

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.

PROSPECTUS

Initial Public Offering and Continuous Distribution

December 31, 2008

HORIZONS ALPHAPRO ETFs **Horizons AlphaPro Managed S&P/TSX 60[®] ETF**

The Horizons AlphaPro Managed S&P/TSX 60[®] ETF (the “**ETF**”) is an exchange traded mutual fund established as a trust under the laws of Ontario. Class E units of the ETF (“**Units**”) are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of the ETF that may be issued. The Units of the ETF shall be offered for sale at a price equal to the net asset value of the Units next determined following the receipt of a subscription order.

The manager and trustee of the ETF is AlphaPro Management Inc. (“**AlphaPro**”, the “**Manager**” or the “**Trustee**”). The Manager has retained its affiliate JovInvestment Management Inc. (the “**Investment Manager**”) to act as investment manager of the ETF. See “Organization and Management Details of the ETF” at page 45.

Investment Objective

The investment objective of the ETF is to seek long-term capital growth by investing primarily in large capitalization equity, income trust and equity related securities that are constituents of the S&P/TSX 60 Index[®] or similar Canadian indices. See “Investment Objective” at page 7.

Listing of Units

The Manager, on behalf of the ETF, has applied to list the Units on the Toronto Stock Exchange (the “**TSX**”). Subject to receiving the TSX’s conditional approval and fulfilling all of the TSX’s listing requirements, the Units will be listed on the TSX and investors will be able to buy or sell Units on the TSX through registered brokers and dealers in the province or territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling Units. Underwriters and Designated Brokers (each as hereinafter defined) may purchase and redeem Units from the ETF. Unitholders of the ETF will be able to redeem Units in any number for cash at a redemption price of 95% of the closing price for the Unit on the TSX on the effective day of redemption. Unitholders are advised to consult their brokers or investment advisers before redeeming Units for cash. The ETF will also offer additional redemption or exchange options which are available where an Underwriter, Designated Broker, or Unitholder redeems or exchanges a prescribed number of Units (a “**PNU**”). See “Exchange and Redemption of Units” at page 30.

Additional Considerations

The ETF will issue Units directly to designated brokers and underwriters. However, the initial issuance of Units of the ETF on the TSX will not occur until the ETF has satisfied the TSX’s listing requirements.

A market price for the Units of the ETF is not currently available as the ETF is newly formed and not yet listed on the TSX.

No Underwriter has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus. The Designated Brokers and Underwriters of the ETF are not underwriters of the ETF in connection with the distribution by the ETF of its Units under this prospectus.

For a discussion of the risks associated with an investment in Units of the ETF, see “Risk Factors” at page 17.

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the ETF, provided that the ETF qualifies as a “mutual fund trust” within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”), or the Units of the ETF are listed on the TSX, Units of the ETF will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, deferred profit sharing plan, registered disability savings plan, a registered education savings plan, or, commencing in 2009, a tax-free savings account.

Registrations and transfers of Units of the ETF will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

While the ETF will be a mutual fund under the securities legislation of certain provinces and territories of Canada, the Manager, on behalf of the ETF, has applied for exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds. The ETF also previously obtained relief to engage in a limited amount of short selling and is currently applying for exemptive relief to expand the scope of short selling available to the ETF.

Additional information about the ETF is or will be available in the most recently filed annual financial statements together with the accompanying auditors’ report, any filed interim financial statements, and annual and interim management reports of fund performance, of the ETF. These documents are or will be incorporated by reference into this prospectus which means that they legally form part of this prospectus. For further details, see “Documents Incorporated by Reference” on page 89.

You can get a copy of these documents at your request, and at no cost, by calling the Manager toll-free at 1-866-641-5739 or from your dealer. These documents are also available on the Manager’s website at www.hapetfs.com, or by contacting the Manager by e-mail at info@alphapro.ca. These documents and other information about the ETF are also available on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Units of the ETF and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus or incorporated by reference in this prospectus. Capitalized terms not defined in this summary are defined in the Glossary.

