asset Value per Unit for the applicable class on each Valuation Date. Units may be purchased as at the close of business on a Valuation Date if a duly completed subscription form and the required payment reaches the Manager no later than 4:00 p.m. (Toronto time) on such Valuation Date. The issue date for subscription orders received and accepted after 4:00 p.m. (Toronto time) on a Valuation Date will be the next Valuation Date. No certificates evidencing ownership of Units will be issued to Unitholders. See "Computation of Net Asset Value of the Fund".

The Manager, on behalf of the Fund, may approve or disapprove a subscription for Units in whole or in part. If the subscription (or part) is not approved, the Manager will so advise the subscriber, and will forthwith return to the subscriber the amount (or a portion thereof) tendered by the subscriber in respect of the rejected subscription without interest or deduction.

By executing a subscription form for Units in the form prescribed by the Manager, each subscriber is making certain representations, and the Manager and the Fund are entitled to rely on such representations to establish the availability of exemptions from the prospectus and registration requirements described under NI 45-106 and NI 31-103. In addition, the subscriber is also acknowledging in the subscription form that the investment portfolio and trading procedures of the Fund are proprietary in nature and agrees that all information relating to such investment portfolio and trading procedures will be kept confidential by such subscriber and will not be disclosed to third parties (excluding the subscriber's professional advisors) without the prior written consent of the Manager.

Registered Plans

Provided the Fund qualifies at all relevant times as a "mutual fund trust" for the purposes of the Tax Act, Units will be "qualified investments" under the Tax Act for Tax Deferred Plans. A fee of up to $125 may be charged for each transfer or deregistration of Units held directly with the Manager in a Tax Deferred Plan.

Notwithstanding that Units will be qualified investments for an RRSP, RRIF or a TFSA the annuitant of an RRSP, RRIF or the holder of a TFSA, as the case may be, will be subject to penalty taxes in respect of the Units if such properties are a "prohibited investment" (as defined in the Tax Act) for the RRSP, RRIF or the TFSA, as applicable. The Units will not be a "prohibited investment" provided that the annuitant or holder, as the case may be: (i) deals at arm's length with the Fund, and (ii) does not have a "significant interest" in the Fund (within the meaning of the Tax Act). Generally, an annuitant or holder, as the case may be, will not have a significant interest in the Fund unless the annuitant or holder, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with whom the annuitant or holder, as the case may be, does not deal at arm's length. In

addition, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for RRSPs, RRIFs or TFSAs. See "Canadian Federal Income Tax Considerations – Eligibility for Investment".

ADDITIONAL SUBSCRIPTIONS

Following the required initial minimum investment in the Fund, Unitholders resident in the Offering Jurisdictions may make additional investments in the Fund of not less than $5,000 provided that, at the time of the subscription for additional Units, the Unitholder is an "accredited investor" as defined under applicable securities legislation. Unitholders who are not "accredited investors" nor indivduals, but previously invested in, and continue to hold, Units having an aggregate initial acquisition cost or current Net Asset Value equal to $150,000, will also be permitted to make subsequent investments in the Fund of not less than $5,000. Subject to applicable securities legislation, the Manager, in its sole discretion, may from time to time permit additional investments in Units of lesser amounts. Unitholders subscribing for additional Units should complete the subscription form prescribed from time to time by the Manager.

USE OF PROCEEDS

The net proceeds derived by the Fund from the sale of Units offered pursuant to this Offering Memorandum will be used for investment purposes in accordance with the investment objective, strategies and restrictions of the Fund as described earlier in this Offering Memorandum. See "Investment Objective and Strategies of the Fund" and "Investment Restrictions of the Fund".

REDEMPTION OF UNITS

An investment in Units is intended to be a long-term investment. However, Units may be redeemed at their Net Asset Value per Unit for the applicable class (determined in accordance with the Trust Agreement) on a Valuation Date, provided the written request for redemption (a "**Redemption Notice**"), in satisfactory form and all necessary documents relating thereto, is submitted to the Manager at least 30 calendar days prior to such Valuation Date.

A Redemption Notice shall be irrevocable (except as otherwise provided in the Trust Agreement) and shall contain a clear request by the Unitholder that a specified number of Units be redeemed or stipulate the dollar amount which the Unitholder requires to be paid. A Unitholder's signature on a Redemption Notice shall be guaranteed by a Canadian chartered bank, a trust company or a registered broker or securities dealer acceptable to the Manager.

A Redemption Notice must be received by the Manager prior to 4:00 p.m. (Toronto time) on a business day which is at least 30 calendar days prior to a Valuation Date. If a Redemption Notice is received by the Manager at such time, Units will be redeemed at the Net Asset Value per Unit for the applicable class determined on the first Valuation Date which is at least 30 calendar days following receipt of the Redemption Notice. The Redemption Amount will be paid to the redeeming Unitholder as soon as is practicable and in any event within 30 days following the Valuation Date upon which such redemption is effective (or 60 days if such redemption date is the Fund's fiscal year-end).

On direction from the Manager, the record-keeper of the Fund shall hold back up to 20% of the Redemption Amount on any redemption to provide for an orderly disposition of assets. Any Redemption Amount which is held back shall be paid within a reasonable time period, having regard for applicable circumstances.

Notwithstanding and without limiting any of the provisions hereof, the Manager, in its sole discretion, may require the redemption of all or any part of the Units held by a Unitholder at any time. No early

redemption fee will be charged to a Unitholder where the Manager requires such a redemption of a Unitholder's Units. See "Fees and Expenses – Early Redemption Fee".

The Manager may also from time to time fix a minimum investment amount for Unitholders and thereafter give notice to any Unitholder whose Units have an aggregate Net Asset Value of less than such threshold amount that all such Units will be redeemed on the next Valuation Date following the 30th day after the date of the notice. A Unitholder may prevent such redemption by subscribing for and purchasing within the 30-day notice period a sufficient number of additional Units to increase the Net Asset Value of the total number of Units owned to an amount equal to or greater than such threshold amount. As at the date hereof, the Manager has not fixed a minimum threshold amount. The Manager may, in its sole discretion, waive this redemption requirement.

Each Unitholder who has delivered a Redemption Notice or whose Units are required to be redeemed, shall be paid a Redemption Amount equal to the Net Asset Value per Unit for the applicable class on the applicable Valuation Date, multiplied by the number of Units to be redeemed, and concurrently shall pay to such Unitholder the proportionate share attributable to such Units of any distribution of net income and net realized capital gains of the Fund which has been declared and not paid prior to the applicable Valuation Date.

The Administrator of the Fund shall, upon any redemption of Units, deduct from the Redemption Amount an amount equal to any accrued and applicable fees and taxes payable by the Unitholder in connection with such redemption, including estimated brokerage costs incurred in the conversion of portfolio securities of the Fund into cash in order to affect the redemption. An appropriate portion of any accrued management fees and/or performance fees payable to the Manager or to any investment manager will also be deducted and paid to the Manager or to any investment manager, as the case may be. See "Fees and Expenses – Management Fees Payable by the Fund".

In the sole discretion of the Manager, payment of all or any part of any Redemption Amount may be made by the transfer of a *pro rata* portion of any portfolio securities then held by the Fund. In the event the Manager determines to pay all or any part of the Redemption Amount by the transfer of portfolio securities then held by the Fund, it shall provide the Trustee, the Administrator of the Fund and the Unitholder with prompt notice thereof and the redeeming Unitholder shall have, and shall be advised that they have, the right to withdraw their Redemption Notice, or a portion thereof.

The Manager may, in its sole discretion, impose an early redemption fee equal to 2% of the aggregate Net Asset Value of Units redeemed if such Units are redeemed within 90 days of their date of purchase. This early redemption fee will be deducted from the Redemption Amount otherwise payable to a Unitholder and will be paid to the Fund. No early redemption fee will be charged in respect of the redemption of Units which were acquired by a Unitholder through the automatic reinvestment of all distributions of net income or capital gains by the Fund or where the Manager requires a Unitholder to redeem some or all of the Units owned by such Unitholder. This early redemption fee is in addition to any other fees a Unitholder is otherwise subject to under this Offering Memorandum.

The Manager may suspend the right of Unitholders to require the Fund to redeem Units held by them and the concurrent payment for Units tendered for redemption for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Fund to determine the value of the assets of the Fund.

The Manager shall have the right to require a Unitholder to redeem some or all of the Units held by such Unitholder on a Valuation Date at the Net Asset Value per Unit thereof, by notice in writing to the Unitholder given at least 30 days before the date of redemption, which right may be exercised by the

Manager in its absolute discretion.

A suspension may apply to all Redemption Notices received prior to the suspension, but as for which payment has not been made, as well as to all Redemption Notices received while the suspension is in effect. In such circumstances, all Unitholders shall have, and shall be advised that they have, the right to withdraw their Redemption Notice or receive payment based on the Net Asset Value of the particular class of Units determined on the first Valuation Date following the date on which the suspension is terminated. During any period during which redemptions are suspended the Manager will not accept any subscriptions for the purchase of Units.

A suspension will terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. Subject to applicable laws, any declaration of suspension made by the Manager shall be conclusive.

RESALE RESTRICTIONS

As the Units offered by this Offering Memorandum are being distributed pursuant to exemptions from the prospectus requirements under applicable securities legislation, the resale of these Units by subscribers is subject to restrictions. Subscribers are advised to consult with their legal advisors concerning restrictions on resale and are further advised against reselling their Units until they have determined that any such resale is in compliance with the requirements of applicable securities legislation. There is no market for these Units and no market is expected to develop, therefore, it may be difficult or even impossible for a purchaser to sell their Units other than by way of a redemption of their Units on a Valuation Date.

No transfers of Units may be effected unless the Manager, in its sole discretion, approves the transfer and the proposed transferee. Subject to applicable securities legislation a Unitholder shall be entitled, if permitted by the Manager, to transfer all or, subject to any minimum investment requirements prescribed by the Manager, any part of the Units registered in the Unitholder's name at any time by giving written notice to the Manager. The proposed transferee will be required to make representations and warranties to the Fund and the Manager in form and substance satisfactory to the Manager. The Manager may prescribe the minimum dollar value of Units which may be transferred but has not currently done so.

COMPUTATION OF NET ASSET VALUE OF THE FUND

The Net Asset Value of the Fund will be determined by the Administrator, who may consult with the Trustee, any investment manager, custodian, and/or the auditors of the Fund. The Net Asset Value of the Fund will be determined for the purposes of subscriptions and redemptions as at 4:00 p.m. (Toronto time) on each Valuation Date, and on December 31 of each year if that day is not otherwise a Valuation Date for the purpose of the distribution of net income and net realized capital gains of the Fund to Unitholders. The Net Asset Value of the Fund on any Valuation Date shall be equal to the aggregate fair market value of the assets of the Fund as of such Valuation Date, less an amount equal to the total liabilities of the Fund (excluding all liabilities represented by outstanding Units) as of such Valuation Date. The Net Asset Value per Unit will be calculated on a class-by-class basis and will be determined by dividing the Net Asset Value of the Fund on a Valuation Date attributable to a particular class of Units by the total number of that class of Units then outstanding on such Valuation Date.

The Net Asset Value of the Fund on a Valuation Date shall be determined in accordance with the following:

(a) The assets of the Fund shall be deemed to include the following property:

(i) all cash on hand or on deposit, including any interest accrued thereon adjusted for accruals deriving from trades executed but not yet settled;

(ii) units of each of the Portfolio Funds;

(iii) all bills, notes and accounts receivable;

(iv) all bonds, debentures, shares, subscription rights and other securities owned by or contracted for the Fund including, without limitation, any units of the Trust;

(v) all shares, rights and cash dividends and cash distributions to be received by the Fund and not yet received by it when the Net Asset Value of the Fund is being determined so long as, in the case of cash dividends and cash distributions to be received by the Fund and not yet received by it when the Net Asset Value of the Fund is being determined, the shares are trading ex-dividend;

(vi) all interest accrued on any interest-bearing securities owned by the Fund other than interest, the payment of which is in default; and

(vii) prepaid expenses.

(b) The market value of the assets of the Fund shall be determined as follows:

(i) notwithstanding the following, the value of any units of the Portfolio Funds shall be the Net Asset Value of such units, determined in accordance with the respective limited partnership agreement or trust agreement;

(ii) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received (or to be received and declared to securityholders of record on a date before the date as of which the Net Asset Value of the Fund is being determined), and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager shall have determined that any such deposit, bill, demand note, account receivable, prepaid expense, cash dividend received or interest is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager shall determine to be the reasonable value thereof;

(iii) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;

(iv) the value of any security which is listed or dealt in upon a stock exchange shall be determined by (1) in the case of a security which was traded on the day as of which the Net Asset Value of the Fund is being determined, the closing sale price; (2) in the case of a security which was not traded on the day as of which the Net Asset Value of the Fund is being determined, a price which is the average of the closing recorded bid and ask prices; or (3) if no bid or ask quotation is available, the price last determined for such security for the purpose of calculating the Net Asset Value of the Fund. The value of inter-listed securities shall be computed in

accordance with directions laid down from time to time by the Manager; provided, however, that if, in the opinion of the Manager, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of securities necessary to effect any redemptions of Units, the Manager may place such value upon such securities as appears to the Manager to most closely reflect the fair value of such securities;

(v) the value of any security, the resale of which is restricted or limited, shall be the quoted market value less a percentage discount for illiquidity amortized over the length of the hold period;

(vi) the value of all assets and liabilities of the Fund valued in terms of a currency other than the currency used to calculate the Net Asset Value of the Fund shall be converted to the currency used to calculate the Net Asset Value of the Fund by applying the rate of exchange obtained from the best available sources to the Manager including, but not limited to, the Trustee or any of its affiliates; and

(viii) the value of any security or other property for which no price quotations are available or, in the opinion of the Manager, to which the above valuation principles cannot or should not be applied, shall be the fair value thereof determined from time to time in such manner as the Manager shall from time to time provide.

