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**CONFIDENTIAL**  
**OFFERING MEMORANDUM**

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**ABC DIRT-CHEAP STOCK FUND****I.A. MICHAEL INVESTMENT COUNSEL LTD.****Manager**

Trust units of the Fund are being offered on a private placement basis pursuant to exemptions from the prospectus requirements of applicable securities laws of the various provinces of Canada. The units are being offered to investors who are prepared to invest a sufficient amount to meet the minimum subscription requirements of, or meet the criteria to invest without a minimum subscription amount requirement under, the applicable securities laws of such provinces.

The Fund may be considered to be a related and connected issuer of I.A. Michael Investment Counsel Ltd., which serves as the principal distributor and the manager of the Fund.

This offering memorandum is confidential. By their acceptance thereof, prospective investors agree that they will not transmit, reproduce or make available to anyone this offering memorandum or any information contained herein. No person is authorized to give any information or to make any representations in connection with the offering of these units, other than as contained in this offering memorandum and, if given or made, such information or representation should not be relied upon.

The minimum initial subscription is \$150,000 per investor (or, where permitted under applicable securities laws, an aggregate minimum subscription of \$150,000 by an investor and persons and/or entities related to the investor). Please see "Purchase of Units".

This offering memorandum constitutes an offering of these units only to those persons where and to whom they may be lawfully sold and only by persons permitted to sell these units, and is not, and under no circumstances is to be construed as, a public offering to sell, or a solicitation of an offer to buy, these securities. **No securities commission or similar authority has in any way passed upon the merits of the units offered herein nor reviewed this offering memorandum and any representation to the contrary is an offence.**

February 24, 2006

## ABC DIRT-CHEAP STOCK FUND

### THE FUND

ABC Dirt-Cheap Stock Fund (the “**Fund**”) is a closed-end investment trust established by I.A. Michael Investment Counsel Ltd. under the laws of Ontario by trust agreement (the “**Trust Agreement**”). RBC Dexia (formerly The Royal Trust Company) (the “**Trustee**”) is the trustee of the Fund. The principal address of the Fund is 8 King Street East, Suite 700, Toronto, Ontario, M5C 1B5. The only undertaking of the Fund will be the investment of its funds.

### MANAGER OF THE FUND

I.A. Michael Investment Counsel Ltd. (the “**Manager**”), 8 King Street East, Suite 700, Toronto, Ontario, M5C 1B5 is the administrative and investment manager for the Fund. Irwin A. Michael, of Thornhill, Ontario, is the sole officer, director and shareholder of the Manager. Mr. Michael’s employment with the Manager has been his principal occupation since 1985.

The Manager has not, to date, appointed any sub-advisors but may do so in the future if it determines that such appointment is in the best interests of the Fund. The Manager would, in any event, retain principal responsibility for the investment activities of the Fund.

As the Manager is the principal distributor of the trust units of the Fund, the Fund may be considered to be a related issuer or connected issuer to the Manager under applicable securities legislation and policies of certain of the provinces of Canada. In its capacity as manager of the Fund, the Manager will be entitled to receive management fees from the Fund. Accordingly, the Manager, in its capacity as manager of the Fund, will benefit from its activities as the distributor of the trust units of the Fund.

### SECURITIES OFFERED

Trust units of the Fund (“**Units**”) (which are individual interests in the Fund) will be offered at a price of \$10 per Unit until April 1, 2006, at which time active investment on behalf of the Fund will commence. Units will thereafter be offered monthly at net asset value per Unit (“**Unit Value**”) until September 1, 2006, at which time the initial offering of Units (the “**Initial Offering**”) will cease. The Manager may, in its discretion, close the subscription books for the Initial Offering earlier than September 1, 2006 based on subscriptions received.

Once the Initial Offering is completed, the Fund will **not** be offering Units from treasury on a continuous basis, and will therefore be effectively closed to new investors (other than purchases on a secondary basis through the “virtual exchange” described below under “Liquidity”, to the extent that unitholders of the Fund wish to make Units available for resale). To the extent that the Manager determines it appropriate to increase the size of the Fund after completion of the Initial Offering, it is expected that a rights offering would be made to existing unitholders, such that Units would **not** be offered from treasury in the first instance to new investors.

The Fund is authorized to issue an unlimited number of Units, and may issue fractional Units so that subscription funds may be fully invested. Each Unit has equal rights as regards voting, liquidation and other events in respect of the Fund.

## PURCHASE OF UNITS

### *Minimum Subscription*

The Manager, in its discretion, has established a minimum subscription amount for Units of \$150,000. Where permitted by applicable securities laws, the Manager may in its discretion permit an initial aggregate subscription of \$150,000 by an investor and persons and/or entities related to the investor. Prospective investors can contact the Manager (at the phone numbers listed below under “Further Information”) to discuss their specific circumstances.

### *Investor Profile*

The determination of whether an investment in the Fund is suitable for a particular investor must be made by the investor. However, the Manager believes that such an investment is most appropriate for a patient, long term investor who can accept more limited liquidity (as compared, by way of example, to open ended investment funds) on the basis that the Fund offers the possibilities of more attractive returns and enhanced stability (since much of the dilutive effect of redemptions will not exist in the circumstances of the Fund). Please see “Liquidity” below. The Manager also believes that the Fund is only suitable for investors that can accept the higher degree of risk associated with investing in smaller companies.

### *Subscription Process*

To subscribe for Units under the Initial Offering, a duly completed subscription agreement (in the form attached as Schedule “A to this offering memorandum) and payment must be provided to the Manager.

Units will be issued under the Initial Offering on the following basis:

- Units issued pursuant to subscriptions (accompanied by payment) received on or before April 1, 2006 (and which are accepted by the Manager) will be issued at \$10 per Unit.
- Units issued pursuant to subscriptions (accompanied by payment) received after April 1, 2006 will be issued at the Unit Value determined on the next Valuation Day following receipt by the Manager of such subscriptions (and payment). A “**Valuation Day**” is the last day of a calendar month on which the Toronto Stock Exchange is open for trading.

Units may be purchased directly through the Manager. The Manager reserves the right to reject any subscription for Units in whole or in part; provided that any decision to reject all or a part of a subscription will be made not later than two business days following receipt by the Manager of such subscription. In the event that a subscription (or part) is rejected, all subscription monies received by the Manager and which are not to be accepted will forthwith be returned to the prospective purchaser, without interest or deduction.

**No acquisition fees are payable to the Manager with respect to the purchase of Units under the Initial Offering.**

No certificates will be issued in respect of Units purchased.

## MINIMUM OR MAXIMUM AMOUNT TO BE RAISED BY THE FUND

This offering is not subject to any minimum subscription level, and therefore any funds received from a purchaser are available to the Fund and need not be refunded to the purchaser.

There is no maximum amount to be raised under the Initial Offering. It is currently intended, however, that (as described above) Units will not be offered from treasury in the first instance to new investors after completion of the Initial Offering.

## INVESTMENT OBJECTIVES AND POLICIES

### *Generally*

The Fund provides investors with an opportunity to invest in a professionally managed portfolio comprised of equity securities of companies in any geographic region, which the Manager believes to represent “deep value” investment opportunities.

As described below under “Canadian Federal Income Tax Considerations and Eligibility for Investment”, it is expected that Units will be qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) for registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (“**Deferred Income Plans**”) and will be eligible for investment by certain pension funds and pension plans. A tax adviser should be consulted to determine the applicable limitations on the amount which a particular plan or fund can invest in the Fund.

### *Investment Objective*

The fundamental investment objective of the Fund is to seek superior long-term capital growth by investing primarily in equity securities of micro to small capitalization companies. Although no set specific criteria for characterizing capitalization have been established for such purposes, it is expected that investments will generally be made in companies with a market capitalization of up to \$250 million.

Although it is expected that the Fund will invest primarily in smaller capitalization companies (as described above), the Fund may also invest in larger capitalization companies to the extent that the Manager believes them to represent “deep value” investments. As such, the Fund’s overriding investment focus will be on fundamentally under-valued equity securities (i.e. those which the Manager believes are trading at prices which are “dirt-cheap” relative to the companies’ intrinsic values). Investors in the Fund should have a long-term investment time horizon and a tolerance for higher risk.

### *Investment Policies*

The assets of the Fund will be invested primarily in (i) common shares or equity equivalents (such as, by way of example, units of income trusts and American depository receipts) listed on (or traded over) North American or foreign stock exchanges and marketplaces and (ii) warrants, rights, bonds, debentures and other securities exercisable or exchangeable for, or convertible into, such shares or equity equivalents.

