

JUNE 30, 2011

CONFIDENTIAL OFFERING MEMORANDUM

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SPARTAN MULTI STRATEGY FUND

LIMITED PARTNERSHIP

OFFERING OF CLASS A, CLASS F AND CLASS I UNITS

- The Spartan Multi Strategy Fund Limited Partnership:** The Spartan Multi Strategy Fund Limited Partnership (the “**Fund**”) is a limited partnership formed under the laws of the Province of Ontario. The registered and principal place of business of the Fund is 100 Wellington Street West, Suite 2101, Toronto, Ontario, M5K 1J3.
- The General Partner:** Spartan Fund GP Inc. is the general partner of the Fund (the “**General Partner**”) and manages the ongoing business and administrative affairs of the Fund.
- The Advisor:** The General Partner has engaged Spartan Fund Management Inc. as investment advisor (the “**Advisor**”) and investment manager to the Fund.
- Use of Proceeds:** The Fund will invest the net proceeds from the issue of various classes of units in the Fund (collectively, the “**Units**”) in accordance with its investment objective, strategy and restrictions.
- Continuous Offering:** The Fund is authorized to issue an unlimited number of Units in an unlimited number of classes and series, and may also issue fractional Units. The classes of Units currently offered by the Fund are Class A Units, Class F Units, and Class I Units. Class I Units will be issuable in series and may be purchased as of the last business day of each month and such other dates as the General Partner may in its discretion determine (each, a “**Calculation Date**”) at a subscription price equal to \$1,000 per Class I Unit. Subject to the discretion of the General Partner, Class A Units and Class F Units may be purchased as of each Calculation Date for a subscription price per Unit equal to the

applicable Class Net Asset Value per Unit (as hereinafter defined) determined as of such Calculation Date. A duly completed subscription and power of attorney form (“Subscription Agreement”) and subscription proceeds must be received by the General Partner, unless otherwise waived by the General Partner, within three business days following the relevant Calculation Date. If a subscription is accepted, Units will be issued as of the business day following the Calculation Date.

This offering is made subject to the terms described in this Offering Memorandum. The General Partner reserves the right to accept or reject any subscription in whole or in part or to allot to any prospective investor less than the number of Units subscribed for by such investor. Limited Partners (defined below) will be required to make certain representations in their Subscription Agreements, including that they are residents of a province or territory of Canada and grant a power of attorney to the General Partner for the purposes specified therein.

**Minimum
Investment:**

The minimum investment (the “**Minimum Investment Amount**”) for each class of Units of the Fund:

- (i) for investors who qualify as “accredited investors” under National Instrument 45-106 - *Prospectus and Registration Exemptions* of the Canadian Securities Administrators, is Cdn \$5,000 for Class A Units and Class F Units and Cdn \$1,000,000 for Class I Units; and
- (ii) for investors in Class A and Class F who do not qualify as “accredited investors” is Cdn \$150,000.

Investors who qualify as “accredited investors” under applicable securities legislation will be required to complete the “Accredited Investor Certificate” in the form attached as Appendix A to the Subscription Agreement. Investors who qualify as “accredited investors” in each jurisdiction where the Units are being offered should consult their financial advisors and refer to the applicable paragraph of Appendix A to the Subscription Agreement.

Additional investments in each class of Units of the Fund are generally permitted in amounts less than the applicable Minimum Investment Amount, provided that the unitholder initially purchased Units for not less than Cdn \$150,000 or the unitholder qualifies as an “accredited investor” at the time of the additional investment. Notwithstanding the foregoing, the General Partner has established a minimum of Cdn \$5,000 for each additional investment by a Limited Partner.

The General Partner reserves the right to change the Minimum Investment Amount and re-investment amounts at any time and from

time to time.

Units: Holders of each class of Units (each, a “**Limited Partner**”) shall be entitled to one vote at all meetings of holders of Units for each Unit held.

Holders of Units of a class have the same rights and obligations as any other Holder of Units of the same class. The interest of the Holders of Units of a class shall represent that class’s designated share of the assets of the Fund after deduction of that class’s proportionate share of the common expenses of the Fund and the class-specific expenses. As a result, the net asset value of each class (the “**Class Net Asset Value**”) and the distributions to each class of Units will differ as each class of Units bears different management fees and other class-specific expenses.

Unit Classes: Three classes of Units are currently being offered by the Fund: Class A Units, Class F Units and Class I Units. Class I Units will be issuable in separate series as of each Calculation Date and will be consolidated into one series on a quarterly basis. Class I Units will be issued to investors who meet the minimum investment criteria and who purchase their Units directly from the Advisor, and are not subject to a service fee. Class A Units and Class F Units will be issuable as of each Calculation Date and will generally be issued to investors who meet the minimum investment criteria and who purchase their Units directly from the Advisor or through an independent dealer. A service fee will be payable to an independent dealer through whom Class A Units are purchased. No service fee will be payable to an independent dealer through whom Class F Units are purchased, but the dealer may charge the investor a fee for managing the investor’s account.