(c) The liabilities of the Fund shall be calculated on an accrued basis and shall be deemed to include the following:

(i) all bills, notes and accounts payable;

(ii) all fees (including management fees) and administrative and operating expenses payable and/or accrued by the Fund;

(iii) all contractual obligations for the payment of money or property, including distributions of net income and net realized capital gains, if any, declared, accrued or credited to the Unitholders but not yet paid on the day before the day as of which the Net Asset Value of the Fund is being determined;

(iv) all allowances authorized or approved by the Manager or the Trustee for taxes or contingencies; and

(v) all other liabilities of the Fund of whatever kind and nature, except liabilities represented by outstanding Units.

(d) Portfolio transactions (investment purchases and sales) will be reflected in the first computation of the Net Asset Value of the Fund made after the date on which the transaction becomes binding.

(e) The Net Asset Value of the Fund and Net Asset Value per Unit on the first business day following a Valuation Date shall be deemed to be equal to the Net Asset Value of the Fund (or per Unit, as the case may be) on such Valuation Date after payment of all fees, including administrative fees and management fees, and after processing of all subscriptions and redemptions of Units in respect of such Valuation Date.

(f) The Net Asset Value of the Fund and the Net Asset Value per Unit established by the Manager in accordance with the provisions of this section shall be conclusive and binding on all Unitholders.

(g) The Manager may determine such other rules as it deems necessary from time to time, which rules may deviate from International Financial Reporting Standards ("**IFRS**").

The Net Asset Value of the Fund (or per Unit, as the case may be) calculated in this manner will be used for the purpose of calculating the Manager's and other service providers' fees and will be published net of all paid and payable fees. Such Net Asset Value of the Fund (or per Unit, as the case may be) will be used to determine the subscription price and redemption value of Units. To the extent that such calculations are not in accordance with IFRS, the financial statements of the Fund will include a reconciliation note explaining any difference between such published Net Asset Value of the Fund and Net Asset Value per Unit for financial statement reporting purposes (which must be calculated in accordance with IFRS).

The Net Asset Value for a particular class of Units ("**Class Net Asset Value**") as at 4:00 p.m. (Toronto time) on a Valuation Date shall be determined for the purposes of subscriptions and redemptions in accordance with the following calculation:

(a) the Class Net Asset Value last calculated for that class of Units; plus

(b) the increase in the assets attributable to that class as a result of the issue of Units of that class or the redesignation of Units into that class since the last calculation; minus

(c) the decrease in the assets attributable to that class as a result of the redemption of Units of that class or the redesignation of Units out of that class since the last calculation; plus or minus

(d) the proportionate share of the Net Change in Non-Portfolio Assets (as defined below) attributable to that class since the last calculation; plus or minus

(e) the proportionate share of the impact of portfolio transactions and the adjustments to the assets as a result of a stock dividend, stock split or other corporate action recorded on that Valuation Date attributable to that class since the last calculation; plus or minus

(f) the proportionate share of market appreciation or depreciation of the portfolio assets attributable to that class since the last calculation; minus

(g) the proportionate share of the Fund expenses (other than class specific expenses) ("**Common Expenses**") allocated to that class since the last calculation; minus

(h) any expenses specific to that class since the last calculation.

"**Net Change in Non-Portfolio Assets**" on a Valuation Date means

(a) the aggregate of all income accrued by the Fund as of that Valuation Date, including cash dividends and distributions, interest and compensation; minus

(b) the Common Expenses to be accrued by the Fund as of that Valuation Date which have not otherwise been accrued in the calculation of the Net Asset Value of the Fund as of that Valuation Date; plus or minus

(c) any change in the value of any non-portfolio assets or liabilities stated in any foreign currency accrued on that Valuation Date including, without limitation, cash, accrued dividends or interest and any receivables or payables; plus or minus

(d) any other item accrued on that Valuation Date determined by the Manager to be relevant in determining the Net Change in Non-Portfolio Assets.

A Unit of a class of the Fund being issued or a Unit that has been redesignated as a part of that class shall be deemed to become outstanding as of the next calculation of the applicable Class Net Asset Value immediately following the Valuation Date at which the applicable Class Net Asset Value per Unit that is the issue price or redesignation basis of such Unit is determined and the issue price received or receivable for the issuance of the Unit shall then be deemed to be an asset of the Fund attributable to the applicable class.

A Unit of a class of the Fund being redeemed or a Unit that has been redesignated as no longer being a part of that class shall be deemed to remain outstanding as part of that class until immediately following the Valuation Date at which the applicable Class Net Asset Value per Unit that is the redemption price or redesignation basis of such Unit is determined; thereafter, the redemption price of the Unit being redeemed, until paid, shall be deemed to be a liability of the Fund attributable to the applicable class and the Unit which has been redesignated will be deemed to be outstanding as a part of the class into which it has been redesignated.

On any Valuation Date that a distribution is paid to Unitholders of a class of Units, a second Class Net Asset Value shall be calculated for that class, which shall be equal to the first Class Net Asset Value calculated on that Valuation Date minus the amount of the distribution. For greater certainty, the second Class Net Asset Value shall be used for determining the Class Net Asset Value per Unit on such Valuation Date for purposes of determining the issue price and redemption price for Units on such Valuation Date, as well as the redesignation basis for Units being redesignated into or out of such class, and Units redeemed or redesignated out of that class as at such Valuation Date shall participate in such distribution while Units subscribed for or redesignated into such class as at such Valuation Date shall not.

The Class Net Asset Value per Unit for a particular class of Units as at any Valuation Date is the quotient obtained by dividing the applicable Class Net Asset Value as at such Valuation Date by the total number of Units of that class outstanding at such Valuation Date. This calculation shall be made without taking into account any issuance, redesignation or redemption of Units of that class to be processed by the Fund immediately after the time of such calculation on that Valuation Date. The Class Net Asset Value per Unit for each class for the purpose of the issue of Units or the redemption of Units shall be calculated on each Valuation Date by or under the authority of the Manager as at such time on every Valuation Date as shall be fixed from time to time by the Manager and the Class Net Asset Value per Unit so determined for each class shall remain in effect until the time as of which the Class Net Asset Value per Unit for that class is next determined.

The Net Asset Value per Unit of any one class of Units need not be equal to the Net Asset Value per Unit of any other class.

The Manager shall be entitled to delegate any of its powers and obligations to a valuation service provider, including, but not limited to, the Trustee or any of its affiliates, by entering into a valuation

services agreement relating to the calculation of the Net Asset Value of the Fund and the Class Net Asset Value for each class of Units on each Valuation Date. As of the date hereof, the Manager has retained RBC Investor Services Trust pursuant to the Administration Agreement to, among other things, provide valuation and financial reporting services to the Fund and to calculate the Net Asset Value of the Fund and the Class Net Asset Value for each class of Units on each Valuation Date. See "Administrator, Record-keeper and Fund Reporting". For greater certainty, the calculation of the Net Asset Value of the Fund and the Class Net Asset Value for each class of Units on each Valuation Date pursuant to this section is for the purposes of determining subscription prices and redemption values of Units and not for the purposes of accounting in accordance with IFRS.

See the Trust Agreement for a full and complete description of the determination of the Net Asset Value of the Fund and the Class Net Asset Value for each class of Units on each Valuation Date.

DISTRIBUTIONS

The Manager intends to make a monthly distribution on the Class A Units, the Class F Units and the Class I Units, to holders of such Units, out of the net income of the Fund. The amount of any distributions may fluctuate and there can be no assurance that any distributions will be made in any period or of any particular amount. Purchasers should not confuse these distributions with the Fund's rate of return or yield. The distributions on the Class A Units, the Class F Units and the Class I Units are not guaranteed**.**

Subject to applicable securities legislation, annual distributions will be automatically reinvested in additional Units of the Class at the Net Asset Value of such Class of Units on the date of distribution, unless a Unitholder elects, by written notice to the Manager, to receive such distributions in cash. If a Unitholder does not elect to receive cash, all distributions will be automatically reinvested in additional units of the same Class at the Net Asset Value per Unit on the last Valuation Date of the fiscal year of the Fund.

The Fund will also distribute on the last Valuation Date in each year its net realized capital gains in such amount (and in addition to any distributions) as will result in the Fund paying no tax under the Tax Act. The net income and net realized capital gains of the Fund will be calculated as of such Valuation Dates during the year as the Manager in its discretion may decide. Allocations and distributions of income/gains will generally be made by reference to the number of Units held as of the close of business on the last Valuation Date prior to such allocation or distribution (or such other distribution date as may be determined by the Manager); however, the Manager may make allocations in a manner to fairly reflect, as best as possible, subscriptions and redemptions made during the year.

Investors should not confuse these distributions with the Fund's rate of return or yield.

Any distributions to Unitholders shall be accompanied by a statement advising the Unitholders of the source of the funds so distributed so that distributions of ordinary income, dividends, return of capital and capital gains will be clearly distinguished, or, if the source of funds so distributed has not been determined, the communication shall so state, in which event the statement of the source of funds shall be forwarded to Unitholders promptly after the close of the fiscal year in which the distribution was made.

The Trustee may cause to be paid such additional distributions of monies or properties of the Fund and make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which the Fund has received, paid, declared payable or allocated to Unitholders and of expenses incurred by the Fund and of tax deductions of which the Fund may be entitled as the Trustee may, in its sole discretion, determine.

UNITHOLDER MEETINGS

Meetings of Unitholders will be held by the Manager or the Trustee at such time and on such day as the Manager or the Trustee may from time to time determine for the purpose of considering the matters required to be placed before such meetings and for the transaction of such other matters as the Manager or the Trustee determines. Unitholders holding not less than 50% of the outstanding Units may requisition a meeting of Unitholders by giving a written notice to the Manager or the Trustee setting out in detail the reason(s) for calling and holding such a meeting.

Notice of the time and place of each meeting of Unitholders will be given not less than 21 days before the day on which the meeting is to be held to each Unitholder of record at the close of business on the day on which the notice is given. Notice of a meeting of Unitholders will state the general nature of the matters to be considered by the meeting. A meeting of Unitholders may be held at any time and place without notice if all the Unitholders entitled to vote thereat are present in person or represented by proxy or, if those not present or represented by proxy waive notice of, or otherwise consent to, such meeting being held.

A quorum for the transaction of business at any meeting of Unitholders shall be at least two Unitholders holding not less than 5% of the outstanding Units on such date present in person or represented by proxy and entitled to vote thereat. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting shall be adjourned to a date fixed by the chairman of the meeting not later than 14 days thereafter at which adjourned meeting the Unitholders present in person or represented by proxy shall constitute a quorum. The chairman at a meeting of Unitholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place.

At any meeting of Unitholders every person shall be entitled to vote who, as at the end of the business day immediately preceding the date of the meeting, is entered in the register of Unitholders, unless in the notice of meeting and accompanying materials sent to Unitholders in respect of the meeting a record date is established for persons entitled to vote thereat.

At any meeting of Unitholders a proxy duly and sufficiently appointed by a Unitholder shall be entitled to exercise, subject to any restrictions expressed in the instrument appointing him, the same voting rights that the Unitholder appointing him would be entitled to exercise if present at the meeting. A proxy need not be a Unitholder. An instrument appointing a proxy shall be in writing and shall be acted on only if, prior to the time of voting, it is deposited with the chairman of the meeting or as may be directed in the notice calling the meeting.

At any meeting of Unitholders every question shall, unless otherwise required by the Trust Agreement or applicable laws, be determined by the majority of the votes duly cast on the question. Subject to the provisions of the Trust Agreement or applicable laws, any question at a meeting of Unitholders shall be decided by a show of hands unless a poll thereon is required or demanded. Upon a show of hands every person who is present and entitled to vote shall have one vote. If demanded by any Unitholder at a meeting of Unitholders or required by applicable laws, any question at such meeting shall be decided by a poll. Upon a poll each person present shall be entitled, in respect of the Units which he is entitled to vote at the meeting upon the question, to one vote for each whole Unit held and the result of the poll so taken shall be the decision of the Unitholders upon the said question.

Any resolution consented to in writing by Unitholders holding 66 ⅔% of the Units then outstanding is as valid as if it had been passed at a meeting of Unitholders.