It is not expected that the Fund will specialize in any one kind or class of industry. Rather, the Fund will have maximum flexibility to invest in a diversified mix of deep value securities of smaller companies. The country and asset mix, as well as currency exposure, is expected to vary and will have no set limits.

The Manager will generally look for companies with potential for above-average growth over the long term, entrepreneurial (but appropriately experienced) management with a clearly defined growth strategy, dominant products, services or technology, strong financial characteristics, and whose shares are trading at a price believed by the Manager to represent a discount to the subject company's net asset value. It is currently expected that the Fund's portfolio will ordinarily have a mix of 30 to 50 holdings.

### *Options and Forwards*

The Manager does not intend to make significant use of derivative instruments for the Fund. Rather, it is currently expected that the only derivative instruments which may be used by the Fund (provided that it can do so without adversely impacting upon its qualified investment status under the Tax Act) will be limited use of options on exchange traded securities and currency forward contracts. Such instruments would only be used on a non-leveraged basis for the purpose of (i) offsetting or reducing stock market risks, (ii) reducing transaction costs, (iii) increasing speed and flexibility in making portfolio changes or (iv) offsetting or reducing currency value fluctuations.

### *General Investment Restrictions*

Although it is in the interests of the Fund to have considerable flexibility of making investment decisions, a number of investment restrictions and policies have been established for the Fund which are intended to operate for the benefit and protection of unitholders of the Fund, to comply with certain regulatory requirements and to seek to comply with certain investment restrictions relating to the eligibility of Units for investment by Deferred Income Plans under the Tax Act. These restrictions and policies may be changed from time to time by the Manager to adapt to changing circumstances (provided that such change will not adversely impact the status of the Units as qualified investments under the Tax Act) but prior to any material change becoming effective, the consent of unitholders holding at least a majority of outstanding Units must be obtained (and notice of the change will be provided to all unitholders). These investment restrictions are set forth in detail in the Trust Agreement.

## **MANAGEMENT FEES AND FUND EXPENSES**

### *Base Management Fees*

Base management fees are payable to the Manager by the Fund at an annual rate of 1% of the aggregate net asset value of the Fund. These fees are calculated and payable monthly in arrears, as of each Valuation Day.

### *Performance Fees*

In addition, annual performance fees are payable to the Manager by the Fund at a rate of 20% of annual Total Returns in excess of 10%. “**Total Returns**” of the Fund will include the aggregate increase in Unit Value (i.e. the increase in net asset value per unit experienced on all Units) from January 1 of the subject year to the then current month end plus the aggregate amount of distributions (whether in cash or through reinvestment in additional Units) by the Fund in respect of such period.

With respect to Units issued during a calendar year (i.e. such that they are not outstanding throughout the calendar year in which such Units are issued (the “**Initial Year**”)), performance fees will be based on annualized returns from the date such Units are first issued to the year end of the Initial Year and will be calculated by (i) taking, on an annualized basis, the Total Returns in excess of 10% for the period of the Initial Year in which such Units were outstanding and multiplying such number by 20%; and (ii) dividing the number calculated in item (i) above by a fraction the numerator of which is 12 and the denominator of which is the number of months during the Initial Year in which such Units were outstanding.

By way of example, for Units issued under the Initial Offering on April 1, 2006, performance fees for 2006 will be calculated as follows:

((Annualized Total Returns from April 1 through December 31, 2006 in excess of 10%) x 0.20) divided by 1.33\*

\*1.33 is the number determined when 12 is divided by 9 (being the number of months from April 1 to December 31).

No performance fees will be payable in respect of a year (i.e. even if total returns for such year were in excess of 10%) if, as a result of Fund losses in a prior year, Unit Value is less than the Adjusted Original Issue Price. “**Adjusted Original Issue Price**” means the price determined by subtracting (i) the average aggregate distributions per Unit in respect of the period from the date of establishment of the Fund to the applicable calculation date from (ii) the average issue price per Unit of the then outstanding Units. Adjusted Original Issue Price will be determined separately for each tranche of Units (so that separate determinations will be made for the Units issued in relation to the initial offering of Units by the Fund on the one hand, and the Units to be issued under this offering on the other hand).

In order to provide (i) enhanced transparency and (ii) a more equitable price for trading through the “virtual exchange” described below, the monthly quoted Unit Value will be adjusted to reflect any accrued performance fees. This accrual will be made each month based on the then year to date annualized total returns of the Fund (such that the accrual, if any, as at the end of the prior month, which has been determined based on the year to date returns to the end of such prior month, is replaced with the revised accrual). Although performance fees will be accrued monthly, performance fees will only be paid annually based on the actual total returns of the Fund to December 31 of the subject year.

### *Fund Expenses*

The Manager will pay all expenses relating to the establishment of the Fund and the Initial Offering. The Manager will also pay all ordinary expenses relating to the management, operation and administration of the Fund, including bookkeeping charges; ordinary course accounting, legal and audit fees; registry and transfer agency services; printing expenses and filing fees; all services required in connection with the provision of ordinary course information to unitholders; and custodial charges.

The Fund will pay for brokerage fees; other fees and disbursements relating to the implementation of transactions for its portfolio; any taxes payable by the Fund or to which the Fund may be subject; and interest expenses incurred by the Fund, if any.

The Manager will not require reimbursement of its costs incurred in connection with trading of Units through the Manager's "virtual exchange" established for the Fund (as described below under "Liquidity"), rather the Manager will bear its own costs as a further service to unitholders.

### **MANAGEMENT OF THE FUND**

Under the Trust Agreement the Manager is to provide various services, including the determination of the investment policy for the Fund from time to time, the provision of investment analysis, advice and recommendations and the implementation of investment decisions. All fees payable to the Manager under the Trust Agreement are borne by the Fund.

No appointment of a new Manager (other than to an affiliate of the Manager) and no material change may be made in the arrangements between the Fund and the Manager without the prior consent of the holders of at least a majority of the outstanding Units.

The Trustee will perform certain of the administrative functions of the Fund, including: the maintenance of accounting records for the Fund; the processing of subscriptions and redemptions of Units; the preparation of reports to unitholders; the calculation of Unit Value and net asset value on each Valuation Day; the determination of amounts to be distributed to unitholders; and matters relating to the sale of Units. The Manager will compensate the Trustee for the performance of such administrative services.

Under the Trust Agreement, the Manager may have 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, including the rendering of services and advice to other persons, the ownership, development and management of other investments, including investments of the Manager and its affiliates and generally, and including the business of a portfolio manager.

The Manager may not be removed as manager of the Fund unless (i) it becomes insolvent or (ii) it has materially breached its obligations to the Fund and a resolution of the unitholders of the Fund has been assented to by holders of a majority of the Units then outstanding.

## LIQUIDITY

### *Liquidity Methodologies*

In order to avoid the dilutive effect of redemptions on other unitholders, and reflective of the investor profile and investment policies of the Fund as described above, the Fund will be a “closed-end” fund offered on a private placement basis to accredited investors with limited redemption rights (as described below). Units will **not** be listed for trading on a public stock exchange.

In order to provide liquidity for unitholders, the following procedures will be implemented (and will in each case be applied *pro rata* (as more fully described below under “Allocation Principles”) among unitholders wishing to sell Units such that generally an equal percentage of respective holdings of such unitholders can be sold):

- (i) *Virtual Exchange*: The Manager will maintain lists of persons (whether existing unitholders or not) who wish to purchase Units, and will seek on a monthly basis to have Units purchased at then current Unit Value. Interested purchasers (other than existing unitholders, who can purchase with no minimum aggregate purchase amount) will be permitted to buy Units offered for sale of an aggregate of at least \$50,000. In order to promote liquidity, the \$150,000 minimum to purchase from treasury will be relaxed for these limited purposes only, although purchasers of less than \$150,000 through the “virtual exchange” (other than unitholders who hold Units with an aggregate acquisition cost of at least \$150,000), will be ranked behind other unitholders if they wish to sell Units during the calendar year in which the Units were purchased by them or the next following calendar year. Purchase requests will be allocated, if required, among a number of sale requests to fill the sale requests to the greatest extent possible.
- (ii) *Redemption Rights*: Each year, unitholders will also have the right to request redemptions (by the Fund) at Unit Value of up to 10% (or such higher percentage as the Manager may, in its discretion, determine generally for unitholders) of their Units, to the extent that such percentage could not be sold otherwise (whether through the “virtual exchange” described above or otherwise). In addition, unitholders who acquire Units through reinvestment of distributions will have the further right to redeem the Units issued on such reinvestment. These redemption rights are more fully described below.