The ETF	Horizons AlphaPro Managed S&P/TSX 60 [®] ETF is an open-end mutual fund trust established under the laws of Ontario. See “Overview of the Legal Structure of the Horizons AlphaPro Managed S&P/TSX 60 [®] ETF ” at page 7.
Investment Objective	The investment objective of the ETF is to seek long-term capital growth by investing primarily in large capitalization equity, income trust and equity related securities that are constituents of the S&P/TSX 60 Index [®] or similar Canadian indices. See “Investment Objective” at page 7.
Investment Strategies	<p>In order to improve portfolio performance relative to an index or benchmark, the Investment Manager will use both top-down and bottom-up research to allocate proportionately more of the ETF’s portfolio to stronger equity sectors and issuers and allocate proportionately less of the ETF’s portfolio to weaker equity sectors and issuers. This research is based on technical, cyclical and sentiment indicators that may include moving averages, trend lines, volumes, price patterns, and point and figure charts.</p> <p>The top-down research is used to find equity sectors which are likely to outperform or under-perform the index or benchmark. The bottom-up research is used to select and assign appropriate weights to those securities with the most positive momentum within each sector.</p> <p>Generally, the ETF will not invest in foreign securities other than those listed on the S&P/TSX 60 Index[®] or similar Canadian indices.</p> <p>In lieu of specific stock selections, from time to time the Investment Manager may purchase exchange traded funds that issue index participation units (“Listed Funds”) and exchange traded funds managed by BetaPro Management Inc., an affiliate of the Manager (“BetaPro Funds”).</p> <p>Subject to certain terms and conditions, the ETF has received the consent of the Canadian securities regulatory authorities to engage in a limited amount of short selling. The ETF is currently applying for exemptive relief to expand the scope of short selling available to the ETF. See “Investment Strategies” at page 8. The ETF is subject to certain investment restrictions. See “Investment Restrictions” at page 10.</p>
Offering	Units of the ETF are being offered for sale on a continuous basis by this prospectus, and there is no minimum number of Units of the ETF that may be issued. The Units of the ETF shall be offered for sale at a price equal to the net asset value of the Units next determined following the receipt of a subscription order. See “Plan of Distribution” at page 73.
Brokerage Arrangements	Subject to the prior written approval of the Manager, the Investment Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETF.

Special Considerations for Purchasers

The ETF has applied for, and expects to receive, relief from the provisions of the so-called “early warning” requirements set out in Canadian securities legislation in connection with the acquisition of Units of the ETF. In addition, the ETF has also applied for, and expects to receive, exemptive relief from the securities regulatory authorities to permit a Unitholder of the ETF to acquire more than 20% of the Units of the ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units of the ETF at any meeting of Unitholders of the ETF.

See “Attributes of the Securities - Description of the Securities Distributed” at page 65.

Market participants are permitted to sell Units of the ETF short and at any price without regard to the restrictions of the Universal Market Integrity Rules that generally prohibit selling securities short on the TSX unless the price is at or above the last sale price.

See “Attributes of the Securities - Description of the Securities Distributed” at page 65.

Distributions and Automatic Reinvestment

The ETF will distribute sufficient net income (including net capital gains) so that the ETF will not be liable for income tax in any given year. The Manager intends, but is under no obligation, to make such distributions, usually on an annual basis. All distributions will be automatically reinvested on behalf of each Unitholder in additional Units of the ETF.

See “Distribution Policy” at page 26.

Redemptions

In addition to the ability to sell Units of the ETF on the TSX, Unitholders of the ETF may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption.

Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer, subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

The ETF will also offer additional redemption or exchange options which are available where an Underwriter, Designated Broker, or Unitholder redeems or exchanges a PNU.

See “Exchange and Redemption of Units” at page 30.

Income Tax Considerations

A Unitholder of the ETF will generally be required to include, in computing income for a taxation year, the amount of income (including any taxable capital gains) that is paid or becomes payable to the Unitholder by the ETF in that year (including such income that is reinvested in additional Units of the ETF).

A Unitholder of the ETF who disposes of a Unit of the ETF that is held as capital property, including on a redemption or otherwise, will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount

payable by the ETF which represents an amount that is otherwise required to be included in the Unitholder's income), net of costs of disposition, exceed (or are less than) the adjusted cost base of the Unit of the ETF.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units of the ETF by obtaining advice from his or her tax advisor.

See "Income Tax Considerations" at page 35.

Eligibility for Investment

Provided that the ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, or the Units of the ETF are listed on the TSX, Units of the ETF will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, registered disability savings plan, a deferred profit sharing plan, a registered education savings plan, or, commencing in 2009, a tax-free savings account.

Documents Incorporated by Reference

Additional information about the ETF is available or will be in the most recently filed annual and interim financial statements of the ETF and the most recently filed annual and interim management report of fund performance of the ETF. These documents are or will be incorporated by reference into this prospectus. Documents incorporated by reference into this prospectus legally form part of this prospectus just as if they were printed as part of this prospectus. These documents are or will be publicly available on the website of the ETF at www.hapetfs.com and may be obtained upon request, at no cost, by calling toll-free 1-866-641-5739 or by contacting your dealer. These documents and other information about the ETF are also publicly available at www.sedar.com. See "Documents Incorporated by Reference" at page 89.

Termination

The ETF does not have a fixed termination date but may be terminated at the discretion of the Manager in accordance with the terms of the Trust Agreement. See "Termination of the ETF" at page 72.