AMENDMENTS TO THE TRUST AGREEMENT

Any provision of the Trust Agreement may be amended, deleted, expanded or varied by the Manager, with the approval of the Trustee, upon notice to Unitholders, if the amendment, in the opinion of counsel for either the Trustee or the Manager, does not constitute a material change and does not relate to any of the matters specified below. Notwithstanding the foregoing, no amendment shall be made which adversely affects the pecuniary value of the interest of any Unitholder or restricts any protection provided to the Trustee or increases the responsibilities of the Trustee under the Trust Agreement.

Any provision of the Trust Agreement may be amended, deleted, expanded or varied with the consent of the Unitholders, for any of the following purposes:

(a) the basis of the calculation of a fee or expense that is charged to the Fund is changed in a way that could result in an increase in charges to the Fund;

(b) the Manager is changed, unless the new manager is an affiliate of the current manager or the new manager occurs primarily as a result of restructuring corporations, limited partnerships or other entities under similar control and ownership and which results in no material change to the day-today management, administration or operation of the Fund;

(c) the Fund undertakes a reorganization with, or transfers its assets to, another investment fund, if (i) the Fund ceases to continue after the reorganization or transfer of assets, and (ii) the transaction results in the Unitholders becoming unitholders in the other investment fund; or

(d) the Fund undertakes a reorganization with, or acquires assets from, another investment fund, if (i) the Fund continues after the reorganization or acquisition of assets, (ii) the transaction results in the unitholders of the other investment fund becoming Unitholders in the Fund, and (iii) the transaction would be a material change to the Fund.

Notice of any amendment to the Trust Agreement shall be given in writing to Unitholders and any such amendment shall take effect on a date to be specified therein, which date shall be not less than 60 days after notice of the amendment is given to Unitholders, except that the Manager and the Trustee may agree that any amendment shall become effective at an earlier time if that seems desirable and the amendment is not detrimental to the interest of any Unitholder. See "Unitholder Meetings".

TERMINATION OF THE FUND

The Fund will be terminated and dissolved in the event of any of the following: (i) there are no outstanding Units; (ii) the Trustee or the Manager resigns and no successor is appointed within the time limits prescribed in the Trust Agreement; (iii) the Manager is, in the opinion of the Trustee, in material default of its obligations under the Trust Agreement and such default continues for 120 days from the date that the Manager receives notice of such material default from the Trustee; (iv) the Manager has been declared bankrupt or insolvent or has entered into liquidation or winding-up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reconstruction); (v) the Manager makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; or (vi) the assets of the Manager have become subject to seizure or confiscation by any public or governmental authority.

The Manager may at any time terminate and dissolve the Fund by giving to the Trustee and each Unitholder written notice of its intention to terminate at least 90 days before the date on which the Fund is to be terminated. Notwithstanding the foregoing, the Manager may, in its sole discretion, may require the redemption of all or any part of the Units held by a Unitholder at any time.

In the event of the winding-up of the Fund, the rights of Unitholders to require redemption of any or all of their Units shall be suspended, the Manager shall make appropriate arrangements for converting the investments of the Fund into cash and the Trustee shall proceed to wind-up the affairs of the Fund in such manner as seems to it to be appropriate. The assets of the Fund remaining after paying or providing for all obligations and liabilities of the Fund shall be distributed among the Unitholders registered as at the close of business on the termination date in accordance with the Trust Agreement. Distributions of net income and net realized capital gains shall, to the extent not inconsistent with the orderly realization of the assets of the Fund, continue to be made in accordance with the Trust Agreement until the Fund has been wound up.

Notwithstanding the foregoing, if authorized by the holders of more than 50% of the outstanding Units, the assets of the Fund may be, in the event of the winding-up of the Fund, distributed to the Unitholders on the termination of the Fund *in specie* in whole or in part, and the Trustee shall have complete discretion to determine the assets to be distributed to any Unitholder and their values for distribution purposes.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the principal Canadian federal income tax considerations with respect to the tax status of the Fund and to Unitholders who are individuals (other than a trust) and who, for the purposes of the Tax Act, are resident in Canada, deal at arm's length, and are not affiliated, with the Fund and hold their Units as capital property. Units will generally be considered capital property to a Unitholder unless the Unitholder holds the Units in the course of carrying on a business of trading or dealing in securities or has acquired the Units in a transaction or transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may be entitled to have their Units (and every other "Canadian security" owned by them in that taxation year or any subsequent taxation year) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Unitholders should consult their own tax advisors regarding the availability and the appropriateness of making this election.

This summary is not applicable to either a Unitholder that is a "financial institution" (as defined in the Tax Act for purposes of the "mark-to-market" rules), a "specified financial institution"(as defined in the Tax Act), a Unitholder to whom the functional currency reporting rules contained in section 261 of the Tax Act applies, a Unitholder an interest in which is a "tax shelter investment" (as defined in the Tax Act), or a Unitholder who has entered into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Units. Any such Unitholder should consult its own tax advisor with regard to its income tax consequences.

This summary is also based on the assumption that (i) none of the issuers of the securities held by the Fund will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, (ii) the Fund will not be a "SIFT trust" as defined in subsection 122.1(1) of the Tax Act (this is based on the assumption that the Units will at no time be listed or traded on a stock exchange or other "public market") and (iii) the Fund is not subject to a "loss restriction event", as defined in the Tax Act.

This summary is based on the current provisions of the Tax Act and the Income Tax Regulations, all specific proposals to amend the Tax Act and the Income Tax Regulations publicly announced by the

Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and Baker & McKenzie LLP's understanding of the current administrative and assessing policies of the Canada Revenue Agency ("**CRA**"). There can be no assurance that the Tax Proposals will be implemented in their current form or at all, nor can there be any assurance that CRA will not change its administrative or assessing practices. This summary further assumes that the Fund will comply with the Trust Agreement and certificates issued to counsel regarding certain factual matters. Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any change in the law, whether by legislative, governmental or judicial decision or action, which may affect adversely any income tax consequences described herein, and does not take into account provincial, territorial or foreign tax considerations, which may differ significantly from those described herein.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to a Unitholder and is not intended to constitute legal or tax advice. The income and other tax consequences will vary depending on the Unitholder's particular circumstances, including the province(s) or territory(ies) in which the Unitholder resides or carries on business. Accordingly, Unitholders should consult their own professional advisors to obtain advice on the income tax consequences that apply to their individual circumstances.

Qualification as a Mutual Fund Trust

This summary is based on the assumption that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. One of the conditions to qualify as a mutual fund trust for purposes of the Tax Act is that the Fund was not established or is not maintained primarily for the benefit of non-residents and that not more than 50% (based on fair market value) of the Units will be held by non-residents of Canada, non-Canadian partnerships, or any combination thereof. The Fund has adopted mechanisms to ensure that the latter requirement with respect to restrictions on holdings by non-residents will be met.

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

Taxation of the Fund

In each taxation year, income of the Fund, including the taxable portion of capital gains, if any, that is not paid or payable to Unitholders in that year will be taxed in the Fund under Part I of the Tax Act. An amount will be considered payable to a Unitholder in a taxation year if it is paid by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. Provided the Fund distributes all of its net taxable income and net taxable capital gains to the Unitholders on an annual basis, it will not be liable for any income tax under Part I of the Tax Act. The Trust Agreement requires that sufficient amounts be paid or payable each year so that the Fund will not be liable for any income tax under Part I of the Tax Act. Income of the Fund which is derived from foreign sources may be subject to foreign taxes which may, within certain limits, be either deducted from taxable income in the Fund or allocated to Unitholders to potentially offset taxes payable on foreign source income.

The Manager has advised counsel that, generally, the Fund will include gains and deduct losses in connection with investments made through derivative instruments on income account (except where such derivatives are used to hedge securities held on capital account), and that the Fund will recognize such gains and losses for tax purposes at the time that they are realized. Gains and losses of the Fund in respect of the short sale of securities (other than the short sale of Canadian securities) are generally considered to be on income account; however, in certain instances, if the Fund has made an election under

subsection 39(4) of the Tax Act and the short sale is of "Canadian securities" within the meaning of the Tax Act, the gain or loss will be a capital gain or loss. To the extent short positions are not used to hedge securities held on capital account, they will be treated on income account.

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

Upon the actual or deemed disposition of an investment held by the Fund as capital property, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of amounts otherwise included in income, exceed (or are less than) the adjusted cost base of such Fund investment and any reasonable costs of disposition, provided such Fund investment is capital property to the Fund. The Manager has advised that the Fund will make an election under subsection 39(4) of the Tax Act so that all Fund investments that are Canadian securities (as defined in the Tax Act) will be deemed to be capital property.

A distribution by the Fund of investments upon a redemption of Units will be treated as a disposition by the Fund of such investments so distributed for proceeds of disposition equal to their fair market value. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the distributed Fund investments and any reasonable costs of disposition. The Fund currently intends to treat as payable to and designate to a redeeming Unitholder any capital gain or income realized by the Fund as a result of the distribution of such property to the Unitholder.

In computing its income for tax purposes, the Fund may generally deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act, including interest on any borrowings generally to the extent borrowed funds are used for the purpose of earning income from its investments. All of the Fund's deductible expenses, including expenses common to all classes of Units and Management Fees and other expenses specific to a particular class of Units, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year ("**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with a redemption of Units.

Losses incurred by the Fund in a taxation year cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

The Fund is required to compute all amounts, including interest, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Tax Act. As a consequence, the amount of income, expenses and capital gains for capital losses for the Fund may be affected by changes in the value of a foreign currency relative to the Canadian dollar.

Taxation of Unitholders

Unitholders (other than Tax Deferred Plans) will be required to include in their income for tax purposes for a particular year the amount of net income and net taxable capital gains, if any, paid or payable to them, whether or not reinvested in additional Units. Certain provisions of the Tax Act permit the Fund to make designations that have the effect of flowing through to the Unitholders the income and taxable capital gains realized by the Fund. To the extent that appropriate designations are made by the Fund, taxable dividends on shares of taxable Canadian corporations and net taxable capital gains paid or payable to Unitholders will be taxable as if such income had been received by them directly. Income of the Fund derived from foreign sources may be subject to foreign withholding taxes which, to the extent permitted by the Tax Act, may be claimed as a deduction or credit by Unitholders. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. To the extent that distributions to Unitholders exceed the net income and net realized capital gains of the Fund for the year, such excess distributions will be a return of capital and will not be taxable in the hands of the Unitholder but will reduce the adjusted cost base to the Unitholder of such Unitholder's Units, except to the extent such amount is the non-taxable portion of a capital gain of the Fund the taxable portion of which was designated to the Unitholder. To the extent that the adjusted cost base of a Unit would be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

Upon the actual or deemed disposition of a Unit, including the redemption of a Unit by the Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit to the Unitholder and any costs of disposition. Under the Tax Act, one-half of capital gains are included in an individual's income and one-half of capital losses are generally deductible only against taxable capital gains. Any unused allowable capital losses may be carried back up to three years and forward indefinitely and deducted against net taxable capital gains realized in any such other year to the extent and under the circumstances described in the Tax Act.

Any front-end sales charges payable by Unitholders to registered dealers on the acquisition of Units are not deductible by Unitholders but are added to the adjusted cost base of the Units purchased. The cost of Units must be averaged with the adjusted cost base of all other Units held by the Unitholder at such time as capital property.

The reclassification of Units as Units of another class of the Fund will not be considered to be a disposition for tax purposes and, accordingly, the Unitholder will not realize a gain or a loss as a result of a reclassification. The Unitholder's adjusted cost base of the Units received for the Units of another class will equal the adjusted cost base of the former Units.

Unitholders will be advised each year of the amount of net income, net taxable capital gains and return of capital paid or payable to them, the amount of net income considered to have been received as a taxable dividend and the amount of any foreign taxes considered to have been paid by them. Individuals may be liable for alternative minimum tax in respect of dividends received from taxable Canadian corporations and realized net taxable capital gains.

A Unitholder's share of distributions paid by the Fund will be based on the number of Units held by the Unitholder on the record date of the distribution regardless of how long the Unitholder has owned his, her or its Units. Where a Unitholder buys Units, the Net Asset Value of the Units, and therefore the price paid for the Unit, may reflect income and gains that have accrued in the Fund which have not yet been realized or distributed. When such income and gains are distributed by the Fund, the Unitholder will be

required to include the Unitholder's share of the distribution in the Unitholder's income even though some of the distribution the Unitholder received may reflect the purchase price paid by the Unitholder for the Units. This effect could be particularly significant if the Unitholder purchases Units just before a record date for distribution by the Fund.

Eligibility for Investment

Provided the Fund qualifies at all relevant times as a "mutual fund trust" under the Tax Act and the Income Tax Regulations, Units will be "qualified investments", as defined in the Tax Act, for Tax Deferred Plans. A fee of up to $125 may be charged for each transfer or deregistration of Units held directly with the Manager in a Tax Deferred Plan.

Notwithstanding that Units will be qualified investments for an RRSP, RRIF or a TFSA the annuitant of an RRSP, RRIF or the holder of a TFSA, as the case may be, will be subject to penalty taxes in respect of the Units if such properties are a "prohibited investment" (as defined in the Tax Act) for the RRSP , RRIF or the TFSA, as applicable. The Units will not be a "prohibited investment" provided that the annuitant or holder, as the case may be: (i) deals at arm's length with the Fund, and (ii) does not have a "significant interest" in the Fund (within the meaning of the Tax Act). Generally, an annuitant or holder, as the case may be, will not have a significant interest in the Fund unless the annuitant or holder, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with whom the holder or annuitant, as the case may be, does not deal at arm's length. In addition, the Units will generally not be a "prohibited investment" if the Units are "excluded property" as defined in the Tax Act for RRSPs, RRIFs or TFSAs.