Reporting: Limited Partners are entitled to receive monthly electronic reports, semi-annual reports and annual reports (unless a Limited Partner requests otherwise) as detailed in the amended and restated limited partnership agreement dated as of January 1, 2009 between the General Partner, the initial Limited Partner and each Limited Partner named therein (as amended or restated from time to time, the “**Partnership Agreement**”).

Investment Objective: The Fund’s investment objective is to achieve annualized double-digit returns over a 3-5 year period that are not dependent on the direction of the equity markets, with volatility of less than half of the equity markets.

Investment Strategy: The Advisor intends to pursue a flexible investment strategy to achieve the Fund’s investment objectives, which will include investing in a broad range of strategies including long volatility and relative value option arbitrage and opportunistic trading strategies. The Fund can

invest in a variety of financial instruments including equity and debt securities and derivative instruments such as futures and options. The Advisor can take both long and short positions in portfolio securities, and can make use of leverage. There are no limitations on the exchanges, markets or instruments in or on which the Fund may trade.

To achieve its investment objective, the Fund may (i) invest all or a portion of the assets of the Fund directly through an account with its custodian, (ii) enter into a total return cash-settled swap or other derivative contracts with a bank or banks or other parties acceptable to the Manager to access the strategies through underlying fund(s) advised by the Advisor, (iii) purchase units of such underlying funds or (iv) any combination of the foregoing. For greater certainty, if the investment objectives are achieved through (ii), (iii) or (iv), adjustments shall be made to management fees and performance fees charged by the Fund to the extent such fees are already charged by the underlying fund(s).

**Investment
Restrictions:**

The Fund can invest in a variety of financial instruments including equity and debt securities and derivative instruments such as futures and options. There are no limitations on the exchanges, markets or instruments in or on which the Fund may trade.

Notwithstanding the foregoing, the following restrictions apply to the Fund:

- **No Direct Investments in Real Property.** The Fund shall not invest directly in land or buildings (or any options, rights or interests in respect thereof).
- **No Guarantees.** The Fund shall not assume, guarantee, endorse or otherwise become directly or indirectly liable for or in connection with any obligation or indebtedness of any other person in respect of borrowed money but may provide guarantees in connection with its F/X hedging programs.

Limitations on Investments. The Fund will not invest more than 5% of the Net Asset Value of the Fund (computed at the time the investment is made) in any one issuer or in any single security or in any single position unless it is for hedging purposes.

- **Privates.** The Fund will not invest in companies which are not listed recognizing that the Fund has legacy positions in privates of not greater than 2%.
- **Commodities.** The Fund will not purchase or sell commodities

if the intention is to take physical delivery of the commodity.

- **Margin.** Other than margin provided by the Fund's prime broker which is subject to Canadian regulatory rules, the Fund will not borrow any monies or obtain margin from any third parties.

Statutory Caution:

The foregoing disclosure of the Advisor's investment strategies and intentions may constitute "forward-looking information" for the purpose of applicable securities legislation, as it contains statements of the Advisor's intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Advisor of the success of its investment strategies in certain market conditions, relying on the experience of the Advisor's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Advisor and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Advisor's intended strategies as well as its actual course of conduct. Investors are urged to read "Risk Factors" below for a discussion of other factors that will impact the operations and success of the Fund.

Net Asset Value:

The net asset value of the Fund (the "**Net Asset Value of the Fund**"), and the Class Net Asset Value will be calculated in Canadian dollars by SGGG Fund Services Inc. (the "Administrator") as of each Calculation Date. The Net Asset Value of the Fund at the close of business on a Calculation Date is the amount by which:

- (a) the value of the assets held in the Fund at the close of business on the Calculation Date

exceeds the aggregate of:

- (b) the liabilities of the Fund at the close of business on the Calculation Date (including provisions in respect of the expenses of the Fund); and
- (c) the amount of any management fees, performance fees, service fees or other fees in respect of the Fund that have accrued to the Calculation Date but have not been paid.

The Class Net Asset Value for each class of Units shall be the amount by which the value of the assets of the Fund designated to that class exceeds the class' proportionate share of the common expenses of the Fund and expenses and fees which are specific to that class.

