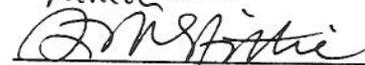


**Statement of
Investment
Policies and
Procedures**

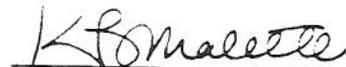
Canadian Blood
Services Pension
Plan

November 2005

APPROVED on this 3rd day of
March, 2006



On behalf of the Board of Trustees



On behalf of the Board of Trustees

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Section 1—Overview

1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the “Policy”) provides the framework for the investment of the assets of the Canadian Blood Services Defined Benefit Pension Plan, registration number 1048800 (the “Plan”). The administrator of the Plan is the Canadian Blood Services Defined Benefit Pension Plan Board of Trustees (the “Board”). The Board has established a Pension Plan Committee (the “Committee”) to assist with the administration of the Plan.

This Policy is based on the “prudent person portfolio approach” to ensure the prudent investment and administration of the assets of the Plan (the “Fund”) within the parameters set out in the *Pension Benefits Act, (Ontario)* and the Regulations thereunder.

1.02 Background of the Plan

The Plan is a defined benefit plan requiring both employer and member contributions. In addition, members used to contribute to a money purchase option within the plan. Contributions to this voluntary contribution component of the Plan ended in 2004. However, contribution balances continue to earn interest in the plan until members leave the plan.

The Plan is open to both unionized and non-unionized employees. The Plan was established effective September 28, 1998, and since this date, all contributions for the approximately 1,850 active members have been made to the Plan. The pension assets and entitlements for active Canadian Blood Services employees that were earned prior to September 28, 1998 were transferred from the Red Cross Pension Plan to the Plan on June 13, 2003. In addition, the Plan assumed responsibility for the liability of any member who has retired or terminated with a deferred defined benefit entitlement since November 1, 1997. The liability for Red Cross Pension Plan members who retired prior to this date has remained with that plan.

Throughout this investment policy, the total assets comprised of the defined benefit component and the voluntary contribution component of the plan shall be referred to as the “Plan”.

1.03 Plan Profile

i) *Eligibility*

Employees who were members of the DB component of the Canadian Red Cross Society (“CRCS”) Plan are automatically enrolled in the Plan. New regular full-time employees in this category may join after 3 months of continuous service, and must join after two years of continuous service unless they join the Canadian Blood Services Defined Contribution Pension Plan. Employees other than regular full-time employees may join the Plan after two years of continuous service.

ii) **Contributions**

Contributions to the defined benefit component of the Plan are as follows:

	Employee	Employer	Total
Contribution rate (effective March 1, 2003)	5.00%	7.00%	12.00%

Members could contribute up to 2% of pay to the voluntary money purchase component of the Plan until November 30, 2004. These contributions are invested on a money purchase basis. The Plan matched 50% of the employee contributions. These contributions are also invested on a money purchase basis.

iii) **Benefits**

The Plan provides a pension, at age 65, equal to 2.0% times the member's best five consecutive years' earnings for each year of pensionable service to November 1, 1997 plus 1.6% times the member's best five consecutive years' earnings for each year of pensionable service since November 1, 1997. If the member retires early, the pension amount will be reduced. Other benefits are paid from the Plan, based on this formula, upon the death or termination of a plan member.

Pensions in payment are increased each year to 75% of the increase in the Consumer Price Index (CPI), less 2%, subject to a maximum increase of 5.5%.

Effective March 1, 2003, the pensions in pay were increased on an ad hoc basis by 100% of the increase in the CPI from retirement to January 1, 2003, minus the indexation already received as per the automatic indexation provision above.

A second ad hoc increase was granted effective January 1, 2005. The pensions in pay were again increased on the basis of 100% of the increase in the CPI from the latest of retirement or January 1, 2003 to January 1, 2005, minus the indexation already received.

Members who contributed to the money purchase component of the plan will, at retirement, be entitled to the accumulated contributions and investment earnings in their retirement account. The balance in this account can be used to purchase a pension from an insurance company or transferred to an approved investment vehicle.

iv) **Liabilities**

As of December 31, 2004, there were 1,847 active members, 92 retired members and 54 deferred vested members. The average active member was approximately age 45.3. As of the most recent actuarial valuation of the Plan as at December 31, 2004, the going-concern liability of the Plan was \$82.9 million compared to the actuarial value of assets of \$81.8 million. The market value of the assets was \$ 87.1 million. Approximately 80% of the accrued going concern liability was related to active members, with the balance allocated to retirees, deferred vested members and money purchase plan participants. An amendment improving benefits was made effective

March 1, 2003. The Plan's liability increased by \$8,901,000 as of that date and the total contribution rate increased from 11.5% to 12.0% of pensionable earnings.

Another amendment improving benefits (Amendment No. 11) was made effective July 1, 2005. The Plan's liability increased by \$234,000 on a going-concern basis as of December 31, 2004.

The Board does not bear the risk of market fluctuations for the contribution made to the voluntary money purchase component of the Plan.

1.04 Objective of the Plan

The objective of the Plan is to provide members of the Plan with retirement benefits prescribed under the terms of the plan text.

1.05 Investment and Risk Philosophy

The Board recognizes that, based on historical data, the asset classes most likely to produce the greatest return in excess of inflation over time are also likely to exhibit the most volatility. Conversely, the asset classes likely to be the least volatile are likely to produce the lowest returns over time. Therefore, the investment philosophies and strategies must take into account both return and risk objectives.

Based on the following considerations, the Board can tolerate a moderate amount of risk while striving to maximize investment returns (i.e. a minimum return of CPI +3.5% (net of expenses)):

- (i) The Board will address the responsibilities for financing any unfunded liabilities emerging because of poor investment returns. Therefore, the Board has direct exposure to investment risk. While it is important to avoid excessive volatility in investment returns, the Board can tolerate some volatility risk.
- (ii) Employer (CBS) and plan members contribute to the Plan at a level sufficient to finance the defined benefits. The Board will establish these contributions based on the advice of an actuary. However, periodic increases in pension contributions, to finance unfunded liabilities emerging from poorer than expected investment performance, should not significantly affect Canadian Blood Services' overall cash flow. Therefore, the Board can tolerate some volatility of investment returns.
- (iii) The Plan is managed on a going concern basis, including management of the assets. In the foreseeable future, it is unlikely that there will be any special liquidity demands on the Plan. Thus, short-term fluctuations in security values will not have a significant adverse impact on the financial stability of the Plan. Therefore, the Board can tolerate some volatility of investment returns.

1.06 Implementation Issues

With the completion of the transfer of assets from the Red Cross Plan in June 2003, the asset mix strategy and management structure mandated in this Policy has been fully achieved.

1.07 Administration

The Board is the legal administrator of the Plan and is therefore responsible for all matters relating to the administration, interpretation and application of the Plan, including developing, monitoring and amending this Policy. An Investment Committee (the “Committee”) has been formed for the purpose of assisting the Board with the administration of the Plan. More details regarding the role and responsibilities of the Committee is provided in Appendix A.

Section 2—Asset Mix and Diversification Policy

2.01 Portfolio Return Expectations

The investment manager(s) appointed by the Board to arrange the investment of part or all of the Fund is directed to achieve a satisfactory long-term real rate of return through a diversified portfolio, consistent with acceptable risks and prudent management. The long-term investment objective of the Fund is to achieve a minimum rate of return, net of all expenses, of 3.5% greater than the annual increase in the Consumer Price Index, measured over ten-year cycles. A long-term asset mix policy has been established in order to provide a reference for long-term return requirements which are consistent with the actuarial valuation assumptions at a risk level acceptable to the Committee.

2.02 Expected Volatility

The volatility of the assets is directly related to its asset mix, specifically, the balance between Canadian bonds, Canadian equities and foreign equities. Since the investment managers do not have the authority to make any type of leveraged investment on behalf of the Fund, the volatility of the Fund should be similar to the volatility of the Benchmark Portfolio set out in Section 4.02 (Performance Measurement).

2.03 Asset Mix

Taking into consideration the investment and risk philosophy of the Plan, the following asset mix has been established:

Assets	Minimum %	Maximum %	Target Mix %
Cdn Equities	25	45	35
Active	25	45	35
Foreign Equity	20	30	25
U.S.	12	18	15
Non-North American Active	8	12	10
Fixed Income	30	50	40
Active Canadian Bonds	13	27	20
Passive Canadian Bonds	17	23	20
Short Term Investments	0	12	0

For purpose of the total asset mix described above, the investment managers' asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash & cash equivalent instruments.

The Fund is being actively managed, and therefore the asset mix may deviate from the above mix, within the limits prescribed in the Policy.

2.04 Investment Manager Structure

The Board will select the most appropriate investment manager or managers for each asset class of the Fund. The investment managers may manage the assets either as a segregated fund or by investing in one or more pooled or mutual funds.

The Board may add or change investment managers as assets or circumstances change.

A hybrid management structure has been adopted for the Plan consisting of:

- (i) An active domestic balanced manager;
- (ii) An active foreign equity manager; and
- (iii) An index manager.

The Fund employs a mix of active and passive management styles. Active management has been adopted for a portion of the assets as it provides the opportunity to outperform common market indices over the long-term, with minimum degree of excess risk. Passive management has been adopted for a portion of the assets as it minimizes the risk of underperformance relative to a benchmark index and is generally less expensive than active management.

Specialty managers have been employed in addition to using a balanced manager as it is difficult for an investment management firm to maintain expertise in all asset classes.

The Balanced Manager's mandate includes Canadian equities and bonds managed through the use of pooled funds. The index bonds, U.S. equities, and non-North American equities are also held in pooled funds.

The table below presents the normal allocation by market value of the assets between the Balanced Manager and the specialty managers, as well as maximums and minimums.

Manager Mandate	Minimum	Normal	Maximum
Balanced	50%	55%	60%
U.S. Equity	12%	15%	18%
Bond Index	17%	20%	23%
Non-North American Equity	8%	10%	12%

The following tables present the asset mix policy for the Balanced Manager component of the portfolio. These limits are necessary to ensure that the total fund asset mix remains within the ranges established in Section 2.03 above (Asset Mix):

Asset Class	Minimum	Normal	Maximum
Canadian Equity	50%	65%	75%
Canadian Bonds	25%	35%	45%
Short Term Investments	0%	0%	20%

The guidelines are based on the market values of the assets. Should the Balanced Manager wish to deviate from or revise these guidelines, a written request should be forwarded to the Chair of the Investment Committee who will solicit Committee consensus and report with recommendations to the Board of Trustees as soon as possible.

As part of its ongoing monitoring process, the Committee will consider the appropriateness of the current management structure as set out in the above section.

Section 3—Permitted and Prohibited Investments

3.01 General Guidelines

The investments of the Plan's assets must comply with the requirements and restrictions set out in the *Income Tax Act* and the *Pension Benefits Act (Ontario)* and their respective Regulations.

3.02 Permitted Investments

In general, and subject to the restrictions in this Section 3, an investment manager may invest in any of the following asset classes and in any of the investment instruments listed below:

- (a) **Canadian and Foreign Equities**
 - (i) Common and convertible preferred stock;
 - (ii) Debentures convertible into common or convertible preferred stock;
 - (iii) Rights, warrants and special warrants for common convertible preferred stock;
 - (iv) Instalment receipts, American Depository Receipts and Global Depository Receipts;
 - (v) Units of real estate investment trusts (REITs);
 - (vi) Units of income trusts domiciled in jurisdictions that provide limited liability protection to unitholders; and
 - (vii) Exchange traded index-participation units (i.e. iUnits, and SPDRs).
- (b) **Bonds**
 - (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian issuers or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency, provided such instruments are traded on a recognized public exchange or through established investment dealers, subject to Section 3.04 below;
 - (ii) Federal real return bonds;
 - (iii) Mortgages secured against Canadian real estate subject to Section 3.05 below;
 - (iv) Mortgage-backed securities, guaranteed under the *National Housing Act*;
 - (v) Term deposits and guaranteed investment certificates; and

- (vi) Private placements of bonds subject to Section 3.03 below;
- (c) **Cash and Short Term Investments**
 - (i) Cash on hand and demand deposits;
 - (ii) Canadian and U.S. Treasury bills and bonds (with remaining maturities not exceeding 365 days) issued by the federal and provincial governments and their agencies;
 - (iii) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances; and
 - (iv) Commercial paper and term deposits.
- (d) **Other Investments**
 - (i) Deposit accounts of the custodian used to invest surplus cash holdings;
 - (ii) Currency forward and future contracts;
 - (iii) Exchange-traded S&P Index futures contracts.
- (e) **Pooled Funds**
 - (i) Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this Policy.