Tax Exempt Unitholders

In the event that on a redemption of Units, a Unitholder that is a Tax Deferred Plan receives a distribution in kind from the Fund, including LP Units, such property may not be, and in the case of LP Units, will not be, a qualified investment for a Tax Deferred Plan. Where the LP Units are non-qualified investments for Unitholders that are Tax Deferred Plans, a penalty tax will apply as follows: (i), where a Unitholder is an RRSP, RRIF or TFSA, the annuitant or holder, as the case may be, would be subject to a penalty tax equal to 50% of the fair market value of the non-qualified investment acquired by such Tax Deferred Plan; (ii) a Unitholder that is a DPSP will be liable to a penalty tax equal to 100% of the fair market value of the non-qualified investment acquired by the DPSP; and (iii) where the Unitholder is a DPSP or an RESP, the Unithodlder would be subject to a penalty tax equal to 1% of the fair market value of the LP Units at the end of every month that it holds the non-qualified investment. The penalty tax paid by an RRSP, RRIF, TFSA or DPSP may be refunded under certain limited circumstances where such Tax Deferred Plan disposes of the non-qualified investment within the times prescribed by the Tax Act. In addition, a Tax Deferred Plan (other than a DPSP and an RESP) would be subject to tax on any income and capital gains from non-qualified investments. Investors are urged to consult with their tax advisors in respect of purchases of Units made through a Tax Deferred Plan.

RISK FACTORS

An investment in Units involves certain risks, including risks associated with the investment objective and strategies of the Fund and of the Partnership. The Partnership is also subject to the risks inherent in each of the Underlying Funds as disclosed in their applicable prospectus or offering memorandum, if available. The following risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Prospective investors should read this entire

Offering Memorandum and consult with their legal and other professional advisors before determining whether to invest in Units.

Risks Associated with an Investment in the Fund

Speculative Investment

AN INVESTMENT IN THE FUND MAY BE DEEMED SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. A SUBSCRIPTION FOR UNITS SHOULD BE CONSIDERED ONLY BY PERSONS FINANCIALLY ABLE TO MAINTAIN THEIR INVESTMENT AND WHO CAN BEAR THE RISK OF LOSS ASSOCIATED WITH AN INVESTMENT IN THE FUND. INVESTORS SHOULD REVIEW CLOSELY THE INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS TO BE UTILIZED BY THE FUND AS OUTLINED HEREIN TO FAMILIARIZE THEMSELVES WITH THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUND.

Fund of Funds Risk

The Fund's ability to achieve its investment objective will depend largely, in part, on: (i) the performance of the Portfolio Funds, expenses and ability to meet their respective investment objectives; and (ii) properly rebalancing assets among the Portfolio Funds. The Fund is also subject to risks related to: (i) layering of fees of such funds; and (ii) conflicts of interest associated with the Manager or Sub-Advisor's, as the case may be, ability to allocate assets without limit to other funds it advises and/or other funds advised by affiliates. There is no assurance that either the Fund or the Portfolio Funds will achieve their investment objectives.

Not a Public Mutual Fund

The Fund is not subject to the securities regulatory restrictions placed on public mutual funds to ensure diversification and liquidity of the Fund's portfolio securities.

Limited Operating History for the Fund

Although all persons involved in the management and administration of the Fund, including the service providers to the Fund, have significant experience in their respective fields of specialization, the Fund has a limited operating or performance history upon which prospective investors can evaluate the Fund's likely performance. Notwithstanding the foregoing, prospective investors may wish to consider the Partnership's operating and performance history.

Class Risk

Each class of Units has its own fees and expenses which are tracked separately. If, for any reason, the Fund is unable to pay the expenses of one class of Units using that class' proportionate share of the Fund's assets, the Fund will be required to pay those expenses out of the other classes' proportionate share of the Fund's assets. This could effectively lower the investment returns of the other class or classes of Units even though the value of the investments of the Fund might have increased.

Charges to the Fund

The Fund is obligated to pay commissions and trustee, custodian, record-keeper, legal, accounting, filing and other expenses regardless of whether the Fund realizes any profits. See "Fees and Expenses –

Operating Expenses Payable by the Fund".

Changes in Investment Objective, Strategies and Restrictions

The Manager may alter the Fund's investment objective, strategies and restrictions without the prior approval of the Unitholders to adapt to changing circumstances.

Unitholders not Entitled to Participate in Management

Unitholders are not entitled to participate in the management or control of the Fund or its operations. Unitholders do not have any input into the Fund's trading activities. The success or failure of the Fund will ultimately depend on the indirect investment of the assets of the Fund by the Partnership Manager with whom the Unitholders will not have any direct dealings.

Dependence of the Manager on Key Personnel

The Manager will depend, to a great extent, on the services of a limited number of individuals in the management and administration of the Fund's activities. The loss of one or more of such individuals for any reason could impair the ability of the Manager to perform its investment management activities on behalf of the Fund.

Reliance on the Manager

The Fund will be relying on the ability of the Manager to actively manage the assets of the Fund. There can be no assurance that satisfactory replacements for the Manager will be available, if the Manager ceases to act as such. Termination of the Manager will not terminate the Fund, but will expose investors to the risks involved in whatever new investment management arrangements the Fund is able to negotiate.

Resale Restrictions

This offering of Units is not qualified by way of prospectus and, consequently, the resale of Units is subject to restrictions under applicable securities legislation. There is no formal market for the Units and one is not expected to develop. In addition, Unit transfers are subject to approval by the Manager. Accordingly, it is possible that Unitholders may not be able to resell their Units other than by way of a redemption of their Units on a Valuation Date, subject to the limitations described under "Redemption of Units".

Illiquidity

Holders of Units may not be able to liquidate their investment in a timely manner and Units may not be readily accepted as collateral for a loan. There can be no assurance that the Fund will be able to dispose of its investments in order to honour requests to redeem Units.

Possible Effect of Redemptions

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

Redemptions in Kind

Provided the Fund qualifies at all relevant times as a "mutual fund trust" for the purposes of the Tax Act, Units will be qualified investments under the Tax Act for Tax Deferred Plans. Tax Deferred Plans will generally not be liable for tax in respect of any distributions received from the Fund. In the event that on a redemption of Units, a Unitholder that is a Tax Deferred Plan receives a distribution in kind from the Fund, including LP Units, such property may not be, and in the case of LP Units will not be, a qualified investment for a Tax Deferred Plan. Where the LP Units are non-qualified investments for Unitholders that are Tax Deferred Plans, a penalty tax will apply as follows: (i), where a Unitholder is an RRSP, RRIF or TFSA, the annuitant or holder, as the case may be, would be subject to a penalty tax equal to 50% of the fair market value of the non-qualified investment acquired by such Tax Deferred Plan; (ii) a Unitholder that is a DPSP will be liable to a penalty tax equal to 100% of the fair market value of the non-qualified investment acquired by the DPSP; and (iii) where the Unitholder is a DPSP or an RESP, the Unithodlder would be subject to a penalty tax equal to 1% of the fair market value of the LP Units at the end of every month that it holds the non-qualified investment. The penalty tax paid by an RRSP, RRIF, TFSA or DPSP may be refunded under certain limited circumstances. In addition, a Tax Deferred Plan (other than a DPSP and an RESP) would be subject to tax on any income and capital gains from non-qualified investments. Investors are urged to consult with their tax advisors in respect of purchases of Units made through a Tax Deferred Plan.

Distributions

The Fund is not required to distribute its profits. If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year, such income will be distributed to Unitholders in accordance with the provisions of the Trust Agreement as described under "Distributions" and will be required to be included in computing the Unitholder's income for tax purposes, irrespective of the fact that cash may not have been distributed to such Unitholders. Since Units may be acquired or redeemed on a monthly basis and distributions of income and losses of the Fund to Unitholders are anticipated only to be made on an annual basis, such distributions to a particular Unitholder may not correspond to the economic gains and losses which such Unitholder may experience.

Liability of Unitholders

The Trust Agreement provides that no Unitholder will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the investment obligations, affairs or assets of the Fund and all such persons shall look solely to the Fund's assets for satisfaction of claims of any nature arising out of or in connection therewith. There is a risk, which is considered by the Manager to be remote in the circumstances, that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Trust Agreement, for obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the operations of the Fund will be conducted in such manner so as to minimize such risk. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

Potential Indemnification Obligations

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager or certain parties related to them. The Fund will not carry any insurance to cover such potential obligations and, to the Manager's knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification

paid by the Fund would reduce the Net Asset Value of the Fund and, by extension, the Net Asset Value per Unit for each class of Units.

Lack of Independent Experts Representing Unitholders

The Fund and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of the Units. Unitholders have not, however, been independently represented. Therefore, to the extent that the Fund, Unitholders or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Fund.

No Involvement of Unaffiliated Selling Agent

No outside selling agent unaffiliated with the Manager has made any review or investigation of the terms of this offering, the structure of the Fund or the background of the Manager.

Risks Associated with an Investment in the Portfolio Funds

The Fund's investments will be primarily direct investment in units of the Portfolio Funds. The following risk factors, associated with an investment in each of the Portfolio Funds, will indirectly impact Unitholders in the Fund.

Speculative Investment

AN INVESTMENT IN THE PORTFOLIO FUNDS MAY BE DEEMED SPECULATIVE AND IS NOT INTENDED AS A COMPLETE INVESTMENT PROGRAM. A SUBSCRIPTION FOR UNITS SHOULD BE CONSIDERED ONLY BY PERSONS FINANCIALLY ABLE TO MAINTAIN THEIR INVESTMENT AND WHO CAN BEAR THE RISK OF LOSS ASSOCIATED WITH AN INVESTMENT IN A PORTFOLIO FUND. INVESTORS SHOULD REVIEW CLOSELY THE INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS TO BE UTILIZED BY THE PORTFOLIO FUND AS OUTLINED HEREIN TO FAMILIARIZE THEMSELVES WITH THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE PORTFOLIO FUND.

Public Mutual Fund Regulatory Restrictions

Other than the Sprott Diversified Bond Fund, none of the other Portfolio Funds are subject to the securities regulatory restrictions placed on public mutual funds to ensure diversification and liquidity of the Portfolio Fund's portfolio securities.

Limited Operating History for the Portfolio Funds

Although all persons involved in the management of the Portfolio Funds and the service providers to the Portfolio Funds have had long experience in their respective fields of specialization, it has to be considered that the each of the Portfolio Funds has a limited operating and performance history upon which prospective investors can evaluate performance.

Class Risk

Each class of securities has its own fees and expenses which are tracked separately. If, for any reason, a Portfolio Funds is unable to pay the expenses of one class of securities using that class' proportionate

share of the Portfolio Fund's assets, the Portfolio Fund will be required to pay those expenses out of the other classes' proportionate share of the Portfolio Fund's assets. This could effectively lower the investment returns of the other class or classes even though the value of the investments of the Portfolio Fund might have increased.

Charges to the Portfolio Fund

The Portfolio Fund is obligated to pay Management Fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether the Portfolio Fund realizes any profits.

Changes in Investment Objective, Strategies and Restrictions

The Portfolio Fund may alter its investment objective, strategies and restrictions without the prior approval of the Limited Partners or Unitholders, as the case may be, if the manager of such Portfolio Fund determines that such changes are in the best interests of the Portfolio Fund.

Not Entitled to Participate in Management

Unitholders of a Portfolio Fund are not entitled to participate in the management or control of the Portfolio Fund or its operations. Unitholders do not have any input into the Portfolio Fund's trading activities. The success or failure of the Portfolio Fund will ultimately depend on the investment of the assets of the Portfolio Fund by the Manager whom the unitholders will not have any direct dealings. Notwithstanding the foregoing, the Manager of the Fund is also the manager of the Portfolio Funds and, as such, will have direct, ongoing knowledge of the operations of the Portfolio Funds.

Dependence of the Manager on Key Personnel

The Manager depends, to a great extent, on the services of a limited number of individuals in the management and administration of the Portfolio Fund's trading activities. The loss of such services for any reason could impair the ability of the Manager to perform its investment management activities on behalf of the Portfolio Fund.

Reliance on the Manager

The Portfolio Fund relies on the ability of the Manager to actively manage the assets of the Portfolio Fund. The Manager will make the actual trading decisions upon which the success of the Portfolio Fund will depend significantly. No assurance can be given that the trading approaches utilized by the Manager will prove successful. There can be no assurance that satisfactory replacements for the Manager will be available, if needed. Termination of the Management Agreement will not terminate the Portfolio Fund, but will expose investors to the risks involved in whatever new investment management arrangements are negotiated for and on behalf of the Portfolio Fund. In addition, the liquidation of securities positions held by the Portfolio Fund as a result of the termination of the Management Agreement may cause substantial losses to the Portfolio Fund.