For the foregoing purposes, the assets of the Fund will be valued as follows:

- (a) the value of cash, promissory notes, receivables, prepaid expenses, dividends and interest declared or accrued but not yet received, will be deemed to be the face value thereof unless the General Partner considers otherwise;
- (b) the value of treasury bills and other money market instruments will be the bid price for such instruments at the relevant market for such instruments on the Calculation Date;
- (c) the value of any other securities for which there is a published market will be the closing market price for such securities (or if there is no closing price the average of the published market closing bid and ask prices) or in the case of options, the mid point between bid and ask, and in all cases on the Calculation Date; provided that if in the opinion of the General Partner, such price or mid point does not properly reflect the price which would be received by the Fund upon disposal of the securities, the General Partner may place such value upon such securities as appears to the General Partner to most closely reflect the fair value of such securities;
- (d) the value of any other property for which a current third party valuation is available will be the value as determined by the third party valuator;
- (e) the value of all other property of the Fund will be the value that the General Partner determines in its reasonable discretion most accurately reflects its fair value; and
- (f) the value of any asset of the Fund measured in a foreign currency will be calculated by converting the value in the foreign currency using the rate of exchange current on the Calculation Date as determined by the General Partner.

The Net Asset Value per Unit and the Class Net Asset Value per Unit will be calculated as the Net Asset Value of the Fund divided by total the number of outstanding Units and the Class Net Asset Value divided by the number of outstanding Units of the applicable class, respectively.

Distributions and Reinvestment:

Distributions may be made to Limited Partners only at such times and in such amounts as may be determined in the discretion of the General Partner. It is not the intention of the General Partner to make distributions to Limited Partners.

If the Fund has taxable income for Canadian federal income tax purposes for a fiscal year, such income will be allocated to Limited Partners of each class in accordance with the provisions of the Partnership Agreement, regardless of whether any distributions have been made to the Limited Partners.

Redemption:

At any time after a Limited Partner subscribes for Units, the Limited Partner may redeem all or any portion of the Units held by such Limited Partner on the last business day of a month (the “**Redemption Date**”) provided that written notice was provided to the General Partner on or before the last business day of the prior month for a redemption price per Unit equal to the applicable Class Net Asset Value per Unit calculated as at the close of business on the Redemption Date.

Payments will be made within approximately 15 business days following the Redemption Date.

The Fund may, at any time and from time to time, by giving 5 business days’ prior written notice, redeem all or any portion of the outstanding Units of any class on the last business day of a month for a redemption price per Unit equal to the applicable Class Net Asset Value per Unit calculated as at the close of business on that day.

Short Term Trading Redemption Charge:

A charge of 3% of the Class Net Asset Value of the redeemed Units will be charged to the Limited Partner in respect of the Units redeemed within one year of purchase and such charge will be paid to the General Partner and deducted from the redemption price otherwise payable. No redemption fee will be charged if Units are redeemed as a result of death of the Limited Partner, an approved systematic withdrawal program or as a result of a Limited Partner exercising a statutory right of withdrawal or rescission.

Fees and Expenses:

Management Fee. The Fund shall pay the General Partner a management fee (the “**Management Fee**”) monthly in arrears at an annual rate based on the Class Net Asset Value of each class of Units, calculated and payable on the basis of the Class Net Asset Value of each class of Units on each Calculation Date. The Management Fee shall be 2.25% for Class A Units, 1.25% for Class F Units, and 2.00% for Class I Units. The Management Fee is subject to applicable taxes.

Performance Fees.

- (1) Subject to the following, the Fund will pay to the General Partner a performance fee (the “**Performance Fee**”) (plus applicable taxes) in respect of increases in Class Net Asset Value of each class. Fees for Class A Units, Class F Units and Class I Units of the Fund are calculated and payable on a quarterly basis on the last Calculation Date of each fiscal quarter.
- (2) The Performance Fee shall be calculated for each class of Units and shall be equal to 20% of the amount (the “**Excess Amount**”) by which the applicable Class Net Asset Value calculated on the last business day of the relevant fiscal quarter (the “**Determination Date**”) exceeds the Class Net Asset Value of such class calculated on the last business day of the immediately preceding fiscal quarter year (the “**Previous Determination Date**”).
- (3) If the Class Net Asset Value per Unit on a Determination Date is less than the Class Net Asset Value per Unit of the same class on the Previous Determination Date, the amount of such shortfall per Unit (a “**Shortfall Amount**”) together with any Shortfall Amounts for the same class for any previous fiscal quarters of the Fund (collectively, the “**Aggregate Shortfall Amount**”), shall be carried forward on a cumulative basis and deducted from the Excess Amount for such class, if any, determined with respect to any subsequent fiscal quarter. No Performance Fee shall be paid in any subsequent fiscal quarter until the Aggregate Shortfall Amount has been recovered in full.
- (4) If Units are redeemed during a fiscal quarter of the Fund, (a) any accrued Performance Fees payable in respect of such Units shall be paid out and those Units shall not be included in any future Performance Fee calculations, and (b) the Redemption Date shall be deemed to be a Determination Date for purposes of computing the Performance Fee payable in respect of such Units. In such circumstances, any Performance Fee payable in respect of the redeemed Units shall be determined based upon the annualized year-to-date increase in the applicable Class Net Asset Value per Unit and shall be paid by the Fund to the General Partner on the Redemption Date from the redemption proceeds otherwise payable to the Limited Partners.
- (5) For the purposes of calculating the Performance Fee, the Class Net Asset Value on a Determination Date shall be the Class Net Asset Value on such date determined in accordance with the

