

MAXAM

CAPITAL MANAGEMENT

**ANNUAL INFORMATION FORM
FOR AN ALTERNATIVE MUTUAL FUND**

August 18, 2021

Class A, F, Af Founders, Ff Founders and I Units

MAXAM ARBITRAGE FUND

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise. None of the securities described in this document nor the Fund are registered with the United States Securities and Exchange Commission.

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Introduction

In this Annual Information Form,

- *We, us, our or the Manager* refers to Maxam Capital Management Ltd. (“**Maxam**”), the manager of the Fund
- *Fund* refers to the Maxam Arbitrage Fund
- *You* refers to the registered or beneficial owner of a unit of the Fund, as the context requires
- *Unit or units* refer to a unit or units of the Fund
- *Unitholders* refer to owners of units of the Fund
- *Class or Classes* refers to one or more classes of units of the Fund
- *Dealer* refers to the company where your registered representative works
- *Registered representative* refers to the representative registered in your province or territory who advises you on your investments

This Annual Information Form contains information about the Fund and is meant to supplement the information contained in the Simplified Prospectus. Additional information about the Fund will be available in the Fund’s management reports of fund performance and financial statements. You can get a copy of these documents, when available, at no cost, at your request by calling us at 604-685-0201, or from your dealer, or by email at info@maxamcm.com. You may also find these documents and other information about the Fund at www.maxamcm.com or at www.sedar.com.

Name, Formation and History of the Fund

The Fund is a unit trust established under the laws of the Province of British Columbia. The Fund was formed as of August 11, 2020 pursuant to a master trust agreement dated August 11, 2020 (the “**Trust Agreement**”) between Maxam, in its capacity as manager, and Maxam, as trustee of the Fund.

Maxam is the manager and the portfolio adviser of the Fund. The principal place of business of the Fund and Maxam is 330 – 609 Granville Street, Vancouver, British Columbia, V7Y 1A1. The registered office of Maxam is 330 – 609 Granville Street, Vancouver, British Columbia, V7Y 1A1.

The Fund has filed a Simplified Prospectus with the securities regulatory authorities in each of the Provinces and Territories of Canada, other than Québec.

Investment Restrictions and Practices

The Fund is subject to certain standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102 *Investment Funds* (“**NI 81-102**”). This legislation is designed, in part, to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. The Fund is managed in accordance with these investment restrictions and practices.

A change to the fundamental investment objectives of the Fund cannot be made without obtaining Unitholder approval. Maxam may change the Fund's investment strategies from time to time at its discretion.

It is expected that the Fund will qualify, or be deemed to qualify, as a "mutual fund trust" as defined in the *Income Tax Act* (Canada) (the "**Tax Act**") at all times. The Fund will not engage in any undertaking other than the investment of its funds in property for the purposes of the Tax Act.

Provided that the Fund qualifies, or is deemed to qualify, as a "mutual fund trust" within the meaning of the Tax Act, Units of the Fund will be qualified investments for registered plans. Investors should consult with their own tax advisors as to whether Units of the Fund would be a "prohibited investment" under the Tax Act if held in their RRSP, RRIF, TFSA, RDSP or RESP in their particular circumstances.

General Investment Practices

The Fund's assets may be invested in such securities as Maxam, as the portfolio adviser of the Fund sees fit, provided such investments do not contravene any investment restrictions or practices adopted, and the Fund may retain all or part of its assets in cash or cash equivalents. The proportion of the Fund's investment in any type or class of security or country may vary significantly.

The Fund's assets will be invested in various asset classes as determined by Maxam in accordance with the Fund's mandate.

In anticipation of or in response to adverse market conditions, for cash management purposes, for defensive purposes, for rebalancing purposes, or for purposes of a merger or other transactions, the Fund may temporarily hold all or a portion of its assets in cash, money market instruments, securities of affiliated money market funds, bonds or other debt securities. As a result, the Fund may not be fully invested in accordance with its fundamental investment objectives.

The Simplified Prospectus of the Fund contains detailed descriptions of the investment objectives, strategies and fund risks for the Fund.

Description of Securities Offered by the Fund

The Fund may have an unlimited number of Classes of Units and may issue an unlimited number of Units of each Class. The Fund currently offers Class A, Class F and Class I Units. Class A Units are available to all investors. Class Af Founders Units and Class Ff Founders Units are not currently available for purchase. We may offer Class Af Founders Units and Class Ff Founders Units for purchase in the future. Class F and Class Ff Founders Units have lower fees than Class A Units and are usually only available to investors who have fee-based accounts with dealers who have signed an agreement with us. We do not pay trailer fees to dealers who sell Class F or Class Ff Founders Units, which means we can charge a lower management fee. Your dealer is responsible for determining whether you are eligible to buy and continue to hold Class F or Class Ff Founders Units. If you are no longer eligible to hold Class F or Class Ff Founders Units your dealer is responsible for telling us to change your Units to Class A or Class Af Founders Units of the Fund or to redeem them. Class I Units are only available to private or institutional investors who have entered into an agreement with us and meet certain other conditions. No management fees are charged to the fund with respect to the Class I Units. Instead, each Class I investor negotiates a separate fee that is paid directly to us.

The minimum purchase amount for Class A Units, Class Af Founders Units, Class F Units and Class Ff Founders Units by investors is \$1,000 or such lesser amount as Maxam in its sole discretion may accept. The minimum purchase amount for Class I Units is negotiable.

Without your consent or notice to you, Maxam may establish additional Classes of Units of the Fund and may determine the rights as between those Classes.

Distribution Rights

All Unitholders of the Fund participate in distributions and each Class of the Fund ranks equally with the other Classes of the Fund in the payment of such distributions. Each Class of the Fund is entitled to its share of adjusted net income of the Fund. Adjusted net income is the Fund's net income adjusted for specific expenses of the Fund attributable to that Class. To the extent that distributions made during a year exceed the net income and net realized capital gains available for distributions which are allocated amongst Classes as described above, such distributions may include a return of capital. Distributions will be made at the times set forth in the Simplified Prospectus in respect of the Fund. For information about how distributions can affect your taxes, see the section titled *Income Tax Considerations*.

Liquidation Rights

A Class of the Fund will generally be entitled to a distribution in the event of dissolution of the Fund. The distribution is equal to that Class's share of the net assets of the Fund after adjustment for expenses of the Fund attributable to the Class.

Redemption

All Units of the Fund are redeemable as described under the heading *Purchases, Switches and Redemptions – Redeeming Units*.

Reclassifications

You can reclassify from one Class of Units to another Class of Units within the Fund (commonly referred to as "switching") provided that you meet certain criteria that may be established by Maxam as manager of the Fund to hold Units of such other Class. Reclassifications from Class to Class within the Fund are not considered a disposition for income tax purposes.