Risk Factors

Stock Market Risk. The value of most securities, in particular equity securities, change 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 or negatively with developments within the specific companies or governments that issue the securities.

Reliance on Historical Data Risk. Past trends may not be repeated in the future. The accuracy of the historical data used by the Investment Manager for research and development, which is often provided by third parties, cannot be guaranteed by the Investment Manager. The Investment Manager only seeks to obtain such data from companies that it believes to be highly reliable and of high reputation.

Corresponding Net Asset Value Risk. The closing trading price of a Unit of the ETF may be different from the net asset value per Unit of the ETF. As a result, underwriters may be able to acquire or redeem the PNU of the ETF at a discount or a premium to the closing trading price per Unit of the ETF. Such price differences may be due, in large part, to supply and demand factors in the secondary trading market for Units of the ETF being similar, but not identical, to

the same forces influencing the price of the underlying securities of the ETF at any point in time.

Risk Factors (Cont'd)

Market Price and Net Asset Value Deviation Risk. Units of the ETF may trade at a level other than the net asset value per Unit. The net asset value per Unit of the ETF will fluctuate based on the changes in the market value of the ETF's holdings. The trading prices of the Units of the ETF will fluctuate in accordance with changes in the ETF's net asset value per Unit, as well as market supply and demand on the applicable Canadian stock exchange. As Unitholders may redeem a PNU, the Manager expects that large discounts or premiums to the net asset value per Unit of the ETF will not be sustained.

Designated Broker/Underwriter Risk. As the ETF will only issue Units directly to Designated Brokers and Underwriters, in the event that a Designated Broker or Underwriter that is purchasing Units of the ETF is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the ETF.

Cease Trading of Securities Risk. If the securities of a constituent issuer of the ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its securities. Accordingly, securities of the ETF bear the risk of cease trading orders against all constituent issuers of the index, not just one. If securities of the ETF are cease-traded by order of a securities regulatory authority, if normal trading is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for securities, the ETF may suspend the right to redeem securities for cash, subject to any required prior regulatory approval. If the right to redeem securities for cash is suspended, the ETF may return redemption requests to securityholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease-trade order is lifted.

Exchange Risk. In the event that the TSX closes early or unexpectedly on any day that it is normally open for trading, Unitholders will be unable to purchase or sell Units of the ETF on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of Units of the ETF may be suspended until the TSX reopens.

Tax Risk. The after-tax returns to Unitholders will be reduced if the ETF fails to qualify as a "mutual fund trust" or becomes a "SIFT trust" under the Tax Act. The ETF's ability to deduct interest on money borrowed to invest in income trusts may be restricted. The ETF's ability to claim losses may be restricted.

Exchange Traded Funds Risk. The ETF may invest in Listed Funds that issue index participation units. These Listed Funds seek to provide returns similar to the performance of a particular market index or industry sector index. These Listed Funds may not achieve the same return as their benchmark market or industry sector indices due to differences in the actual weightings of securities held in the Listed Fund versus the weightings in the relevant index and due to the operating and administrative expenses of the Listed Fund.

BetaPro Funds Risk. The ETF will rely on relief obtained from the Canadian securities regulatory authorities in order to invest in certain exchange traded funds managed by our affiliate, BetaPro Management Inc. The BetaPro Funds are exchange traded funds that seek to provide returns similar to a particular benchmark market, industry sector index, or commodity and magnify returns by

either a multiple or an inverse multiple of that benchmark, index or commodity. Investments in the BetaPro Funds are highly speculative and involve a high degree of risk. These exchange traded funds are also subject to increased volatility as they seek to achieve a multiple or inverse multiple of a benchmark, index or commodity.

The relief does not permit the ETF to invest in BetaPro Funds that have an underlying index that is based on a:

- physical commodity, other than gold; or
- derivative, the underlying interest of which is a physical commodity, other than gold.

Risk Factors (Cont'd)

Securities Lending, Repurchase and Reverse Repurchase Transaction Risk.

The ETF is authorized to enter into securities lending, repurchase and reverse repurchase transactions in accordance with National Instrument 81-102 *Mutual Funds* (“**NI 81-102**”). In a securities lending transaction, the ETF lends its portfolio securities through an authorized agent to another party (often called a “counterparty”) in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, the ETF sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, the ETF buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase transactions:

- when entering into securities lending, repurchase and reverse repurchase transactions, the ETF is subject to the credit risk that the counterparty may default under the agreement and the ETF would be forced to make a claim in order to recover its investment;
- when recovering its investment on default, the ETF could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the ETF; and
- similarly, the ETF could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the ETF to the counterparty.