### *The Virtual Exchange*

The “virtual exchange” is being established by the Manager to create an organized manner to match investors wishing to purchase Units after the Initial Offering with unitholders who wish to sell Units. Essentially, the “virtual exchange” will involve the Manager acting as a recordkeeper of available purchasers and sellers (and the dollar value of Units they wish to acquire and the number of Units they wish to sell), and serving as a medium through which resulting trades can be settled. These trades will be processed on Valuation Days at the Unit Values established on such days.

The Manager is establishing and will maintain the “virtual exchange” as a service to unitholders to provide additional liquidity. Neither the Manager nor the Trustee is required to purchase any Units tendered for sale through the “virtual exchange” or to in any way guarantee the performance (payment or otherwise) of purchasers or sellers. Further, while the Manager will use reasonable efforts to appropriately record and allocate purchase and sale opportunities, neither it, the Fund nor the Trustee will in any circumstances be liable to purchasers or sellers whose orders are not (or are only partially) filled or otherwise in respect of trading through the “virtual exchange”.

While Units are transferable, the Fund is not (and is not expected to become) a reporting issuer in any province, such that under applicable securities legislation Units may only be transferred pursuant to an available exemption from prospectus requirements (i.e. a “private placement” exemption). With respect to trades of Units through the “virtual exchange”, the Manager will ensure that purchasers provide appropriate certification that they are “accredited investors” so as to avail sellers of an exemption for sales to such purchasers.

#### *Purchase and Sale Requests*

Purchase requests must be submitted in prescribed form (which can be obtained from the Manager) at least one Trading Day (a “**Trading Day**” being a day on which the Toronto Stock Exchange is open for trading) before a Valuation Day in order to be eligible for such Valuation Day, failing which they will be eligible commencing as of the next following Valuation Day. Purchase request forms must be accompanied by payment or otherwise the purchaser must make other arrangements so as to be able to provide payment immediately following notice from the Manager that the purchaser will be allocated Units for purchase.

Sale requests must be submitted in prescribed form (which can be obtained from the Manager and which is the same form for sale requests and redemption requests) at least ten Trading Days before a Valuation Day in order to be eligible for such Valuation Day, failing which they will be eligible commencing as of the next following Valuation Day.

Purchase request forms and sale request forms will remain in effect for successive Valuation Days unless and until withdrawn (or fully filled); provided that a notice of withdrawal of a purchase or sale request must be received at least two Trading Days before a Valuation Day, failing which they will continue to apply until the next following Valuation Day.

The Manager may, in its discretion, cause the Fund to redeem Units otherwise tendered for sale through the “virtual exchange” if the Manager believes it is in the interests of the Fund to do so.

#### *Allocation Principles*

The Manager has established the following principles which it will seek to apply generally in allocating selling opportunities to unitholders who have duly submitted sale requests. The principles are intended to provide fair treatment to all unitholders submitting sale requests, and to not create artificial incentives to “over tender” Units for sale.

- For all purposes of sales through the “virtual exchange”, *pro rata* is determined based on the respective numbers of Units held by unitholders and not based on the respective numbers of Units tendered for sale or redemption.
- To the extent possible, sale opportunities in respect of a Valuation Day will generally be allocated such that, after giving effect to sales on such Valuation Day and any sales on prior Valuation Days in the current year, all unitholders submitting sale requests (which have not been withdrawn) will have been allocated sale opportunities on a *pro rata* basis based on the respective numbers of Units held by them as at the commencement of such calendar year.
- All sale requests received by the Manager at least ten Trading Days prior to a Valuation Day (including sale requests which have remained in effect from a prior Valuation Day) will all be considered to have been received at the same time (i.e. no priority will be given based on the date of receipt of the request by the Manager), as the Manager believes it unfair to afford priority based on geographic or other such circumstances.

By way of example of the application of the foregoing principles, if (i) one unitholder (“**Unitholder A**”) were to submit a sale request on February 15, 2007 in respect of 10% of the Units held by him on January 1, 2007, (ii) one-half of the Units reflected in such sale request were sold on the Valuation Day at the end of February of such year and (iii) another unitholder (“**Unitholder B**”) were to submit an initial sale request on March 15, 2007 in respect of 7% of the Units held by him on January 1, 2007, then sale opportunities would be allocated commencing on the Valuation Day at the end of March of such year as follows (assuming that no other unitholder had tendered a sale request which was eligible for such March Valuation Day):

- Priority would be given to Unitholder B so as to permit him to sell 5% of the Units held by him.
- To the extent that after giving effect to the allocation described above there were further sale opportunities, such opportunities would be allocated *pro rata* as between Unitholder A and Unitholder B until each was permitted to sell a further 2% of their respective Units.
- To the extent that after giving effect to the allocations described above there were further sale opportunities, such opportunities would be provided to Unitholder A for the balance of his sale request.

### *Redemption Rights*

As described above, each year unitholders will have the right to request redemptions of Units as of the last Valuation Day of a year so as to permit them to redeem such number of Units as is equal to 10% (or such higher percentage as the Manager may, in its discretion, determine generally for unitholders) of the Units originally held by the unitholder (i.e. before giving effect to the then requested, and any prior actually effected, redemption of Units) less the number of Units (if any) sold by the unitholder during such year (whether through the “virtual exchange” described above or otherwise). As also described above, the Manager may, in its discretion,

cause the Fund to redeem Units otherwise tendered for sale through the “virtual exchange” if the Manager believes it is in the interests of the Fund to do so.

Redemption requests must be submitted in prescribed form (which can be obtained from the Manager and which is the same form as for sale requests) on or before November 30 of the subject year. Such request will provide that the redemption is to be made unless sale opportunities through the “virtual exchange” are available (in which case, to the maximum extent possible, Units would be sold through the “virtual exchange” at Unit Value rather than being redeemed by the Fund at Unit Value).

In addition to the redemption rights described above, unitholders have unrestricted rights to tender for redemption (at Unit Value) Units issued on reinvestment of distributions. Such redemptions will be effected on the first Valuation Day following at least 30 days after such redemption request. As with other redemption requests, as described in the preceding paragraph, requests to redeem Units issued on reinvestment of distributions will provide that the redemption is to be made unless sale opportunities through the “virtual exchange” are available (in which case, to the maximum extent possible, Units would be sold through the “virtual exchange” at Unit Value rather than being redeemed by the Fund at Unit Value).

For the purposes of allocation of sale opportunities through the “virtual exchange”, redemption requests will also be treated as sale requests.

#### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS AND ELIGIBILITY FOR INVESTMENT**

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to unitholders who acquire Units pursuant to this offering memorandum and who, for the purposes of the Tax Act, are resident in Canada, deal at arm's length with, and are not affiliated with, the Fund and hold their Units as capital property. Generally, Units will be considered to be capital property to a unitholder provided that the unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and every other “Canadian security” (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the current provisions of the Tax Act and the current published administrative practices and policies of the Canada Revenue Agency (“CRA”), and also takes into account all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”). This summary does not otherwise take into account or anticipate any changes in the law whether by legislative, regulatory, administrative or judicial action, or changes in the administrative practices or policies of the CRA. Furthermore, this summary does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed in this offering memorandum. This summary is not applicable to a unitholder that is a “financial institution”, as defined in the Tax Act, a “specified financial institution”, as defined in

the Tax Act, or a unitholder an interest in respect of which would be a "tax shelter investment" under the Tax Act. In addition, this summary does not address the deductibility of interest by a unitholder who has borrowed money to acquire Units.

**The income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the unitholder, the province, territory or provinces or territories in which the unitholder resides or carries on business and, generally, the unitholder's own particular circumstances. The following description of income tax matters is, therefore, of a general nature only and is not intended to constitute advice to any particular unitholder. The income tax consequences described in this summary are based on the assumptions that a unitholder does not undertake or arrange a transaction relating to the unitholder's Units other than those referred to in this offering memorandum, and that none of the transactions relating to the unitholder's Units and referred to in this offering memorandum is undertaken or arranged primarily to obtain a tax benefit other than those specifically described herein. Each unitholder should seek independent advice regarding the tax consequences of investing in Units, based upon the unitholder's own particular circumstances.**

#### *Status of the Fund*

Provided that the Fund qualifies or is deemed to qualify as a "mutual fund trust" at a particular time for purposes of the Tax Act, the Units will be a qualified investment for Deferred Income Plans at that time. In order for the Fund to qualify as a mutual fund trust it must meet certain conditions, including a minimum distribution requirement relating to the number of unitholders and dispersal of ownership of Units. In addition, the Fund must comply on a continuous basis with certain investment restrictions contained in the Tax Act. This summary assumes that the Fund: (i) will qualify as a "mutual fund trust" by such time as required by the Tax Act so as to be entitled to elect pursuant to the Tax Act in its tax return for 2006 to be deemed to have been a mutual fund trust from the date of its establishment and will so elect; (ii) will thereafter continuously qualify as a mutual fund trust at all relevant times; and (iii) is not established or maintained primarily for the benefit of non-residents. If the Proposed Amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 are enacted as proposed, the Fund may cease to qualify as a mutual fund trust for purposes of the Tax Act if at any time the fair market value of all Units held by non-residents of Canada or partnerships which are not "Canadian partnerships" for purposes of the Tax Act is more than 50% of the fair market value of all issued and outstanding Units. A partnership will only qualify as a Canadian partnership at a particular time if all of its members at that time are resident in Canada. The Proposed Amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these Proposed Amendments, and it is understood that further discussions will take place with the private sector before a decision is made concerning whether these Proposed Amendments will be enacted.