Voting Rights

Each holder of a whole Unit of the Fund is entitled to one vote at all meetings of the Fund except meetings at which the holders of another Class of Units have a right to vote separately as a class.

The Fund does not hold regular meetings. Unitholders are permitted to vote on all matters that require Unitholder approval under NI 81-102.

The rights and conditions attaching to the Units of the Fund may be modified only in accordance with the provisions attaching to such Units set forth in the Trust Agreement of the Fund.

You will receive notice in advance of any significant proposed changes in the Fund in which you are a Unitholder, except for routine administrative or compliance changes that would not have an adverse monetary impact on your investment.

Net Asset Value

Calculation of Net Asset Value

The Unit price of each Class of the Fund is called the net asset value (“NAV”) per Unit of such Class. SGGG Fund Services Inc. calculates the Unit price of each Class of the Fund by:

- adding up the assets of the Fund and determining the share of the Class;
- subtracting the proportionate share of the Class of the aggregate amount of expenses common to all Classes;
- subtracting the expenses of the Fund that are specific to the Class; and
- dividing by the number of Units of the Class held by Unitholders.

When you buy, sell or switch Units of the Fund, the price per Unit is the next NAV per Unit SGGG Fund Services Inc. calculates after receiving your order.

We usually calculate the NAV of each Class of the Fund at the end of each business day. A business day is any day that the Toronto Stock Exchange (“TSX”) is open. If your buy, switch, or sell order is received before 4:00 p.m. Toronto time on a business day, it will be processed based on the NAV calculated that day. If your order is received after 4:00 p.m. on a business day, it will be processed on the next business day based on that day’s NAV. If the TSX’s trading hours are shortened on a given day or for other regulatory reasons, we may change the 4:00 p.m. deadline. The NAV and the NAV per Unit of each Fund will be made available at www.fundata.com at no cost.

Under National Instrument 81-106 *Investment Fund Continuous Disclosure* (“NI 81-106”), the net asset value of all public investment funds, including the Fund, must be calculated in accordance with International Financial Reporting Standards (“IFRS”) for the purpose of the Fund’s financial statements. In accordance with NI 81-106, the fair value of a portfolio security used to determine the unit value of a fund’s securities for purchases and redemptions will be based on the valuation principles set out below, which are generally consistent with the valuation principles under IFRS.

Valuation of Securities and Liabilities

In calculating the NAV, the Fund values its assets as described below. We may deviate from these valuation practices in circumstances where this would be appropriate, for example, if the Fund has suspended the determination of its NAV.

- Liquid assets (which includes cash on hand or on deposit, bills and demand notes, accounts receivable, prepaid expenses, cash dividends (including unpaid but declared dividends provided that the record date for such dividends is on or before the date of determination of the NAV) and interest accrued and not yet received) will be valued at their full face amount unless SGGG Fund Services Inc. and the Manager determines that any such deposit, bill, demand note, accounts receivable, prepaid expense, cash dividend or interest amount is not worth the full face value, in which event the value shall be the fair value as determined by SGGG Fund Services Inc. and the Manager;

- Securities, including index futures or index options, listed on a stock exchange or traded on an over-the-counter market will be valued at the closing sale price or, if there is no closing sale price, the average of the closing bid and closing asked price or lacking any recent sales or any record thereof, the latest available sale price or latest available bid price all as reported by any report in common use;
- Securities and other assets for which market quotations are not readily available or to which, in the opinion of the Manager, the above principles cannot be applied, will be valued at their fair value on the date of determination of the NAV in a manner determined by the Manager in its discretion;
- The value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or by the Fund's predecessor in title or by law shall be the lesser of (i) the value thereof based on reported quotations in common use; and (ii) that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restrictions will be lifted is known;
- The value of any security which is a debt instrument shall be the last price at which the instrument traded on a valuation day. If no trades are reported then the valuation shall be the average of the closing bid and ask prices on a valuation day;
- Long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- Where a clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV of the Fund. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at their current market value;
- The value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at the valuation time, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- Margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- All property of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources; and
- The liabilities of the Fund shall be deemed to include all liabilities of the Fund of whatsoever kind and nature except liabilities represented by outstanding Units and, for greater certainty but without limitation, include:

- (i) all bills, notes and accounts payable;
- (ii) all administrative expenses accrued, including fees payable to Maxam;
- (iii) all obligations for the payment of money or property, including distributions of net income and net realized capital gains, if any, declared accrued or credited to Unitholders but not yet paid on the day before the day as of which the Unit value is being determined; and
- (iv) all allowances authorized or approved by the Fund for taxes (if any) or contingencies.

The value of any security or property to which, in the opinion of SGGG Fund Services Inc. and the Manager, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as provided, or for any other reason) shall be the fair value thereof determined in such manner as SGGG Fund Services Inc. and the Manager from time to time provides.

For the purpose of determining NAV at any time, Units of the Fund subscribed for will be deemed to be outstanding as of the time a subscription for Units is received by or on behalf of the Fund and the amount received or receivable by the Fund therefor will be deemed to be an asset of the Fund. Units for which an application for redemption has been received by the Fund will be deemed to be outstanding until (and not after) the close of business on the day as of which the NAV thereof is determined for the purpose of a redemption and thereafter, until paid, the NAV of such Units will be deemed to be a liability of the Fund.

For the purpose of the issuance and the redemption of Units of the Fund and for any distribution to Unitholders, the price, value or amount distributed by or paid to or by the Fund will be in Canadian funds and for the purpose of all necessary conversions of funds from foreign to Canadian currency, the rate of exchange obtained from the best available sources will be used.

Purchases, Switches and Redemptions

Buying Units

You can buy Class A Units, Class F Units or Class I Units of the Fund through the Manager, your dealer or other distributor approved by Maxam. Class Af Founders Units and Class Ff Founders Units are not currently available for purchase. We may offer Class Af Founders Units and Class Ff Founders Units for purchase in the future. You can buy Units at any time. Your dealer, or other approved distributor, will forward your completed purchase order to Maxam for processing:

- on the business day on which your order is received, if it is received before 4:00 p.m. Toronto time on that day; or
- on the following business day in all other cases.

Whenever practicable, your dealer, or other approved distributor, is required to send your purchase order as soon as possible. It is the responsibility of your dealer, or other approved distributor, to send orders in a timely manner. Your dealer, or other approved distributor, is responsible for any costs associated with sending orders. All orders submitted by your dealer must be placed through FundServ.