Short Selling Risk. Subject to certain terms and conditions, the ETF has received the consent of the Canadian securities regulatory authorities to engage in a limited amount of short selling. The ETF is currently applying for exemptive relief to expand the scope of short selling available to the ETF. A “short sale” occurs when the ETF borrows securities from a lender which are then sold in the open market (or “sold short”). At a later date, the same number of securities are repurchased by the ETF and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the ETF pays fees to the lender. If the value of the securities declines between the time that the ETF borrows the securities (and sells short) and the time it repurchases and returns the securities, the ETF makes a profit for the difference (less any fees the ETF is required to pay to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale

sufficient to offset the fees paid by the ETF and make a profit for the ETF, and securities sold short may instead appreciate in value. The ETF also may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the ETF has borrowed securities may go bankrupt and the ETF may lose the collateral it has deposited with the lender.

When the ETF engages in short selling, the ETF will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The ETF will also deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

Possible losses from short sales differ from losses that may be incurred from purchases of securities, because losses from short sales may be unlimited, whereas losses from purchases are limited to the total amount invested. To deliver securities to a purchaser, the ETF must arrange through a broker to borrow the securities, and, as a result, the ETF becomes obligated to replace the securities borrowed at the market price at the time of replacement, whatever that price may be. A short sale therefore involves the theoretically unlimited risk of loss occasioned by an increase in the market price of the security between the date of the short sale and the date on which the ETF covers its short position. In addition, the borrowing of securities entails the payment of a borrowing fee (which may increase during the borrowing period) and the payment of any dividends or interest payable on the securities until they are replaced. When the ETF is engaged in short selling it is required to maintain cash cover for its short positions and other investments may need to be sold quickly (and at potentially unattractive prices) in order to maintain sufficient cash cover.

Income Trust Investment Risk. Real estate, royalty, income and other investment trusts are investment vehicles in the form of trusts rather than corporations. To the extent that claims, whether in contract, in tort or as a result of tax or statutory liability, against an investment trust are not satisfied by the trust, investors in the investment trust, including the ETF, could be held liable for such obligations. Investment trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the investment trust will not be binding on investors personally. However, investment trusts could still have exposure to damage claims such as personal injury and environmental claims. Certain jurisdictions have enacted legislation to protect investors in investment trusts from the possibility of such liability.

The Tax Act contains rules which impose a tax on certain income trusts and limited partnerships (known as “SIFTs”). Generally, these rules impose a tax on a SIFT’s non-portfolio earnings (a “**Distribution Tax**”). Distributions and allocations of a SIFT’s non-portfolio earnings, less the related Distribution Tax, will be treated as dividends paid from taxable Canadian corporations in the hands of a recipient (e.g., the ETF). These rules apply: (i) in the case of a SIFT the units of which were first listed for public trading after October 31, 2006, beginning in the 2007 taxation year of such SIFT, and (ii) in the case of a SIFT the units of which were already publicly traded on October 31, 2006, beginning with the 2011 taxation year of such SIFT, subject to earlier application where certain growth guidelines are exceeded. These changes will reduce the tax effectiveness of affected income trusts and limited partnerships, which will result in such issuers being treated in a manner substantially the same as corporate issuers and may negatively impact the value of such SIFT’s units that are held by the ETF. In addition, the changes have had, and may continue to have, an effect

on the trading price of such trusts and limited partnerships, which will affect the net asset value of the ETF to the extent it has exposure to SIFTs. Finally, as a result of these rules, it is possible that SIFTs may seek to restructure their affairs and organizational structures in manners that could have a negative impact on the returns to the extent that the ETF is exposed to SIFTs. The ETF itself will not be a SIFT as long as it adheres to its investment restrictions in this regard.

See “Risk Factors” at page 17.

Organization and Management of the ETF

The Manager and Trustee AlphaPro Management Inc. (“**AlphaPro**”, the “**Manager**” or the “**Trustee**”), a corporation incorporated under the laws of Ontario, is the manager and trustee of the ETF. The Manager will be responsible for providing or arranging for the provision of administrative services required by the ETF. The principal office of AlphaPro is 26 Wellington Street East, Suite 920, Toronto, Ontario, M5E 1S2.

See “Organization and Management Details of the ETF – Manager of the ETF” on page 45.

Investment Manager JovInvestment Management Inc. (the “**Investment Manager**”), a corporation incorporated under the laws of Ontario, is the investment manager of the ETF. Investment advisory and portfolio management services will be provided to the ETF by the Investment Manager. The Investment Manager is a wholly-owned subsidiary of Jovian Capital Corporation and is an affiliate of the Manager. The principal office of the Investment Manager is at 26 Wellington Street East, Suite 920, Toronto, Ontario M5E 1S2.