While the guidelines in this Policy are intended to guide the management of the Fund, it is recognized that, due to the use of pooled funds, there may be instances where there is a conflict between this Policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate. In addition, the Investment Manager(s) will ensure that the Committee has received a copy of the most recent versions of the pooled fund policy/guidelines and of any amendments made to the pooled fund policy/guidelines. These policies/guidelines and amendments will be attached to this Policy in Appendix B.

3.03 Minimum Quality Requirements

- (a) **Quality Standards**

Within the investment restrictions for individual portfolios, all portfolios should hold a prudently diversified exposure to the intended market.

 - (i) The minimum quality standard for individual bonds and debentures is 'A' or equivalent as rated by at least two of the three Recognised Bond Rating Agencies operating in Canada, at the time of purchase.
 - (ii) The minimum quality standard for individual short term investments is 'R-1' or equivalent as rated by at least two of the three Recognised Bond Rating Agencies operating in Canada at the time of purchase.

- (iii) The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by at least two of the three Recognised Bond Rating Agencies operating in Canada at the time of purchase.
- (iv) All investments shall be reasonably liquid (i.e. in normal circumstances they should be capable of liquidation within 3 months).

(b) **Downgrades in Credit Quality**

A Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a Recognized Rating Agency to below the purchase standards set out in Section 3.03 (a) Quality Standards:

- (i) The client will be notified of the downgrade by telephone at the earliest possible opportunity;
- (ii) Within ten business days of the downgrade, the Manager will advise the Client in writing of the course of action taken or to be taken by the Manager, and its rationale; and
- (iii) Immediately upon downgrade, the Manager will place the asset on a Watch List subject to monthly review by the Manager with the Client until such time as the security matures, is sold or until it is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines

(c) **Rating Agencies**

For the purposes of this Policy, the following rating agencies shall be considered to be 'Recognized Bond Rating Agencies':

- (i) Dominion Bond Rating Service (Canadian issuers only);
- (ii) Standard and Poor's;
- (iii) Moody's Investors Service; and
- (iv) Fitch Ratings (foreign issuers only),

(d) **Private Placement Bonds**

Private placement bonds and asset-backed securities are permitted subject to **all** of the following conditions:

- (i) The issues acquired must be 'A' or equivalent rated;
- (ii) The total investment in such issues must **not** exceed 10% of the market value of the investment manager's bond portfolio;
- (iii) The investment manager's portfolio may **not** hold more than 5% of the market value of any one private placement;

- (iv) The investment manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price; and,
- (v) The minimum issue size for any single security must be at least \$300 million.

3.04 Maximum Quantity Restrictions

(a) Total Fund Level

No one equity holding shall represent more than 10% of the total book value of the Plan assets.

(b) Individual Investment Manager Level

The investment managers shall adhere to the following restrictions:

(i) Equities

- (A) No one equity holding shall represent more than the greater of 10% of the total market value of any one manager's equity portfolio or in the case of a Canadian stock, of its weight in the S&P/TSX Composite Index to a maximum of 15% of the market value of the manager's equity portfolio.
- (B) No more than 10% of the Canadian equity portfolio shall be invested in income trusts.
- (C) No one equity holding shall represent more than 30% of the voting shares of a corporation.

(ii) Bonds and Short Term

- (A) Except for federal and provincial bonds having at least an 'A' credit rating, no more than 10% of a manager's bond portfolio may be invested in the bonds of a single issuer and its related companies.
- (B) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue.
- (C) No more than 10% of the market value of a manager's bond portfolio shall be invested in bonds denominated in a currency other than Canadian dollars.
- (D) No more than 10% of the bond portfolio by market value may be held in real return bonds.
- (E) No more than 15% of the bond portfolio may be held in foreign issuer bonds.

(iii) Pooled Fund Investment

An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that fund unless provision has been made to transfer assets out of the fund “in kind” should have a significant redemption of the pooled fund’s unit occur.

(iii) Other

The use of derivative securities shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, Investment Managers are not permitted to leverage the assets of the Fund. The use of derivative securities is only permitted for the uses described in this Policy. Purchase or sale of any of these instruments for speculative purposes is prohibited.

3.05 Prior Permission Required

The following investments of the Fund are permitted **provided that** prior permission for such investments has been obtained from the Board:

- (a) purchase any asset or security previously disqualified by the Committee by written notice to the investment manager;
- (b) investments in private placement equities;
- (c) direct investments in a Canadian resource property that has a book value less than or equal to 5% of the book value of the Plan assets. The aggregate book value of all investments in Canadian resource properties shall not exceed 15% of the book value of the Plan assets;
- (d) direct investments in mortgages;
- (e) direct investments in any one parcel of real property that has a book value less than or equal to 5% of the book value of the Plan assets. The aggregate book value of all investments in real property and Canadian resource properties shall not exceed 25% of the book value of the Plan assets;
- (f) direct investments in venture capital financing; and
- (g) investments in a pooled fund that conflicts with this Policy.

3.06 Prohibited Investments

The investment managers shall not:

- (a) invest in companies for the purpose of managing them;
- (b) purchase securities on margin, engage in short sales, purchase options (calls or puts) and other similar investment activity;
- (c) make any investment not specifically permitted by this Policy; or

- (d) make any investment not specifically permitted by the investment manager's investment policy for the fund in question.

The following uses of non-leveraged derivative instruments for defensive purposes are permitted:

- (i) covered put and/or call options with respect to publicly traded securities that are held in the portfolio;
- (ii) the manager of an index portfolio may utilize fully backed, i.e. non-leverage, derivative strategies designed to replicate the performance of specific market indices; and
- (iii) Managers may use currency futures contracts and forward contracts to hedge foreign currency exposure.

3.07 Securities and Cash Lending

The investments of the Fund may be loaned, for the purpose of generating revenue for the Fund, subject to the provisions of the *Pension Benefits Act (Ontario)*, the *Income Tax Act (Canada)* and their applicable Regulations.

Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian banks. The amount of collateral taken for securities lending should reflect best practices in local markets. In Canada, the current market practice is to obtain collateral of at least 105% of the market value of the securities lent. This market relationship must be calculated at least daily.

The terms and conditions of any securities lending program will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the Committee has a current list of those institutions that are approved to borrow the Fund's investments. If the Fund is invested in a pooled fund, security lending will be governed by the terms and conditions set out in the pooled fund contract.

3.08 Borrowing

The Fund shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to the *Pension Benefits Act (Ontario)*, the *Income Tax Act* and the written permission of the Board.

Section 4—Monitoring and Control

4.01 Delegation of Responsibilities

Overall responsibility for the Plan ultimately rests with the Board of Trustees. From time to time, the Board may form and delegate responsibilities to sub-committees of the Board of Trustees.

The Board has delegated certain functions relating to the management and administration of the Plan's assets to third-party agents, as described below.

(a) **Investment Managers**

The investment managers will:

- (i) invest the assets of the Plan in accordance with this Policy;
- (ii) notify the Committee, in writing, of any significant changes in the Investment Manager(s)' philosophies and policies, personnel or organization and procedures.
- (iii) meet with the Committee as required, but at least annually, and provide written reports regarding their past performance, their future strategies and other issues requested by the Committee; and,
- (iv) file quarterly compliance reports where required by Section 4.03 (Compliance Reporting by Investment Manager).

(b) **Custodian/Trustee**

The custodian/trustee will:

- (i) maintain safe custody over the assets of the Plan;
- (ii) execute the instructions of the Board, the Committee and the investment managers; and,
- (iii) record income and provide monthly financial statements to the Board or as required.

(c) **Actuary**

The actuary will:

- (i) perform actuarial valuations of the Plan as required; and,
- (ii) advise the Committee on any matters relating to Plan design, membership and contributions.

- (d) **Investment Consultant**
The investment consultant will:
- (i) assist in the development and implementation of this Policy;
 - (ii) monitor the performance of the Fund and the investment managers on a regular basis;
 - (iii) support the Committee on matters relating to investment management and administration of the Plan assets; and,
 - (iv) meet with the Committee as required.
- (e) **Accountant**
The accountant will provide annual audited financial statements of the Plan.

4.02 Performance Measurement

- (a) **Generally**
For purposes of evaluating the performance of the Fund, and the investment managers, all rates of returns are time-weighted, and measured over moving four-year periods. Return objectives are net of fees and include realized and unrealized capital gains or losses plus income from all sources.
- (b) **Total Fund**
The primary objective for the Fund is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio, comprising:

Benchmark	%
S&P/TSX Composite Capped Index*	35
Scotia Capital Universe Bond Index	40
Standard & Poor's 500 Hedged Index	15
Morgan Stanley Capital International Europe Australasia and the Far-East Index (\$Cdn)	10

*The S&P/TSX Composite Capped Index limits the benchmark weight of any single stock of the Total Fund Portfolio to a maximum of 10%

- (c) **Individual Manager Component**
Investment weightings and results of the Fund are to be tested regularly.
- (i) **Domestic Balanced Manager**
The primary objective for the domestic balanced manager is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio, comprising:

Benchmark	%
S&P/TSX Composite Capped Index*	65
Scotia Capital Universe Bond Index	35

(ii) **Index Manager**

The primary objective for the Index manager is to earn a rate of return that approximates the rate of return earned on the relevant market index as follows:

	Tracking Error
Ex-BBB Universe Bond Fund	
Scotia Capital Universe Bond Index	+/- 20 BP

The return objective for the Index manager in the Hedged U.S. Alpha Tilt Fund is to add 100 to 200 basis points over the S&P 500 Hedged Index return over a market cycle.

4.03 Selecting Investment Managers

In the event that a new investment manager must be selected or additional investment manager(s) added to the existing investment managers, the Committee will undertake an investment manager search with the assistance of a third-party investment consultant. The criteria used for selecting an investment manager will be consistent with the investment and risk philosophy set out in Section 1.05 (Investment and Risk Philosophy).

4.04 Monitoring of Asset Mix

If the market value of the Fund assets causes the target asset mix set out in Section 2.03 (Asset Mix), to vary by more than the breach limits set out below, the Committee will initiate action as soon as possible following notification, but at the latest, within a six-month time period.

	Target	Breach Limit
Canadian Equities	35%	+/- 5%
Total Equities	60%	+/- 10%
Fixed Income	40%	+/- 10%

The Committee has determined that the most desirable action would be to first re-direct contributions for a period of time and to closely monitor the impact on the asset mix. If redirecting contributions fails to achieve the desired effect, then purchase and sale instructions will be sent to the affected Investment Manager(s) and Custodian in order to re-establish the long-term asset mix.

4.05 Monitoring of Investment Managers

At least quarterly, the Committee will monitor and review the:

- (a) assets and net cash flow of the Plan;
- (b) investment manager's financial stability, staff turnover, consistency of style and record of service;
- (c) investment manager's current economic outlook and investment strategies;
- (d) investment manager's compliance with this Policy; and,
- (e) investment performance of the assets of the Plan in relation to the rate of return expectations outlined in this Policy.

4.06 Compliance Reporting by Investment Managers

The investment managers of the Fund are required to complete and deliver a compliance report to the Committee and the Fund's investment consultant each quarter. The compliance report will indicate whether or not the investment manager was in compliance with this Policy, or in the case of pooled funds in compliance with the pooled funds' own guidelines, during the quarter.

In the event that an investment manager is not in compliance with this Policy, the investment manager is required to advise the Committee immediately, detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation.

The Plan invests in pooled funds with separate investment policies. While the guidelines in this Policy are intended to guide the management of the Plan, it is recognized that, due to the use of pooled funds, there may be instances where there is a conflict between this Policy and the investment policy of a pooled fund. In that case, the pooled fund policy shall dominate. In addition, the investment manager will ensure that the Committee has received a copy of the most recent version of the pooled fund investment guidelines and of any amendments made to the pooled fund policy. See Appendix B.

4.07 Standard of Professional Conduct

The investment managers are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The investment managers will manage the Fund with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with pension plan assets. The investment manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent investment manager.

Section 5—Administration

5.01 Conflicts of Interest

(a) **Responsibilities**

This standard applies to the members of the Board and the members of the Committee, as well as to all agents employed by them, in the execution of their responsibilities under the *Pension Benefits Act (Ontario)* (the “Affected Persons”).