Dependence of Sub-Advisor on Key Personnel

The Sub-Advisor depends, to a great extent, on the services of a limited number of individuals in the investment management of the assets of the Portfolio Fund. The loss of such services for any reason could impair the ability of the Sub-Advisor to perform its investment management activities on behalf of the Portfolio Fund.

Reliance on Sub-Advisor

The Portfolio Fund relies on the ability of the Sub-Advisor to actively manage the assets of the Portfolio Fund. The Sub-Advisor will make the actual trading decisions upon which the success of the Portfolio Fund will depend significantly. No assurance can be given that the trading approaches utilized by the Sub-Advisor will prove successful. There can be no assurance that satisfactory replacements for the Sub-Advisor will be available, if needed. Termination of the Sub-Advisory Agreement will not terminate the Portfolio Fund, but will expose investors to the risks involved in whatever new investment management arrangements the Manager is able to negotiate for and on behalf of the Portfolio Fund. In addition, the liquidation of securities positions held by the Portfolio Fund as a result of the termination of the Sub-Advisory Agreement may cause substantial losses to the Portfolio Fund.

Resale Restrictions

The offering of the units of a Portfolio Fund is not qualified by way of prospectus and, consequently, the resale of the units is subject to restrictions under applicable securities legislation. There is no formal market for such units and one is not expected to develop. Accordingly, it is possible that unitholders, including the Fund, may not be able to resell their units other than by way of redemption of their uUnits on an applicable Valuation Date, subject to the applicable limitations.

Illiquidity

Holders of units, including the Fund, may not be able to liquidate their investment in a timely manner and units may not be readily accepted as collateral for a loan. There can be no assurance that the Portfolio Fund will be able to dispose of its investments in order to honour requests to redeem units.

Possible Effect of Redemptions

Substantial redemptions of units could require the Portfolio Fund to liquidate securities positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and to achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the units redeemed and of the units that remain outstanding.

Distributions and Allocations

The Portfolio Fund is not required to distribute its profits. If the Portfolio Fund has income for Canadian federal income tax purposes for a fiscal year, such income will be allocated to the unitholders (including the Fund) in accordance with the provisions of the applicable governing document of the Portfolio Fund and will be required to be included in computing their income for tax purposes, irrespective of the fact that cash may not have been distributed to unitholders (including the Fund). Allocations for tax purposes to the Fund, may not correspond to the economic gains and losses which the Fund may experience.

Repayment of Certain Distributions

Other than with respect to the possible loss of limited liability as outlined in the risk factor below, no unitholder will be obligated to pay any additional assessment on the units held or subscribed. However, if the available assets of the Portfolio Fund are insufficient to discharge obligations to creditors incurred by the Portfolio Fund, the Portfolio Fund may have a claim against a unitholder (including the Fund) for the repayment of any distributions or returns of contributions received by such unitholder (including upon redemption of units), to the extent that such obligations arose before the distributions or returns of contributions sought to be recovered by the Portfolio Fund.

Possible Loss of Limited Liability

The Portfolio Fund may, by virtue of its offering of the units or otherwise, be carrying on business in Offering Jurisdictions other than the jurisdiction under which it was formed. A Portfolio Fund that is a limited partnership may be registered as an extra-jurisdictional limited partnership in those Offering Jurisdictions where the Portfolio Fund has been advised that it will be carrying on business by virtue of its offering of the units or otherwise and where there is provision for registration as an extra-jurisdictional limited partnership in those Offering Jurisdictions. However, there is a risk that Limited Partners (including the Fund) may not be afforded limited liability in such Offering Jurisdictions to the extent that principles of conflicts of law recognizing the limitation of liability of Limited Partners have not been authoritatively established with respect to limited partnerships formed under laws of one jurisdiction but carrying on business in another jurisdiction.

Potential Indemnification Obligations

Under certain circumstances, the Portfolio Fund might be subject to significant indemnification obligations in respect of the Manager or certain related parties. The Portfolio Fund will not carry any insurance to cover such potential obligations and none of the foregoing parties will be insured for losses for which the Portfolio Fund has agreed to indemnify them. Any indemnification paid by the Portfolio Fund would reduce the Net Asset Value of the Portfolio Fund and the Net Asset Value per unit for each class of units and, by extension, the Net Asset Value of the Fund and the Net Asset Value per Unit for each class of Units.

Valuation of the Partnership's Investments

Valuation of the Portfolio Fund's portfolio securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Portfolio Fund and the Net Asset Value per unit for each class of units could be adversely affected. Independent pricing information may not at times be available regarding certain of the Portfolio Fund's portfolio securities and other investments. Valuation determinations will be made in good faith in accordance with the governing document of the Portfolio Fund.

The Portfolio Fund may have some of its assets in investments which, by their very nature, may be extremely difficult to value accurately. To the extent that the value designated by the Portfolio Fund to any such investment differs from its actual value, the Net Asset Value per unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a unitholder who redeems all or part of his or her units while the Portfolio Fund holds such investments will be paid an amount less than such unitholder would otherwise be paid if the actual value of such investments is higher than the value designated by the Portfolio Fund. Similarly, there is a risk that such unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Portfolio Fund. In addition, there is risk that an investment in the Portfolio Fund by a new unitholder (or an additional investment by an existing unitholder) could dilute the value of such investments for the other unitholders if the actual value of such investments is higher than the value designated by the Portfolio Fund. Furthermore, there is a risk that a new unitholder (or an existing unitholder that makes an additional investment) could pay more to purchase units than he or she might otherwise be required to pay if the actual value of such investments is lower than the value designated by the Portfolio Fund. The Portfolio Fund does not intend to adjust the Net Asset Value per unit of any class of units retroactively.

Lack of Independent Experts Representing Unitholders

Each of the Portfolio Fund, the General Partner (as applicable) and the Manager have consulted with a single legal counsel regarding the formation and terms of the Portfolio Fund and the offering of the units. The unitholders have not, however, been independently represented. Therefore, to the extent that the Portfolio Fund, the unitholders or the offering of the units could benefit by further independent review, such benefit will not be available. Each prospective investor should consult with his or her own legal, tax and financial advisors regarding the desirability of purchasing units and the suitability of investing in the Portfolio Fund.

No Involvement of Unaffiliated Selling Agent

No outside selling agent unaffiliated with the Manager has made any review or investigation of the terms of the offering of the units, the structure of the Portfolio Fund or the background of the Manager.

Tax Liability

Each unitholder is taxable in respect of the income of the Portfolio Fund allocated to him or her. Income will be allocated to unitholders according to the terms of the governing document and without regard to the acquisition price of such units. Unitholders may have an income tax liability in respect of profits not distributed.

The income or loss of the Portfolio Fund will be computed as if the Portfolio Fund were a separate person resident in Canada. CRA has stated that it will permit certain taxpayers to report their gains and losses from commodities-related transactions as capital gains and losses (rather than as ordinary income or losses from a business), but has also stated that it will not extend such treatment to a partnership whose prime activity is trading in commodities or commodities futures where the facts support the proposition that the partnership is carrying on a business of trading such items. CRA's administrative practices with respect to trading activities (other than commodities) to be undertaken by the Portfolio Fund may be applied in a similar manner. In the event that the Portfolio Fund treats certain of its gains and losses from trading in equities and equity derivative securities as giving rise to capital gains and capital losses, it is possible that CRA may recharacterize such gains and losses as being on income account.

Risks Associated with the Partnership's Underlying Investments

The Fund's investment will be primarily an investment in units of the Portfolio Funds. The following risk factors, associated with the Portfolio Fund's underlying investments, will indirectly impact Unitholders in the Fund.

General Economic and Market Conditions

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

Assessment of the Market

The Manager intends to invest in opportunities that provide what the Manager, at the time of investment, believes to be the best reward per unit of risk. The Manager also intends to optimize the reward per unit

of risk of the Portfolio Fund's investment portfolio by varying the allocation of long and short positions depending on the Manager's view of the domestic and international economy, market trends and other considerations. The Portfolio Fund's portfolio will be positioned in accordance with the Manager's market view. There is no assurance that the Manager's assessment of the market will be correct and result in positive returns. Losses may occur as a result of any incorrect assessment.

Concentration

The Manager may take more concentrated securities positions than a typical mutual fund or concentrate investment holdings in specialized industries, market sectors or in a limited number of issuers. Investment in the Portfolio Fund involves greater risk and volatility since the performance of one particular sector, market or issuer could significantly and adversely affect the overall performance of the entire Portfolio Fund.

Foreign Investment Risk

To the extent that the Portfolio Fund invests in securities of foreign issuers, it will be affected by world economic factors and, in many cases, by the value of the Canadian dollar as measured against foreign currencies. Obtaining complete information about potential investments from foreign markets may also be of greater difficulty. Foreign issuers may not follow certain standards that are applicable in North America, such as accounting, auditing, financial reporting and other disclosure requirements. Political climates may differ, affecting stability and volatility in foreign markets. As a result, the Net Asset Value of the Portfolio Fund may fluctuate to a greater degree by investing in foreign equities than if the Partnership limited its investments to Canadian securities.

Illiquidity of Underlying Investments

Due to the nature of the Portfolio Fund's investment strategy and portfolio, certain investments may have to be held for a substantial period of time before they can be liquidated to the Portfolio Fund's greatest advantage or, in some cases, at all. The Portfolio Fund will generally hold investments that are illiquid and for which no ready market exists. Illiquid investments carry the risk that a buyer may not be found for such investments. Also, certain of the investments owned by the Portfolio Fund may be subject to legal or contractual restrictions which may impede the Portfolio Fund's ability to dispose of its investments which it might otherwise desire to do. To the extent that there is no liquid trading market for these investments, the Portfolio Fund may be unable to liquidate these investments or may be unable to do so at a profit.

Credit Risk

The investments of the Bridging Partnership in Asset-Based Investments and Factoring Investments will expose the Bridging Partnership to the credit risk of the borrower or counterparty, as applicable, including the risk of default by the borrower or counterparty, as applicable, on the interest, principal and other payment amounts owing on the debt. Although the Sub-Advisor will seek to moderate risk through the careful selection of investments within the parameters of the investment strategy, and such investments in the portfolio will generally be secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a borrower's obligation in the event of default or that such collateral could be readily liquidated under such circumstances. In the event of bankruptcy of a borrower, delays or limitations could be experienced with respect to the ability to realize the benefits of any collateral securing an Asset-Based Investment or Factoring Investments.

Impaired Loans; No Insurance

The Portfolio Fund may from time to time have one or more impaired loans in its portfolio. Loans are impaired where full recovery is considered in doubt based on a current evaluation of the security held and for which specific loss provisions have been established. Any Asset-Based Investments which are secured by buildings and/or land will not generally be insured by a mortgage insurer in whole or in part. Consequently, the performance of such impaired loans may affect the overall performance of the Portfolio Fund.

Joint Ventures and Co-Investments

The Portfolio Fund may enter into joint venture or co-investment arrangements with other entities when making investments, which may include other vehicles or accounts organised or sponsored by the Manager, the Sub-Advisor, or their respective affiliates. These may involve incentive-based management agreements. The Manager may, from time to time, in its sole discretion, offer unitholders or third parties opportunities to co-invest with the Portfolio Fund in particular investments. Co-investment opportunities may result in additional benefits for those who so invest. As the Manager retains discretion as to how co-investment opportunities are allocated among unitholders, the benefits of an investment in which the Manager has made co-investment opportunities available will be received only by the unitholders selected by the Manager for such opportunities and not by any of the other unitholders.

Litigation

Litigation can and does occur in the ordinary course of the management of an investment portfolio. The Portfolio Fund may be engaged in litigation both as plaintiff and as a defendant. In certain cases, borrowers may bring claims and/or counterclaims against the Portfolio Fund, the Manager, the Sub-Advisor, and/or their respective principals and affiliates. The expense of defending against claims made against the Portfolio Fund by third parties and paying any amounts pursuant to settlements or judgments would, to the extent that the Portfolio Fund has not been able to protect itself by indemnification or other rights against the portfolio companies, be borne by the Portfolio Fund and reduce the Net Asset Value of the Portfolio Fund.

In recent years, certain judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "**lender liability**"). Generally, lender liability is founded upon the premise that an institutional lender has violated a fiduciary duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creating a fiduciary duty owed to the borrower or its other creditors or shareholders. Due to the nature of the Portfolio Fund's investments, the Portfolio Fund could be subject to allegations of lender liability.

Fixed Income Securities

To the extent that the Portfolio Fund holds fixed income investments in its portfolio, it will be influenced by financial market conditions and the general level of interest rates in Canada. In particular, if fixed income investments are not held to maturity, the Portfolio Fund may suffer a loss at the time of sale of such securities.

Equity Securities

To the extent that the Portfolio Fund holds equity investments in its portfolio, it will be influenced by stock market conditions in those jurisdictions where the securities held by the Portfolio Fund are listed for

trading and by changes in the circumstances of the issuers whose securities are held by the Portfolio Fund. Additionally, to the extent that the Portfolio Fund holds any foreign investments in its portfolio, it will be influenced by world political and economic factors and by the value of the Canadian dollar as measured against foreign currencies which will be used in valuing the foreign investment positions held by the Portfolio Fund.