See “Organization and Management Details of the ETF – Investment Manager” on page 50.

Custodian RBC Dexia Investor Services Trust (“**RBC Dexia**”) is the custodian of the ETF (also the “**Custodian**”) and is independent of the Manager. The Custodian will provide custodial services to the ETF. The Custodian is located in Toronto, Ontario.

See “Organization and Management Details of the ETF – Custodian” on page 58.

Auditors KPMG LLP (the “**Auditors**”) is responsible for auditing the annual financial statements of the ETF. The auditors are independent of the Manager. The head office of the Auditors is located in Toronto, Ontario.

See “Organization and Management Details of the ETF – Auditors” on page 59.

Registrar and Transfer Agent Computershare Investor Services Inc. (“**Computershare**”), at its principal offices in Toronto, is the registrar and transfer agent for the Units of the ETF pursuant to a registrar and transfer agency agreement entered into as of the date of the initial issuance of Units of the ETF. Computershare is independent of the Manager.

See “Organization and Management Details of the ETF – Transfer Agent and Registrar” on page 60.

Promoter The Manager is also the promoter of the ETF (also, the “**Promoter**”). The Manager took the initiative in founding and organizing the ETF and is, accordingly, the promoter of the ETF within the meaning of securities legislation

of certain provinces and territories of Canada.

See “Organization and Management Details of the ETF – Promoter” on page 60.

Summary of Fees and Expenses

The following table lists the fees and expenses payable by the ETF, and the fees and expenses that Unitholders may have to pay if they invest in the ETF. Unitholders may have to pay some of these fees and expenses directly. Alternatively, the ETF may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the ETF.

Fees and Expenses Payable by the ETF

Type of Charge

Description

Management Fees

The ETF will pay annual management fees (the “**Management Fee**”) to the Manager equal to 0.70% of the net asset value of the ETF. The Management Fee will be calculated and accrued daily and payable monthly in arrears.

Performance Fee

The ETF will pay the Manager performance fees equal to 20% of the amount by which the ETF outperforms the S&P/TSX 60 Index® (the “**Benchmark**”).

Subject to the Return Deficiency described below, performance fees will be payable in all circumstances where the performance of the ETF exceeds the Benchmark, even in circumstances where the overall performance of the ETF has declined (but such fee will only be payable in such circumstances if, and to the extent that, the performance of the ETF relative to the Benchmark has been positive). Performance fees will be calculated and accrued daily and payable to the Manager quarterly in arrears.

If the performance of the ETF for the period being measured is less than the Benchmark (a “**Return Deficiency**”), then no performance fees will be payable until the performance of the ETF thereafter relative to the Benchmark has exceeded the amount of the Return Deficiency.

Management Fee Distributions

The Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from the ETF with respect to large investments in the ETF by Unitholders. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed by the ETF, at the direction of the Manager, to the applicable Unitholders as Management Fee Distributions.

See “Fees and Expenses” at page 14.

Operating Expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including: audit fees; trustee and custodial expenses; accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; annual stock exchange fees; index licensing

fees, if applicable; bank related fees and interest charges; unitholder reports and servicing costs; income taxes; registrar and transfer agent fees; costs of the ETF's independent review committee; income taxes; GST; brokerage expenses and commissions; and withholding taxes.

The Manager is responsible for paying the fees of the Investment Manager, and fees payable to certain other service providers retained by the Manager.

See "Fees and Expenses" at page 14.

Expenses of the Issue

Apart from the initial organizational cost of the ETF, all expenses related to the issuance of Units shall be borne by the ETF unless otherwise waived or reimbursed by the Manager.

See "Fees and Expenses" at page 14.

Fees and Expenses Payable Directly by Unitholders

Redemption Fee

The Manager may charge to Unitholders, at its discretion, an administrative fee as a percentage of the exchange or redemption proceeds to offset certain transaction costs associated with the redemption of Units of the ETF.

See "Exchange and Redemption of Units" at page 30.

GLOSSARY

The following terms have the following meaning:

“**AlphaPro**” means AlphaPro Management Inc., the Manager, Trustee and Promoter of the ETF;

“**Basket of Securities**” means a group of securities determined by the Investment Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes;

“**Benchmark**” means the S&P/TSX 60 Index[®];

“**BetaPro**” means BetaPro Management Inc., an affiliate of the Manager;

“**BetaPro Funds**” means the exchange traded funds managed by BetaPro;

“**Canadian securities legislation**” means the securities laws in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities in such jurisdictions;

“**CDS**” means The Canadian Depository for Securities Limited;

“**CDS Participant**” means a participant in CDS that holds security entitlements in Units on behalf of beneficial owners of those Units;