When you buy Units of the Fund, your dealer or the record-keeper will send you a confirmation notice, which is proof of your purchase. The purchase price per Class of Units is based on the NAV per Unit next determined after your completed order is received.

Your dealer may make provisions in arrangements that it has with you that will require you to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of Units of the Fund caused by you.

Class A Units are available to all investors. Class F Units and Class Ff Founders Units have lower fees than Class A Units and Class Af Founders Units, respectively, and are usually only available to investors who have fee-based accounts with dealers who have signed an agreement with us. We do not pay trailer fees to dealers who sell Class F Units or Class Ff Founders Units, which means we can charge a lower management fee. Your dealer is responsible for determining whether you are eligible to buy and continue to hold Class F Units or Class Ff Founders Units. If you are no longer eligible to hold Class F Units or Class Ff Founders Units your dealer is responsible for telling us to change your Units to Class A Units or Class Af Founders Units of the same fund or to redeem them. Class I Units are only available to private or institutional investors who have entered into an agreement with us and meet certain other conditions. No management fees are charged to the Fund with respect to the Class I Units. Instead, each Class I investor negotiates a separate fee that is paid directly to us. We reserve the right to restrict the availability of Class Ff Founders and Af Founders Units.

Minimum Investment

The minimum initial investment in the Fund is \$1,000. We may waive the minimum initial investment amount in certain circumstances such as related party accounts. Generally, each additional investment must be at least \$50, save for certain circumstances in the discretion of Maxam.

The Regulatory Rules for Buying

Below are the rules for buying Class A Units, Class F Units or Class I Units. Class Af Founders Units and Class Ff Founders Units are not currently available for purchase. We may offer Class Af Founders Units and Class Ff Founders Units for purchase in the future. These rules were established by securities regulatory authorities:

- The Trustee must receive payment for the purchase of Units within two business days of receiving the order (or before such other deadline as we may establish from time to time in accordance with applicable securities laws).
- If the Trustee does not receive payment within two business days, we are required to sell your Units at the close of business on the next business day. If the proceeds are greater than the payment you owe, the Fund keeps the difference. If the proceeds are less than the payment you owe, your dealer, or other approved distributor, is required to pay the Fund the difference, and may in turn collect this amount from you.
- We have the right to refuse any order to buy Units within one business day of receiving it. If we reject your order, we will return your money immediately, without interest.

Switches

When you reclassify from one Class of Units to another Class of Units within the Fund (commonly referred to as “switching”), the value of your investment will not change, but the number of Units you hold will change. This is because each Class has a different Unit price. In general, a reclassification is not considered a disposition for income tax purposes.

Redeeming Units

You can redeem your Units by contacting your dealer, or other approved distributor through whom you purchased your Units, who will forward your order for processing:

- on the business day on which your redemption order is received, if it is received before 4:00 p.m. Toronto time on that day; or
- on the following business day in all other cases.

The redemption price of the Units is based on the NAV per Unit of the Fund next determined after we receive your completed redemption order. When you redeem your Units, you receive the proceeds of your redemption in cash.

Your dealer may make provisions in arrangements that it has with you that will require you to compensate the dealer for any losses suffered by the dealer in connection with any failure of you to satisfy the requirements of the Fund or securities legislation for a redemption of Units of the Fund.

The Rules for Redemption

Below are the rules for redeeming Units:

- The Trustee will pay the proceeds of the sale to you. The Trustee makes payments by cheque or wire payment, within two business days of receiving a complete sale order (or before such other deadline as we may establish from time to time in accordance with applicable securities laws).
- You pay no sales charge when you redeem Class F Units, Class Ff Founders Units or Class I Units of the Fund. At its sole discretion, Maxam may charge a short-term trading fee of 2% if you redeem or switch your Units within 30 days of buying them. Please see the section titled *Purchases, Switches and Redemptions* for more information.

Suspension of Right of Redemption

The law allows us to suspend your right to redeem Units when:

- normal trading is suspended on an exchange on which securities are listed and traded, or on which permitted derivatives are traded, if those securities or derivatives represent more than 50% by value, or underlying market exposure, of the total assets of the Fund without allowance for liabilities and if those securities or derivatives are not traded on any other exchange that represents a reasonable practical alternative for the Fund; or
- permission from securities regulatory authorities is received.

While your right to redeem Units is suspended, we won't accept orders to buy Units of the Fund. You may withdraw your redemption order before the end of the suspension period. Otherwise, we'll redeem your Units at the next price calculated after the suspension period ends.

Responsibility for Fund Operations

The Manager

Maxam Capital Management Ltd., a corporation incorporated under the laws of British Columbia with offices located at 330 – 609 Granville Street, Vancouver, British Columbia, V7Y 1A1, is the manager of the Fund. You can contact us by telephone at 604-685-0201, by facsimile at 604-685-9970 or by e-mail at info@maxamcm.com.

Maxam has been appointed to act as the manager of the Fund pursuant to the terms of a management agreement dated August 11, 2020 (the “**Management Agreement**”) between Maxam, in its capacity as manager of the Fund, and Maxam, as trustee of the Fund. Under the terms of the Management Agreement, Maxam is responsible for providing or arranging for the Fund’s investment management, marketing and distribution of Units. A change in the manager of the Fund (other than to an affiliate of Maxam) may be made only with the approval of the Unitholders of the Fund.

Our Directors, Executive Officers and Portfolio Managers

The names, municipalities of residence and principal occupations of the directors, executive officers and portfolio managers of Maxam during the last five years are as follows:

Name and Municipality of Residence	Position With Maxam	Principal Occupation Within the Five Preceding Years
TRAVIS DOWLE, CFA Vancouver, BC	President, Fund Manager, Director and Ultimate Designated Person	President and Fund Manager, Maxam Capital Management Ltd.
SEAN MORRISON, CA Vancouver, BC	Director	CEO, Diversified Royalty Corp.
BRIAN HIKISCH, CFA Vancouver, BC	Portfolio Manager, Director	CCO, Associate PM, Maxam Capital Management Ltd.
BEN MACFADYEN, CFA Vancouver, BC	Chief Operating Officer, Chief Compliance Officer	COO Maxam Capital Management Ltd.

Travis Dowle

Travis Dowle is the President, Fund Manager and a director of Maxam and is responsible for providing investment advice to the Fund on behalf of Maxam. Previously, Mr. Dowle was Vice President, Portfolio Investments at Gibralt Capital and Second City Capital, both Vancouver-based private equity groups. Prior to that, Mr. Dowle was a portfolio manager for HSBC Global Asset Management. Prior to that, Mr. Dowle held various investment and research positions with HSBC and M.K. Wong & Associates.