If the Fund were not to qualify as a mutual fund trust, the income tax considerations described in this summary would, in some respects, be materially different and, in particular, the following adverse income tax consequences would result:

- The Units would not be (or would cease to be) qualified investments for Deferred Income Plans. Where, at the end of any month, a Deferred Income Plan holds Units that are not qualified investments, the Deferred Income Plan may, in respect of that month, be required to pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Units at the time such Units were acquired by the Deferred Income Plan. In addition, where a trust governed by a registered retirement savings plan or registered retirement income fund holds Units that are not qualified investments, the registered retirement savings plan trust or registered retirement income fund trust will become taxable on income and gains attributable to the Units while they are not qualified investments and the fair market value of such Units at the time they were acquired will be included in the income of the annuitant under such trust. Where a trust governed by a registered education savings plan holds Units that are not qualified investments, the registration of the registered education savings plan may be revoked.
- The Fund would be liable for tax under Part XII.2 of the Tax Act if any Units are held by non-residents of Canada, non-resident owned investment corporations or certain other persons including tax exempt persons. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain unitholders, including non-resident persons and Deferred Income Plans that acquire an interest in the Fund directly or indirectly from certain other unitholders.

The Units held by non-residents of Canada would become “taxable Canadian property” for purposes of the Tax Act and such holders would become subject to Canadian federal income tax on their disposition.

- The Fund would cease to be eligible for the capital gains refund mechanism under the Tax Act.
- The Fund would become subject to the alternative minimum tax provisions of the Tax Act.

### *Legislative Proposals*

On March 23, 2004, the Minister of Finance (Canada) proposed amendments to the Tax Act (the “**Budget Proposals**”) that would impose special taxes in respect of (i) the “restricted investment property” holdings of a “designated taxpayer” (which would include a trust governed by a registered pension plan, a registered pension plan corporation and a tax-exempt pension investment corporation), and (ii) the direct and indirect holdings of a designated taxpayer in units of a “business income trust” (all as defined in the Budget Proposals). Due to the nature of the Fund’s anticipated investments and property, the Units may have constituted “restricted investment property” under the Budget Proposals.

On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals would be suspended to allow consultation with interested parties and that legislative proposals would be released following such consultations. This position was reiterated by the Minister of Finance (Canada) in the press release that accompanied the release of the draft amendments for the Budget Proposals dated September 16, 2004. As part of the release of the 2005 Federal Budget,

the Minister of Finance (Canada) indicated that a consultation paper would be released shortly after the 2005 Federal Budget and that the Department of Finance would continue to monitor developments in the markets for business income trusts and other flow-through entities during the consultation period.

On September 8, 2005, the Department of Finance released a consultation paper and launched public consultations on tax and other issues related to flow-through entities such as income trusts and limited partnerships. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that the CRA would postpone providing advance tax rulings in respect of flow-through entities pending these consultations. On November 23, 2005, the Minister of Finance (Canada) announced that the consultation process was at an end and no legislative amendments were proposed to change the taxation of income trusts. Instead, the Minister of Finance tabled a Notice of Ways and Means Motion that proposed to enhance the dividend gross-up and tax credit mechanism applicable to certain eligible dividends payable by corporations resident in Canada after 2005. No assurance can be given that further review of the tax treatment of flow-through entities will not be undertaken or that Canadian federal income tax law and/or provincial income tax law respecting flow-through entities will not be changed in a manner which would adversely or materially affect the Fund or its unitholders.

#### *Taxation of the Fund*

The taxation year of the Fund is the calendar year. The Fund is subject to taxation under Part I of the Tax Act in each taxation year on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in such year. An amount will not be considered to be payable to a unitholder in a taxation year unless the unitholder is entitled in that year to enforce payment of the amount. The Fund intends to deduct in computing its income the amount required to eliminate its liability for tax under Part I of the Tax Act. Therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains (including distributions that are reinvested in additional Units), it will not generally be liable in such year for income tax under Part I of the Tax Act. Losses incurred by the Fund cannot be allocated to unitholders but may be deducted by the Fund in future years under the Tax Act.

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

In computing its income under Part I of the Tax Act, the Fund may deduct reasonable administrative, interest and other expenses incurred to earn income.

On October 31, 2003 the Department of Finance released for public consultation draft proposals relating to the deductibility of losses under the Tax Act (the “**Tax Proposal**”). Under the Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to

hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to unitholders reduced as a result. It will be necessary for the Fund to monitor its activities and this Tax Proposal, which is proposed to apply to taxation years beginning after 2004. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposal would be released for comment at an early opportunity. As of the date hereof, an alternative proposal has not yet been released. There can be no assurance that such alternative proposal will not adversely affect unitholders.

On the disposition of securities of an issuer held by the Fund, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such securities and any reasonable costs of disposition; provided such securities are capital property to the Fund. The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year.

The Fund's portfolio may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

#### *Taxation of Unitholders*

A unitholder will generally be required to include in computing income for a taxation year such portion of the net income of the Fund for such taxation year, including net realized taxable capital gains (whether or not accrued or realized by the Fund prior to the acquisition of Units by the unitholder) as is paid or payable to the unitholder in the taxation year and deducted by the Fund, whether or not any such amount is reinvested in additional Units. Distributions by the Fund to a unitholder will reduce the adjusted cost base of the unitholder's Units, except to the extent that such distributions are included in the unitholder's income or constitute the unitholder's share of the non-taxable portion of taxable capital gains of the Fund, the taxable portion of which was designated to the unitholder. Where at any time in a taxation year the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the unitholder from a deemed disposition at that time of the Unit, and the unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund; (ii) the foreign source income of the Fund and foreign taxes which are, subject to certain limitations, eligible for the foreign tax credit; and (iii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a unitholder will effectively retain their character and be treated as having been received or paid by the unitholder, as the case may be, for purposes of the Tax Act. Amounts which retain their character in the hands of a unitholder as taxable dividends on shares of taxable Canadian corporations will, where the unitholder is an individual, be eligible

for the normal gross-up and dividend tax credit rules under the Tax Act, and, where the unitholder is a corporation, generally be entitled to be deducted in computing the unitholder's taxable income.

Where the unitholder is a private corporation, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), amounts designated by the Fund to the unitholder as taxable dividends on shares of taxable Canadian corporations generally will be subject to a special refundable tax of 33 1/3% under Part IV of the Tax Act.

Units acquired on the reinvestment of amounts payable to unitholders will be acquired at an initial cost equal to the amount payable satisfied by their issuance. However, the Tax Act requires a unitholder to average the cost of all the Units held by the unitholder at any particular time to determine the adjusted cost base of each such Unit.

Upon the disposition or deemed disposition of a Unit, whether on a sale (including a sale through the "virtual exchange" described under "Liquidity"), redemption by the Fund or otherwise, a capital gain (or capital loss) will be realized by the unitholder to the extent that the proceeds of disposition (excluding any amount payable by the Fund which represents an amount that must otherwise be included in a unitholder's income as described above), net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Unit to the unitholder immediately before the disposition. Where a unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the unitholder's capital loss from the disposition will generally be reduced by the amount of any taxable dividends designated by the Fund to the unitholder that are deductible by the unitholder in computing taxable income. Similar rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a unitholder in a taxation year must be included in the unitholder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a unitholder in a taxation year may be deducted from taxable capital gains realized by the unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act

A unitholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including taxable capital gains.

Capital gains realized on a disposition of Units by, or amounts designated by the Fund as taxable dividends or taxable capital gains to, a unitholder who is an individual may give rise to a liability for alternative minimum tax.

### *Eligibility for Investment by Deferred Income Plans*

Provided that the Fund meets the criteria to be a mutual fund trust under the Tax Act (which is based, in part, on having at least 150 unitholders each holding at least \$500 of Units) by such time as required by the Tax Act (being within 91 days following the first taxation year-end of the Fund), the appropriate election is made on behalf of the Fund and the Fund continues to qualify as a mutual fund trust under the Tax Act, Units (including those issued under the Initial Offering) will be a “qualified investment” for Deferred Income Plans.