“**Computershare**” means Computershare Investor Services Inc., in its capacity as registrar and transfer agent of the ETF;

“**CRA**” means the Canada Revenue Agency;

“**Custodian**” means RBC Dexia, in its capacity as custodian of the ETF pursuant to the Custodian Agreement;

“**Custodian Agreement**” means the custodian agreement between the Manager, in its capacity as trustee and manager of the ETF, and the Custodian;

“**Designated Broker**” means a registered dealer that has entered into a Designated Broker Agreement with the Manager, on behalf of the ETF pursuant to which the Designated Broker agrees to perform certain duties in relation to the ETF;

“**Designated Broker Agreement**” means an agreement between the Manager, on behalf of the ETF, and a Designated Broker;

“**distribution record date**” means a date determined by the Manager as a record date for the determination of Unitholders of the ETF entitled to receive a distribution from the ETF;

“**DPSP**” means a deferred profit sharing plan within the meaning of the Tax Act;

“**ETF**” means the Horizons AlphaPro Managed S&P/TSX 60[®] ETF;

“**GAAP**” means the generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time;

“**GST**” means goods and services tax;

“**Indemnified Persons**” means the Investment Manager and its directors, officers and employees;

“Investment Management Agreement” means the investment management agreement dated December 31, 2008 among the ETF, the Manager and the Investment Manager;

“Investment Manager” means JovInvestment Management Inc., in its capacity as investment manager of the ETF pursuant to the Investment Management Agreement;

“IRC” means the independent review committee of the ETF established under NI 81-107;

“JovFunds” means JovFunds Management Inc., an affiliate of the Manager;

“Jovian” means Jovian Capital Corporation;

“Listed Funds” means exchange traded funds that issue index participation units;

“Management Fee” means the annual management fee paid by the ETF to the Manager, equal to a percentage of the net asset value of the ETF, calculated and accrued daily and payable monthly;

“Management Fee Distribution”, as described under “Fees and Expenses”, means an amount equal to the difference between the Management Fee otherwise chargeable by the Manager and a reduced fee determined by the Manager, at its discretion, from time to time, and that is distributed quarterly in cash to Unitholders of the ETF who hold large investments in the ETF;

“Manager” means AlphaPro, in its capacity as manager of the ETF pursuant to the Trust Agreement;

“net asset value” means the net asset value of an ETF as calculated on each Valuation Day in accordance with the Trust Agreement;

“NI 81-102” means National Instrument 81-102 *Mutual Funds*;

“NI 81-107” means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

“PNU” in relation to Units of the ETF, means the prescribed number of Units of the ETF determined by the Manager from time to time for the purpose of subscription orders, redemptions or for other purposes;

“Promoter” means AlphaPro, in its capacity as promoter of the ETF;

“RBC Dexia” means RBC Dexia Investor Services Trust, the Custodian;

“RDSP” means a registered disability savings plan within the meaning of the Tax Act;

“Registrar and Transfer Agent” means Computershare;

“RESP” means a registered education savings plan within the meaning of the Tax Act;

“RRIF” means a registered retirement income fund within the meaning of the Tax Act;

“RRSP” means a registered retirement savings plan within the meaning of the Tax Act;

“securities regulatory authorities” means the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such jurisdictions;

“Tax Act” means the *Income Tax Act* (Canada) as amended from time to time;

“Tax Amendment” means a proposed amendment to the income tax laws of Canada publicly announced by the Minister of Finance (Canada) prior to the date hereof;

“TFSA” means a tax-free savings account within the meaning of the Tax Act;

“Trust Agreement” means the amended and restated declaration of trust for the ETF made as of the 31st day of December, 2008 by the Trustee;

“Trading Day” for the ETF means a day on which a session of the TSX is held;

“Trustee” means AlphaPro, in its capacity as trustee of the ETF pursuant to the Trust Agreement;

“TSX” means the Toronto Stock Exchange;

“Underwriter” means a registered dealer (that may or may not be a Designated Broker) that has entered into an Underwriting Agreement with the Manager, on behalf of an ETF, pursuant to which the Underwriter may subscribe for Units of the ETF as described under “Purchases of Units”;

“Underwriting Agreement” means an agreement between the Manager, on behalf an ETF, and an Underwriter;

“Unitholder” means a holder of Units of the ETF;

“Units” means the Class E units of the ETF, and **“Unit”** means one of them;

“Valuation Day” for the ETF means a day upon which a session of the TSX is held; and

“Valuation Time” means 4:00 (EST) on a Valuation Day.