Mr. Dowle has over 20 years of experience in the capital markets and investment industry, is a graduate of the University of Western Ontario and holds the Chartered Financial Analyst (CFA) designation. Mr. Dowle is a past guest instructor for Stalla’s CFA preparation program on equity valuation techniques and capital markets theory.

Sean Morrison

Sean Morrison is a director of Maxam. Mr. Morrison is also a Managing Partner of Maxam Opportunities II GP Ltd., which is a pool of capital for opportunistic structured investments including mezzanine loans, bridge loans and private equity investments. Previously, Mr. Morrison was partner at Capital West Partners, advising companies across Canada with respect to capital raising (senior debt, subordinated debt and private equity), IPOs, debt restructurings, asset sales, acquisitions, valuations and fairness opinions. Mr. Morrison is also the President and Chief Executive Officer of Diversified Royalty Corp. and serves on the board of goeasy Ltd.

Mr. Morrison has over 20 years of experience in the capital markets and investment industry, is a graduate of the University of British Columbia with a Bachelor Degree in Commerce and holds the Chartered Accountant designation.

Brian Hikisch

Brian Hikisch is a Portfolio Manager and director of Maxam Capital Management Ltd. As a member of Maxam's investment team Mr. Hikisch supports the firm's research process, monitors existing holdings, conducts security analysis and helps generate new ideas. Prior to joining Maxam, Mr. Hikisch worked as an investment analyst for a value-oriented investment fund, an Equity Research Associate with Raymond James Ltd. and an Investment Banking Analyst with National Bank Financial. Mr. Hikisch holds the Chartered Financial Analyst (CFA) designation and graduated from the University of British Columbia with a Bachelor of Commerce degree (Major in Finance).

Ben Macfadyen

Ben Macfadyen is Chief Operating Officer at Maxam Capital Management Ltd. Mr. Macfadyen is responsible for managing operations for the firm. Additionally, as the firm's Chief Compliance Officer Mr. Macfadyen is responsible for managing Maxam's compliance responsibilities and obligations. Prior to joining Maxam, Mr. Macfadyen served as Chief Operating Officer for a Toronto-based event driven hedge fund and more recently as an institutional equity trader with CIBC World Markets in Vancouver. Mr. Macfadyen holds the Chartered Financial Analyst (CFA) designation and graduated from the University of British Columbia with a Bachelor of Commerce degree (Major in Finance).

Brokerage Arrangements

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions, are made by Maxam.

The primary consideration in all portfolio transactions will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers and negotiating commissions, Maxam considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Fund or to Maxam. Such research and order execution goods and services include advice, both directly and in writing, as to the value of securities; the advisability of investing in, purchasing or selling securities; the availability of securities, or purchasers or sellers of securities; analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy or the performance of accounts; trading software; market data; custody, clearing and settlement services that were directly related to executed orders; as well as databases and software that supported these goods and services. Dealers and third parties may provide the

same or similar goods and services in the future. The users of these research and order execution goods and services are portfolio managers, research analysts and traders. Such services allow Maxam to supplement its own investment research activities and obtain the views and information of others prior to making investment decisions. Maxam is of the opinion that, because this material may be analyzed and reviewed by its staff, its receipt and use does not tend to reduce expenses but may benefit the Fund by supplementing Maxam's research. Maxam conducts trade cost analysis to ensure that the Fund receives a reasonable benefit considering the use of the research and order execution goods and services, as applicable, and the amount of the brokerage commission paid. Maxam also makes a good faith determination that the Fund receives reasonable benefit considering the use of the goods and services, the amount of brokerage commissions paid, the range of services and the quality of research received.

If brokerage transactions involving the client brokerage commissions of the Fund, other than order execution, are directed to a dealer or a third party in return for the provision of any goods or services by the dealer or by a third party, the names of the dealers or third parties will be provided upon request by contacting Maxam at 604-685-0201 or at maxamcm.com.

The Trustee

Maxam acts as the trustee of the Fund pursuant to the Trust Agreement.

Custodian

TD Securities Inc., of Toronto, Ontario, has been appointed to act as the custodian of the Fund pursuant to a custody agreement between us and TD Securities Inc. dated August 11, 2020. As custodian, TD Securities Inc. receives and holds all cash, portfolio securities and other assets of the Fund for safekeeping. Under the terms of the Trust Agreement and subject to applicable laws, the custodian may appoint one or more sub-custodians to effect portfolio transactions outside of Canada.

Securities Lending Agent

As of the date of this Annual Information Form, we have not appointed a securities lending agent for the Fund, however, we may appoint a securities lending agent for the Fund in the future. Under the terms of any securities lending agreement entered into in respect of the Fund, the securities lending agent will be required to act as agent for securities lending transactions and to execute securities lending agreements with borrowers on behalf of the Fund in accordance with NI 81-102, the collateral received by the Fund in any securities lending transaction must have a market value equal of at least 102% or such greater amount specified by NI 81-102, and the securities lending agent will be required to indemnify the Fund against any direct loss that is the result of negligence, fraud or wilful misconduct of the securities lending agent.

Prime Broker

TD Securities Inc., of Toronto, Ontario, is the prime broker of the Fund. Pursuant to the terms of a prime brokerage services agreement dated August 11, 2020, TD Securities Inc. provides prime brokerage services to the Fund, including trade execution and settlement, securities lending in connection with the short sale strategies of the Fund, and cash borrowing for investment purposes in accordance with the investment objectives and strategies of the Fund. The Fund may appoint additional prime brokers from time to time.

Cash Lender

TD Securities Inc. has entered into an agreement to lend money to the Fund. TD Securities Inc. is not an affiliate of the Fund.

Auditor

The auditor conducts an audit of the annual financial statements of the Fund in accordance with Canadian auditing standards. The auditor of the Fund is KPMG LLP, of Vancouver, British Columbia.

Record-keeper

SGGG Fund Services Inc. (“SGGG”) of Toronto, Ontario is the record-keeper and fund administrator for the Fund. As such, SGGG is responsible for keeping a register of all Fund investors. Maxam and SGGG have entered into a services agreement dated August 11, 2020 in connection with these services.