### *Eligibility for Investment by Pension Plans*

The Trust Agreement imposes certain constraints and restrictions upon the portfolio of the Fund which, if complied with, will have the effect that the Fund will meet the limits or restrictions which pension funds or plans are required to make or to meet under many of the federal and provincial pension legislations. Certain considerations and limitations will, however, apply with respect to investments by pension plans or funds in the Fund although recent legislation, with effect for taxation years that begin after 2004, has eliminated the limit in respect of foreign property, formerly imposed under the Tax Act, that may be held by pension funds and certain other tax-exempt persons or plans. Accordingly, a tax or pension adviser should be consulted in connection with an investment in Units by a pension plan or fund.

## **DISTRIBUTIONS AND REINVESTMENT**

Investment income of the Fund (inclusive of net realized capital gains), less expenses, are distributed annually to unitholders of record on the last day of December. Such investment income will be automatically reinvested in additional Units unless the unitholder elects (from time to time) to receive such amounts in cash or unless, at the time of distribution by the Fund, the Manager determines that such distributions (or a portion thereof) will be paid to unitholders in cash.

## **UNIT VALUE**

The Trustee will calculate Unit Value (or cause Unit Value to be calculated) as of each Valuation Day. Such Unit Value will be posted on the Manager’s website ([www.abcfunds.com](http://www.abcfunds.com)) and published in national Canadian newspapers via Fundata.

In order to provide (i) enhanced transparency and (ii) a more equitable price for trading through the “virtual exchange” described above (please see “Liquidity”), the monthly quoted Unit Value will be adjusted to reflect any accrued performance fees. This accrual will be made each month based on the then year to date annualized total returns of the Fund (such that the accrual, if any, as at the end of the prior month, which has been determined based on the year to date returns to the end of such prior month, is replaced with the revised accrual).

## **CUSTODIAN**

The Trustee is also the custodian of the assets of the Fund.

## AUDITORS

PricewaterhouseCoopers LLP, chartered accountants, are the auditors for the Fund.

## TRANSFER AGENT AND REGISTRAR

The Manager will be the Fund's transfer agent and registrar. In addition, the Manager will maintain the lists of interested buyers and sellers for purposes of the "virtual exchange" described above under "Liquidity".

## INVESTMENT RISKS

The Unit Value is related directly to the market value of the investments held in the Fund's portfolio, which may fluctuate depending on changes in interest rates, financial performance of the issuers of the securities held by the Fund and other market and economic conditions. The investment risks related to the Fund include, among others, the following:

***Equity Securities:*** As the Fund will invest in equity securities, which tend to fluctuate in price more than those of fixed income securities, the Unit Value will be sensitive to greater price fluctuations than expected for money market or bond funds. Equity securities will rise and fall with the financial well-being of the investee companies and are influenced by general economic, industry and market trends.

***Small Capitalization Companies:*** As the Fund will invest in securities of micro and small capitalization companies, it may be subject to more frequent and/or sharper increases and decreases in market value as small companies are typically more volatile as a consequence of small public floats and limited trading activity and history. The stocks of small capitalization companies are often not as liquid as stocks of large capitalization companies.

***Concentration of Investments:*** The Fund has no restrictions relating to the diversification or concentration of its investments and may concentrate its investments in a particular issue, issuers, market sector or country, or in securities of any particular maturity or credit rating. Accordingly, the Fund may be even more vulnerable to particular economic, political, regulatory or other developments than would more diversified portfolios.

***Distressed Securities:*** The Fund will invest in securities which the Manager considers to be "deep value", including potentially investments in "fallen angel" unit trusts, "special situations" and similar type investments. Such investments, while potentially affording higher returns, also entail a higher level of risk of loss of capital by the Fund.

***Foreign Investment:*** As the Fund will invest in securities of non-Canadian issuers, the value of such securities may be more affected by international economic, political or social events, in addition to changes in the value of the Canadian dollar. Foreign economies may rely more heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions, and changes in international trading patterns and trading barriers. Foreign markets may be more volatile or lack liquidity which may cause Unit Value to fluctuate more than if the Fund limited its investments to North American securities. Information about foreign issuers may not be as complete and such issuers may not

be subject to the same extensive accounting, auditing, financial reporting standards and practices and other disclosure requirements which apply in Canada or the United States. The costs of buying, selling and holding securities in foreign markets may be higher than those for domestic transactions.

***Foreign Currency Exchange:*** As the Fund will invest in securities denominated in foreign currencies, the Canadian dollar Unit Value will be sensitive to fluctuations in applicable currency exchange rates between the Canadian dollar and the currencies in which the investments of the Fund are denominated.

***Emerging Markets:*** As the Fund will invest in foreign markets that may be emerging, and includes any country defined as emerging or developing by the World Bank, the International Finance Corporation, the United Nations or is included in the MSCI Emerging Markets Free Index, the Fund is more vulnerable to fluctuations in value as emerging markets are more speculative, tend to be less developed, have lower trading volumes and less liquidity than developed markets. Emerging markets are more susceptible to internal and external risks of war, political upheaval, ethnic and religious conflict, and government control over the markets.

***Reliance upon the Manager:*** All investment and trading decisions for the Fund will be made by the Manager. Accordingly, the Manager's judgement and ability in predicting fluctuations in market prices will determine the success of the Fund. No assurance can be given that the investment strategies of the Manager will prove successful under any or all market conditions.

***Fixed Income Securities:*** As the Fund may be investing in convertible fixed income securities, the Fund will be exposed to various special types of risk related to such investments, including: (i) interest rate risk, being the potential for fluctuations in prices due to interest rates, (ii) credit risk, being the possibility that an issuer will fail to make timely payments of either interest or principal or that the trading price of an issuer's securities may decline as a result of market perception of diminished creditworthiness, and (iii) prepayment risk, being the likelihood that, during periods of falling interest rates, securities with high stated interest rates will be prepaid prior to maturity, requiring the Fund to invest the proceeds at generally lower interest rates.

***Liquidity of Units:*** The Fund is a closed-end investment fund which provides for restricted redemption rights, and the potential for liquidity to the extent that sufficient purchase requests are submitted to the Manager for the "virtual exchange" (as described under "Liquidity"), which cannot be assured by the Manager. As such, an investment in the Fund would not be appropriate for investors requiring greater liquidity.

***Options:*** There are certain risks related to the use by the Fund of options, including that the Fund may not be able to close out its positions and will be subject to credit risks of counterparties to contracts and of dealers with whom margin may be lodged. In addition, there can be no assurance that hedging strategies will be effective. Hedging against changes in markets does not eliminate fluctuations in the prices or prevent losses if prices decline. Because of the Manager's stated policy that the Fund will not invest in derivative instruments on a leveraged basis, the risks normally attributable to the use of derivative instruments would not apply to the same extent as they would in investment funds not employing such limitations.

**The foregoing list of certain risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. In addition, as the Fund's investment programs develop and change over time, an investment in the Fund may be subject to additional and different risk factors. Investors should read this entire offering memorandum and consult with their own advisors before deciding to subscribe for Units.**

### **REPORTS TO UNITHOLDERS**

The Trustee will furnish to unitholders, with each distribution, a statement of the amount being distributed to unitholders together with a statement as to net asset value of the Fund and Unit Value, based upon the then most recent monthly determination.

The fiscal year end of the Fund is December 31. The annual accounts of the Fund will be audited by an independent public accounting firm and the financial statements of the Fund, together with the report of such auditor, will be provided to each unitholder.

### **TERMINATION OF THE FUND**

The Fund will continue in force unless otherwise terminated in accordance with the provisions of the Trust Agreement. The Trust Agreement provides that the Manager may at any time terminate and dissolve the Fund by giving to the Trustee and each then unitholder of such Fund written notice of its intention to terminate at least 90 days before the proposed termination date (the "**Termination Date**"). During the period after the giving of any such notice, the rights of unitholders to require payment for any or all of their Units would be suspended and the Manager would be required to make appropriate arrangements for converting the investments of the Fund into cash. After payment of the liabilities of the Fund, each unitholder registered as such at the close of business on the date fixed as the Termination Date would be entitled to receive his or her proportionate share of the net asset value of the Fund. In the event that the unitholders are desirous of continuing the Fund and reject the Manager's desire to terminate and dissolve the Fund, the unitholders may appoint a successor to the Manager.

### **MATERIAL CONTRACTS**

The Trust Agreement is the only material contract which has been entered into in respect of the Fund. A copy of the Trust Agreement may be inspected at the office of the Manager during normal business hours.