An “agent” is defined to mean a company, organization, association or individual, as well as its employees who are retained by the Committee to provide specific services with respect to the investment, administration and management of the assets of the Plan.

(b) **Disclosure**

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Plan assets.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Board.

No Affected Person shall accept a gift or gratuity or other personal favour, other than one of nominal value, from a person with whom the employee deals in the course of performance of his or her duties and responsibilities for the Plan.

It is incumbent on any Affected Person who believes that he or she may have a conflict of interest, or who is aware of any conflict of interest, to disclose full details of the situation to the attention of the Committee immediately. The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will table the matter at the next regular meeting of the Committee.

No Affected Person who has or is required to make a disclosure as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure, unless otherwise determined permissible by unanimous decision of the Committee.

5.02 Related Party Transactions

The Board, on behalf of the Plan, may not enter into a transaction with a related party unless:

- (a) the transaction is both required for operation and or administration of the Plan and the terms and conditions of the transaction are not less favourable than market terms and conditions; or,
- (b) the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the fund.

The Board, on behalf of the Plan, may not invest the monies of the Plan in the securities of a related party unless those securities are acquired at a public exchange, as defined in the Regulations to the Pension Benefits Standard Act (Canada).

For the purposes of this Section 5.02, only the market value of the combined assets of the Plan shall be used as the criteria to determine whether a transaction is nominal or immaterial to the Plan. Transactions less than (0.5%) of the combined market value of the assets of the Plan are considered nominal.

A “related party” in respect of the Plan, means:,

- (a) the board of trustees or other body that is the administrator of the Plan;
- (b) an employee of the board of trustees;
- (c) a person responsible for holding or investing the assets of the Plan, or any officer, director or employee thereof;
- (d) an association or union representing employees of Canadian Blood Services, or an officer or employee thereof;
- (e) a member of the Plan;
- (f) the spouse or child of any person referred to in any of paragraphs (a) to (f);
- (g) an affiliate of Canadian Blood Services;
- (h) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (g); and,
- (i) an entity in which a person referred to in paragraph (a), (b), or (f), or the spouse or a child of such a person, has a substantial investment.

Related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Plan, where that person is not the administrator of the Plan.

5.03 Investment Dealers Servicing the Fund

A variety of brokers should be used in order to gain maximum utilization of the services available. It is the responsibility of the Investment Managers to ensure that the commission distribution to brokers is representative of the services rendered.

5.04 Dismissal of an Investment Manager

Reasons for considering the termination of the services of an investment manager include, but are not limited to, the following factors:

- (a) performance results which are below the stated performance benchmarks;
- (b) changes in the overall structure of the Plan assets such that the investment manager's services are no longer required;
- (c) change in personnel, firm structure or investment philosophy which might adversely affect the potential return and/or risk level of the portfolio; and/or
- (d) failure to adhere to this Policy.

5.05 Voting Rights

The Board has delegated voting rights acquired through the investments held by the Plan to the custodian of the securities to be exercised in accordance with the investment manager's instructions. Investment managers are expected to exercise all voting rights related to investments held by the Fund in order to protect the interests of the Plan and its members, and to vote according to the terms of any Proxy Voting Policy that may be established by the Trustees.

The Investment Managers are required to maintain records and periodically report to the Board of Trustees on how they voted proxies. A brief explanation should also be given if they voted against management's recommendations. The Investment Managers must also disclose which S&P/TSX Composite companies they provide services to.

The Board reserves the right to take-back voting rights of assets held in segregated portfolios for specific situations.

5.06 Valuation of Investments Not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

- (a) **Equities**
Average of bid-and-ask prices from two major investment dealers, at least once every month.
- (b) **Bonds**
Same as for equities.

- (c) **Mortgages**
Unless in arrears, the outstanding principal plus/minus the premium/discount resulting from the differential between face rate and the currently available rate for a mortgage of similar quality and term, determined at least once every month.
- (d) **Real Estate**
A certified written appraisal from a qualified independent appraiser at least every three years. In addition, an internal evaluation will be conducted on an annual basis with due regard given to the location and nature of the real estate investment as compared to similarly situated investments or holdings which have recently sold or been traded.

5.07 Directing Brokerage Commissions

Investment Managers may use directed brokerage to pay for research and other investment related services with prior approval of the Board of Trustees provided they comply with, and provide the disclosure required by, the Soft Dollar Standards promulgated by the CFA Institute and the policy of the Ontario Securities Commission.

5.08 Policy Review

This Policy shall be reviewed, and either confirmed or amended, by the Board, or the Committee, at least annually.

Appendix A – Investment Committee—Terms of Reference

(A) Purpose

The purpose of the Investment Committee (“Committee”), which reports to the Board of Trustees (“Board”), is to provide investment direction in accordance with the Statement of investment policies and goals adopted and modified, from time to time, by the Board on recommendation of the Committee, to oversee the Investment Manager(s) and to provide recommendations to the Board with respect to other Pension Plan Investment matters.

(B) Duties and Responsibilities

Subject to the powers and duties of the Board, the Board assigns to the Committee the following duties and responsibilities:

- (i) Review and recommend investment and administration mandates, including the Statement of Investment Policies and Procedures (“Policy”) covering such matters as:
 - categories of investment loans;
 - diversification of the investment portfolios;
 - asset mix and rate of return expectations;
 - liquidity of investments;
 - the lending of cash securities;
 - the retention or delegation of voting rights acquired through plan investments;
 - the method of, and basis for, the valuation of investments that are not regularly traded at a public exchange, and
 - related party transactions permitted by law;
 - propose, review at least annually and recommend changes to the Policy to the Board for the investment of assets of the Pension Plan.
- (ii) Develop and recommend investment policies and investment managers’ mandates in accordance with the Policy;
- (iii) Recommend the selection, retention and change of investment managers to executive investment decisions, and monitor their performance;
- (iv) Oversee investment performance and report thereon to the Board;
- (v) Review and report to the Board on compliance in the investment of assets of the Pension Plan with requirements in the Pension Plan texts, other documents which create and support the Pension Plan, and applicable law;
- (vi) Report and make recommendations to the Board on any other matters affecting the investment of assets of the Pension Plan;
- (vii) Review the performance of the Custodian and report thereon to the Board;

- (viii) Review proxy voting policies and the record of proxy votes themselves and report thereon to the Board;
- (ix) Review general investment issues, including new investment initiatives and market trends (based on information to be requested and received from the investment managers);
- (x) Periodically review these terms of reference to ensure that they continue to be appropriate and make recommendations to the Board for improvements; and
- (xi) Perform such other functions as may be assigned from time to time by the Board.

Appendix B – Pooled Fund Investment Guidelines



Aberdeen Asset Management, Inc

SRI Investment Process and Ethical Criteria

I Introduction

Aberdeen Socially Responsible International Fund (the “Fund”) is a socially screened portfolio investing in international equity markets. The manager, Aberdeen Asset Management Inc (“AAM”), is a subsidiary company of the Aberdeen Asset Management PLC Group of companies (the “AAM Group”). The AAM Group manages C\$58.5 billion¹ of assets for institutional and retail clients in the UK and abroad. Since 1988, the AAM Group has provided Socially Responsible Investing (SRI) services for clients who would like their investments to reflect an ethical bias. The AAM Group’s team of dedicated SRI fund management professionals oversees ethical portfolios totalling over C\$285.2 million¹.

II Investment Philosophy and Style

Our goal at AAM is to provide transparent, value-added and client-focused investment management services for institutional and retail investors. To achieve this, the AAM Group has developed a robust investment process which is applied throughout the organisation. The AAM Group combines a primarily “bottom-up” approach to equity analysis and selection, in which it studies the strengths and weaknesses of a company’s earnings history, with a “top down” methodology to regional and thematic analysis, in which it examines macro economic impacts on a company’s performance. Like all of the AAM Group’s investment decisions, this process is marked by discipline and carefully defined controls.

As the majority of added value comes from the “bottom up” approach, the AAM Group insists on visiting every company before investment is made. This helps to ensure an accurate assessment of a company’s business and its financial strength, so that ultimately, quality is achieved at a reasonable price for the client. The “top down” component is formed from strategic input from all desk heads, combined with the AAM Group’s house economic view and global sector analysis.

The AAM Group maintains a relatively flat management structure, designed to facilitate communication and decision-making across its business. Portfolio managers on each regional desk carry out both research and portfolio construction, and convene regularly to discuss

¹ As at 30 June 2005

investment ideas and themes. The AAM Group values this knowledge base and leans heavily on this proprietary research when making investment decisions.

III Investment Objective

The investment objective of the Fund is to achieve a high rate of return through investment in equity securities issued and traded globally. A secondary objective shall be to diversify risk by investing in securities issued by a number of different issuers, denominated in a number of different currencies and traded on a number of different markets. In attempting to achieve these objectives the Fund shall be permitted to invest in the securities of companies which are listed on foreign stock exchanges. Securities in the portfolio will be screened using a series of criteria including: the environment, workplace issues, human rights, product safety and community involvement. The Fund may from time to time invest in debt obligations of foreign governments, supranational organizations and corporations denominated in currencies other than the Canadian dollar and other securities, but it is the Fund's policy that the portfolio will consist primarily of common stock and convertible securities. The Fund may also hold preferred stock and warrants or other rights to acquire equity securities.

Generally, securities shall be selected principally on the basis of their potential for capital appreciation. Current income shall not be a principal consideration in selecting investments. In selecting securities based on their potential for appreciation, investment decisions will involve an assessment of the fundamental value of the securities and consideration of then prevailing market conditions. It shall be generally the policy of the Fund to invest for long-term profits, but short-term investments may be made when such action is considered to be consistent with the Fund's overall objectives.

IV SRI Investment Process

The AAM Group's SRI investment process is designed to ensure that only companies passing the twin hurdles of fundamental strength and acceptable social behaviour are eligible for investment. For companies to pass the first hurdle, regional analysts identify stocks with quality management and superior earnings potential, based on their own research, direct company contacts, and valuation expectations from a variety of outside research sources. These target companies are assigned a rating according to growth expectations and quality of management and then are collated to create the AAM Group's Global Equity Buy List. Stocks remain on the list for as long as is justified by their fundamental performance.

Companies from the Buy List are then screened for evidence of acceptable social behaviour. Assessment for this second hurdle is made by AAM Group's experienced SRI team which bases the passing or failing of a company on a list of well-researched and clearly defined criteria covering the three broad areas of social, ethical, and environmental policies and practices.

The screening process uses a combination of positive and negative criteria, complemented by AAM Group's engagement overlay. To conduct positive screening, the SRI Team researches a company's practices and historical trends (over a defined period) to determine if specified criteria are met. It is AAM's belief that positive practices have a tendency not only to spread through a group's business, but also to encourage other groups within the same sector to adopt similar policies. With negative screening, the SRI Team examines companies to see if they are or have been involved in what they determine to be "areas of concern" over the same period. Trends in adverse behaviour can suggest longer-term problems for an organisation.

With all SRI screening, there is an element of subjectivity inherent in deciding whether to include or exclude companies for investment. However, AAM Group's SRI professionals measure companies against specific criteria (see below) and use their extensive knowledge of SRI issues and screening techniques to reach a decision about a company. They meet frequently to keep abreast of developing SRI issues and to discuss any areas of potential concern.

Once the AAM Group has invested in a company its SRI Team maintains a dialogue with management, contacting them by phone or mail to discuss specific issues. The SRI Team aims to visit directly all companies in SRI portfolios at least once every two years. Thus, "engagement" with companies is on going; it enables the SRI Team to form a relationship with management and to encourage them to strive for better ethical performance. It is often the case that, when speaking with companies, the SRI Team is in a position to use its experience of SRI issues to help companies improve their reporting practices or learn about ethical issues specific to their sector. In these circumstances, the AAM Group may be in a position to provide guidance on "best practice" for reporting or introducing SRI policies.

Companies failing the AAM Group's SRI screening are excluded from investment. Research on "failed" companies is periodically updated to determine if positive shifts have taken place in company behaviour. At any time, a company can be re-assessed for SRI inclusion. Ultimately, the SRI team selects only those investments which meet both their rigorous financial and social criteria and thereby demonstrate business practices typically characteristic of groups with long-term success.

Research and Resources

All SRI research, reports and company visit notes are kept on file. Core research on companies is updated on a rolling basis.