Conflicts of Interest

Principal Holders of Securities

As of July 28, 2021, the directors and executive officers of the Manager beneficially hold 73.08% of the outstanding securities of the Manager. JTD Holdings Ltd. owns 291,667 Class A shares of the Manager, representing 50% of the voting securities of the Manager, and 322,368.5 Class B shares of the Manager which have no voting rights attached.¹ Maxam Capital Corp. owns 269,208.6 Class A shares of the Manager, representing 46.15% of the voting securities of the Manager, and 297,546.1. Class B shares of the Manager which have no voting rights attached.²

As of July 28, 2021, the directors and executive officers of the Manager hold, directly or indirectly, voting or equity securities of the Fund as follows:

<u>Investor</u>	<u>Class</u>	<u>Number of Securities</u>	<u>% of Class</u>
Maxam Capital Management Ltd.	A	101.90	1.96%
Brian Hikisch	Af	5,232.67	4.71%
Jay Travis Dowle	Af	316.89	0.29%
Maxam Capital Management Ltd.	Af	101.17	0.09%
Sean Morrison	Af	2,003.35	1.80%
Tri-X Capital Corp. ³	Af	4,781.35	4.30%
Maxam Capital Management Ltd.	F	100.53	0.06%
Maxam Capital Management Ltd.	Ff	101.22	0.04%
Ben Macfadyen	I	10,188.14	10.29%
Brian Hikisch	I	1,018.81	1.03%
JTD Holdings Inc.	I	32,223.25	32.53%
Maxam Capital Management Ltd.	I	14,874.69	15.02%
Tri-X Capital Corp.	I	20,376.28	20.57%

¹ Travis Dowle is the sole shareholder of JTD Holdings Ltd.

² Sean Morrison owns 50% of the issued and outstanding shares of Maxam Capital Corp.

³ Sean Morrison is the sole shareholder of Tri-X Capital Corp.

In addition, Sean Morrison, director of Maxam Capital Management Ltd, owns 1,038,377 common shares, 222,453 restricted share units and 2,666,667 purchase options of Diversified Royalty Corp., a company which provides office space and office administration services to Maxam Capital Management Ltd. pursuant to a services agreement.

As of July 28, 2021, the below owners of record, to the knowledge of the Manager, own beneficially, directly or indirectly, more than 10% of each respective class of the Fund. To protect the privacy of investors, we have omitted the names of individual investors. This information is available on request by contacting us directly.

<u>Investor</u>	<u>Class</u>	<u>Number of Securities</u>	<u>% of Class</u>
Investor 1	A	1,022.70	19.64%
Investor 2	A	960.79	18.45%
Investor 3	A	578.69	11.11%
Investor 4	A	578.69	11.11%
Investor 5	A	564.26	10.83%
Investor 6	Af	39,978.26	35.98%
Investor 7	Af	15,897.18	14.31%
Investor 8	F	47,184.50	26.68%
Investor 9	F	24,253.24	13.71%
Investor 10	F	23,866.35	13.50%
Investor 11	F	23,597.15	13.34%
Investor 12	Ff	28,525.79	10.66%
Investor 13	I	20,376.28	20.57%

As of July 28, 2021, the Trustee holds, directly or indirectly, equity securities of the Fund as follows:

<u>Investor</u>	<u>Class</u>	<u>Number of Securities</u>	<u>% of Class</u>
Maxam Capital Management Ltd.	A	101.90	1.96%
Maxam Capital Management Ltd.	Af	101.17	0.09%
Maxam Capital Management Ltd.	F	100.53	0.06%
Maxam Capital Management Ltd.	Ff	101.22	0.04%
Maxam Capital Management Ltd.	I	14,874.68	15.02%

As of July 28, 2021, the members of the Independent Review Committee do not hold, directly or indirectly, any voting or equity securities of any of the Fund, the Manager or any person or company that provides services to the Fund or the Manager.

Affiliated Entities

No person or company that is an affiliate of Maxam provides services to the Fund.

Promoter

Maxam is the promoter of the Fund.

Fund Governance

The Fund is structured as a trust and is governed by the Trust Agreement. The duties of the Trustee and the Manager of the Fund are separately set out in the Trust Agreement, with Maxam, as manager, having responsibility for arranging for investment management, marketing and the offering of Units. The board of directors of Maxam is responsible for the compliance by Maxam with the terms of the Trust Agreement and the requirements of relevant legislation applicable to investment management, marketing and the offering of Units.

Maxam has established appropriate policies, procedures and guidelines to ensure the proper management of the Fund. The systems implemented monitor and manage the business and sales practices, risks and internal conflicts of interest relating to the Fund while ensuring compliance with regulatory and corporate requirements.

Maxam markets the Fund to dealers. In doing so, Maxam requires its employees involved in the marketing function to become knowledgeable regarding regulatory limitations and requires marketing material to be reviewed by the compliance officer.

Derivative Instruments

The Fund may only invest in or use derivative instruments that are consistent with the investment objectives of the Fund. Investing in and using derivative instruments are subject to certain risks. The Fund may only make use of “specified derivatives” within the meaning of Canadian securities regulatory requirements, which include clearing corporation options, futures contracts, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants. The Fund may invest in or use such specified derivatives for hedging purposes and for non-hedging purposes as permitted by Canadian securities regulators if cash and securities are set aside to cover the positions. The Fund may only invest in or use derivative investments that are consistent with the investment objectives of the Fund.

The Fund may use derivatives with the intention to offset or reduce a risk associated with an investment or group of investments. These risks include currency value fluctuations, stock market risks and interest rate changes. In addition, the Fund may use derivatives rather than direct investments to reduce transaction costs, achieve greater liquidity, and create effective exposure to international financial markets or increase speed and flexibility in making portfolio changes. The Fund may seek to enhance the returns to the Fund through the use of derivatives, including by seeking to reduce the potential for loss or by accepting a more certain lower return rather than seeking a less certain higher potential return. Derivatives may be used by the Fund to position themselves so that they may profit from declines in financial markets.

The Fund may also: (i) write exchange or over-the-counter put or call options if the Fund holds and continues to hold, as long as the position remains open, an equivalent quantity of the underlying interest, or a right or obligation to acquire or sell, as the case may be, such underlying interest, together with any required amount of cash or securities; and (ii) use for non-hedging purposes futures, forward contracts and

debt-like securities that have a component that is a long position in a forward contract if cash and securities are set aside to cover the positions. Other than the foregoing, the Fund has not adopted any written policies or procedures setting out the objectives and goals for derivatives trading.

Repurchase and Reverse Repurchase Agreements

The Fund may enter into repurchase agreements, provided that not more than 50% of the net assets of the Fund may be at risk under these repurchase agreements unless Canadian securities regulatory authorities allow the Fund to invest in a greater amount. Through a repurchase agreement, the Fund sells a security at one price and concurrently agrees to buy it back from the buyer at a fixed price. Investments in repurchase agreements may be subject to certain risks. In the event of bankruptcy of the other party to the repurchase agreement, the Fund could experience delays in receiving payment. However, we attempt to minimize the risk of loss to the Fund by having risk management policies.