### **FURTHER INFORMATION**

Investors requiring further information or an opportunity to review the material contracts of the Fund are invited to contact the Manager at (416) 365-9696 or (toll free at 1-888-673-6222) or by e-mail at [info@abcfunds.com](mailto:info@abcfunds.com).

### **RIGHTS OF ACTION FOR DAMAGES OR RECISSION**

Securities legislation in certain of the provinces of Canada provides investors with (or requires that investors be provided contractually with), in addition to any other right they may have at law, rights of rescission or damages, or both, where an offering memorandum and any

amendment thereto contains a misrepresentation (as such term may be defined in the applicable statute). However, such rights must be exercised by the subscriber within the prescribed time limits and are subject to the defences contained in applicable securities legislation. Investors should refer to the applicable provisions of such securities legislation for the particulars of these rights or consult with a legal advisor.

The following summary is subject to the express provisions of the relevant securities laws and regulations thereunder and reference is made thereto for the complete text of such provisions. The following is a summary of the rights of rescission or to damages, or both, available to investors under the securities legislation of the specified provinces of Canada or provided by contract. Such rights are expressly conferred upon investors in the subscription agreement to be executed by investors in connection with the offering contemplated hereby. **The rights of action discussed below are in addition to and without derogation from any other rights or remedies available at law to the subscriber.**

*Ontario.* Rule 45-501 under the *Securities Act* (Ontario) provides that investors resident in Ontario purchasing under this offering memorandum will have the rights of action provided in Section 130.1 of the *Securities Act* (Ontario) and that such rights must be described in this offering memorandum. Such rights are described below.

If this offering memorandum, together with any amendment hereto, contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement herein not false or misleading in light of the circumstances in which it was made (herein called a ‘**misrepresentation**’), an investor who purchases Units during the period of distribution will be deemed to have relied upon such misrepresentation if it was a misrepresentation on the date of purchase and will have, subject as hereinafter provided, a right of action for damages which must be commenced not more than the earlier of (i) 180 days after the investor first had knowledge of the facts giving rise to the cause of action or (ii) three years after the date the Units were purchased hereunder, or, alternatively, for rescission, which must be commenced not more than 180 days after the date the Units were purchased hereunder, provided that:

- the Fund will not be held liable under this paragraph if the investor purchased the Units with knowledge of the misrepresentation;
- in an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- in no case will the amount recoverable under this paragraph exceed the price at which the Units were sold to the investor.

*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 this offering, contains 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, will be deemed to have relied on the misrepresentation and has a right of action for damages against the Fund. Alternatively, the purchaser may elect to exercise a right of rescission against the Fund, in which case the purchaser will have no right of action for damages.

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 payment was made for the Units;
- no person or company will be liable if it proves that the purchaser purchased the Units with knowledge of the misrepresentation;
- in the case of an action for damages, no person or company will be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Units 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 Units 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 (iii) there had been a misrepresentation, or that (iv) 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.

*British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Newfoundland and Prince Edward Island.* Investors resident in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Newfoundland and Prince Edward Island will be provided with the same rights of rescission or damages as those provided to investors resident in Ontario. Such rights are described above.

**SCHEDULE "A"**

**ABC DIRT-CHEAP STOCK FUND**

**SUBSCRIPTION AGREEMENT**

**TO: ABC Dirt-Cheap Stock Fund**

**AND TO: I.A. Michael Investment Counsel Ltd.  
8 King Street East, Suite 700  
Toronto, ON M5C 1B5  
Tel: (416) 365-9696 (Toll free: 1-888-673-6222)  
Fax: (416) 365-9705  
E-mail: info@abcfunds.com**

**RE: Subscription for Fund Units**

The undersigned (the **'Subscriber'**) hereby acknowledges receipt of an offering memorandum dated February 24, 2006 (the **'Offering Memorandum'**), relating to the offering of trust units (**'Units'**) of ABC Dirt-Cheap Stock Fund (the **'Fund'**). Capitalized terms used but not defined in this agreement are intended to have the meanings ascribed in the Offering Memorandum. In addition, all dollar amounts in this agreement, including the symbol "\$", are expressed in Canadian currency.

The Subscriber hereby subscribes for the purchase of such number of Units as may be purchased for \$ \_\_\_\_\_ (the **'Purchase Price'**) on the next Valuation Day following receipt by I.A. Michael Investment Counsel Ltd. (the **'Manager'**), the manager of the Fund, of this subscription. The Subscriber tenders herewith a cheque or bank draft (or has made available to the Manager some other form of immediately available funds) in the amount of the Purchase Price, payable to the Fund. The Subscriber understands that, as described in the Offering Memorandum, Units issued pursuant to subscriptions received on or before April 1, 2006 will be issued at \$10 per Unit, and Units issued pursuant to subscriptions received after such date will be issued at Unit Value.

The Manager has established a minimum initial investment amount of \$150,000 (subject to the Manager's discretion to accept a lesser amount in certain circumstances).

Residents of any jurisdiction of Canada must meet the criteria to be considered an "accredited investor" (the criteria for qualification as an "accredited investor" are set out in the Certificate of Accredited Investor (the **"AI Certificate"**) which is attached as Appendix "A" to this agreement). Investors resident in Canada must complete the AI Certificate.

Investors who are not resident in the United States of America or any jurisdiction of Canada must complete Appendix "B" to this agreement. Investors resident in the United States of America cannot subscribe for Units using the form (the Manager will provide the appropriate form on request).

This subscription is made on the terms and conditions described in the Offering Memorandum and the purchase of the Units subscribed for hereby is subject to acceptance by the Manager as detailed in the Offering Memorandum. In the event that the Manager does not wholly accept this subscription, the Purchase Price for the Units subscribed for hereby and for which this subscription has not been accepted will be returned to the Subscriber forthwith without interest or deduction.

The Subscriber represents, warrants and covenants to and in favour of the Fund, the Manager and the trustee of the Fund (the “**Trustee**”) as follows:

- (a) the Subscriber (i) if an individual, has attained the age of majority and has legal capacity and competence to enter into and be bound by this subscription and to take all actions required pursuant hereto or (ii) if a corporation, partnership, unincorporated association or other entity, has the legal capacity and competence to enter into and be bound by this subscription and to take all actions required pursuant hereto, and further certifies that all necessary approvals of directors, shareholders, partners, members and others have been given in connection therewith;
- (b) the Subscriber understands that (i) it is not anticipated that there will be any public market for the Units and (ii) it may not be possible to sell or dispose of Units (although there is an annual limited redemption right and the Manager has established a “virtual exchange” to seek to provide liquidity, as described in the Offering Memorandum);
- (c) the Subscriber understands that the management and control of the Fund is vested in the Manager and that the Subscriber will have no right to participate in the management of the Fund;
- (d) the Subscriber has reviewed and understands the income tax aspects of an investment in the Fund. The Subscriber acknowledges that it is responsible for obtaining such legal and tax advice as it considers appropriate in connection with the execution, delivery and performance of this agreement and the transactions contemplated under this agreement and has received such advice from qualified sources (eg. solicitors, accountants or other tax advisers) as the Subscriber deems advisable in respect of such investment;
- (e) the Subscriber understands that no federal or provincial agency has made any finding or determination as to the fairness for public investment, or any recommendation or endorsement, of the Units;
- (f) the Units subscribed for herein are being acquired by the Subscriber as a principal for his, her or its own account; and
- (g) the Subscriber understands that the Units are being offered and sold pursuant to exemptions from the prospectus requirements (and, in the jurisdictions other than Ontario, registration requirements) of the securities laws of the various jurisdictions.

If the Subscriber is not resident in the United States of America or any jurisdiction of Canada and is not otherwise subject to the securities laws of any such jurisdictions, the Subscriber makes the representations, warranties and covenants set out in Appendix “B” to and with the Fund, the Manager and the Trustee.

The Subscriber acknowledges that he, she or it has taken cognisance of the Offering Memorandum, including, in particular, those investment considerations described therein under the heading “Investment Risks” and further agrees to comply with any relevant securities legislation, order or policy concerning the purchase of, and holding of, Units. The Subscriber understands that (as disclosed in the Offering Memorandum) the Manager is the manager of the Fund and is entitled to compensation from the Fund for so acting.

The Subscriber acknowledges that the Fund may be required under Canadian tax legislation (whether federal or provincial) to withhold a portion of any amounts otherwise payable or distributable (including, without limitation, upon any sale of Units, whether through redemption or otherwise) to the Subscriber and that the Fund will, accordingly, only be required to make any payments otherwise payable to the Subscriber in a net amount, after deducting any required withholdings.