Possible Correlation With Traditional Investments

Although the Portfolio Fund's portfolio will not typically be comprised of a material amount of equity securities, there can be no assurance that the performance of the Portfolio Fund will not, in fact, be positively correlated to the performance of traditional stock and bond investments, especially if multiple markets move in tandem, thereby reducing the overall portfolio benefits of an investment in the Portfolio Fund.

Idle Cash

While the Sub-Advisor will typically endeavour to keep the assets of the Portfolio Fund invested, there may be periods of time when the Portfolio Fund has a significant portion of its assets in cash or cash equivalents. The investment return on such "idle cash" may not meet the overall return objective the Sub-Advisor seeks for the Portfolio Fund.

Currency Risk

Investment in securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Thus, the value of securities within the Portfolio Fund's portfolio may be worth more or less depending on their susceptibility to foreign exchange rates.

To the extent that the Portfolio Fund directly or indirectly holds assets in local currencies, the Portfolio Fund will be exposed to a degree of currency risk which may adversely affect performance. Changes in foreign currency exchange rates may affect the value of investments in the Portfolio Fund. In addition, the Portfolio Fund will incur costs in connection with conversions between various currencies. The Portfolio Fund may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed, since the Portfolio Fund may choose to enhance returns through direct currency exposure.

Suspension of Trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render it impossible to liquidate positions and could thereby expose the Portfolio Fund to losses.

Leverage

The Portfolio Fund may use financial leverage by borrowing funds against the assets of the Portfolio Fund. The use of leverage increases the risk to the Portfolio Fund and subjects the Portfolio Fund to higher current expenses. Also, if the Portfolio Fund's portfolio value drops to the loan value or less, unitholders (including the Fund) could sustain a total loss of their investment.

In light of the foregoing there can be no assurance that the Fund's or the Portfolio Fund's investment objective will be achieved or that the Net Asset Value per Unit at redemption will be equal to or more than a purchaser's original cost.

CONFLICTS OF INTEREST

The Manager has established one independent review committee ("**IRC**") for all of the investment funds that it manages. The Manager must refer certain conflict of interest matters for the Fund to the IRC for its review or approval, if necessary. The conflict of interest matters to be referred to the IRC for the Fund are set out in three exemptive relief orders granted to the Manager on July 27, 2010, August 27, 2010 and September 30, 2010 and are available at www.osc.gov.on.ca (collectively, the "**Exemptive Relief**"). The Manager has established written policies and procedures for dealing with conflict of interest matters set out in the Exemptive Relief, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The IRC is comprised of a minimum of three independent members and is required to conduct regular assessments and provide reports to the Manager in respect of its functions. The fees and expenses of the IRC are borne and shared by all of the investment funds in the Sprott family of funds, including expenses associated with insuring and indemnifying each IRC member.

Various potential conflicts of interest exist between the Fund and the Manager and SAM GP. These potential conflicts of interest may arise as a result of common ownership and certain common directors, partners, officers and personnel and, accordingly, will not be resolved through arm's length negotiations but through the exercise of judgment consistent with fiduciary responsibilities to the Fund and its Unitholders generally.

The Manager manages, and may in the future manage, the trading for other limited partnerships, trusts, corporations, investment funds or managed accounts in addition to the Fund. In the event that the Manager elects to undertake such activities and other business activities in the future, the Manager and its principals may be subject to conflicting demands in respect of allocating management time, services and other functions. The Manager and its principals and affiliates will endeavour to treat each investment pool and managed account fairly and not to favour one pool or account over another and will conduct their activities in accordance with the Manager's fair allocation policy.

In executing its duties on behalf of the Fund, the Manager will be subject to the provisions of the Trust Agreement and the Manager's Code of Ethics (a copy of which is available for review by Unitholders upon request at the offices of the Manager), which provide that the Manager will exercise its duties in good faith and with a view to the best interests of the Fund and its Unitholders.

From time to time the Manager may receive a portion of a sourcing or structuring fee from issuers in connection with securities acquired by the Portfolio Fund pursuant to certain financing transactions.

The Fund may execute a portion of its portfolio transactions through Sprott Private Wealth LP which is a registered investment dealer. The Manager believes Sprott Private Wealth LP will offer competitive rates and will only execute trades as an investment dealer for the Fund when the executions obtained would be on terms and conditions no less favourable to the Fund than would otherwise be obtainable if the orders were placed through independent brokers or dealers and at commission rates equal or comparable to rates that would have been charged by independent brokers or dealers.

In addition, Sprott Private Wealth LP is a registered dealer participating in the offering of the Units to its clients for which it will receive a service commission with respect to Class A Units. The Fund and the Partnership may be considered to be "connected issuers" and "related issuers" of Sprott Private Wealth LP and the Manager under applicable securities legislation. Sprott Private Wealth LP, Sprott Private

Wealth GP Inc., the Manager and SAM GP are controlled, directly or indirectly, by Eric S. Sprott. See "Interest of Management and Others in Material Transactions".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

SAM GP is a directly wholly-owned subsidiary of Sprott Inc., which is a public company listed on the Toronto Stock Exchange under the symbol "SII". Sprott Inc. is also the sole limited partner of the Manager. Eric S. Sprott is the principal shareholder of Sprott Inc. through a holding company which he controls. Certain senior officers and directors of Sprott Inc. are also senior officers, directors and/or partners of the Manager, SAM GP, Sprott Private Wealth LP, Sprott Private Wealth GP Inc. and Sprott Resource Corp. See "Conflicts of Interest".

Certain senior officers and directors of the Manager and/or its affiliates and associates may purchase and hold Units and units of the Portfolio Fund from time to time.

The Manager may receive compensation and/or reimbursement of expenses from the Fund as described under "Management of the Fund – The Manager" and "Fees and Expenses – Management Fees Payable by the Fund". Sprott Private Wealth LP is a registered dealer participating in the offering of the Units to its clients for which it will receive a service commission with respect to Class A Units as described under "Dealer Compensation". In addition, the Fund may execute a portion of its portfolio transactions through Sprott Private Wealth LP. From time to time the Manager may receive a portion of a sourcing or structuring fee from issuers in connection with securities acquired by the Portfolio Fund pursuant to certain financing transactions. See "Conflicts of Interest".

TRUSTEE

Pursuant to the Trust Agreement, RBC Investor Services Trust is the trustee of the Fund. The Trustee is a trust company continued under the federal laws of Canada. The principal office of the Trustee is located at 155 Wellington St. W., 2nd Floor, RBC Centre, Toronto, Ontario, M5V 3L3.

As compensation for its services, the Trustee will receive an annual fee (as well as recovery of its out-of-pocket expenses), the amount of which shall be settled in writing by the Trustee and the Manager.

ADMINISTRATOR, RECORD-KEEPER AND FUND REPORTING

Pursuant to the Administration Agreement, RBC Investor Services Trust. is also the administrator and record-keeper to the Fund to maintain a record of Unitholders. Pursuant to the Administration Agreement, any fees required to be paid to the record-keeper for services rendered, other than in respect of a transfer of Units, will be the responsibility of the Fund.

The Administrator also provides, among other things, valuation and financial reporting services to the Fund and to calculate the Net Asset Value of the Fund and the Class Net Asset Value for each class of Units on each Valuation Date. See "Computation of Net Asset Value of the Fund".

AUDITORS

The auditors of the Fund are KPMG LLP, Chartered Professional Accountants, with its principal offices located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5. The auditors of

the Fund may only be changed with the approval of the Unitholders in accordance with the provisions of the Trust Agreement.

UNITHOLDER REPORTING

The Manager will forward to Unitholders a copy of the audited annual financial statements of the Fund within 90 days of each fiscal year-end as well as unaudited interim financial statements of the Fund within 60 days of the end of the first six month period in each fiscal year. Within 60 days of the end of each fiscal quarter, the Manager will make available to Unitholders an unaudited schedule of the Net Asset Value per Unit for each class of Units and a short written commentary outlining highlights of the Fund's activities.

Confirmations will also be sent to Unitholders following each purchase or redemption of Units by them. On or before March 31 of each year, or in the case of a leap year on or before March 30 in such year, if applicable, Unitholders will also receive all information pertaining to the Fund, including all distributions, required to report their income under the Tax Act or similar legislation of any province or territory of Canada with respect to the immediately preceding year.

The Manager will also cause to be furnished to the Unitholders and the Trustee any notice it receives of: (i) any assignment of the Management Agreement for any Portfolio Fund by the Manager to an affiliate thereof; (ii) any change to the investment objective and strategies of the Portfolio Fund and the applicable Restrictions; (iii) the desire to change the fiscal year-end of the Portfolio Fund; (iv) any change in the location of the principal office of the Portfolio Fund; (v) any person designated as transfer agent of the Portfolio Fund; (vi) any proposed change to the method of calculation of the Management Fee which would result in an increase in such fees being payable by the Portfolio Fund; (vii) any meeting of the unitholders; (viii) the intention to dissolve the Portfolio Fund; and (ix) any material amendment to the governing documents of Portfolio Fund, together with a written explanation for the reasons for such amendment.

MATERIAL CONTRACTS

The only material contract of the Fund is the Trust Agreement referred to under "The Fund".

PROCEEDS OF CRIME (MONEY LAUNDERING) LEGISLATION

In order to comply with federal legislation aimed at the prevention of money laundering, the Manager may require additional information concerning each prospective investor and Unitholder. If, as a result of any information or other matter which comes to the Manager's attention, any director, partner, officer or employee of the Manager, or their respective professional advisors, knows or suspects that a prospective investor or a Unitholder is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report will not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

PRIVACY POLICY

In connection with the offering and sale of Units, personal information (such as address, telephone number, social insurance number, birth date, asset and/or income information, employment history and credit history, if applicable) about Unitholders is collected and maintained. Such personal information is collected to enable the Manger to provide Unitholders with services in connection with their investment in the Fund, to meet legal and regulatory requirements and for any other purpose to which Unitholders

may consent in the future. Attached hereto as Schedule "A" is the Fund's Privacy Policy. By completing a subscription form for Units, subscribers consent to the collection, use and disclosure of his or her personal information in accordance with such policy.

PURCHASERS' RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities laws in certain jurisdictions of Canada provide purchasers, in addition to any other rights they may have at law, with rights of action for damages or rescission if an offering memorandum, such as this Offering Memorandum, or any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation. However, these rights must be exercised by the purchaser within the time limits prescribed by the applicable securities laws. Each purchaser should refer to the provisions of the applicable securities laws for a complete text of these rights and/or consult with a legal advisor.

The following is a summary of the statutory rights of action for damages or rescission available to purchasers resident in certain provinces and territories. These summaries are subject to the express provisions of the applicable securities laws of such jurisdictions and the regulations, rules and policy statements thereunder, and reference is made thereto for the complete texts of such provisions. The rights of action described below are in addition to, and without derogation from, any other right or remedy that a purchaser may have under applicable laws.

Statutory Rights of Action

Purchasers Resident in Alberta in Reliance on the Minimum Amount Investment Exemption

Alberta Securities Commission Rule 45-511 *Local Prospectus Exemptions and Related Requirements* provides that the following statutory rights of action apply to information contained in an offering memorandum, such as this Offering Memorandum, that is provided to a purchaser of securities in respect of a distribution made in reliance only on the "minimum amount investment" exemption in section 2.10 of NI 45-106.

The rights of action for damages or rescission described herein is conferred by section 204 of the *Securities Act* (Alberta) (the "**ASA**") and the time limits specified by section 211 of the ASA in which an action to enforce a right under section 204 must be commenced. If this Offering Memorandum, or any amendment to it, provided in connection with a distribution made in reliance on the "minimum amount investment" exemption contains a misrepresentation, a purchaser resident in Alberta who purchases under such exemption a security offered by this Offering Memorandum: (a) is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and, in addition to any other rights the purchaser may have at law, (b) has a right of action for damages against (i) the Fund, and (ii) each person who signed this Offering Memorandum (each a "**Signatory**" and collectively, the "**Signatories**"). If a purchaser elects to exercise a right of rescission against the Fund, the purchaser will have no right of action for damages against the Fund or the Signatories.

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

No action may be commenced to enforce either right of action unless the right is exercised:

(a) in the case of an action for rescission, on notice given to the Fund not later than 180 days from the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action for damages, on notice given to the Fund not later than the earlier of (i) 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years from the date of the transaction that gave rise to the cause of action,

and also provided that:

(a) the Fund or a Signatory will not be held liable under this paragraph if the Signatory or the Fund proves the defendant purchased the Units with knowledge of the misrepresentation;

(b) in an action for damages, the Fund or the Signatory will not be liable for all or any portion of those damages that they prove do not represent the depreciation in value of the Units as a result of the misrepresentation; and

(c) in no case will the amount recoverable under this paragraph exceed the price at which the Units were sold to the purchaser.

Purchasers Resident in Manitoba

In the event that this Offering Memorandum, or any amendment hereto, contains a misrepresentation and it is a misrepresentation at the time of purchase, the purchaser shall be deemed to have relied upon the misrepresentation and shall have, in addition to any other rights the purchaser may have at law: (a) a right of action for damages against (i) the Fund, (ii) every director of the Fund at the date of the Offering Memorandum (each a "**Director**" and collectively, the "**Directors**"), and (iii) every Signatory; and (b) a right of rescission against the Fund. If a purchaser elects to exercise a right of rescission against the Fund, the purchaser will have no right of action for damages against the Fund, the Directors or the Signatories.