Securities Lending

Securities lending involves lending for a fee portfolio securities held by the Fund for a set period of time to willing, qualified borrowers who have posted collateral. The Fund may enter into securities lending arrangements to the extent permitted under securities law. In lending its securities, the Fund is subject to the risk that the borrower may not fulfill its obligations, leaving the Fund holding collateral worth less than the securities they have loaned, resulting in a loss to the Fund. In the event of bankruptcy of the other party to the repurchase agreement, the Fund could experience delays in receiving payment.

Risk Management

Various measures to assess risk are used including mark to market security valuation, fair value accounting and monthly reconciliations of security positions and weekly reconciliations of cash positions. Compliance monitoring of the Fund's portfolio is ongoing. The Fund is priced daily which ensures that performance accurately reflects market movements.

Policies on Securities Lending, Repurchase and Reverse Repurchase Transactions

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions to earn additional income. The Fund may enter into these transactions only as permitted under securities law. For details about how the Fund may engage in these transactions see "*Securities Lending, Repurchase and Reverse Repurchase Transaction Risk*" in Part B of the Simplified Prospectus. The risks associated with these transactions will be managed by requiring that the Fund enter into such transactions with well-established Canadian and foreign brokers, dealers and institutions. Each day, the Fund will determine the market value of both the securities loaned under a securities lending transaction or sold under a repurchase transaction and the cash or collateral held for such transactions. If on any day the market value of the cash or collateral is less than 102% of the market value of the security sold (for a repurchase transaction), cash loaned (for a reverse repurchase transaction) or security loaned (for a securities lending transaction) on the next day the counterparty will be required to provide additional cash or collateral to the Fund to make up the shortfall. The Fund cannot lend more than 50% of the total value of its assets through securities lending or repurchase transactions. The portfolio managers are responsible for managing the risk associated with the use of derivatives. In addition, the portfolio managers ensure adequate diversification, liquidity, investment quality and any forthcoming liabilities/redemptions of the Fund. No stress testing is conducted specifically with respect to the derivative positions maintained by the Fund. However, the portfolio managers do perform a review of risk exposure on the Fund. The Manager will review at least annually the policies and procedures described above to ensure that the risks associated with securities lending, repurchase and reverse repurchase transactions are being properly managed.

Short Term Trades

The interest of Fund investors and the Manager's ability to manage Fund investments may be adversely affected by excessive short-term trading because, among other things, these types of trading activities can dilute the value of Fund securities, can interfere with the efficient management of the Fund's portfolio and can result in increased brokerage and administrative costs. The Fund has no written policies or procedures for monitoring, detection or deterrence of short-term trades of mutual fund securities by investors, except in relation to requests for redemption.

If you redeem your Units within 30 days of purchase, at the sole discretion of the Manager, you may be charged a short-term trading fee of 2.0% of the NAV of the Units being redeemed. This amount is charged on behalf of, and is paid to, the Fund.

Independent Review Committee

Pursuant to National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"), an Independent Review Committee ("IRC") has been established for the Fund, and is comprised of the following members, each of whom is independent from Maxam.

<u>Name and Municipality of Residence</u>	<u>Background Information</u>
CHRISTOPHER WALLACE North Vancouver, BC Chair of IRC	Mr. Wallace is a Managing Director for CCC Investment Banking in Vancouver, British Columbia. Mr. Wallace has over 30 years of experience as both a lender and a private equity fund manager and has been involved in over 150 M&A and debt transactions.
JUSTIN KATES Vancouver, BC	Mr. Kates is a partner at the law firm of DuMoulin Black LLP, based in Vancouver, British Columbia. Mr. Kates practices primarily in the areas of securities, corporate finance, mergers and acquisitions, and corporate and commercial law.
THEONI PILARINOS Burnaby, BC	Ms. Pilarinos is Finance Director of Mining at Finning Canada. Ms. Pilarinos has over 15 years of corporate and investment industry experience, including more than eight years as an Equity Analyst at Raymond James, and holds the Chartered Financial Analyst designation.

The IRC provides independent oversight and impartial judgment on conflicts of interest involving the Fund. The IRC functions in accordance with NI 81-107, which requires the Manager to have policies and procedures relating to conflicts of interest. Among other things, the IRC prepares annually a report of its activities for Unitholders of the Fund which is available on our website at www.maxamcm.com or, at your request, and at no cost to you, by calling 604-685-0201. The Fund will pay the fees and expenses of the IRC.

Proxy Voting Policies and Procedures

Maxam, as manager of the Fund, has established policies and procedures in relation to voting on matters for which the Fund receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer. Under the guidelines, the primary responsibility of Maxam in respect of proxy voting is to maximize positive economic effect on the Fund's value and to protect the Fund's rights as a shareholder in the best interests of the Fund. The guidelines include discussion regarding particular matters brought to a vote but the guidelines are not exhaustive. Maxam may depart from the guidelines on specific matters addressed in the policy where Maxam believes it is necessary to do so in the best interests of the Fund and its securityholders. The Fund is considered to have received a solicitation at the time they receive notice at their office. In the event Maxam does not receive a solicitation within sufficient time to execute a vote or the proxy is not submitted to the issuer in the time required, the Fund will not be able to vote on the matters solicited.

The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by e-mailing us at info@maxamcm.com or by writing to us at:

Maxam Capital Management Ltd.
330 – 609 Granville Street,
Vancouver, British Columbia, V7Y 1A1.

The following are the guidelines on commonly raised matters:

- **Elections of Directors:** Unless there is a proxy fight for seats on the board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favour of the management proposed slate of directors. We may withhold votes for directors who fail to act on key issues, who fail to regularly attend board meetings or for any director nominee deemed to be an insider who also serves on the board's audit or compensation committees.
- **Appointment of Auditors:** We believe that the company remains in the best position to choose the auditors and will generally support management's recommendation. We may vote against the appointment of auditors if the fees for non-audit related services are disproportionate to the total audit fees paid by the company or there are other reasons to question the independence of the company's auditors.
- **Changes in Capital Structure:** Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature. Absent a compelling reason to the contrary, we will cast our votes in accordance with the company's management on such proposals. However, we will review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company.
- **Corporate Restructures, Mergers and Acquisitions:** We believe proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, we will analyze such proposals on a case-by-case basis, considering also the views of the research analysts that cover the company.
- **Proposals Affecting Shareholder Rights:** We believe that certain fundamental rights of shareholders must be protected. We will generally vote in favour of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights.