AAM Group's SRI Team draws on a number of resources when researching companies. First, it studies published information on the company, including group websites and reports, and other websites which may include relevant information. It relies heavily on personal meetings and discussions with companies on specific issues. The Team also uses Lexis-Nexis, the legal news and information provider, and EIRIS, the London-based ethical research service, which provide up to date information on company actions and activities. Finally, it liaises with governmental, non-governmental, and non-profit organisations to keep up to date on new SRI developments relating to the ethical criteria on which they focus.

V Social, Ethical, and Environmental Criteria

The Fund's SRI criteria covers the following core areas:

- Alcoholic Beverages
- Animal Testing
- Business Practices
- Community Involvement
- Corporate Governance
- Environment
- Gambling
- Human Rights
- Labour / Workplace Issues
- Military involvement

Nuclear Energy
Pornography
Product Quality
Tobacco
Weapons

Alcoholic Beverages

The SRI Team believes that alcohol abuse contributes to social problems ranging from health disorders to auto accidents. The Fund will not, therefore, invest in companies which derive over 10% of their annual turnover from the production and/or sale of alcoholic beverages.

Animal Testing

The SRI Team acknowledges that animal testing is required by law for the production and marketing of many products. Within this context, the Fund seeks to avoid investing in companies which conduct or commission animal testing for the purpose of developing and selling cosmetics and toiletry products. The Fund will be prepared to invest, however, in a company such as a pharmaceutical group, which produces medicines to improve daily life, if it is working to reduce the total number of animal tests and/or substitute animal-based tests with alternative methods.

Business Practices

The SRI Team believes a company's business practices reflect its general attitude toward corporate social responsibility. Companies can demonstrate sound corporate behaviour by adhering to positive advertising practices, setting compliance procedures and ethical policies for their employees, and having a check and balance system for their operations. The AAM Group seeks to invest in companies demonstrating these types of practices. Conversely, the Fund seeks to avoid investing in companies with a history of monopolistic activity and fines, convictions for fraud and/or money laundering. It also does not favourably view companies which are directly involved in the financing or construction of oil pipelines or dams in the developing world, as the SRI Team believes these structures contribute to the displacement of populations and the subjugation of impoverished societies.

Community Involvement

The SRI Team believes that corporations have a unique opportunity to enhance the communities in which they operate. In this light, the AAM Group invests in companies with a strong commitment to supporting charitable causes and events. The SRI Team views positively companies which donate their time, effort and money; sponsor scholarships and other means of self-improvement for underprivileged groups; and encourage employees to volunteer their services in the community.

Corporate Governance

The SRI Team sees a Board of Directors as having a stewardship role to fulfil. As such, they look favourably upon companies whose corporate governance policies conform to relevant national codes of practice (e.g. the Combined Code in the UK and the Sarbanes-Oxley Act of 2002), and which are transparent and accountable in their actions regarding:

Board members

- Presence of independent directors
- Presence of minorities and women
- Disclosure of experience level and industry representation of Board members

Board structure

- Separation of the roles of Chairman and Chief Executive
- Establishment of independent Board committees for audit, remuneration and nomination

Disclosure on

- Directors' pay
- Executive compensation packages, including company stock options

Environment

The SRI Team recognises that the adoption of sustainable business practices is critical to the health and well-being of our planet and its citizens. As such, they view positively companies which:

- Disclose their environmental policies and practices (in annual or separate reports)
- Demonstrate a commitment to industry/government codes and standards (e.g. UNEP, ISO, EMAS)
- Provide innovative and forward-looking solutions to environmental problems through their products, services and/or business practices
- Develop products or processes which reduce or minimise environmental impacts
- Conserve the use of energy, water, materials and/or land
- Implement pollution prevention programmes

The SRI Team also favours companies which collaborate with “experts” (namely, governmental, non-governmental, and non-profit organisations) in setting targets for the reduction of ozone depleting gases, greenhouse gases, and pesticides, and the improvement of packaging and recycling activities. The Fund will avoid investing in companies which demonstrate a pattern of non-compliance with local environmental regulations or which significantly contribute to environmental problems. Specific negative screens for this category include fines for offences or repetitive breaches of water pollution regulations, and/or dumping waste (including hazardous waste) in inappropriate areas.

Gambling

The SRI Team believes that an addiction to gambling can be detrimental to families, the community and specifically harmful to groups of people in lower income areas. Therefore, the Fund avoids investing in companies which derive more than 10% of their annual turnover from betting or gambling operations and/or from supplying gambling equipment.

Human Rights

The Fund views favourably companies which use their influence to protect human rights around the world. Specifically, the SRI Team looks for companies which adhere to the human rights policies outlined in the United Nations Declaration of Human Rights and in the core labour conventions of the International Labour Organization (ILO). It seeks particular adherence to ILO Convention 182, covering the abolition of the worst forms of child labour, child slavery, forced labour, and debt bondage. It pays close attention to a company's history of supporting the rights and dignity of citizens in every country in which it operates, and keeps

particular watch on the activities of corporations in countries where political repression and/or basic human rights violations take place.

The Fund will avoid investing in companies which refuse, without good cause, to cease operations in countries with histories of severe human rights abuses (e.g. Myanmar / Burma). While the SRI Team does not seek to boycott any country, they do pay particular attention to the actions of repressive governments and their impact on the stakeholders of companies in which the AAM Group invests.

Labour / Workplace Issues

The Fund favours investments in companies with positive labour practices, such as those which:

Labour Standards

- Demonstrate a commitment to industry/government codes regarding labour practices
- Publish an equal opportunities policy covering global operations
- Have policies regarding child and forced labour which are in line with ILO standards
- Respect the right to organise unions and bargain collectively
- Support the hiring, training, and promotion of women and minorities
- Offer overtime (where appropriate) and fair pay

Working Conditions

- Provide working conditions which meet basic health and safety standards
- Publish a health and safety policy covering all of the group's business
- Conduct annual audits of manufacturing operations, particularly in under-developed countries

Employee and Family Friendly Benefits

- Ideally, offer basic health care insurance and incentive plans or packages for employees
- Provide programmes and benefits supporting workers and their families

The Fund seeks to avoid investing in companies which show disregard for labour issues, such as those regarding vital health and safety issues, like exposure to asbestos, or inattention to fair pay issues, including overtime. Grounds for automatic failure in this criteria group include evidence of using forced, compulsory, or child labour, or having more than three instances (over three consecutive years) of discrimination, harassment, or health and safety offences.

Military Involvement

The Fund will avoid companies exceeding 10% of gross annual turnover from the production, sale, or servicing of military contracts.

Nuclear Energy

Businesses earning more than 10% of their turnover from the ownership or operation of nuclear power plants or from services to the nuclear power industry will not be eligible for investment by the Fund.

Pornography

The Fund will avoid investing in businesses whose total annual turnover from the production, transmission or sale of pornographic materials (including illegal and soft porn) exceeds 5%.

Product Quality

The SRI Team seeks to avoid investing in companies which have a history of convictions for poorly produced (non-food) products or which have had multiple product recalls. In addition, they look favourably upon food retailers and grocery chains which actively label consumable products containing genetically modified organisms (GMOs) or similar products.

Tobacco

The SRI Team believes that smoking and/or an addiction to nicotine has adverse effects on society through smoking-related illnesses. As such, the Fund will not invest in businesses which make over 10% of their gross annual turnover from the production and/or sale of tobacco products.

Weapons

The Fund will not invest in companies which manufacture or sell nuclear weapons or which derive more than 10% of their turnover from the manufacture or sale of conventional weapons, or weapon systems.

Summary of Ethical Criteria

Criterion	Positive Screening	Negative Screening / Not permitted
Alcoholic Beverages		<ul style="list-style-type: none"> • More than 10% turnover in alcohol sales or production
Animal Testing	<ul style="list-style-type: none"> • Reducing number of tests and seeking alternative testing methods 	<ul style="list-style-type: none"> • Testing on animals (or commissioning tests) for cosmetic or toiletry products
Business Practices	<ul style="list-style-type: none"> • Truthful advertising • Ethical policies for employees 	<ul style="list-style-type: none"> • History of antitrust / monopolistic activity • History of fraud • Pattern of heavy fines for poor practices
Community Involvement	<ul style="list-style-type: none"> • Contributes to communities and encourages staff to do the same 	
Corporate Governance (Board of Directors)	<ul style="list-style-type: none"> • Presence of independent directors • Presence of minorities & women • Disclosure of member qualifications • Separation of Chairman and CEO • Transparency on directors' and executives' pay, total packages 	
Environment	<ul style="list-style-type: none"> • Commitment to government codes and standards on environment • Conserves energy, water, materials • Discloses environmental policies 	<ul style="list-style-type: none"> • Pattern of non-compliance with local environmental regulations • Significant breaches of environmental laws or substantial pollution fines
Gambling		<ul style="list-style-type: none"> • More than 10% turnover from gambling operations or supplying gambling equipment
Human Rights	<ul style="list-style-type: none"> • Supports UN Declaration on Human Rights throughout global operations 	<ul style="list-style-type: none"> • Continued business in countries with human rights abuses without good cause
Labour	<ul style="list-style-type: none"> • Committed to ILO standards • Equal opportunities policy • Hires, trains and promotes women and minorities • Ideally Offers overtime and fair pay • Policy on child and forced labour • Health and safety policy • Audits of international operations • Offers employee and family benefits 	<ul style="list-style-type: none"> • History or pattern of engaging forced, compulsory, or child labour • More than 3 instances (over 3 consecutive years) of discrimination, harassment, or health and safety offences
Military		<ul style="list-style-type: none"> • More than 10% turnover from military

		sales or servicing military contracts
Nuclear Energy		<ul style="list-style-type: none"> More than 10% turnover from involvement with nuclear power industry
Pornography		<ul style="list-style-type: none"> More than 5% turnover from transmission, production and/or sale of pornography
Product Quality	<ul style="list-style-type: none"> Labels products appropriately (e.g. GMOs) 	<ul style="list-style-type: none"> History of convictions for poor products or product recalls
Tobacco		<ul style="list-style-type: none"> More than 10% turnover from production or sale of tobacco products
Weapons		<ul style="list-style-type: none"> More than 10% turnover from manufacture or sale of conventional weapons or weapons systems

The SRI Team would like, ideally, to see each positive criterion met by every company it investigates, but accepts that few companies will demonstrate an outstanding record across the board. With this in mind, the SRI Team has established threshold limits for specific criteria for passing or failing a company for inclusion in the Fund. These limits are summarised as follows:

Companies will pass the AAM Group's SRI screening if they:

- Demonstrate an awareness of and propensity for positive practices within the defined ethical criteria
- Make bona fide efforts to ameliorate practices in areas of historical weakness, or materially improve policies as a direct result of the SRI Team's contact with them
- Do not contravene established limits regarding "automatic fails" (see below)
- Do not demonstrate a combination of problematic trends which the SRI Team determines, based on the criteria provided, to be unacceptable for investment by the Fund

Conversely, companies will automatically fail the AAM Group's ethical screening which demonstrate:

- Animal testing practices for cosmetic or toiletry products
- More than three instances over three consecutive years (within a single category of) discrimination, harassment or health and safety
- More than 10% of annual turnover from
 - * the production or sale of alcoholic beverages or tobacco products
 - * gambling activities
 - * military sales or servicing military contracts
 - * involvement in the nuclear power industry
 - * the production or sale of weapons
- **More than 5% annual turnover from pornography production or sales**
- **Substantial and direct involvement in oil pipelines or dams in the developing world**
- **A history of poor business practices**

VI Conclusion

The AAM Group believes that the analysis of Socially Responsible Investments is a dynamic process. As such, AAM Group's SRI Team continually re-evaluates the established social

screens to ensure that they reflect the evolution of shareholder concerns, emerging social issues, and the availability of new sources of research.

Conducting SRI research on international companies brings unique challenges in terms of corporate disclosure, regulatory structures, environmental standards and differing national and cultural priorities. The AAM Group acknowledges that companies operating in developing nations may not have the same social and environmental standards as companies in developed countries. Notwithstanding this, the SRI Team goes to great lengths to ensure that all investments satisfy the rigorous social criteria enumerated above.

VII Shareholder Advocacy

As an institutional manager of SRI portfolios, the AAM Group recognises its obligation to be involved in monitoring Board activities and to actively participate in the corporate governance process. Proxy votes are one way in which the AAM Group, as a shareholder, can influence management decisions governing a company's day to day operations. The AAM Group votes proxies in support of: positive social and economic impacts, transparent corporate governance practices, and the reasonable disclosure of company policies and financial returns, with special attention given to those issues which impact the fair and equal treatment of shareholders.