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

The Fund, the Directors and the Signatories will not be liable if they prove that the purchaser purchased the Units with knowledge of the misrepresentation.

All of the Fund, the Directors and the Signatories that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person 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.

Directors or Signatories will not be liable:

(a) if they prove the Offering Memorandum was sent to the purchaser without their knowledge or consent and, after becoming aware that it was sent, promptly gave reasonable notice to the Fund that it was delivered without their knowledge and consent;

(b) if they prove that, after becoming aware of a misrepresentation in the Offering Memorandum they withdrew their consent to the Offering Memorandum and gave reasonable notice to the Fund of their withdrawal and the reasons therefor;

(c) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert ("**Expert Opinion**"), if they prove they did not have any reasonable grounds to believe and did not believe that there was a misrepresentation or that the relevant part of the Offering Memorandum did not fairly represent the Expert Opinion or was not a fair copy of, or an extract from, such Expert Opinion; or

(d) with respect to any part of the Offering Memorandum not purporting to be made on an expert's authority, or not purporting to be a copy of, or an extract from an Expert Opinion, unless the Director or Signatory (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.

A person or company is not liable in an action for a misrepresentation in forward-looking information if the person or company proves that this Offering Memorandum contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection, and the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information.

In an action for damages, the Fund, the Directors and the Signatories will not be liable for all or any part of the damages that they prove do not represent the depreciation in value of the Units as a result of the misrepresentation. The amount recoverable under the right of action shall not exceed the price at which the Units were offered under this Offering Memorandum.

A purchaser of Units to whom the Offering Memorandum was required to be sent in compliance with the regulations respecting an offering memorandum but was not sent within the time prescribed for sending the Offering Memorandum by those regulations, has a right of action for rescission or damages against the Fund or any dealer who did not comply with the requirement.

A purchaser to whom the Offering Memorandum is required to be sent may rescind the contract to purchase the Units by sending a written notice of rescission to the Fund not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the Units.

Unless otherwise provided under applicable securities laws, no action shall be commenced to enforce a right of action unless the right is exercised:

(a) in the case of rescission, not later than 180 days from the day of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the cause of action; and (ii) two years from the day of the transaction that gave rise to the cause of action.

Purchasers Resident in New Brunswick

New Brunswick Securities Commission Rule 45-802 provides that the statutory rights of action for rescission or damages referred to in section 150 ("**Section 150**") of the *Securities Act* (New Brunswick) (the "**NBSA**") apply to information relating to an offering memorandum, such as this Offering Memorandum, that is provided to a purchaser of securities in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in section 2.3 of NI 45-106. Section 150 provides purchasers who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the NBSA 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 Offering Memorandum is delivered to a prospective purchaser of Units in connection with a trade made in reliance on section 2.3 of NI 45-106, and this Offering Memorandum contains a misrepresentation, a purchaser who purchases Units 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 Fund for damages or, while still the owner of Units, 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 Fund shall not be liable where it is not receiving any proceeds from the distribution of the Units being distributed and the misrepresentation was not based on information provided by the Fund unless the misrepresentation (i) was based on information that was previously publicly disclosed by the Fund, (ii) was a misrepresentation at the time of its previous public disclosure, and (iii) was not subsequently publicly corrected or superseded by the Fund before the completion of the distribution of the Units being distributed.

In addition, if advertising or sales literature is relied upon by a purchaser in connection with a purchase of Units and such advertising or sales literature contains a misrepresentation, the purchaser shall also have a right of action for damages or rescission against every promoter or director of the Fund at the time the advertising or sales literature was disseminated.

In addition, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of the Units, the purchaser shall be deemed to have relied upon the misrepresentation if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement. No such individual will be liable if:

(a) that individual can establish that he or she cannot reasonably be expected to have known that his or her statement contained a misrepresentation; or

(b) prior to the purchase of Units by the purchaser, that individual notified the purchaser that the individual's statement contained a misrepresentation.

Neither the Fund nor any other person referred to above will be liable, whether for misrepresentations in this Offering Memorandum, any advertising or sales literature or in a verbal statement:

(a) if the Fund or such other person proves that the purchaser purchased the Units with knowledge of the misrepresentation; or

(b) in an action for damages, for all or any portion of the damages that the Fund or such other person proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied on.

No person, other than the Fund, is liable for misrepresentations in any advertising or sales literature if the person proves:

(a) that the advertising or sales literature was disseminated without the person's knowledge or consent and that, on becoming aware of its dissemination, the person gave reasonable general notice that it was so disseminated,

(b) that, after the dissemination of the advertising or sales literature and before the purchase of the Units by the purchaser, on becoming aware of any misrepresentation in the advertising or sales literature the person withdrew the person's consent to it and gave reasonable general notice of the withdrawal and the reason for the withdrawal, or

(c) that, with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of, or an extract from, a public official document, it was a correct and fair representation of the statement or copy of, or extract from, the document, and the person had reasonable grounds to believe and did believe that the statement was true.

No person, other than the Fund, is liable with respect to any part of the advertising or sales literature 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:

(a) failed to conduct such reasonable investigation as to provide reasonable grounds for a belief that there had been no misrepresentation, or

(b) believed there had been a misrepresentation.

Any person who, at the time the advertising or sales literature was disseminated, sells Units on behalf of the Fund with respect to which the advertising or sales literature was disseminated is not liable if that person can establish that the person cannot reasonably be expected to have had knowledge that the advertising or sales literature was disseminated or contained a misrepresentation.

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

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

Purchasers Resident in Newfoundland and Labrador

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador) (the "**NL Act**"). The NL Act provides, in the relevant part,

that where an offering memorandum, such as this Offering Memorandum, contains a misrepresentation, as defined in the NL Act, a purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, (a) a statutory right of action for damages against (i) the Fund, (ii) every director of the Fund at the date of the offering memorandum, and (iii) every person or the Fund who signed the offering memorandum; and (b) for rescission against the Fund.

The NL Act provides a number of limitations and defences in respect of such rights. Where a misrepresentation is contained in an offering memorandum, a person or company shall not be liable for damages or rescission:

(a) where the person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation;

(b) where the person or company proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person or company;

(c) if the person or the Fund proves that the person or company, on becoming aware of the misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;

(d) if, 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, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

  (i) there had been a misrepresentation; or

  (ii) the relevant part of the offering 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) 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 the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and

(g) in no case will the amount recoverable in any action exceed the price at which the Units were offered under the offering memorandum.

Section 138 of the NL Act provides that no action shall be commenced to enforce these 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 an action for damages, the earlier of:

(i) 180 days after the date that the purchaser 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.

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

Purchasers Resident 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 "**NSSA**"). Section 138 provides, in the relevant part, that in the event that an offering memorandum, such as this Offering Memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the NSSA) 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 at the date of the offering memorandum 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 at the date of the offering memorandum or the persons who have signed the offering memorandum, provided that, among other limitations:

(a) no action shall 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.

In addition, no person or company (other than the issuer if it is the seller) will be liable if such person or company proves that:

(a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting

(i) to be made on the authority of an expert, or

(ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company 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 or amendment to the offering memorandum 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.

Furthermore, no person or company (other than the issuer if it is the seller) will be liable under section 138 of the NSSA with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting

(a) to be made on the authority of an expert; or

(b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company;

(i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or

(ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or amendment to the offering memorandum.

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 NSSA and the regulations and rules made under it, and prospective purchasers should refer to the complete text of those provisions.

Purchasers Resident in Ontario

Securities laws of Ontario provide that, subject to the following paragraph, a purchaser resident in Ontario shall have, in addition to any other rights the purchaser may have at law, a right of action for damages or rescission against the Fund and a selling security holder on whose behalf the distribution is made if an offering memorandum, such as this Offering Memorandum, contains a "misrepresentation" (for the purposes of this section, as defined in the *Securities Act* (Ontario)) (the "**OSA**"), without regard to whether the purchaser relied on the misrepresentation. Purchasers should refer to the applicable provisions of the Ontario securities laws for particulars of these rights or consult with a lawyer.
OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* provides that, when an offering memorandum is delivered to a prospective purchaser in connection with a distribution made in reliance on the "accredited investor" prospectus exemption in section 2.3 of NI 45-106, the rights of action referred to in section 130.1 of the OSA ("**Section 130.1**") will apply in respect of the offering memorandum unless the prospective purchaser is:

(a) a Canadian financial institution, meaning either:

(i) 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; or

(ii) 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 of Canada;

(b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

(d) a subsidiary of any person referred to in paragraphs (a), (b) and (c), 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 that subsidiary.

Subject to the foregoing, Section 130.1 of the OSA provides a purchaser who purchases Units offered by this Offering Memorandum during the period of distribution with a statutory right of action for damages or rescission against the Fund and a selling security holder on whose behalf the distribution is made in the event that the Offering Memorandum or any amendment to it contains a "misrepresentation", without regard to whether the purchaser relied on the misrepresentation. A "misrepresentation" is defined in the OSA as an untrue statement of 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 light of the circumstances in which it is made. A "material fact", when used in relation to securities issued or proposed to be issued, is defined in the OSA as a fact that would be reasonably expected to have a significant effect on the market price or

value of the securities. In the event that this Offering Memorandum, together with any amendment to it, is delivered to a purchaser of Units and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the Units, the purchaser will have statutory right of action for damages against the Fund and a selling security holder on whose behalf the distribution is made or, while still the owner of the Units, for rescission against the Fund and a selling security holder on whose behalf the distribution is made, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Fund and a selling security holder on whose behalf the distribution is made, provided that:

(a) no action shall be commenced more than, 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, in the case of any action other than an action for rescission, the earlier of (i) 180 days after the purchaser 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;

(b) no person or company will be liable if he, she or it proves that the purchaser purchased the Units with knowledge of the misrepresentation;

(c) 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 the Units as a result of the misrepresentation relied upon;

(d) no person or company will be liable for a misrepresentation in "forward-looking information" (as defined in the OSA) if he, she or it proves that:

(i) the Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection set out in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and

(ii) it had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

(e) in no case will the amount recoverable exceed the price at which the Units were offered to the purchaser; and

(f) the right of action for damages or rescission is in addition to, and does not derogate from, any other right or remedy the purchaser may have at law.

Purchasers Resident 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 Offering Memorandum, 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 Fund, the selling security holder on whose behalf the distribution is made, every director of the Fund at the date of the offering memorandum, and every person who signed the offering memorandum. Alternatively, the

purchaser while still the owner of Units may elect to exercise a statutory right of action for rescission against the Fund 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 shall 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 Units with knowledge of the misrepresentation;

(d) no person other than the Fund and selling security holder will be liable if the person proves that

(i) 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 Fund 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 Fund 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 the Units 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 the Units as a result of the misrepresentation.

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

Purchasers Resident in Saskatchewan

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the "**SSA**"), provides that where an offering memorandum, such as this Offering Memorandum, or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (for the purposes of this section, as defined in the SSA), a purchaser who purchases securities 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 Fund or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

(a) the Fund or a selling security holder on whose behalf the distribution is made;

(b) every promoter and director of the Fund or the selling security holder, as the case may be, at the time of 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 Units on behalf of the Fund 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 its right of rescission against the Fund or selling security holder, it shall 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 Units resulting from the misrepresentation relied on;

(c) no person or company, other than the Fund 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 there had been a misrepresentation;

(d) in no case shall the amount recoverable exceed the price at which the Units were offered; and

(e) no person or company is liable in action for rescission or damages if that person or company proves that the purchaser purchased the Units with knowledge of the misrepresentation.

In addition, no person or company, other than the Fund or selling security holder, will be liable in an action pursuant to section 138 of the SSA 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.

In addition, no person or company will be liable in an action pursuant to section 138 of the SSA if that person or company proves that in respect of a misrepresentation in forward looking information (as defined in the SSA), such person or company proves that with respect to the document containing the forward looking information, approximate to that information, there is contained reasonable cautionary language identifying the forward looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information; and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and the person or company had a reasonable basis for drawing the conclusions or making the forecast and projections set out in the forward looking information.

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

Subsection 138.2(1) of the SSA 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.

Subsection 141(1) of the SSA 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 by a vendor who is trading in Saskatchewan in contravention of the SSA, the regulations to the SSA or a decision of the Saskatchewan Financial Services Commission.

Subsection 141(2) of the SSA 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 SSA.

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

Section 147 of the SSA provides that no action shall 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.

Section 80.1 of the SSA also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the SSA with a right to withdraw from the agreement to purchase Units by delivering a notice to the person who or company that is selling the Units, 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.