Partnership Agreement, adjusted as follows:

- (a) by adding back any accrued Performance Fees which were deducted under such determination;
 - (b) by subtracting any accrued Management Fees which were not otherwise deducted under such determination;
 - (c) by subtracting any brokerage commissions and other transaction costs which were not otherwise deducted under such determination (including the difference, positive or negative, in accrued commissions on open positions arising between the Determination Date and the last business day of the immediately preceding fiscal quarter of the Fund); and
 - (d) by adding back any distributions to Limited Partners during the relevant fiscal quarter of the Fund.
- (6) For greater certainty, the General Partner shall not be required under any circumstances to return Class A Performance Fees or Class F Performance Fees or Class I Performance Fees paid in respect of a particular fiscal quarter where a Shortfall Amount arises in any subsequent fiscal quarter.

Service Fee. The General Partner will pay to any dealer whose clients have purchased Class A Units a quarterly service fee (the “**Service Fee**”) in respect of each Class A Unit that was purchased through that dealer and which was held by the client for at least one full month during such fiscal quarter.

The Service Fee payable to a dealer will be the aggregate of:

- (a) an amount calculated on the last business day of each fiscal quarter based on an annual rate equal to 1.0% of the Class Net Asset Value of each Class A Unit purchased by a Limited Partner through that dealer; and
- (b) an amount equal to 10% of the Performance Fee attributable to each Class A Unit purchased by the Limited Partner through that dealer.

No service fee is payable for Class F Units and Class I Units. The General Partner shall pay the Service Fees out of the Performance Fees and Management Fees it receives.

Other Fees and Expenses. The costs of offering the Units, including without limitation the fees and expenses of counsel and the Fund’s

auditors will be borne by the Fund.

The Fund shall be responsible for payment of a broad range of costs and expenses relating to the activities and operations of the Fund and the carrying on of its business, including but not limited to all investment expenses, data mining, research related expenses such as beta testing new investment strategies, software expenses relating to the management of investments of the Fund, fees and expenses of external counsel and the Fund's auditors, expenses related to insurance, portfolio transactions including commissions, communications to existing and prospective limited partners, consulting fees, custodial arrangements, recordkeeping, compliance, taxes, and interest expenses.

Allocation of Net Profits or Losses:

The income and losses of the Fund for a fiscal year shall be allocated on a monthly basis, in arrears, as to 99.999% to the Limited Partners and as to 0.001% to the General Partner. The amount allocated to the Limited Partners shall be allocated by the General Partner on a class by class basis.

The income and losses of the Fund for tax purposes in respect of a fiscal year shall be allocated among the General Partner and the Limited Partners in the same manner as allocations of accounting income and losses, with such adjustments the General Partner in its sole discretion deems necessary to effect an equitable distribution of all such amounts. The General Partner shall be entitled to make allocations of income or losses of the Fund for tax purposes in respect of a fiscal year to any person who has been a Limited Partner at any time in such fiscal year.

Eligibility:

The Units are qualified investments for registered accounts including retirement savings plans, registered education savings plan, tax free savings accounts, registered income funds, deferred profit sharing plans or registered disability savings plans.

Taxation:

Prospective purchasers of Units should consult their own tax advisers as to the tax consequences of acquiring, holding and disposing of Units.

Custodians:

BMO Nesbitt Burns Inc. and CIBC World Markets Inc.

Legal Counsel:

McMillan LLP

Administrator:

SGGG Fund Services Inc.

Auditor:

Deloitte & Touche LLP or such other accounting firm of national standing and repute selected by the General Partner.

Fiscal Year End: December 31 of each year.

Risk Factors: Investment in Units involves certain risk factors, including risks associated with the Fund's investment strategies. The following risks should be carefully evaluated by prospective investors.

Risks Associated with an Investment in the Partnership

(1) **General.** Investing in the Fund entails certain risks and is suitable only for sophisticated investors for whom an investment in the Fund does not represent a complete investment program and who understand and are capable of bearing the risks of an investment in the Fund. Prospective investors should carefully consider the following risk factors, which do not purport to be a complete list of the potential risks and conflicts of interest involved in an investment in the Fund.