OVERVIEW OF THE LEGAL STRUCTURE OF HORIZONS ALPHAPRO MANAGED S&P/TSX 60[®] ETF

The Horizons AlphaPro Managed S&P/TSX 60[®] ETF is an open-end mutual fund trust established under the laws of Ontario, and is referred to in this prospectus as the “**ETF**”. The manager and trustee of the ETF is AlphaPro Management Inc. (“**AlphaPro**”, the “**Manager**” or the “**Trustee**”). The Manager has retained its affiliate JovInvestment Management Inc. (the “**Investment Manager**”) to make and execute investment decisions on behalf of the ETF. The ETF’s ticker symbol will be HAX.

The head office of the Manager and the ETF is 26 Wellington Street East, Suite 920, Toronto, Ontario, M5E 1S2. While the ETF will be a mutual fund under the securities legislation of certain provinces and territories of Canada, it has applied for exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

Please also see “Formation and Creation of the ETF” at page 36 for details regarding the creation of the ETF.

INVESTMENT OBJECTIVE

The investment objective of the ETF is to seek long-term capital growth by investing primarily in large capitalization equity, income trust and equity related securities that are constituents of the S&P/TSX 60 Index[®] or similar Canadian indices.

Unitholder approval is required in order to change the investment objectives of the ETF. See “Unitholder Matters” at page 67 for additional descriptions of the process for calling a meeting of Unitholders and the requirements of Unitholder approval.

INVESTMENT STRATEGIES

In order to improve portfolio performance relative to an index or benchmark, the Investment Manager will use both top-down and bottom-up research to allocate proportionately more of the ETF’s portfolio to stronger equity sectors and issuers and allocate proportionately less of the ETF’s portfolio to weaker equity sectors and issuers. This research is based on technical, cyclical and sentiment indicators that may include moving averages, trend lines, volumes, price patterns, and point and figure charts. From time to time, the Investment Manager may choose to not allocate any of the ETF’s portfolio to specific sectors and issuers that are constituents of the S&P/TSX 60 Index[®] or similar Canadian indices.

The top-down research is used to find equity sectors which are likely to outperform or under-perform the index or benchmark. The bottom-up research is used to select and assign appropriate weights to those securities with the most positive momentum within each sector.

Generally, the ETF will not invest in foreign securities other than those included in the S&P/TSX 60 Index[®] or similar Canadian indices.

In lieu of specific stock selections, from time to time the Investment Manager may purchase Listed Funds and BetaPro Funds.

If market conditions require, in order to preserve capital, the ETF may seek to invest a substantial portion of its assets in cash and cash equivalents.

The ETF may purchase units of other investment funds (in circumstances, and to the extent permitted under NI 81-102) to gain exposure to markets or investments that may not otherwise be easily and economically available to the ETF, or where insufficient diversification would result from any other stock-specific investment strategy. The ETF will also rely on relief obtained from the Canadian securities regulatory authorities to invest in certain BetaPro

Funds that are commodity pools and that use financial instruments that correlate to the performance of a “permitted index”, as defined in NI 81-102.

The ETF may enter into securities lending transactions, repurchase and reverse purchase transactions, to the extent permitted by applicable securities laws, to earn additional income for the ETF.

Subject to compliance with certain terms and conditions as described below, the ETF has received the consent of the Canadian securities regulatory authorities to engage in a limited amount of short selling (NI 81-102 otherwise prohibits short selling). The ETF is currently applying for exemptive relief to expand the scope of short selling available to the ETF. Short selling (or “selling short”) is an investment strategy whereby the ETF sells a security that it does not own on the basis that the Investment Manager believes that the security is overvalued and that its market value will decline. The resulting trade creates a “short position” which will create a profit for the ETF if the market value of the security does, in fact, decline. A successful short strategy will allow the ETF to subsequently purchase the security (and thereby repay its “short position”) at a price that is lower than the price the ETF received for selling the securities, thereby creating a profit for the ETF.

In periods of little or negative corporate earnings growth and/or extreme market valuations, and in other circumstances when it appears likely that the market price of a particular security will decrease, short selling provides an opportunity for the ETF to control volatility and possibly enhance performance. The Manager and the Investment Manager are of the view that the ETF can benefit from the implementation and execution of a controlled and limited short selling strategy. This strategy would operate as a complement to the ETF’s primary strategy of purchasing securities with the expectation that they will appreciate in market value.

There are risks associated with short selling. These risks are managed by adhering to certain stringent controls. See “Investment Restrictions – Short Selling” at page 11.

INVESTMENT RESTRICTIONS

The ETF is subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed in part to ensure that the investments of the ETF are diversified and relatively liquid and to ensure the proper administration of the ETF. The investment restrictions and practices applicable to the ETF which are contained in securities legislation, including NI 81-102, may not be deviated from without the prior consent of the Canadian securities regulatory authorities having jurisdiction over the ETF.