Purchasers Resident in Northwest Territories, Nunavut or the Yukon

If this Offering Memorandum, or any amendments thereto, delivered to a purchaser of Units resident in the Northwest Territories, Nunavut or the Yukon contains a misrepresentation, a purchaser in such jurisdictions who purchases the Units during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (i) the Fund, (ii) the selling security holder on whose behalf the distribution was made, (iii) every director of the Fund at the date of the Offering Memorandum, and (iv) every person who signed the Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of action for rescission against the Fund or the selling security holder on whose behalf the distribution was made, in which case, the purchaser shall have no right of action for damages against the Fund, the selling security holder, the directors and persons who signed the Offering Memorandum. If a misrepresentation is contained in a record incorporated by reference in, or deemed to be incorporated into, an Offering Memorandum, or any amendments thereto, the misrepresentation is deemed to be contained in the Offering Memorandum, or any amendments thereto, as the case may be.

All or any one or more of the persons who are found to be liable, or who accept liability, for a misrepresentation will be jointly and severally liable; provided, however, that the Fund, and every director of the Fund at the date of the Offering Memorandum who is not a selling security holder, will not be liable if the Fund does not receive any proceeds from the distribution of the Units and the misrepresentation was not based on information provided by the Fund, unless the misrepresentation was:

(a) based on information that was previously publicly disclosed by the Fund;

(b) a misrepresentation at the time of its previous disclosure; and

(c) not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the Units.

Any person, including the Fund and the selling security holder, will not be liable for a misrepresentation:

(a) if the person proves that the purchaser purchased the Units with knowledge of the misrepresentation; or

(b) in an action for damages, the person will not be liable for all or any part of those damages that the person proves do not represent the depreciation in value of the Units as a result of the misrepresentation; and

(c) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser.

A person, other than the Fund and the selling security holder, will not be liable in an action for damages for a misrepresentation:

(a) if the person proves that the Offering Memorandum, or any amendments thereto, was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person;

(b) if the person proves that the person, on becoming aware of the misrepresentation in the Offering Memorandum, or any amendments thereto, withdrew the person's consent to the Offering Memorandum, or any amendments thereto, and gave reasonable notice to the Fund of the withdrawal and the reason for it; or

(c) if, with respect to any part of the Offering Memorandum, or any amendments thereto, purporting to be made on the authority of an expert or purporting to be a copy of, or any extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that

(i) there had been a misrepresentation, or

(ii) the relevant part of the Offering Memorandum, or any amendments thereto,

(A) did not fairly represent the report, statement or opinion of the expert, or

(B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person, other than the Fund and the selling security holder, will not be liable in an action for damages for a misrepresentation with respect to any part of an Offering Memorandum, or any amendments thereto, 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, statement or opinion of an expert, unless the person:

(a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or

(b) believed that there had been a misrepresentation.

Any person, including the Fund and the selling security holder, will not be liable for a misrepresentation in forward-looking information (as defined in the *Securities Act* (Northwest Territories), the *Securities Act* (Nunavut) or the *Securities Act* (Yukon)) if the person proves that:

(a) the Offering Memorandum, any amendments thereto, or other document contained, proximate to the forward-looking information, (A) reasonable cautionary language identifying the forward-looking information as such, and (B) identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information,

(b) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and

(c) the person had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information;

provided, however, that the foregoing does not relieve a person of liability with respect to forward-looking information in a financial statement required to be filed under the securities laws of the Northwest Territories, Nunavut or the Yukon.

No action shall be commenced to enforce a right of action 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 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.

Other Rescission Rights

In certain provinces a purchaser of Units may, where the amount of the purchase does not exceed the sum of $50,000, rescind the purchase by written notice given to the registered dealer from whom the purchase was made (i) within 48 hours after receipt of the confirmation for a lump sum purchase, or (ii) within 60 days after receipt of the confirmation for the initial payment under a contractual plan. Subject to the registered dealer's reimbursement of sales charges and fees to the purchaser as described below, the amount a purchaser is entitled to recover on exercise of this right to rescind shall not exceed the Net Asset Value of the Units purchased, at the time the right is exercised. The right to rescind a purchase made under a contractual plan may be exercised only with respect to payments scheduled to be made within the time specified above for rescinding a purchase made under a contractual plan. Every registered dealer from whom the purchase was made must reimburse the purchaser who has exercised this right of rescission for the amount of sales charges and fees relevant to the investment of the purchaser in the Fund in respect of the Units for which the written notice of the exercise of the right of rescission was given.

Purchasers must exercise these rights within the prescribed time limits under applicable securities legislation. Purchasers should refer to the applicable provisions of the securities legislation in their

province of residence to determine whether they have similar rescission rights or consult with their legal advisor for more details.

Contractual Rights of Action

Purchasers Resident in British Columbia or Québec or Purchasers Resident in Alberta in Reliance on the "Accredited Investor" Exemption

If this Offering Memorandum, or any amendments thereto, contains a misrepresentation, a purchaser resident in British Columbia or Québec who purchased Units under this Offering Memorandum, or a purchaser resident in Alberta who purchased Units under this Offering Memorandum in reliance on the "accredited investor" exemption under NI 45-106, will not be entitled to the statutory rights of action described above. However, in consideration of purchasing Units under this Offering Memorandum and upon acceptance by the Manager of the purchaser's subscription in respect thereof, purchasers in those jurisdictions are hereby granted a contractual right of action for damages or rescission that is the same as the statutory rights of action described above provided to purchasers resident in Ontario under the OSA.

CERTIFICATE

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

This Offering Memorandum does not contain a misrepresentation.

DATED as of the 31st day of August, 2016.

SPROTT ALTERNATIVE INCOME FUND,
by its Manager, Sprott Asset Management LP, and by
its general partner, Sprott Asset Management GP Inc.

By:	(signed) John Wilson John Wilson Chief Executive Officer	By:	(signed) Kevin Hibbert Kevin Hibbert as Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF
SPROTT ASSET MANAGEMENT GP INC.**

By:	(signed) James R. Fox James R. Fox Director	By:	(signed) Kirstin H. McTaggart Kirstin H. McTaggart Director

SCHEDULE A

SPROTT ALTERNATIVE INCOME FUND

PRIVACY POLICY

The privacy of our investors is very important to us. Sprott Alternative Income Fund (the "**Fund**") is committed to protecting your privacy and maintaining confidentiality of your personal information. This Privacy Policy may be updated from time to time without notice. This Privacy Policy was last modified on August 31, 2016.

The Fund complies with the requirements of Part 1 and Schedule 1 of the *Personal Information Protection and Electronic Documents Act* (Canada) ("**PIPEDA**") and all applicable provincial personal information laws. Below is an overview of the privacy principles set out in Schedule 1 of PIPEDA.

What is personal information?

The term "personal information" refers to any information that specifically identifies you, including information such as your home address, telephone numbers, social insurance number, birth date, assets and/or income information, employment history and credit history.

How do we collect your personal information?

We collect your personal information directly from you or through your financial advisor and/or dealer in order to provide you with services in connection with your investment in the Fund, to meet legal and regulatory requirements and for any other purposes to which you consent. Your personal information may be collected from a variety of sources, including:

(a) subscription forms, applications, questionnaires or other forms that you submit to us or agreements and contracts that you enter into with us;

(b) your transactions with us;

(c) meetings and telephone conversations with you;

(d) e-mail communications with us; and

(e) the website of Sprott Asset Management LP (the "**Manager**"), the manager of the Fund (www.sprott.com).

How do we use your personal information?

We collect and maintain your personal information in order to give you the best possible service and to allow us to establish your identity, protect us from error and fraud, comply with applicable law and assess your eligibility to purchase securities of the Fund. In addition, we may use your personal information for:

(a) executing your transactions;

(b) verifying and correcting your personal information; and

(c) providing you and/or your financial advisor and/or dealer with confirmations, tax receipts, proxy mailings, financial statements and other reports.

Who do we share your personal information with?

We may transfer your personal information, when necessary, to our third party service providers and to our agents in connection with the services we provide relating to your investment in the Fund, however, please note that these third party service providers and agents will not share this information with others. Such information is only used for the purposes identified above. The Fund will use contractual or other means to provide a comparable level of protection while the information is being handled by a third party service provider or agent. The following is a list of such third party service providers and agents:

(a) your financial advisor/dealer;

(b) financial service providers such as investment dealers, custodians, prime brokers, banks and others used to finance or facilitate transactions by, or operations of, the Fund;

(c) other service providers such as accounting, legal or tax preparation services; and

(d) registrar and transfer agents, portfolio managers, brokerage firms and similar service providers.

We may also be required by law to disclose information to government regulatory authorities (for example, we may be required to report your income to taxation authorities). We may also be required to disclose your personal information to self-regulatory organizations ("**SROs**"), which collect, use and disclose such personal information for regulatory purposes, including trading surveillance, audits, investigations, maintenance of regulatory databases and enforcement proceedings. SROs may, in turn, disclose such personal information when reporting to securities regulators or when sharing information with other SROs and law enforcement agencies.

We do not sell, lease, barter or otherwise deal with your personal information with third parties.

The Fund may be involved in the sale, transfer or reorganization of some or all of its business at some time in the future. As part of that sale, transfer or reorganization, the Fund may disclose your personal information to the acquiring organization, however, the Fund will require the acquiring organization to agree to protect the privacy of your personal information in a manner that is consistent with this Privacy Policy.

How do we obtain your consent to the collection, use and disclosure of your personal information?

By signing a subscription form or an application form and/or continuing to do business with us, you are consenting to the collection, use and disclosure of your personal information for the purposes identified in this Privacy Policy. The Fund will not, as a condition of the supply of services, require you to consent to the collection, use or disclosure of your personal information beyond that required to fulfill those purposes.

Can you withdraw your consent?

You may withdraw all or part of your consent for us to collect, use or disclose your personal information subject to legal restrictions and reasonable notice. The Fund will inform you of the implications of such withdrawal of consent for the continued provision of services to you.

How do we safeguard your personal information?

We carefully safeguard your personal information and, to that end, restrict access to personal information about you to those employees and other persons who need to know the information to enable the Fund to provide services to you. Each employee of the Fund, the Manager and Sprott Asset Management GP Inc., the general partner of the Manager, is responsible for ensuring the confidentiality of all personal information they may access. Annually, each such employee is required to sign a code of conduct, which contains policies on the protection of personal information.

Where is your personal information kept?

Your personal information is maintained on our networks or on the networks of our service providers accessible at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. Your information may also be stored on a secure off-site storage facility.

How can you access your personal information?

You may request access to your personal information by writing to the Fund at Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1. We will respond to your written request promptly. The Fund may be unable to provide you with full access to your personal information if we are prohibited by law or regulatory reasons or it has been destroyed. The Fund will provide you with an explanation if we are unable to fulfill your access request.

Who do you contact if you have any questions or concerns?

If you have any questions with respect to this Privacy Policy, please contact our Chief Privacy Officer by telephone at (416) 943-6707 or toll free at 1-866-299-9906, by e-mail to scompliance@sprott.ca or by mail to Sprott Alternative Income Fund, Suite 2700, South Tower, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, M5J 2J1 Attention: Chief Privacy Officer.

Summary of Privacy Principles set out in Schedule 1 of PIPEDA

1. *Accountability:* The Fund is responsible for personal information under its control and the Chief Privacy Officer is accountable for the Fund's compliance with the principles described in this Privacy Policy.
2. *Identifying Purpose:* The purposes for which personal information is collected will be identified by the Fund at or before the time the information is collected. The Fund will also document the purposes for which personal information is collected at or before the time the information is collected.
3. *Consent:* The knowledge and consent of the individual, express or implied, are required for the collection, use or disclosure of personal information by the Fund, except where inappropriate.
4. *Limiting Collection:* The Fund will limit the amount and type of personal information collected to that which is necessary for the purposes identified by the Fund. The personal information will be collected by fair and lawful means.
5. *Limiting Use, Disclosure and Retention:* The Fund will not use or disclose personal information for purposes other than those for which it was collected, except with the consent of the individual or as required or permitted by applicable law. Personal information will be retained only as long as necessary for the fulfillment of those purposes.

6. *Accuracy:* The Fund will keep personal information as accurate, complete and up-to-date as is necessary for the purposes for which it is to be used. The Fund will minimize the possibility that inappropriate information is used to make a decision about the individual.

7. *Safeguards:* The Fund will protect personal information with security safeguards appropriate to the sensitivity of the information.

8. *Openness:* The Fund will be open about its policies and procedures with respect to the management of personal information. The Fund will ensure that individuals are able to acquire information about the Fund's policies and procedures without unreasonable effort. The Fund will make this information available in a form that is generally understandable.

9. *Individual Access:* Upon a request in writing, the Fund will inform the individual of the existence, use and disclosure of his or her personal information and the individual will be given access to that information, except where the law requires or permits the Fund to deny access.

10. *Questions and Concerns:* An individual will be able to direct a challenge concerning compliance with the above principles to the Fund's Chief Privacy Officer.

Your personal information may be delivered to the Ontario Securities Commission and is thereby being collected indirectly by the Ontario Securities Commission under the authority granted to it under applicable securities legislation for the purposes of the administration and enforcement of the securities legislation of the Province of Ontario. The public official in Ontario who can answer questions about the Ontario Securities Commission's indirect collection of personal information is the Administrative Assistant to the Director of Corporate Finance by mail to the Ontario Securities Commission at 19th Floor, 20 Queen Street West, Toronto, Ontario, M5H 2S8, by telephone at (416) 597-0681 or by e-mail to Inquiries@osc.gov.on.ca.