(2) **Reliance on the General Partner and Advisor.** Limited Partners will not be entitled to participate in the management or control of the Fund or its operations. The Fund will be dependent on the knowledge and expertise of the General Partner and Advisor for administrative and investment advisory and portfolio management services. There is no certainty that the persons who are currently officers and directors of the General Partner or the Advisor will continue to be officers and directors of the General Partner or the Advisor. The loss of the services of the Advisor or key personnel could adversely affect the performance of the Fund. Past performance is not necessarily indicative of future performance.

(3) **Performance and Marketability of Underlying Securities.** The Net Asset Value per Unit and the Class Net Asset Value per Unit will vary in accordance with the value of the securities (including futures contracts and other derivative instruments) acquired by the Fund. There may be no market in which some of the securities acquired by the Fund can be sold and, accordingly, there is no assurance that the securities acquired by the Fund can be sold for the values used to calculate the Net Asset Value per Unit and the Class Net Asset Value per Unit. Securities exchanges may have the right to suspend or limit trading in any instrument traded on the exchange. A suspension in trading could make it difficult to liquidate positions and expose the Fund to losses. To the extent the Fund takes more concentrated positions than a typical fund, there is less diversification and therefore potentially greater risk.

(4) **Marketability of Units.** There is currently no market through which the Units may be sold nor is one expected to develop. As a result, investors are expected to rely on redemption to realize on their investments. Substantial redemptions of Units could require the Fund to liquidate positions more rapidly and achieve a market position

reflecting a smaller asset base, which could adversely affect the value of the Units.

(5) ***Income.*** An investment in the Fund is not suitable for an investor seeking an income from such investment, as the Fund may not, or may be unable to, distribute income earned by it.

(6) ***Not a Public Mutual Fund.*** The Fund is not subject to the restrictions placed on public mutual funds to ensure diversification and liquidity of the Fund's portfolio.

(7) ***Custody Risk.*** The Fund does not control the custodianship of all of its securities. The banks or brokerage firms selected to act as custodians may become insolvent, causing the Fund to lose all or a portion of the funds or securities held by those custodians. Consequently, the Fund and therefore, the Limited Partners, may suffer losses.

(8) ***Broker or Dealer Insolvency.*** The Fund's assets may be held in one or more accounts maintained for the Fund by its prime brokers or at other brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Fund and its assets. Investors should assume that the insolvency of any of the prime brokers or such other service providers would result in the loss of all or a substantial portion of the Fund's assets held by or through such prime broker and/or the delay in the payment of withdrawal proceeds.

(9) ***No Guaranteed Return.*** An investment in the Fund should be viewed as a speculative investment. There is no guarantee that an investment in Units will earn any positive return in the short or long term. In fact, an investor could lose its entire investment in the Fund.

(10) ***Possible Effect of Redemptions.*** Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

(11) ***Charges to the Fund.*** The Fund is obligated to pay management fees, brokerage commissions and other expenses

regardless of whether the Fund realizes a profit. Under certain circumstances, the Fund may be subject to significant indemnification obligations in respect of the General Partner, the Advisor or certain parties related to them.

(12) **Potential Effect of Fees.** The payment of Performance Fees may act as incentive for the Advisor and/or associate advising officers of the Advisor to make investments on behalf of the Fund which are inherently more risky in an effort to maximize the amount of Performance Fee payable. These types of investments could increase the risk of loss to the Fund and the Limited Partners.

(13) **Potential Conflicts of Interest.** The Advisor, its principals or related parties (collectively, the “**managers**”) may also act in the same or similar capacities in respect of other entities. In that event, the managers may have responsibility for the management of the assets of other entities at the same time as it is managing the Fund’s portfolio and may use the same or different information and trading strategies obtained, produced or utilized in managing the portfolio. If the managers make investment decisions for such other entities and for the Fund at or about the same time, the Fund may be competing with such other entities for the same or similar position.

(14) **Repayment of Certain Distributions.** If the available assets of the Fund are insufficient to discharge obligations to creditors, the Fund may have a claim against Limited Partners for the repayment of any distributions or return of contributions to the extent the obligations arose before the distributions or returns.

(15) **Potential Loss of Limited Liability.** Under the LP Act, the General Partner has unlimited liability for the debts, liabilities, obligations and losses of the Fund to the extent that they exceed the assets of the Fund. The liability of each Limited Partner for the debts, liabilities, obligations and losses of the Fund is limited to the value of money or other property the Limited Partner has contributed or agreed to contribute to the Fund. In accordance with the LP Act, if a Limited Partner has received a return of all or part of the Limited Partner’s contribution to the Fund, the Limited Partner is nevertheless liable to the Fund, or where the Fund is dissolved, to its creditors, for any amounts not in excess of the amount returned with interest, necessary to discharge the liabilities of the Fund to all creditors who extended credit or whose claims arose before the return of the contribution. Limited Partners may lose limited liability in certain circumstances, including as a result of taking part in the control of or management of the business of the Fund or non compliance with legislation governing limited partnerships in the provinces where Units are offered for sale or where the Fund carries on business.