In order to achieve comprehensive voting for the SRI portfolios we manage, the AAM Group has appointed Institutional Shareholder Services (ISS) of Maryland, USA, to facilitate its proxy voting process. ISS notifies the Group of upcoming company meetings and provides specific research into resolutions of a non-routine nature. It is ultimately the Group's decision whether to agree with the recommended vote or change it. AAM's Group policy is to make all proxy voting decisions according to the interests of our investors and on the basis of the its own independent research.

Disclaimer and Amendment

AAM will review its ethical screening criteria on an annual basis and, from time to time, will update its established criteria without further notice. At all times, AAM shall endeavour to ensure that its SRI criteria are applied in respect of all investments held within the portfolio. However, AAM accepts no responsibility whatsoever, and shall not be liable in any regard, for investments made in contravention of the investment criteria, except where there is wilful negligence or fraud relating to its ethical screening.

.....
Aberdeen Asset Management, Inc
[] January 2004

BGICL Universe ex-BBB Bond Index Fund

Fund Information	
Effective date of profile	September 30, 2003
BGI fund number	299185
Fund inception	May 2002
BGI ticker symbol	UNIEXBBB
Tax status	RI QMFT 204.4 (2)(d)
Eligible investors	All types except non-residents
Valuation and trading frequency	Daily
Notification deadline	One Canadian business day before trade date by noon eastern time
Settlement date	Three Canadian business days after trade date
Foreign property status	Fund considered Canadian property
Expenses paid by fund	Fund administration and operational expenses
Income distribution frequency	Semi-annual (June and December)
Capital gains distribution frequency	Annual (December)
Securities lending	Permitted
Proxy voting	BGI votes proxies on behalf of the pooled fund based on what BGI believes to be the best economic interests of all pooled fund participants
Minimum contribution	BGI reserves the right to implement minimum/maximum contribution amounts=

Investment Guidelines	
Investment objective	To track the return and risk profile of the benchmark
Benchmark	Scotia Capital Universe Bond Index
Expected return versus benchmark	0% annualized over four years
Expected risk (standard deviation)	0.25% annualized over four years (actual versus expected return)
Investments	This fund invests primarily in Canadian bonds and debentures. This fund may also use any other investments, including exchange traded funds and pooled funds, which when included in the fund help achieve the objective of tracking the return and risk profile of the benchmark providing the overall duration of the fund remains within 0.1 years of the benchmark
Cash and money market	Small amounts of cash (generally less than 1%) may be held for liquidity or pending investment; money market securities generally include government guaranteed paper, bankers acceptances, bankers deposits, commercial paper, and floating rate notes
Credit quality for money market	Average of R1-mid or better, with select R1-low issues (or equivalent)
Credit quality for bonds	Minimum A rating; bonds which are downgraded below A will be sold as soon as practicable
Currency exposure	Canadian dollar denominated investments
Sector weights	Within benchmark weight plus/minus 1.0% for each sector (Canada, provincial, municipal, corporate)
Security weights	No restrictions in relation to benchmark (not a fully replicated fund); no single issuer to exceed 10% of the market value of the fund except for securities issued by governments or government guaranteed agencies; no corporate issuer rated less than A to exceed 5% of the market value of the fund
Use of derivatives	Permitted to equitize cash and to replicate securities or strategies that are consistent with the fund's investment objective and return and risk profile
Use of leverage	Not permitted

BGICL Hedged Synthetic U.S. Equity Index Fund

Fund Information	
Effective date of profile	January 1, 2004
BGI fund number	103658
Fund inception	January 1994
BGI ticker symbol	HSYNTHUS
Tax status	QMFT 5000 (1)
Eligible investors	Canadian pension plans only
Valuation and trading frequency	Monthly - last business day of month
Notification deadline	Two Canadian business days before trade date by noon eastern time
Settlement date	One Canadian business day after trade date
Foreign property status	Fund considered Canadian property
Expenses paid by fund	Fund administration and operational expenses
Income distribution frequency	Annual (December)
Capital gains distribution frequency	Annual (December)
Securities lending	Permitted
Proxy voting	BGI votes proxies on behalf of the pooled fund based on what BGI believes to be the best economic interests of all pooled fund participants
Minimum contribution	BGI reserves the right to implement minimum/maximum contribution amounts
Investment Guidelines	
Investment objective	To track the return and risk profile of the benchmark
Benchmark	S&P 500 Total Return Index hedged to Canadian dollars
Expected return versus benchmark	Minus 0.25% annualized over four years
Expected risk (standard deviation)	0.35% annualized over four years (actual versus expected return)
Investments	This fund invests primarily in S&P 500 futures contracts and money market securities. This fund may also use any other investments, including bankers acceptance futures contracts; currency forwards; currency futures contracts; U.S. equities; exchange traded funds and pooled funds, which when included in the fund help achieve the objective of tracking the return and risk profile of the benchmark while maintaining the Canadian property status of the fund
Cash and money market	Up to 100% of the fund may be held in equitized cash; small amounts of unequitized cash (generally less than 1%) may be held for liquidity or pending investment; money market securities generally include government guaranteed paper, bankers acceptances, deposit notes, commercial paper, asset-backed securities and floating rate notes; average maturity of money market not to exceed six months
Credit quality for money market	Average of R1-mid or better, with select R1-low issues (or equivalent)
Credit quality for bonds	Minimum BBB rating; bonds which are downgraded below BBB will be sold as soon as practicable
Currency exposure	Fund is exposed to US dollar denominated investments; currency exposure is hedged to Canadian dollars
Sector weights	Determined by the underlying futures contracts
Security weights	Determined by the underlying futures contracts; no single money market issuer to exceed 10% of the market value of the fund except for securities issued by governments or government guaranteed agencies
Use of derivatives	Permitted to equitize cash and to replicate securities or strategies that are consistent with the fund's investment objective and return and risk profile
Use of leverage	On an intra-month basis, leverage of up to 2% is permitted due to currency fluctuations; any additional leverage will be removed as soon as practicable

CONFIDENTIAL OFFERING MEMORANDUM

This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus relating to a distribution of the units of the Funds described herein. No Securities Commission or similar regulatory authority has in any way passed upon the merits of the securities offered nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence. **Units of the Funds are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)*, and are not insured under the provisions of that Act or any other legislation. The value of units of the Funds will fluctuate with changes in the market value of the portfolios of the Funds.**

MCLEAN BUDDEN POOLED FUNDS

MB Canadian Equity Growth Fund
MB Canadian Equity Value Fund
MB Canadian Equity Fund
MB Canadian Equity Plus Fund
MB Select Canadian Equity Fund
MB American Equity Fund
MB International Equity Fund
MB Global Equity Growth Fund
MB Global Equity Value Fund
MB Global Equity Fund
MB Select Global Equity Fund
MB Fixed Income Fund
MB Short Term Fixed Income Fund
MB Select Fixed Income Fund
MB Long Term Fixed Income Fund
MB Fixed Income Plus Fund
MB Money Market Fund
MB Balanced Growth Pension Fund
MB Balanced Growth Fund
MB Balanced Value Fund
MB Balanced Fund
MB Select Balanced Fund
MB Private Balanced Fund
MB LifePlan™ Income Fund
MB LifePlan™ Growth and Income Fund
MB LifePlan™ Growth Fund

This Offering Memorandum has been prepared by McLean Budden Limited, as manager of the McLean Budden Pooled Funds, and is being furnished solely for use by prospective investors. This is a confidential document. By their acceptance hereof, prospective investors agree that they

will not transmit, or otherwise make available to anyone, this Offering Memorandum or any information contained herein.

April 15, 2005

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THE FUNDS

Each of the McLean Budden Pooled Funds (each a “Fund”, collectively the “Funds”) listed on the cover page of this Offering Memorandum was established as a separate trust under the laws of Ontario and is subject to a Trust Indenture dated June 1, 1998 as amended from time to time (the “Trust Agreement”) executed by McLean Budden Limited (“McLean Budden”), as investment counsel, and The Royal Trust Company (“Royal Trust”), as trustee.

The registered office of McLean Budden is located at 145 King Street West, Suite 2525, Toronto, Ontario M5H 1J8.

Eligible Investments

Each of the Funds has its own set of eligible investments. These are established by the Trust Agreement and are set out in the schedules to this Offering Memorandum. In addition, the Schedules provide information about each Fund’s investment philosophy, performance objective, portfolio diversification, and asset mix. Unitholders will be given at least ninety (90) days prior written notice of a material amendment to the Trust Agreement. Unitholders will also be given notice of any material amendments to the Fund information contained in the Schedules to this Offering Memorandum.

The investments of each of the Funds, with the exception of the MB Private Balanced Fund, will be restricted to ensure that the provisions of the *Pension Benefits Standards Act, 1985* (Canada) and the *Pension Benefits Act* (Ontario) and/or the regulations thereunder would not preclude a pension plan regulated or registered under such statutes from investing its assets in units of the Funds, subject to compliance with the prudent investment standards and the general investment provisions of the statute and/or the regulations thereunder, and provided that, when required, such an investment is in conformity with any investment policies and procedures established by the administrator of the pension plan.

Use of Derivatives by the Funds

The Funds do not currently invest in derivatives.

Securities Lending

The Funds do not participate in securities lending.

Hedging

Unless indicated otherwise in the schedule for a particular Fund, currency hedging will not be employed.

MANAGEMENT OF THE FUNDS

McLean Budden acts as Manager for the Funds.

Responsibilities of McLean Budden

Under the Trust Agreement of the Funds, McLean Budden is responsible for:

- (a) the management of each of the Fund's investment portfolio, including decisions as to the purchase and sale of portfolio securities and decisions as to the execution of all portfolio transactions, including selection of the securities to be purchased or sold, selection of market, selection of dealer or broker and the negotiation, where applicable, of commissions;
- (b) the appointment of auditors;
- (c) the provision of office space and facilities, clerical help, and recordkeeping services required by the Funds;
- (d) the establishment of purchase, transfer and redemption procedures;
- (e) the preparation of audited annual reports; and
- (f) the distribution of units of the Funds.

Management Fee

No management fee is payable to McLean Budden by a Fund. Management Fees are paid to McLean Budden directly by unitholders pursuant to individual investment management agreements entered into between McLean Budden and each unitholder.

Expenses of the Funds

Each of the Funds will be responsible for the payment of the Trustee's fees, auditing fees, legal fees, custody fees, recordkeeping fees, brokerage commissions, registrar and transfer agent fees, independent review committee fees and expenses (discussed on page 3), fees relating to continuous disclosure obligations and all fees payable pursuant to a statutory or regulatory authority.

Conflicts of Interest

McLean Budden also acts as manager of mutual funds and as investment counsellor and/or portfolio manager to other clients. McLean Budden may make investment decisions for a Fund which may differ from investment decisions made for, or advice given to such other clients even though the investment objectives of such other clients may be the same or similar to those of the Fund, provided that McLean Budden acts in good faith and follows a policy of allocating over a period of time relevant investment opportunities to each Fund on a basis which is fair and equitable to the Fund relative to such other clients. A copy of the policy followed by McLean Budden in this respect is available to unitholders upon request.

McLean Budden has adopted the CFA Institute Code of Ethics. A copy of this code is available to unitholders upon request.

Related Issuer Purchases

McLean Budden has received approval from regulatory authorities permitting certain Funds to purchase securities of Sun Life Financial Services of Canada Inc. (“Sun Life”) and CI Fund Management Inc. (“CI”). Sun Life has approximately a thirty-four percent (34%) aggregate ownership interest in CI and a fifty-six percent (56%) interest in McLean Budden. McLean Budden employees compose a majority of the Board of Directors of McLean Budden.

Securities regulators have designed a set of rules to ensure that any investment by McLean Budden in these related companies is overseen by an independent body. In this regard McLean Budden has appointed John Evans, Gary Lukassen, and Iain Ronald, as members of an independent review committee (the “Committee”). These members are not employees, directors, officers or associates of Sun Life, CI, McLean Budden or any other portfolio manager.

The mandate of the Committee is to review, at least quarterly, investments, if any, made on behalf of the funds in securities of Sun Life and CI in order to be satisfied that the decisions to buy, sell or hold such securities were made in the best interests of the funds and were made free of any influence by Sun Life, CI or their affiliates. The Committee must report the results of its review to McLean Budden at least quarterly and must advise the securities regulatory authorities if it determines that any investment decision was not made in accordance with the conditions stated above.