The Subscriber, if resident in Ontario or otherwise subject to the securities legislation of Ontario (on its own behalf and, if applicable, on behalf of each beneficial purchaser for whose benefit the Subscriber is acting), acknowledges, consents and authorizes the Manager (on behalf of the Fund) to collect the Subscriber’s (and any beneficial purchaser’s) personal information for the purpose of completing the Subscriber’s subscription and to deliver to the Ontario Securities Commission personal information (such as full name, residential address and telephone number) pertaining to the Subscriber (and any beneficial purchaser). The Subscriber acknowledges and consents to the Manager (on behalf of the Fund) retaining the personal information for as long as permitted or required by applicable law or business practices, and to the fact that the Manager (on behalf of the Fund) may be required by applicable securities laws to provide regulatory authorities any personal information provided by the Subscriber respecting itself (and any beneficial purchaser). The Subscriber acknowledges that this information is being collected indirectly by the Ontario Securities Commission and may be collected by other securities regulatory authorities under the authority granted to the Ontario Securities Commission and such other securities regulatory authorities under applicable securities laws. The Subscriber acknowledges that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and that the public official in Ontario who can answer questions about the Ontario Securities Commission’s indirect collection of such information is the Administrative Assistant to the Director of Corporate Finance, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, who may be contacted at (416) 593-8086. The Subscriber represents and warrants that it has the authority to provide the consents, acknowledgements and authorizations set out in this paragraph on behalf of all beneficial purchasers.

The foregoing representations, warranties, agreements, undertakings and acknowledgements (including, as applicable, those set out in Appendix “A” or Appendix “B” to this agreement) are made by the Subscriber with the intent that they be relied upon in determining his, her or its suitability as a purchaser of Units and the Subscriber hereby agrees that such representations,

warranties, agreements, undertakings and acknowledgements shall survive the Subscriber's purchase of Units. In addition, the Subscriber undertakes to notify immediately the Manager at the address set forth above of any change in any representation, warranty or other information relating to the Subscriber set forth in this subscription.

The Subscriber agrees to indemnify and hold harmless the Fund, the Manager and the Trustee against any and all losses, liabilities, claims, damages and expenses whatsoever (including, without limitation, any and all expenses reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claims whatsoever) arising out of or based upon any breach or failure by the Subscriber to comply with any representation, warranty, covenant or agreement made by the Subscriber herein or in any other document furnished by the Subscriber to any of the foregoing indemnified persons in connection with this transaction or attributable to the application of the *Income Tax Act* (Canada) or any similar provision of any statute of a province or territory of Canada imposing an income tax to any amounts payable by the Fund to the Subscriber.

The Subscriber acknowledges that this subscription is subject to acceptance or rejection in whole or in part. Acceptance of this subscription shall be effective upon the delivery of a confirmation thereof to the Subscriber. The Manager shall by its acceptance of this subscription be bound by the terms and conditions hereof.

The Subscriber covenants and agrees to deliver such documents, certificates, assurances and other instruments as may be required to carry out the provisions of this subscription.

The Manager, on behalf of the Fund, hereby agrees with the Subscriber that the Subscriber shall have the rights set forth in the Offering Memorandum for the applicable province of residence of the Subscriber under the heading "Rights of Action for Damages or Rescission" as if such rights were fully set forth in this subscription and such rights are hereby incorporated by reference herein.

The Subscriber acknowledges that it is his, her or its express wish that all documents evidencing or relating in any way to the sale of Units be drawn in the English language only. **Par la présente, vous reconnaissez votre volonté de recevoir, en anglais seulement, tous documents faisant foi ou se rapportant, de quelque manière que ce soit, à la vente d'unités.**

This subscription shall be governed by and construed in accordance with the internal laws of the Province of Ontario and the federal laws of Canada applicable therein (in each case without reference to conflicts of law rules).

**In order to complete this subscription, the Subscriber must:**

- 1. Fill in the Purchase Price on page 1.**
- 2. Fill out all requested information, and date and sign page 6.**
- 3. If a resident of Canada, mark the appropriate box, date, sign (and have witnessed, if applicable) Appendix "A" to this agreement (being the AI Certificate).**

4. **If subscribing as a non-resident of Canada (and non-U.S. person), sign and date Appendix “B” to this agreement.**

Dated at \_\_\_\_\_ in the Province/Country of \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2006.

Please register the Units hereby subscribed for in the name of

---

Note: If these units are to be held in a deferred income plan, please provide the name of the trust company, the name of the account and the account number.

**For Subscribers other than natural persons:**

**For natural person subscribing:**

\_\_\_\_\_  
Name of Subscriber (Print)

\_\_\_\_\_  
Name of Subscriber (Print)

\_\_\_\_\_  
Corporation Tax Account No.

\_\_\_\_\_  
Social Insurance No.

By:

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Name of Authorized Representative

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Title of Authorized Representative

\_\_\_\_\_  
City, Province          Postal Code

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
City, Province          Postal Code

\_\_\_\_\_  
Email Address

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Email Address

**Acceptance:**

This subscription is accepted by the Manager.

**LA MICHAEL INVESTMENT COUNSEL LTD.**

By: \_\_\_\_\_

Date: \_\_\_\_\_, 2006

**APPENDIX “A”**

**CERTIFICATE OF ACCREDITED INVESTOR**

**(To be completed by investors resident in Canada)**

*The categories listed herein contain certain specifically defined terms. If you are unsure as to the meanings of those terms, or are unsure as to the applicability of any below category, please contact your broker and/or legal advisor before completing this form.*

TO: ABC Dirt-Cheap Stock Fund (the “**Fund**”)  
AND TO: I.A. Michael Investment Counsel Ltd. (the “**Manager**”)  
AND TO: RBC Dexia (formerly The Royal Trust Company), as trustee of the Fund (the “**Trustee**”)  
RE: Subscription for Units of the Fund as described in the Fund’s offering memorandum dated February 24, 2006 (the “**Offering Memorandum**”)

In connection with the purchase by the undersigned purchaser (the “**Subscriber**”) of units (“**Units**”) of the Fund, the Subscriber or the undersigned on behalf of the Subscriber, as the case may be, certifies that:

1. the Subscriber has read the Offering Memorandum and the Subscription Form and understands that the offering of Units to subscribers, including the Subscriber, is being made on a prospectus exempt basis;
2. the Subscriber is resident in a province or territory of Canada or is subject to the laws of a province or territory of Canada;
3. the Subscriber is purchasing the Units as principal for the Subscriber’s own account or is deemed to be purchasing as principal pursuant to National Instrument 45-106 – Prospectus Registration Exemptions (“**NI 45-106**”); and
4. the Subscriber is an “accredited investor” within the meaning of NI 45-106 by virtue of being:

(PLEASE PLACE A CHECK MARK NEXT TO THE APPLICABLE CATEGORY)

- \_\_\_\_\_ (a) a Canadian financial institution, or a Schedule III bank,  
\_\_\_\_\_ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada),  
\_\_\_\_\_ (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,

- \_\_\_\_\_ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador),
- \_\_\_\_\_ (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),
- \_\_\_\_\_ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,
- \_\_\_\_\_ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,
- \_\_\_\_\_ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- \_\_\_\_\_ (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada,
- \_\_\_\_\_ (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000,
- \_\_\_\_\_ (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,
- \_\_\_\_\_ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000,
- \_\_\_\_\_ (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements,
- \_\_\_\_\_ (n) an investment fund that distributes or has distributed its securities only to

- \_\_\_\_\_ (i) a person that is or was an accredited investor at the time of the distribution,
- \_\_\_\_\_ (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum amount investment*] and 2.19 [*Additional investment in investment funds*] of NI 45-106, or
- \_\_\_\_\_ (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*] of NI 45-106,
- \_\_\_\_\_ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt,
- \_\_\_\_\_ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,
- \_\_\_\_\_ (q) other than in the Province of Ontario (where this category is not available for purchasing securities of investment funds) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction
- \_\_\_\_\_ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,
- \_\_\_\_\_ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,
- \_\_\_\_\_ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,
- \_\_\_\_\_ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser, or
- \_\_\_\_\_ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Quebec, the regulator as

- \_\_\_\_\_ (i) an accredited investor, or
- \_\_\_\_\_ (ii) an exempt purchaser in Alberta or British Columbia.