(16) **Tax.** The Fund's income or losses for a fiscal year will be allocated to investors who are Limited Partners during the fiscal year, regardless of whether distributions have been made to the Limited Partners. Limited Partners should consult with their own tax advisors prior to acquiring Units to ensure that they understand the tax consequences of acquiring, holding and disposing of Units and the taxation of partnerships generally.

Risks Associated with the Fund's Underlying Investments

(1) **General Economic and Market Conditions.** The success of the 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 Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

(2) **Concentration.** The Fund may concentrate its investments in a relatively limited number of investments and thus the Fund's returns could be adversely affected by the performance of one or two investments.

(3) **Small to Medium Capitalization Companies.** The Fund may invest a portion of its assets in the stocks of companies with small- to medium-sized market capitalizations. While the Advisor believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

(4) **Shorting.** Selling a security short ("**shorting**") involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will incur to the Fund. There is in theory no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Fund must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Fund may have to bid up the price of the security in order to cover the short, resulting in losses to the Fund.

(5) **Trading Costs.** The Fund may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Fund.

(6) **Currency and Exchange Rate Risks.** The Fund's cash assets may be held in currencies other than the Canadian dollar, and gains and losses in securities transactions may be in currencies other than the Canadian dollar. Accordingly, a portion of the income received by the Fund may be denominated in non-Canadian currencies. The Fund nevertheless will compute and distribute its income in Canadian dollars. Thus changes in currency exchange rates may affect the value of the Fund's portfolio and the unrealized appreciation or depreciation of investments. Further, the Fund may incur costs in connection with conversions between various currencies.

(7) **Foreign Market Exposure.** The Fund may from time to time invest in securities established in jurisdictions outside of North America. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those of Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result there may be less publicly available information to rely upon for investment purposes. Volume and liquidity in such foreign markets may be less than that of Canada and the U.S. and as such may result in increased volatility. Investments in foreign markets also carry the increased risk of exposure to political upheaval, acts of terrorism and war, all of which can have material adverse impacts on the value of such securities.

General Credit, Liquidity and Leverage Risks

(1) **Systemic Risk.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Fund interacts on a daily basis.

(2) **Collateral.** The Fund will have moderate credit and operational risk exposure to its counterparties, which will require the Fund to post collateral to support its obligations. Generally, counterparties will have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of the collateral posted by the Fund in connection with such transactions. This could increase the Fund's exposure to the risk of a counterparty default since, under such circumstances, such collateral of the Fund could be lost or the Fund may be unable to recover such collateral promptly. Also, counterparties have an interest in

maximizing the return from such collateral. This interest could conflict with the interests of the Fund in preserving and protecting its portfolio.

(3) ***Lending of Portfolio Securities; Broker-Dealer/ Counterparty Insolvency.*** The Fund may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delays in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

(4) ***Liquidity Risks Generally.*** Liquidity is important to the Fund's businesses. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Fund's portfolio positions may be reduced. In addition, the Fund may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Fund's liquidity. During such times, the Fund may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Fund to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Fund may be unable to sell such financial instruments or prevent losses relating to such financial instruments. Furthermore, if the Fund incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Fund's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Fund's exposure to their credit risk.

(5) ***Leverage Risks.*** The Fund uses leverage in an effort to realize greater profits from its security selection. The use of leverage will, in many instances, enable the Fund to achieve a higher rate of return than would be otherwise possible. The instruments and borrowings utilized by the Fund to leverage investments may be collateralized by the Fund's portfolio. Accordingly, the Fund may pledge its financial instruments in order to borrow additional funds or otherwise obtain leverage for investment or other purposes. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital.

The use of leverage will allow the Fund to borrow in order to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital and any capital commitments. The use of leverage will magnify the volatility of changes in the value of the investments of the Fund. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

While leverage increases the buying power of the Fund and presents opportunities for increasing total returns, it has the effect of potentially increasing losses as well. For example, funds borrowed for leveraging will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Fund's portfolio. Leverage will increase the investment return of the Fund if an investment purchased with or utilizing leverage earns a greater return than the cost to the Fund of such leverage. The use of leverage will decrease the investment return if the Fund fails to recover the cost of such leverage.

The Fund may also invest in financial instruments, such as exchange traded funds, which themselves employ leverage, and may thereby indirectly assume the risks of employing leverage.