The members of the Committee are entitled to receive a fee plus reimbursement of out of pocket expenses for each meeting that they attend. This fee will be allocated among the Funds in a manner that is considered by the Committee to be fair and reasonable to the Funds.

DESCRIPTION OF UNITS

Each of the Funds is authorized to issue an unlimited number of units, each of which represents an equal interest in the Fund. All units of a Fund are of the same class with equal rights and privileges.

Each unit of a Fund is entitled to participate equally in the distribution of net income and net taxable capital gains and losses and, on liquidation, to participate equally in the net assets of the Fund remaining after satisfaction of outstanding liabilities. Units are fully paid and non-assessable when issued. Units may be redeemed by the unitholder.

DETERMINATION OF NET ASSET VALUE

The net asset value per unit of a Fund is determined by dividing the value of the net assets of the Fund (that is, the value of the assets of the Fund less its liabilities) by the total number of units outstanding. The net asset value per unit of each of the Funds other than the MB Canadian Small Business Fund, is calculated each day on which The Toronto Stock Exchange is open for trading. The net asset value per unit of the MB Canadian Small Business Fund is calculated the last day of the month of June and December on which The Toronto Stock Exchange is open for trading. The net asset value per unit of the MB American Equity Fund, MB International Equity Fund, MB Global Equity Fund, MB Select

Global Equity Fund, MB Global Equity Growth Fund and MB Global Equity Value Fund is calculated each day on which both The Toronto Stock Exchange and The New York Stock Exchange are open for trading.

In determining the net asset value of the assets held by a Fund, the following guidelines will be applied:

- Fixed income investments are valued at the latest sales price as reported by a recognized investment dealer
- Short-term investments are stated at cost in the valuation report and accrued interest is reported in the interest receivable calculation
- Equities are valued at the closing sale price on the principal exchange where they trade
- Untraded securities are valued quarterly. These prices are confirmed annually by an independent audit

Translation of Foreign Currencies

The financial statements and net asset values of the MB American Equity Fund, MB Global Equity Growth Fund and MB Global Equity Value Funds are reported in U.S. dollars. The net asset values of these Funds are converted and reported in Canadian dollars using the exchange rate at the close of business of the London Exchange each valuation day.

PURCHASE OF UNITS

Each purchaser of units of a Fund must first enter into an asset management agreement with McLean Budden and must make an initial investment of at least one hundred fifty thousand dollars (\$150,000.00) per Fund.

Units of each Fund, other than the MB Canadian Small Business Fund, may be purchased on a daily basis. The day designated for purchases of units is referred to as a “trade day”. The purchase price per unit of a Fund will be the net asset value per unit determined on the trade day for the purchase order. If a purchase order is received before 11:00 a.m. Toronto time on a trade day, the purchase price will be the net asset value per unit determined on that trade day. If a purchase order is received after 11:00 a.m. Toronto time on a trade day or on a day other than a trade day, the purchase price will be the net asset value per unit determined on the next trade day.

Payment for units of a Fund must be received by the Trustee within three (3) business days of the purchase order. Payment may be made by cheque, wire transfer, or money order. Payment for units of MB American Equity Fund, MB Global Equity Growth Fund, MB Global Equity Fund, MB Global Equity Value Fund, MB International Equity Fund or MB Select Global Equity Fund may be made in Canadian or U.S. dollars. For all other funds payment may be made in Canadian dollars only. In some circumstances, at the discretion of McLean Budden, payment may be made by the delivery of securities that meet the investment criteria of the Fund and are acceptable to McLean Budden.

McLean Budden reserves the right to reject any order for the purchase of units. The decision to accept or reject any order will be made within two (2) days of receipt of the order.

No certificate will be issued for units purchased.

SWITCHES

If units are purchased in the MB American Equity Fund, MB Global Equity Growth Fund, MB Global Equity Fund, MB Global Equity Value Fund, MB International Equity Fund or MB Select Global Equity Fund with a U.S. dollar cheque, wire transfer or money order, switches may only be made amongst those six Funds and such switches will be based on the net asset value per unit in U.S. dollars of the Fund redeemed and the Fund purchased on the trade day.

REDEMPTION OF UNITS

Unitholders may request that a Fund redeem any or all of their units (subject to the one hundred fifty thousand dollars (\$150,000.00) minimum investment) at any time by providing written notice to the Trustee. Redemption proceeds in excess of ten percent (10%) of the market value of any Fund may be paid out in kind (by the delivery of securities) at the discretion of McLean Budden. Units will be redeemed at the net asset value per unit. If a redemption request is received before 11:00 a.m. Toronto time on a trade day, the redemption price will be the net asset value per unit determined on that trade day. If a redemption request is received after 11:00 a.m. Toronto time on a trade day or on a day other than a trade day, the redemption price will be the net asset value per unit determined on the next trade day.

Redemption proceeds for redeemed units of a Fund will be paid to a unitholder within three business days following the redemption. Redemption proceeds in excess of ten percent (10%) of the market value of any Fund may be paid in kind (by the delivery of securities) at the discretion of McLean Budden. All redemption proceeds are paid in Canadian dollars with the exception of redemptions of units of the MB American Equity Fund, MB Global Equity Growth Fund, MB Global Equity Fund, MB Global Equity Value Fund, MB International Equity Fund or MB Select Global Equity Fund purchased with a U.S. dollar cheque, wire transfer or money order, where redemption proceeds are paid in U.S. dollars.

McLean Budden may, in its sole discretion, direct the Trustee to withhold from the redemption proceeds paid to a unitholder an amount not to exceed one percent (1%) of such redemption proceeds in order to compensate a Fund (and thus the remaining unitholders of such Fund) for the brokerage expenses incurred in connection with liquidating investments to obtain cash to effect the redemption.

Under exceptional circumstances we may be unable to process your redemption request. This would most likely occur if market trading were suspended on stock exchanges where the Funds hold their investments.

DISTRIBUTIONS

The net income and net realized taxable capital gains of a Fund in any year will be distributed to unitholders of the Fund with a view to ensuring that the Fund will not have any tax liability under the *Income Tax Act* (Canada) (the "Tax Act"). Distributions of net income and net realized taxable capital gains are made on a quarterly basis on the last valuation date of each

quarter for all Funds except for the MB Small Business Fund and the MB Money Market Fund. The capital gains distributions in the first quarter of each year will be equal to eighty percent (80%) of the net realized capital gains of the Fund for such quarter. The capital gains distributions in the second quarter will be equal to the difference between eighty percent (80%) of the net realized capital gains of the Fund of the first two quarters and the amount distributed in respect of the first quarter. The capital gains distributions in the third quarter will be equal to the difference between eighty percent (80%) of the net realized capital gains of the Fund for the first three quarters and the aggregate of the amounts distributed in respect of the first and second quarters. The fourth quarter capital gains distribution will be equal to the difference between the net realized capital gains of the Fund for the year and the aggregate of the amounts distributed in respect of the first three quarters.

The net income and capital gains of the MB Small Business Fund are distributed annually. The MB Money Market Fund is valued each day at ten dollars (\$10.00). Any appreciation/income earned during the day is accrued daily and distributed to unitholders monthly in the form of additional units of the Fund or cash.

All amounts that become payable to a unitholder of a Fund will be invested, on the unitholder's behalf, in additional units of the Fund at the net asset value per unit on the distribution day on which such amounts become payable to unitholders, unless McLean Budden has received a written request that the unitholder prefers his or her distributions in cash at least fifteen (15) days before a distribution day.

All distributions are paid and all investments in additional units are made in Canadian dollars with the exception of distributions and investments in respect of units in the MB American Equity Fund, MB Global Equity Growth Fund, MB Global Equity Fund, MB Global Equity Value Fund, MB International Equity Fund or MB Select Global Equity Fund purchased with a U.S. dollar cheque, wire transfer or money order where distributions will be paid in U.S. dollars and investments in additional units will be made at the net asset value per unit in U.S. dollars.

RISK FACTORS

Each of the Funds own investments which vary depending upon the investment objective of the Fund. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and issuer news. As a result, the value of a Fund's units may go up and down, and the value of a unitholder's investment in a Fund may be more or less when redeemed than when purchased.

The risks associated with investing in a Fund are the risks associated with the securities in which the Fund invests. Below is a summary of various types of investment risk that may be applicable to a Fund or a portion of a Fund.

Stock market risk

The value of most securities, in particular equity securities, changes with stock market conditions. These conditions are affected by general economic and market conditions.

Specific issuer risk

The value of all securities will vary positively and negatively with developments within the specific companies or governments which issue the securities.

Interest rate risk

The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

Liquidity risk

Liquidity risk is the possibility that a Fund will not be able to convert its investments to cash when it needs to. The value of securities which are not regularly traded (less liquid) will generally be subject to greater fluctuations.

Credit risk

The value of fixed income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. Securities issued by issuers which have a low credit rating are considered to have a higher credit risk than securities issued by issuers which have a high credit rating.

Foreign security risk

The value of foreign securities will be affected by factors affecting other similar securities and could be affected by additional factors such as the absence of timely information, less stringent auditing standards and less liquid markets. As well, different financial, political and social factors may involve risks not typically associated with investing in Canada.

Currency risk

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

FEDERAL INCOME TAX CONSIDERATIONS

The following is a brief summary of the principal Canadian federal income tax considerations generally relevant to unitholders who, for purposes of the Tax Act, are resident in Canada and either: (i) hold their units as capital property and are not exempt from taxation under Part I of the Tax Act (“Taxable Unitholders”); or (ii) are exempt from taxation under Part I of the Tax Act (“Non-Taxable Unitholders”).

This summary is based on the current provisions of the Tax Act and the regulations thereunder and takes into account the current administrative practices of the Canada Revenue Agency (“CRA”). This summary also takes into account proposed amendments (the “Proposed Amendments”) to the Tax Act and the regulations thereunder announced by the Minister of Finance (Canada) prior to the date hereof. No assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations, does not take into

account provincial or foreign income tax legislation or considerations, which might differ from the Canadian federal considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action.

This summary is of a general nature only and is not intended to be, nor should it be construed as, legal or tax advice to any particular investor. EACH PROSPECTIVE INVESTOR SHOULD SEEK INDEPENDENT ADVICE REGARDING THE TAX CONSEQUENCES OF INVESTING IN UNITS OF A FUND BASED UPON THE INVESTOR'S OWN PARTICULAR CIRCUMSTANCES. IN PARTICULAR, NON-TAXABLE UNITHOLDERS WHICH ARE REGISTERED PENSION PLANS SHOULD BE SATISFIED THAT A UNIT OF THE FUND IS NOT A 'PROHIBITED INVESTMENT' (AS DEFINED IN THE REGULATIONS) OR WILL NOT HAVE ADVERSE TAX CONSEQUENCES IN RESPECT OF SUCH UNITHOLDER.

Taxation of the Funds and of Taxable Unitholders

The Funds

The net income and net realized taxable capital gains of a Fund in any year will be distributed to unitholders of the Fund with a view to ensuring that the Fund will not have any tax liability under Part I of the Tax Act.

Each of the Funds is required to compute its net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act and may, as a consequence, realize income or capital gains by virtue of changes in the value of foreign currency relative to the Canadian dollar.

Proposed new tax rules have been announced that deal with investments in certain foreign entities. If these new tax rules are passed as proposed, they may require a Fund that invests in securities of such entities to include in the Fund's income for each year income or gains computed in accordance with certain rules in the Tax Act, whether or not the Fund actually receives any income or realizes any gains on such securities. Any such amounts would be reflected in distributions to unitholders out of the Fund's income. It is proposed that the new rules will take effect for taxation years that begin after 2002.

Distributions to Taxable Unitholders

The treatment under the Tax Act of amounts distributed or considered to be distributed to a Taxable Unitholder of a Fund will generally be similar to that which would have applied if such Taxable Unitholder had earned or realized directly the Taxable Unitholder's proportionate share of the net income and net realized taxable capital gains so distributed or considered to be distributed by the Fund. The Taxable Unitholder will be required to include in computing income in a year such amounts (in Canadian dollars) as are paid or payable to the Taxable Unitholder out of the Fund's income and taxable capital gains during that year even if such amounts are immediately reinvested in additional units.