**For the purposes hereof:**

(a) **“Canadian financial institution”** means

(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 cooperative, 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) **“control person”** has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Québec where control person means any person that holds or is one of the combination of persons that holds:

(i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or

(ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;

(c) **“director”** means

(i) a member of the board of directors of a company or an individual who performs similar functions for a company, and

(ii) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

(d) **“eligible adviser”** means

(i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed, and

(ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association

of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not

(1) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons, and

(2) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

(e) “**eligible investor**” means

(i) a person whose

(1) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000,

(2) net income before taxes exceeded \$75,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or

(3) net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,

(ii) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,

(iii) a general partnership of which all of the partners are eligible investors,

(iv) a limited partnership of which the majority of the general partners are eligible investors,

(v) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors,

(vi) an accredited investor,

(vii) a person described in section 2.5 [*Family, friends and business associates*] of NI 45-106, or

- (viii) a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser;
- (f) “**EVCC**” means an employee venture capital corporation that does not have a restricted constitution and is registered under Part 2 of the *Employee Investment Act* (British Columbia) and whose business objective is making multiple investments;
- (g) “**executive officer**” means, for an issuer, an individual who is
- (i) a chair, vice-chair or president,
  - (ii) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
  - (iii) an officer of the issuer or any of its subsidiaries and who performs a policy-making function in respect of the issuer, or
  - (iv) performing a policy-making function in respect of the issuer;
- (h) “**financial assets**” means
- (i) cash,
  - (ii) securities, or
  - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (i) “**foreign jurisdiction**” means a country other than Canada or a political subdivision of a country other than Canada;
- (j) “**founder**” means, in respect of an issuer, a person who,
- (i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
  - (ii) at the time of the trade is actively involved in the business of the issuer;
- (k) “**fully managed account**” means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;
- (l) “**jurisdiction**” means a province or territory of Canada except when used in the term foreign jurisdiction;
- (m) “**investment fund**” means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and VCC;

- (n) “**local jurisdiction**” means the jurisdiction in which the Canadian securities regulatory authority is situate;
- (o) “**non-redeemable investment fund**” means an issuer,
- (i) whose primary purpose is to invest money provided by its securityholders,
  - (ii) that does not invest,
    - (1) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
    - (2) for the purpose of being actively involved in the management of any issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
  - (iii) that is not a mutual fund;
- (p) “**person**” includes
- (i) an individual,
  - (ii) a corporation,
  - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
  - (iv) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;
- (q) “**regulator**” means, for the local jurisdiction, the Executive Director, or Director, or Administrator, or Registrar, or Director of Securities, or in Québec la Commission des valeurs mobilières du Québec, as defined under securities legislation of the local jurisdiction;
- (r) “**related liabilities**” means
- (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
  - (ii) liabilities that are secured by financial assets; and
- (s) “**spouse**” means, an individual who,
- (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,

(ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or

(iii) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

(t) “**subsidiary**” means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

(u) “**VCC**” means a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia) whose business objective is making multiple investments.

All monetary references are in Canadian Dollars.

The Subscriber acknowledges that the Manager and the Trustee are relying on the foregoing certificate in determining whether the Units hereby subscribed for can be issued to the Subscriber. Dated at \_\_\_\_\_ in the Province of \_\_\_\_\_, this \_\_\_\_\_, day of \_\_\_\_\_, 2006.

If Purchaser is an Individual,

\_\_\_\_\_  
Name of Witness (Print)

\_\_\_\_\_  
Name of Subscriber (Print)

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Subscriber or Authorized Representative

If Purchaser is a Corporation,

.....  
\_\_\_\_\_  
Name of Authorized Representative

\_\_\_\_\_  
Title of Authorized Representative

## APPENDIX “B”

### REPRESENTATIONS, WARRANTIES AND COVENANTS FOR NON-CANADIAN AND NON-U.S. SUBSCRIBERS

TO: ABC Dirt-Cheap Stock Fund (the “**Fund**”)

AND TO: I.A. Michael Investment Counsel Ltd. (the “**Manager**”)

AND TO: RBC Dexia (formerly The Royal Trust Company), as trustee of the Fund (the “**Trustee**”)

RE: Subscription for Units of the Fund as described in the Fund’s offering memorandum dated February 24, 2006 (the “**Offering Memorandum**”)

In connection with the purchase by the undersigned purchaser (the “**Subscriber**”) of units (the “**Units**”) of the Fund, the Subscriber or the undersigned on behalf of the Subscriber, as the case may be, further represents, warrants and covenants to and with the Fund, the Manager and the Trustee that the Subscriber is a resident of, or otherwise subject to, the securities legislation of a jurisdiction other than Canada or the United States of America, and:

- (a) the Subscriber is:
  - (i) a purchaser that is recognized by the securities regulatory authority in the jurisdiction in which the Subscriber is resident or otherwise subject to the securities laws of such jurisdiction, as an exempt purchaser and is purchasing Units as principal for its own account, and not for the benefit of any other person, for investment only and not with a view to resale or distribution; or
  - (ii) a purchaser that is purchasing Units pursuant to an exemption from any prospectus or securities registration requirements (particulars of which are enclosed herewith) available to the Fund and the Subscriber under applicable securities laws of its jurisdiction of residence or to which the Subscriber is otherwise subject, and the Subscriber shall deliver to the Fund such further particulars of the exemption and the Subscriber’s qualification thereunder as the Fund, the Manager or the Trustee may reasonably request; and
- (b) the purchase of Units by the Subscriber does not contravene any of the applicable securities laws in such jurisdiction and does not trigger: (i) any obligation to prepare and file a prospectus, an offering memorandum or similar document, or any other ongoing reporting requirements with respect to such purchase or otherwise; or (ii) any registration or other obligation on the part of the Fund.

The Subscriber acknowledges that the Manager and the Trustee are relying on the foregoing representations, warranties and covenants in determining whether the Units hereby subscribed for can be issued to the Subscriber. Dated at \_\_\_\_\_ in the Country of \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2006.

If Purchaser is an Individual,

\_\_\_\_\_  
Name of Witness (Print)

\_\_\_\_\_  
Name of Subscriber (Print)

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Subscriber or Authorized Representative

.....

If Purchaser is a Corporation,

\_\_\_\_\_  
Name of Authorized Representative

\_\_\_\_\_  
Title of Authorized Representative

# ABC FUNDS

I.A. MICHAEL INVESTMENT COUNSEL LTD.

Securities legislation requires us to obtain/provide the following information on a regular basis. This information is kept strictly confidential.

## CLIENT INFORMATION

### PERSONAL ACCOUNT

First Name: \_\_\_\_\_

Middle Name: \_\_\_\_\_

Last Name: \_\_\_\_\_

SIN: \_\_\_-\_\_\_-\_\_\_ Citizenship: \_\_\_\_\_

Date of Birth: MM/DD/YYYY

Occupation: \_\_\_\_\_

Copy of Government issued photo ID attached

### CORPORATE ACCOUNT

Corporate Name: \_\_\_\_\_

Corporate Tax No: \_\_\_\_\_

Authorized Representative: \_\_\_\_\_

Articles of Incorporation Attached

Address: \_\_\_\_\_

City: \_\_\_\_\_ Province/State: \_\_\_\_\_

Country: \_\_\_\_\_ Postal/Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

What is your risk tolerance? \_\_\_\_\_

What is your investment horizon? \_\_\_\_\_

What are your investment goals? \_\_\_\_\_

What are your liquidity needs? \_\_\_\_\_

Approximate gross annual income:  < \$150K  \$150K - \$250K  >250K

Current asset allocation: \_\_\_% Stocks \_\_\_% Money Markets \_\_\_% Fixed Income \_\_\_% Other

Approximate personal net worth: \$ \_\_\_\_\_

Do you have a Power of Attorney? No  Yes  If yes, complete Power of Attorney Form

Do you require someone other than yourself to have Access to Information and Trading Authority on your accounts? (Spouse, Accountant, etc.)? No  Yes  If yes, complete Information Authorization Form

## PRODUCT INFORMATION

Check the boxes below to confirm that you have read the Offering Memorandum and understand the fund(s) you are purchasing.

### OPEN-END FUNDS

ABC FULLY MANAGED FUND  
ABC FUNDAMENTAL VALUE FUND  
ABC AMERICAN VALUE FUND

- Focus is on all-cap value style approach.
- Equity and income securities.
- At times, funds are fully invested.
- Funds trade on the last trading day of each month.
- Official prices are updated monthly. End of month valuations only.

### CLOSED-END FUNDS

ABC NORTH AMERICAN DEEP VALUE FUND  
ABC DIRT CHEAP STOCK FUND

- More aggressive style than open-ended funds. All cap approach focusing on small capitalization shares.
- Limited liquidity.
- Funds trade on **availability** on an internal exchange at ABC Funds. I.A. Michael Investment Counsel Ltd. bears no responsibility with regard to liquidity.
- Funds trade on the last trading day of each month.

CLIENT SIGNATURE: \_\_\_\_\_

Date: MM/DD/YYYY

**NOTE:** You will be advised if your subscription is approved within 2 business days following receipt by the Manager of such subscription. See Offering Memorandum "Purchase of Units".

Account Approved by: \_\_\_\_\_

Date: MM/DD/YYYY