(6) ***Market Value Borrowings and Derivatives.*** In general, the anticipated use of margin borrowings and other borrowings based on the market value of the portfolio which require the Fund to post margin results in certain additional risks to the Fund. For example, should the financial instruments pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund must either deposit additional funds or financial instruments with the broker or suffer mandatory liquidation of the pledged financial instruments to compensate for the decline in value. In the event of a sudden drop in the value of the Fund's portfolio, the Fund might not be able to liquidate financial instruments quickly enough to satisfy its margin requirements.

(7) ***Uncertain Exit Strategies.*** Due to the illiquid nature of some of the positions which the Fund may acquire, the Advisor will be unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

The foregoing statement of risks does not purport to be a complete explanation of all the risks involved in purchasing the Units. Potential investors should read this entire Offering Memorandum and consult with their legal, tax and financial advisers, before making a decision to invest in the Units.

Transfer of Units: Subject to compliance with applicable securities laws and the terms of the Partnership Agreement, Units may be transferred by delivering a duly completed transfer form to the General Partner. Units are subject to restrictions on resale under applicable securities laws unless a further statutory exemption may be relied upon by the Limited Partner or a discretionary order is obtained from the appropriate securities regulatory authorities.

Registration of Units and Certificates: Units may be issued in registered and / or certificated form if requested by a dealer or by the General Partner. Certificates must be returned to the General Partner prior to the processing of transfer or redemption requests.

Material Contracts: Material contracts that have been, or will be entered into by the Fund or relating to the Fund since its formation, other than contracts entered into in the ordinary course of business, are as follows:

- (1) Partnership Agreement; and
- (2) Advisory Agreement.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the General Partner or may be obtained from the General Partner for a nominal charge to reimburse the Fund for the costs of providing such copies.

Financial Information: At the date of this Offering Memorandum:

- (a) no distributions have been declared or paid; and
- (b) the Fund's auditors have audited the Fund's financial statements for the years 2006, 2007, 2008, 2009 and 2010. The fiscal year end of the Fund is December 31. The Fund did not carry on any business from the date of its formation, June 23, 2004 through to April 30, 2006.

The Fund will prepare and deliver financial statements to Limited Partners in accordance with National Instrument 81-106 – *Investment Fund Continuous Disclosure*.

Purchasers' Rights of Action for Rescission Applicable securities legislation may provide purchasers of securities with rights of action for rescission or damages where an offering

**or Damages in
Ontario:**

memorandum and any amendment to it contain a misrepresentation. Where used in this section, “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 light of the circumstances in which it was made.

These remedies, or notice with respect thereto, must be exercised, or delivered, as the case may be, by the purchaser within the time limit prescribed by the applicable securities laws. Each purchaser should refer to the provisions of the applicable securities laws for the particulars of these rights or consult with a legal advisor.

The statutory rights in Ontario, British Columbia and Québec are summarized below.

Ontario

In accordance with Section 130.1 of the *Securities Act* (Ontario) (the “**Ontario Act**”), in the event that this Offering Memorandum or any amendment thereto contains a Misrepresentation the purchaser who purchases Units offered by this Offering Memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action against the Fund for damages, or, while still the owner of the Units purchased by that purchaser, 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 against the Fund, provided that:

- (a) the Fund will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, the Fund will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
- (c) the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
 - (i) this Offering Memorandum contains 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

- (ii) the Fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information; and
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser.

The foregoing rights provided in accordance with Section 130.1 of the Ontario Act do not apply to the following purchasers relying upon the accredited investor exemption in Ontario:

- (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 in 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) or (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 the subsidiary.

No action shall be commenced to enforce these statutory rights more than:

- (a) in an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action; or
- (b) in an action for damages, the earlier of:
 - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave

rise to the cause of action.

The rights of action described above are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

British Columbia, Alberta, Saskatchewan, Manitoba and Prince Edward Island

Purchasers in British Columbia, Alberta, Saskatchewan, Manitoba and Prince Edward Island are granted the same rights of action for rescission or damages as residents of Ontario who purchase Units.

The rights of action described above are in addition to and without derogation from any other right or remedy that the purchaser may have at law.

Quebec

Legislation has been adopted in Quebec, but is not yet in force, that will provide purchasers in Québec with a statutory right to sue (if proclaimed in force). Until such time as this legislation is in force, in addition to any other right or remedy available to them under ordinary civil liability rules, purchasers are granted the same rights of action for damages or rescission as purchasers in Ontario who purchase Units. If and when this legislation is in force, then purchasers will no longer have the rights granted to purchasers in Ontario and the following will apply, in addition to any other right or remedy available to purchasers under ordinary civil liability rules:

If there is a misrepresentation in this Offering Memorandum, purchasers will have a statutory right to sue:

- (a) to cancel their agreement to buy these Units or to revise the price at which the Units were sold; and
- (b) for damages against the Fund, the person(s) in charge of the Fund's patrimony, the dealer(s) under contract to the Fund in connection with the sale of these Units and any expert whose opinion appears in this Offering Memorandum if such opinion contains a misrepresentation.