At the time a Taxable Unitholder acquires units of a Fund, the net asset value of the Fund and therefore the price paid by the Taxable Unitholder may reflect accrued income and realized

capital gains which have not been distributed and accrued capital gains which have not been realized. When and if such income and realized capital gains are distributed by the Fund and when and if such accrued capital gains are realized and distributed by the Fund to a Taxable Unitholder, the Taxable Unitholder will become taxable on such amounts.

Each Fund has advised counsel that it will designate, to the extent permitted by the Tax Act, the portion of the net income distributed or considered to be distributed to unitholders as may reasonably be considered to consist of, respectively, (i) net taxable capital gains and (ii) taxable dividends received by it on shares of taxable Canadian corporations. Any such designated amount will be deemed for tax purposes to be (i) a taxable capital gain realized by unitholders in the year and (ii) a taxable dividend from a taxable Canadian corporation received by unitholders in the year, respectively. Similarly, designations will be made so that unitholders will generally be entitled to the benefit, if any, of a foreign tax credit referable to foreign source income of a Fund distributed to unitholders.

Dispositions and Redemptions

On any redemption or other disposition of units of a Fund (including a redemption to effect a transfer of a Taxable Unitholder's investment to another Fund) a Taxable Unitholder may realize a capital gain (or capital loss) in the amount by which the proceeds of disposition or redemption of the units, net of any portion thereof considered to be paid out of the income or capital gains of the Fund, exceed (or are less than) the Taxable Unitholder's adjusted cost base of the units and any costs of disposition.

A Taxable Unitholder's adjusted cost base of units of a Fund will reflect the average cost per unit of all units of that Fund held by the Taxable Unitholder. Where units of a Fund are denominated in U.S. dollars, for purposes of computing a Unitholder's capital gain or loss, the cost of units and the proceeds of disposition thereof must be determined as the Canadian dollar equivalent of the relevant U.S. dollar amount, translated at the rate of exchange prevailing on the date of the acquisition and disposition, respectively, of the units. One-half of a capital gain will be included in computing income as a taxable capital gain and one-half of a capital loss will be an allowable capital loss that may be deducted against taxable capital gains subject to the detailed rules in the Tax Act.

Payment in Kind

If a Taxable Unitholder transfers securities to a Fund in payment of the purchase price of units, the Taxable Unitholder may realize income or capital gains on such securities that will be taken into account in computing the income of the Taxable Unitholder for the taxation year in which the securities are transferred to the Fund.

If a Taxable Unitholder receives securities from a Fund on the redemption of units, the Taxable Unitholder will be considered to receive proceeds of disposition for the units in an amount equal to the fair market value of the securities received, plus any cash amount received, less any amount considered to be paid out of the income or capital gains of the Fund.

Marketable Securities

Taxable Unitholders that are pooled fund trusts, closed-end unit trusts, investment corporations and certain registered investments may be subject to restrictions under the Tax Act with respect to investments which are not marketable securities. The CRA may take the view that units of investment funds such as the Funds are not marketable securities for purposes of these restrictions.

Non-Taxable Unitholders

Non-Taxable Unitholders will generally not be subject to tax on distributions paid to them by a Fund nor on any gain realized on a redemption or other disposition of units.

On March 23, 2004, the Minister of Finance tabled in the House of Commons a Notice of Ways and Means Motion (the “Notice”). The Notice included a proposal to amend the Tax Act to subject certain taxpayers, generally trusts governed by a registered pension plans, pension corporations and various tax-exempt pension investment corporations, to a penalty tax if, at the end of any month, such taxpayer held more than 1% of the cost amount to it of all its assets in “restricted investment property” which would include certain direct and indirect investments in income funds. For the purposes of this proposal, units of some of the Funds might be “restricted investment property.” On May 18, 2004, the Minister of Finance announced that the implementation of this proposed amendment has been suspended pending further consultation with interested parties, following which further legislative proposals will be announced. It cannot yet be determined whether such further legislative proposals will have an effect on the units of any of the Funds.

Eligibility for Investment

Please see the schedule for a particular Fund for additional tax considerations relating to that Fund including whether units of that Fund are a qualified investment for certain registered plans or constitute foreign property for purposes of the Tax Act.

McLEAN BUDDEN POOLED FUNDS

STATEMENT OF INVESTMENT

POLICIES AND PROCEDURES

dated September 2004

McLean Budden Pooled Funds

McLean Budden Pooled Funds

The McLean Budden Pooled Funds ("Fund") is a trust originally constituted by a Pooled Trust Indenture dated May 15, 1980. It is now constituted under a Trust indenture dated September 1, 2000. There are twenty-seven funds: MB Canadian Equity Growth Fund, MB Canadian Equity Value Fund, MB Canadian Equity Fund, MB American Equity Fund, MB Offshore Equity Fund, MB International Equity Fund, MB Global Equity Fund, MB Global Equity Growth Fund, MB Global Equity Value Fund, MB Fixed Income Fund, MB Fixed Income Plus Fund, MB Long Term Fixed Income Fund, MB Money Market Fund, MB Balanced Growth Pension Fund, MB Balanced Growth Fund, MB Balanced Fund, MB Balanced Value Fund, MB Canadian Equity Plus Fund, MB Private Balanced Fund, MB Small Business Fund, MB Select Balanced Fund, MB Select Canadian Equity Fund, MB Select Fixed Income Fund, MB Select Global Equity Fund, MB LifePlan Conservative, MB LifePlan Neutral and MB LifePlan Aggressive. Each of these is, for legal and tax purposes, a separate trust. McLean Budden Limited acts as the Investment Counsel and Royal Trust Company acts as the Trustee for the Funds.

Operating Guidelines

MB CANADIAN EQUITY GROWTH FUND

Investment Philosophy

To provide a superior real rate of return, primarily through capital appreciation, by investing in a diversified portfolio of Canadian equities. Security selection will emphasize companies with prospects for above average earnings growth.

Performance Objective

BMO/TSX Composite CAP 10% Index + 1.5% (annualized) over moving four-year periods. This Index's return is provided by BMO Nesbitt Burns and is calculated on the basis that the maximum percentage weight of any one security in the Index is 10%.

Asset Mix

	<i>Min</i>	<i>Max</i>
	%	%
Equities	85	100
Cash & equivalents	0	15

Diversification

To ensure investments are adequately diversified, the Fund's commitment to economic sectors is managed within ranges, as follows:

Economic Sectors - (as a % of BMO/TSX Composite CAP 10% Index):

	<i>Min</i>	<i>Max</i>
	%	%
Technology ¹	40	260
Consumer ²	40	260
Growth*	90	210
Interest Sensitive ³	40	160
Basic Industries ⁴	0	130

1) Technology=Information Technology

2) Consumer=Consumer Staples, Consumer Discretionary, Healthcare, Telecommunication Services

3) Interest Sensitive=Financial Services, Utilities

4) Basic Industries=Materials, Energy, Industrials

*Growth is defined as the combination of the Technology and Consumer Economic Sectors.

The Fund will normally hold investments in at least seven of the Index's ten industry sectors.

Issues

- 25-45 securities

- Normally, at least seventy-five percent of the Fund will be invested in the largest 100 stocks traded on the Toronto Stock Exchange as measured by available public float
- Individual securities may vary by no more than a nominal +/- 6% from their weight in the BMO/TSX Composite CAP 10% Index
- No single security will comprise more than 16% of the Market Value of the Fund
- No single security will comprise more than 10% of the Book Value of the Fund
- A minimum of 0.5% in any single equity security, at the time of purchase, except for
 - (i) private placements, or
 - (ii) when adding or eliminating a position
- The Fund will not hold more than 30% of the voting shares of any corporation

Eligible Investments

- Canadian common stock and convertible or exchangeable securities listed on a Canadian or U.S. stock exchange
- Warrants
- Subscription receipts
- Private placements may comprise a maximum of 10% of the Fund (6% of this limit reflects only the use of special warrants - a security directly convertible into common stock which is issued pending prospectus clearance of the additional common shares)
- Treasury Bills, Commercial Paper (minimum credit quality R-1 Low)

MB FIXED INCOME FUND

Investment Philosophy

To provide a moderate real rate of return, primarily through income, by investing in a diversified portfolio of Canadian debt securities. The Fund will only invest in high quality debt. Returns in excess of income will be gained through active duration, yield curve and sector management.

Performance Objective

Scotia Capital (SC) Universe Bond Index + 0.5% (annualized) over moving four-year periods.

Asset Mix

	<i>Min</i> %	<i>Max</i> %
Bonds	85	100
Cash & equivalents	0	15

Diversification

<i>Sector:</i>	<i>Min</i> %	<i>Max</i> %
Federal	25	100
Provincial	0	50
Municipal	0	10
Corporate	0	50

<i>Credit Quality:</i>	<i>Min</i> %	<i>Max</i> %
AAA	25	100
AA	0	75
A	0	50
BBB	0	10
BB+ and below	0	0

Ratings are provided by Dominion Bond Rating Service (DBRS) or a comparable rating agency if necessary.

Corporate Diversification

No more than 7% of the Fund may be invested in any group of affiliated companies rated AA; no more than 4% in those rated A or lower.

Foreign Currency

Up to 10% of the Fund may be invested in debt denominated in U.S. currency. No other foreign currency debt will be purchased.

Duration

The Fund's duration will range between 60 - 140% of the duration of the SC Universe Bond Index.

Eligible Investments

- Bonds, Debentures and Mid-Term Notes (minimum rating BBB)
- Mortgages (NHA Guaranteed)
- Treasury Bills, Commercial Paper (minimum R-1 Low)
- Guaranteed Investment Certificates
- Asset-backed securities, commercial mortgage-backed securities, or similar instruments that receive at least an A rating or are eligible for inclusion in a Canadian bond index

MB MONEY MARKET FUND

Investment Philosophy

To provide a real rate of return through investing in a diversified portfolio of Canadian debt securities with an issued maturity of less than one year. It is expected that the vast majority of the Fund's return will be derived from income.

Performance Objective

Scotia Capital (SC) 91-Day Treasury Bill Index + 0.2% (annualized) over moving four-year periods.

Asset Mix

	<i>Min</i>	<i>Max</i>
	%	%
Treasury Bills, Bankers' Acceptances, Commercial Paper and Asset-Backed Commercial Paper	85	100
Cash	0	15

Diversification

<i>Issuer:</i>	<i>Min</i>	<i>Max</i>
	%	%
Treasury Bills	30	100
Bankers' Acceptances Commercial Paper and Asset-Backed Commercial Paper	0	70

<i>Credit Quality:</i>	<i>Min</i>	<i>Max</i>
	%	%
R-1 High	30	100
R-1 Mid	0	70
R-1 Low	0	30

Ratings are provided by Dominion Bond Rating Service (DBRS) or a comparable agency if necessary.

Duration

The Fund's term-to-maturity will range between 15-180 days.

Eligible Investments

- Treasury Bills
- Bankers' Acceptances
- Commercial Paper and Asset-Backed Commercial Paper or similar instruments that receive a minimum R-1 (Low), or equivalent, rating by a recognized rating agency

Summary of Significant Accounting Policies

1. Valuation of Investments

- Bonds, government guaranteed mortgages and treasury bills are valued at the mid-point of the latest bid and ask price as reported by a recognized investment dealer
- Short-term notes are valued at cost which approximates the net realizable value
- Equities are valued at the closing sale price on the exchange(s) where they trade
- Untraded securities are valued quarterly. These prices are confirmed annually by an independent audit

2. Interest and Dividend Income

- Interest income is recorded on an accrual basis
- Dividend income is recorded on the date of record

3. Translation of Foreign Currencies

The financial statements of the MB American Equity Fund are reported in U.S. dollars. The net assets of these Funds are translated using the exchange rate at the close of business each day of valuation.

4. Income Taxes

Each Fund is taxable under the Income Tax Act (Canada) on all of its taxable income for the year (including net taxable capital gains), and is permitted a deduction in computing its income tax under the Act for all amounts which are paid or payable in the year to unitholders. As all such amounts are always payable under section 5.02 of the Pooled Trust Indenture to unitholders, no tax will be payable on such amounts for the year by each Fund. Therefore, no provision for income tax is made.