However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

- **Corporate Governance:** We recognize the importance of good corporate governance in ensuring that management and the board of directors fulfill their obligations to the shareholders. We favour proposals promoting transparency and accountability within a company.
- **Anti-Takeover Measures:** We believe that measures that impede takeovers or entrench management not only infringe on the rights of shareholders but may also have a detrimental effect on the value of the company. We will generally oppose proposals, regardless of whether they are advanced by management or shareholders, the purpose or effect of which is to entrench management or dilute shareholder ownership. Conversely, we support proposals that would restrict or otherwise eliminate anti-takeover measures that have already been adopted by corporate issuers.
- **Executive Compensation:** We believe that company management and the compensation committee of the board of directors should, within reason, be given latitude to determine the types and mix of compensation and benefit awards offered. Whether proposed by a shareholder or management, we will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. We will analyze the proposed plans to ensure that shareholder equity will not be excessively diluted, the option exercise price is not below market price on the date of grant and an acceptable number of employees are eligible to participate in such programs.
- **Social and Corporate Responsibility:** We will review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on shareholder value. We will vote against proposals that are unduly burdensome or result in unnecessary and excessive costs to the company. We may abstain from voting on social proposals that do not have a readily determinable financial impact on shareholder value.

Proxy Voting Record

As manager, Maxam will compile and maintain annual proxy voting records for the Fund for the annual periods beginning July 1 in a year and ending June 30 of the following year. After completion of an annual period, the proxy voting record will be made available on the Maxam website by August 31 following the end of each annual period. Maxam will deliver a copy of the Fund's proxy voting policies and guidelines and/or proxy voting record free of charge to Unitholders of the Fund upon request, for each request made after August 31 of that year.

Income Tax Considerations

The following general summary fairly presents the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, for the Fund and for holders of Units who, for the purposes of the Tax Act are resident in Canada, hold such securities as capital property and deal with the Fund at arm's length. This summary is based upon the current provisions of the Tax Act and regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance (Canada) (the "**Minister**") prior to the date hereof (the "**Tax Proposals**") and current published administrative and assessing policies of the Canada Revenue Agency ("**CRA**"). This summary does not take into account or anticipate any changes in law other than the Tax Proposals whether by legislative, administrative or judicial action, and it does not take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is based on the assumption that the Fund will qualify as a “mutual fund trust” within the meaning of the Tax Act effective from the date of its creation in 2020 and at all times thereafter. If the Fund were not to so qualify, the tax considerations would differ materially and adversely in some respects from those described below. See the section titled *Income Tax Considerations – Non-Qualification as a Mutual Fund Trust* for more information.

This summary is of a general nature only and is not exhaustive of all possible income tax considerations. Therefore, prospective Unitholders are advised to consult their own tax advisers about their individual circumstances.

Taxation of the Fund

Generally, the Fund will be subject to tax under Part I of the Tax Act to the extent that their income, including net taxable capital gains, is not distributed or made payable to Unitholders at the end of each calendar year. It is the intention of the Fund to distribute or make payable each year their net income and net realized capital gains to such an extent that it will not be liable in any year for income tax under Part I of the Tax Act (after taking into account available loss carryforward amounts and the capital gain refund mechanism). In certain circumstances, losses of the Fund may be suspended or restricted, and therefore would be unavailable to shelter capital gains or income.

All of the Fund’s deductible expenses, including expenses common to all Unit Classes of the Fund and management and performance fees and other expenses specific to a particular Class of the Fund, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

The Fund are required to compute their income and gains for tax purposes in Canadian dollars and may therefore realize foreign exchange gains or losses that will be taken into account in computing their income for tax purposes.

Upon the actual or deemed disposition of a security in its portfolio which is not the subject of a short sale, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. In such circumstances, the Fund will realize ordinary income (or losses). The Manager has advised that the Fund will purchase securities (other than derivative instruments and securities purchased as part of a short sale) with the objective of earning income thereon and will take the position that gains and losses realized on the disposition of those securities are capital gains and capital losses. The Manager has also advised that the Fund will elect in accordance with the Tax Act to have each of its “Canadian securities” as defined in the Tax Act, including Canadian securities acquired in connection with a short sale, treated as capital property.

Generally, the Fund may include gains and deduct losses on income account in connection with their derivative activities and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. In certain circumstances, if derivatives are utilized as a hedge gains and losses may be treated on account of capital. The derivative forward agreement rules in the Tax Act (the “**DFA Rules**”) target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on investments that would have the character of ordinary income to capital gains. The DFA Rules will generally not apply to derivatives used to closely hedge gains or losses due to currency fluctuations on underlying capital investments of the Fund. Hedging, other than currency hedging on underlying capital investments, which reduces tax by converting

the return on investments that would have the character of ordinary income to capital gains through the use of derivative contracts, will be treated by the DFA Rules as on income account.

Non-Qualification as a Mutual Fund Trust

If at any time in a year the Fund which does not qualify as a “mutual fund trust” within the meaning of the Tax Act has an investor that is a “designated beneficiary” within the meaning of the Tax Act, the Fund may be subject to a special tax at a rate of 40% under Part XII.2 of the Tax Act on its “designated income” within the meaning of the Tax Act. A “designated beneficiary” includes a non-resident person and could include certain Funds that invest in other Funds. “Designated income” includes income from carrying on business in Canada (which may include gains on certain derivatives) and capital gains from dispositions of “taxable Canadian property” within the meaning of the Tax Act. Where the Fund is subject to tax under Part XII.2, provisions in the Tax Act are intended to afford Unitholders who are not designated beneficiaries with an appropriate refundable tax credit. If the Fund does not qualify as a “mutual fund trust” within the meaning of the Tax Act, it may be subject to alternative minimum tax under the Tax Act (very generally, to the extent that its expenses exceed its income other than taxable capital gains). As well, the Fund will not be entitled to claim the capital gains refund that would otherwise be available to it if it were a “mutual fund trust” throughout the year. The Fund that does not qualify as a “mutual fund trust” will be “financial institution” for purposes of the “mark-to-market” rules contained in the Tax Act at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more financial institutions. The Tax Act contains special rules for determining the income of a financial institution.

Taxation of the Unitholders (other than Registered Plans)

Unitholders of the Fund are required to include in their income for tax purposes, for a particular year, the amount (computed in Canadian dollars) of net income and net taxable capital gains, if any, paid or payable to them by the Fund and deducted by the Fund in computing their income for tax purposes, whether or not reinvested in additional Units of the Fund. Any amount in excess of the net income and net realized taxable capital gains of the Fund that is paid or payable to a Unitholder in a year should not generally be included in computing such Unitholder’s income for the year. However, the payment by the Fund of such excess amount, other than as proceeds of disposition of a Unit or part thereof and other than the portion, if any, of that excess amount that represents the non-taxable portion of net realized capital gains of the Fund, will reduce the adjusted cost base of a Unitholder’s Units. If the adjusted cost base of a Unitholder’s Units would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of Units and the adjusted cost base of the Units will then be increased by the amount of such gain.