This statutory right to sue will be available to purchasers whether or not they have relied on the Offering Memorandum. Purchasers will be able to elect to cancel their agreement to buy these Units or to bring an action to revise the price without prejudice to purchasers' claim for damages.

However, there will be various defences available to the persons that purchasers will have a right to sue. For example, they will have a defence if the purchasers knew of the misrepresentation when they

purchased these Units. In an action for damages, a person listed above, other than the Fund or the person(s) in charge of the Fund's patrimony, will not be liable if that person acted with prudence and diligence.

In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

(c) this 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 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; and

(d) there was a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

If purchasers intend to rely on the rights described in (a) or (b) above, they will have to do so within strict time limitations. Purchasers will have to commence an action to cancel the agreement or revise the price within three years after the date of the purchase. Purchasers will have to commence an action for damages within the earlier of (i) three years after they first had knowledge of the facts giving rise to the cause of action (except on proof of tardy knowledge imputable to purchasers' negligence) or (ii) five years after the filing of this Offering Memorandum with the *Autorité des marchés financiers*.

Rights for Purchasers in Nova Scotia

The *Securities Act* (Nova Scotia) provides that, subject to certain limitations, where this Offering Memorandum, together with any amendment to this Offering Memorandum, or any advertising or sales literature (as such terms are defined in the *Securities Act* (Nova Scotia)) disseminated in connection with the offering, contains an untrue statement of material fact or omits to state a material fact that is necessary to prevent a statement in this Offering Memorandum, amendment to this Offering Memorandum or advertising or sales literature from being misleading in light of the circumstances in which the statement was made (each, a "Misrepresentation"), that was a Misrepresentation at the time of purchase, a purchaser who purchases a security covered by this Offering Memorandum, or an amendment to this Offering Memorandum, has a right of action for damages against the Fund, every seller (other than the Fund) of securities under this Offering Memorandum or amendment to this Offering Memorandum and, subject to certain additional defenses, every director of the Fund at the time this Offering Memorandum or the amendment to this Offering Memorandum was sent or delivered and persons who have signed this Offering Memorandum.

Alternatively, where the purchaser purchased the security from the Fund, the purchaser may elect to exercise a right of rescission against the Fund.

The foregoing rights are subject to, among other limitations, the following:

no action shall be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the Shares;

no person will be liable if it proves that the purchaser purchased the Shares with knowledge of the Misrepresentation;

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 Shares as a result of the Misrepresentation relied upon; and

in no case will the amount recoverable in any action exceed the price at which the Shares were offered under this Offering Memorandum or amendment to this Offering Memorandum to the purchaser.

In addition no person or company other than the Fund is liable if the person or company proves that:

this Offering Memorandum or the amendment to this 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;

after delivery of this Offering Memorandum or the amendment to this Offering Memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in this Offering Memorandum, or amendment to this Offering Memorandum, the person or company withdrew the person's or company's consent to this Offering Memorandum, or amendment to this Offering Memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

with respect to any part of this Offering Memorandum or amendment to this 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 (1) there had been a Misrepresentation, or (2) the relevant part of this Offering Memorandum or amendment to this 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.

Furthermore no person or company other than the Fund is liable with respect to any part of this Offering Memorandum or amendment to this 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, this Offering Memorandum or amendment to this Offering Memorandum, the Misrepresentation is deemed to be contained in this Offering Memorandum or amendment to this Offering Memorandum.

New Brunswick

The *Securities Act* (New Brunswick) (the “New Brunswick Act”) provides that, subject to certain limitations, where this Offering Memorandum or any amendment thereto, which is provided to a purchaser of the Shares, contains 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 light of the circumstances in which it was made (a “misrepresentation”), a purchaser who purchases the Shares shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has, subject to certain defences, a right of action for damages against the Fund or may elect to exercise a right of rescission against the seller, in which case he shall have no right of action for damages, provided that:

in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;

in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and

in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

The right of action for rescission or damages described herein is conferred by section 150 of the New Brunswick Act and is in addition to, and without derogation from, any right the purchaser may have at law.

Pursuant to section 161 of the New Brunswick Act, no action shall be commenced to enforce a right of rescission unless such action is commenced not later than 180 days after the date of the transaction that gave rise to the cause of action and, in the case of any action,

other than an action for rescission, such action shall be commenced before the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.