5. Fund Unit Valuation

The units of each Fund are issued at their net asset value per unit. Each Fund's net asset value per unit, except for MB Small Business Fund is determined as of the close of each business day by dividing the total value of the applicable Fund's net assets minus the Fund's liability by the total number of units of the Fund, which were outstanding on such valuation date. The MB Small Business Fund is calculated on the last business day of the month. Net income and realized capital gains (80% in the first three quarters and 100% in the fourth quarter) are distributed quarterly for all funds except for the MB Small Business Fund. Net income and capital gains on the MB Small Business Fund is distributed annually. The MB Money Market Fund is valued each day at \$10.00. Any appreciation/income during the day is distributed in the form of additional units.

Conflict of Interest

McLean Budden will use their best efforts to allocate securities on a pro-rata basis across accounts. The firm has adopted the Association for Investment Management and Research (AIMR) Code of Ethics and monitors staff for compliance.

Securities Lending

The Funds do not participate in security lending at this time.

Voting Rights

All voting authority is delegated to McLean Budden and McLean Budden's sub-advisors. Voting rights will be exercised in the interest of the Funds' participants.

The securities of the Funds are held in Ontario under the custodianship of The Royal Trust Company, Royal Trust Tower, 77 King Street West, Toronto, Ontario, M5W 1P9. The custodian may hold the securities itself or appoint sub-custodians to do so. The Royal Trust Company is also the registrar and transfer agent of the Funds.

MODIFICATION AND TERMINATION OF THE TRUST AGREEMENT

Under the Trust Agreement, McLean Budden and the Trustee may amend the Trust Agreement at any time without the approval of unitholders provided that, in the case of a material amendment, at least ninety (90) days prior written notice is given to unitholders. A Fund may be terminated by McLean Budden at any time provided that at least 90 days prior written notice is given to unitholders.

AUDITORS

The auditors of the Funds are Deloitte & Touche LLP, Chartered Accountants, BCE Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

EXEMPTION FROM PROSPECTUS REQUIREMENTS

Units of the Funds are offered pursuant to certain exemptions from the prospectus requirements of the securities legislation of the provinces of Canada. Subscribers for units will be required to execute an investment management agreement with McLean Budden, and may be required to execute such certificates and other documents as McLean Budden may reasonably require to evidence their eligibility and entitlement to rely on such exemptions.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in Ontario and Nova Scotia provides purchasers with, in addition to any other rights they may have at law, a remedy for rescission or damages, or both, where this Offering Memorandum and any amendment to it and, in some cases, advertising and sales

literature used in connection therewith, contains a misrepresentation. Those remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed in applicable securities legislation.

Each purchaser should refer to the provisions of the applicable securities legislation for the particulars of these rights or consult with a legal advisor. The following is a summary of the rights of rescission or rights to damages available to purchasers in Ontario and Nova Scotia, as applicable. This summary is subject to the express provisions of the *Securities Act* (Ontario) and the *Securities Act* (Nova Scotia) and the regulations and policy statements thereunder and each purchaser you should refer to such Acts for the complete text of these provisions.

Ontario

Ontario Securities Commission, Rule 45-501 provides that when an offering memorandum, such as this Offering Memorandum, is delivered to an investor to whom securities are distributed in reliance upon the prospectus exemption in section 2.3 (for sales to “accredited investors”) or section 2.12 (for sales with an aggregate acquisition cost of one hundred fifty thousand dollars (\$150,000.00) and certain related sales) of Rule 45-501, the right of action referred to in section 130.1 of the *Securities Act* (Ontario)(“Section 130.1”) is applicable. Section 130.1 provides purchasers who purchase securities offered by an offering memorandum with a statutory right of action against the issuer of securities for rescission or damages in the event that the offering memorandum or any amendment to it contains a “misrepresentation”. “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made.

In the event that this Offering Memorandum, together with any amendment to it, is delivered to a prospective purchaser of securities in connection with a trade made in reliance on section 2.3 or section 2.12 of Rule 45-501, and this Offering Memorandum contains a misrepresentation which was a misrepresentation at the time of purchase of the securities, the purchaser will have a statutory right of action against the issuer for damages or, while still the owner of the securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that:

- (a) no action shall be commenced more than, in the case of an action for rescission, one hundred eighty (180) days after the date of the transaction that gave rise to the cause of action; or, in the case of any other action, the earlier of: (i) one hundred eighty (180) days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three (3) years after the date of the transaction that gave rise to the cause of action;
- (b) the defendant will not be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;

- (d) in no case will the amount recoverable exceed the price at which the securities were offered to the purchaser; and
- (e) the statutory right of action for rescission or damages is in addition to and does not derogate from any other rights or remedies the purchaser may have at law.

Nova Scotia

Where an offering memorandum or any amendment thereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a misrepresentation, a purchaser to whom the offering memorandum has been delivered and who purchases a security referred to therein shall be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and the purchaser has the right of action for damages against the issuer or other seller and, subject to certain additional defences, against directors of the seller and persons who have signed the offering memorandum, but may elect to exercise a right of rescission against the seller, in which case he shall have no right of action for damages against the seller, directors of the seller or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) in an action for rescission or damages, the defendant will not be liable if it proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (b) in an action for damages, the defendant is not liable for all or any portion of the damages that it proves do not represent the depreciation in value of the security as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable under the right of action described herein exceed the price at which the security was offered.

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

- (a) the offering memorandum or the amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum, or amendment to the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting: (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of

an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation or (B) the relevant part of the offering memorandum or amendment to the offering memorandum (1) did not fairly represent the report, opinion or statement of the expert or (2) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company other than the issuer is liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting: (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation.

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

Pursuant to section 146 of the *Securities Act* (Nova Scotia), no action shall be commenced to enforce the right of action conferred by section 138 thereof unless an action is commenced to enforce that right not later than one hundred twenty (120) days after the date on which payment was made for the security or after the date on which the initial payment for the security was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) and is in addition to and without derogation from any right the purchaser may have at law.

For the purposes of the *Securities Act* (Nova Scotia) “misrepresentation” means:

- (a) an untrue statement of material fact; or
- (b) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The rights summarized above are in addition to and without derogation from any other rights or remedies available at law to an investor.

The rights available to investors in the event this Offering Memorandum contains a misrepresentation in provinces other than Ontario and Nova Scotia are not provided for in the securities legislation of such provinces. Investors should discuss such rights with their legal advisors.

SCHEDULE 1
MB CANADIAN EQUITY GROWTH FUND

Investment Philosophy

To provide a superior real rate of return, primarily through capital appreciation, by investing in a diversified portfolio of Canadian equities. Security selection will emphasize companies with prospects for above average earnings growth.

Performance Objective

BMO/TSX Composite CAP 10% Index + 1.5% (annualized) over moving four-year periods. This Index's return is provided by BMO Nesbitt Burns and is calculated on the basis that the maximum percentage weight of any one security in the Index is 10%.

Eligibility for Investment

Units of this Fund are not foreign property for purposes of the Tax Act and are qualified investments for registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs"), registered education savings plans ("RESPs") and other registered tax plans.

Asset Mix

	<i>Min</i>	<i>Max</i>
	%	%
Equities	85	100
Cash & equivalents	0	15

Diversification

To ensure investments are adequately diversified, the Fund's commitment to economic sectors is managed within ranges, as follows:

Economic Sectors - (as a % of BMO/TSX Composite CAP 10% Index):

	<i>Min</i>	<i>Max</i>
	%	%
Technology ¹	40	260
Consumer ²	40	260
<i>Growth</i> [*]	90	210
Interest Sensitive ³	40	160
Basic Industries ⁴	0	130

1) Technology=Information Technology

2) Consumer=Consumer Staples, Consumer Discretionary, Healthcare, Telecommunication Services

3) Interest Sensitive=Financial Services, Utilities

4) Basic Industries=Materials, Energy, Industrials

**Growth is defined as the combination of the Technology and Consumer Economic Sectors.*

The Fund will normally hold investments in at least seven of the Index's ten industry sectors.

Issues

- 25-45 securities
- Normally, at least seventy-five percent of the Fund will be invested in the largest 100 stocks traded on the Toronto Stock Exchange as measured by available public float
- Individual securities may vary by no more than a nominal +/- 6% from their weight in the BMO/TSX Composite CAP 10% Index
- No single security will comprise more than 16% of the Market Value of the Fund
- No single security will comprise more than 10% of the Book Value of the Fund
- A minimum of 0.5% in any single equity security, at the time of purchase, except for
 - (i) private placements, or
 - (ii) when adding or eliminating a position
- The Fund will not hold more than 30% of the voting shares of any corporation

Eligible Investments

- Canadian common stock and convertible or exchangeable securities listed on a Canadian or U.S. stock exchange
- Warrants
- Subscription receipts
- Private placements may comprise a maximum of 10% of the Fund (6% of this limit reflects only the use of special warrants - a security directly convertible into common stock which is issued pending prospectus clearance of the additional common shares)
- Treasury Bills, Commercial Paper (minimum credit quality R-1 Low)
- Income Trusts

**SCHEDULE 12
MB FIXED INCOME FUND**

Investment Philosophy

To provide a moderate real rate of return, through income and capital gains, by investing in a diversified portfolio of primarily Canadian debt securities and from time-to-time including U.S. debt securities in the portfolio security mix. The Fund will only invest in high quality debt. Returns in excess of income will be gained through active duration, yield curve and sector management.

Performance Objective

Scotia Capital (SC) Universe Bond Index + 0.5% (annualized) over moving four-year periods.

Eligibility for Investment

Units of this Fund are not foreign property for purposes of the Tax Act and are qualified investments for RRSPs, RRIFs, DPSPs, RESPs and other registered tax plans.

Asset Mix*

	<i>Min</i>	<i>Max</i>
	%	%
Bonds	85	100
Cash & equivalents	0	15

Diversification

<i>Sector:</i>	<i>Min</i>	<i>Max</i>
	%	%
Federal	25	100
Provincial	0	50
Municipal	0	10
Corporate	0	50

<i>Credit Quality:</i>	<i>Min</i>	<i>Max</i>
	%	%
AAA	25	100
AA	0	75
A	0	50
BBB	0	10
BB+ and below	0	0

Ratings are provided by Dominion Bond Rating Service (DBRS) or a comparable rating agency if necessary.

**The Fund may only invest in foreign securities up to the limit (currently 30% based on book value) imposed under the Tax Act.*

Corporate Diversification

No more than 7% of the Fund may be invested in any group of affiliated companies rated AA; no more than 4% in those rated A or lower.

Foreign Currency

Up to 10% of the Fund may be invested in debt denominated in U.S. currency. No other foreign currency debt will be purchased.

Duration

The Fund's duration will range between 60 - 140% of the duration of the SC Universe Bond Index.

Eligible Investments

- Bonds, Debentures and Mid-Term Notes (minimum rating BBB)
- Mortgages (NHA Guaranteed)
- Treasury Bills, Commercial Paper (minimum R-1 Low)
- Guaranteed Investment Certificates & Term Deposits
- Asset-backed securities, commercial mortgage-backed securities, or similar instruments that receive at least an A rating
- Other securities that may be eligible for inclusion in a Canadian bond index

**SCHEDULE 17
MB MONEY MARKET FUND**

Investment Philosophy

To provide a real rate of return through investing in a diversified portfolio of Canadian debt securities with an issued maturity of less than one year. It is expected that the vast majority of the Fund's return will be derived from income.

Performance Objective

Scotia Capital (SC) 91-Day Treasury Bill Index + 0.2% (annualized) over moving four-year periods.

Eligibility for Investment

Units of this Fund are not foreign property for purposes of the Tax Act and are qualified investments for RRSPs, RRIFs, DPSPs, RESPs and other registered tax plans.

Asset Mix

	<i>Min</i>	<i>Max</i>
	%	%
Treasury Bills, Bankers' Acceptances, Commercial Paper and Asset-Backed Commercial Paper	85	100
Cash	0	15

Diversification

<i>Issuer:</i>	<i>Min</i>	<i>Max</i>
	%	%
Treasury Bills	30	100
Bankers' Acceptances Commercial Paper and Asset-Backed Commercial Paper	0	70

<i>Credit Quality:</i>	<i>Min</i>	<i>Max</i>
	%	%
R-1 High	30	100
R-1 Mid	0	70
R-1 Low	0	30

Ratings are provided by Dominion Bond Rating Service (DBRS) or a comparable agency if necessary.

Duration

The Fund's term-to-maturity will range between 15-180 days.

Eligible Investments

- Treasury Bills
- Bankers' Acceptances
- Floating-Rate Notes (FRN)
- Commercial Paper and Asset-Backed Commercial Paper or similar instruments that receive a minimum R-1 (Low), or equivalent, rating by a recognized rating agency