The Fund will designate to the extent permitted by the Tax Act the portion, if any, of the net income distributed to Unitholders as may reasonably be considered to consist of, respectively, (i) taxable dividends received by the Fund on securities of taxable Canadian corporations and (ii) net taxable capital gains of the Fund. Any such designated amount will be deemed for tax purposes to be received or realized by Unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. In the case of a Unitholder who is an individual, the dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation will apply. An enhanced gross-up and dividend tax credit is available for certain eligible dividends paid by Canadian corporations. Capital gains designated, as such by the Fund, will be subject to the general rules relating to the taxation of capital gains, which are described below.

In addition, the Fund may similarly make designations in respect of its income from foreign sources so that, for the purpose of allocating any foreign tax credit to a Unitholder, the Unitholder will be deemed to have

paid as tax to the government of a foreign country that portion of the taxes paid by the Fund to that country that is equal to the Unitholder's share of the Fund's income from sources in that country.

Unitholders will be advised each year of the composition of amounts distributed to them.

The reclassification of Units of the Fund as Units of another Class of the Fund will not be considered to be a disposition for tax purposes and, accordingly, the Unitholder will realize neither a gain nor a loss as a result of a reclassification. The Unitholder's adjusted cost base of the Units received for the Units of another Class will equal the adjusted cost base of the latter Units.

Upon the actual or deemed disposition of a Unit of the Fund, including the redemption of a Unit by the Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Unit of the Fund exceed (or are exceeded by) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. The portion of capital gains included in income as taxable capital gains and the portion of capital losses that are allowable capital losses is one-half, subject to and in accordance with the detailed rules of the Tax Act. Unitholders should consult their own advisors with respect to provisions of the Tax Act which reduce any such losses by the amount of certain distributions received on the investments in the Fund.

Alternative Minimum Tax

Individuals and certain trusts and estates are subject to an alternative minimum tax. Such persons may be liable for this alternative minimum tax in respect of net income of the Fund paid or payable to a Unitholder that is designated as realized capital gains and/or Canadian dividends as well as taxable capital gains realized on the disposition of Units.

Registered Plans and Eligibility for Investment

In general, the amount of distributions paid or payable to a registered plan from the Fund will not be taxable under the Tax Act until it is withdrawn from the registered plan. Withdrawals from TFSA plans are not subject to tax and special rules apply with respect to RESPs and RDSPs.

A registered plan that sells or otherwise disposes of securities (other than a reclassification of securities, as discussed above) will be considered to have disposed of those securities for the purpose of the Tax Act. In general, gains from a sale will not be taxable under the Tax Act until they are withdrawn from the registered plan.

The Units of the Fund will be "qualified investments" (as defined in the Tax Act) for tax deferred plans such as RRSPs, RRIFs, RDSPs, RESPs, DPSPs and TFSAs at any time that the Fund qualifies or is deemed to qualify as a "mutual fund trust" within the meaning of the Tax Act. Investors should consult with their own tax advisors as to whether Units would be a "prohibited investment" (as defined in the Tax Act) if held in their RRSP, RRIF, TFSA, RDSP or RESP in their particular circumstances.

Remuneration of Directors, Executive Officers, IRC and Trustee

No remuneration, fees or reimbursement of expenses is paid by the Fund to the directors or executive officers of Maxam.

The Fund pays the fees and expenses of the IRC. The members of the IRC are paid an annual membership fee as follows: \$2,750 per year payable to Christopher Wallace (Chair), \$2,500 per year payable to Justin Kates and \$2,500 per year payable to Theoni Pilarinos.

TD Securities Inc. and SGGG are remunerated at market rates for providing their services to the Fund and are reimbursed for expenses as they are incurred while discharging their respective functions as custodian and record-keeper.

Material Contracts

The material contracts that have been entered into by the Fund are described below. Copies of these agreements may be inspected during regular business hours on any business day at the registered office of the Fund.

1. The Trust Agreement dated August 11, 2020, entered into by Maxam, in its capacity as manager of the Fund, and Maxam, as trustee of the Fund. See the section titled *Name, Formation and History of the Fund* for more information.
2. The Management Agreement dated August 11, 2020, entered into by Maxam, in its capacity as manager of the Fund, and Maxam, as trustee of the Fund. See the section titled *Responsibility for Fund Operations* for more information.
3. The custody agreement dated August 11, 2020, entered into by Maxam, in its capacity as manager of the Fund, and TD Securities Inc., in its capacity as custodian of the Fund, in respect of the Fund. See the section titled *Responsibility for Fund Operations* for more information.
4. The services agreement dated August 11, 2020, entered into by Maxam, in its capacity as manager of the Fund and on behalf of the Fund, and SGGG Fund Services Inc. See the section titled *Responsibility for Fund Operations* for more information.
5. The prime brokerage services agreement dated August 11, 2020, entered into by Maxam, in its capacity as manager of the Fund and on behalf of the Fund, and TD Securities Inc. See the section titled *Responsibility for Fund Operation* for more information.

Legal and Administrative Proceedings

As of the date of this Annual Information Form, there are no ongoing legal or administrative proceedings material to the Fund, nor are there any such proceedings known to be contemplated, other than as disclosed below.

Other Material Information

There is no other material information relating to the Fund not already disclosed herein or in the Fund's Simplified Prospectus.

Certificate

August 18, 2021

This Annual Information Form, together with the Simplified Prospectus and the documents incorporated by reference into the Simplified Prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the Simplified Prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut and do not contain any misrepresentations.

MAXAM CAPITAL MANAGEMENT LTD.

On behalf of the Fund, and in its capacity as manager and promoter of the Fund

(signed) Travis Dowle

(signed) Ben Macfadyen

TRAVIS DOWLE

BEN MACFADYEN

President and Chief Executive Officer

Acting Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS OF MAXAM CAPITAL MANAGEMENT LTD.

On behalf of the Fund, and in its capacity as manager and promoter of the Fund

(signed) Sean Morrison

(signed) Brian Hikisch

SEAN MORRISON

BRIAN HIKISCH

Director

Director

ANNUAL INFORMATION FORM

MAXAM ARBITRAGE FUND

Additional information about the Fund is available in the Fund's Fund Facts, management reports of fund performance and financial statements. You can get a copy of these documents, including a statement of portfolio transactions, at no cost by contacting your registered representative or by contacting Maxam at 604-685-0201 or by email at info@maxamcm.com. You may also find these documents and other information about the Fund at www.maxamcm.com or at www.sedar.com.

Manager of the Fund

MAXAM CAPITAL MANAGEMENT LTD.
330 – 609 Granville Street
Vancouver, British Columbia, V7Y 1A1