Subject to the following, the ETF is managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102.

BetaPro Funds

The ETF will rely on relief obtained from the Canadian securities regulatory authorities in order to invest in certain BetaPro Funds. The BetaPro Funds are exchange traded funds that seek to provide returns similar to a particular benchmark market, industry sector index, or commodity and magnify returns by either a multiple or an inverse multiple of that benchmark, index or commodity. The relief does not permit the ETF to invest in BetaPro Funds that have an underlying index that is based on a:

- physical commodity, other than gold; or
- derivative, the underlying interest of which is a physical commodity, other than gold.

Short Selling

The ETF previously obtained relief to engage in a limited amount of short selling and is currently applying for exemptive relief to expand the scope of short selling available to the ETF. The ETF may engage in short selling

only within certain controls and limitations. Securities may be sold short only for cash and if the ETF receives the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales are effected only through market facilities through which those securities normally are bought and sold and the ETF will short sell a security only if: (i) it is listed and posted for trading on a stock exchange and it is consistent with the ETF's fundamental investment objective and the issuer of the security has a market capitalization of not less than \$300 million at the time the short sale is made. As well, at the time securities of a particular issuer are sold short, the aggregate market value of all securities of that issuer sold short by the ETF cannot exceed 2% of the total net assets of the ETF. The ETF has applied for exemptive relief which, if granted, would increase this limit to 5% of the total net assets of the ETF.

The ETF will also place a "stop-loss" order (effectively a standing instruction) with a dealer to immediately repurchase the securities sold short if the trading price of the securities exceeds 108% (or a lower percentage determined by the Manager) of the price at which the securities were sold short. The ETF has applied for exemptive relief to increase this limit to 120% of the price at which the securities were sold short.

Currently, the aggregate market value of all securities sold short by the ETF can not exceed 10% of its total net assets on a daily marked-to market basis. The ETF has applied for further exemptive relief to expand this limit to 20% of its total net assets on a daily marked-to market basis.

The ETF may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The ETF also holds cash cover in an amount, including the ETF's assets deposited with lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales are used by the ETF to purchase long positions other than cash cover. Where a short sale is effected in Canada, every dealer that holds assets of the ETF as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds assets of the ETF as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. The aggregate assets deposited by the ETF with any single dealer as security in connection with short sales will not exceed 10% of the ETF's total net assets at the time of deposit.

Written policies and procedures relating to short selling by the ETF (including objectives, goals and risk management procedures) have been developed by the Manager. The policies and procedures that are applicable to the ETF relating to short selling (including trading limits and controls in addition to those specified above) will be reviewed (and, if determined to be appropriate, revised) by the board of directors of the Manager on a semi-annual basis. Risk measurement procedures or simulations are not used to test the portfolio of the ETF under stress conditions.

The decision to effect any particular short sale for the ETF will be made by the Investment Manager. A risk management committee composed of at least two members of senior management of the Manager (the "Risk Management Committee") will be responsible for ensuring compliance with the terms of the short-selling relief. The Investment Manager will notify the Risk Management Committee in writing upon the establishment of any new short position and will produce reports (the "Reports") setting out details of the ETF's short selling activities. Copies of the Reports will be provided to the Risk Management Committee on a weekly basis. The Risk Management Committee will meet at least once a month to review all short positions.

Tax Related Investment Restrictions

The ETF will not make an investment or conduct any activity that would result in the ETF failing to qualify as a "unit trust" or "mutual fund trust" within the meaning of the Tax Act or become a "SIFT trust" within the meaning of the Tax Act.

FEES AND EXPENSES

Fees and Expenses Payable by the ETF

Management Fees

The ETF will pay annual Management Fees to the Manager equal to 0.70% of the net asset value of the ETF. The Management Fee will be calculated and accrued daily and payable monthly in arrears.

Performance Fee

The ETF will pay the Manager Performance Fees equal to 20% of the amount by which the ETF outperforms the S&P/TSX 60 Index® (the “**Benchmark**”).

Subject to the Return Deficiency described below, Performance Fees will be payable in all circumstances where the performance of the ETF exceeds the Benchmark, even in circumstances where the overall performance of the ETF has declined (but such fee will only be payable in such circumstances if, and to the extent that, the performance of the ETF relative to the Benchmark has been positive). Performance Fees will be calculated and accrued daily and payable to the Manager quarterly in arrears.

If the performance of the ETF for the period being measured is less than the Benchmark (a “**Return Deficiency**”), then no Performance Fees will be payable until the performance of the ETF thereafter relative to the Benchmark has exceeded the amount of the Return Deficiency.

Management Fee Distributions

To encourage very large investments in the ETF and to ensure Management Fees are competitive for these investments, the Manager may at its discretion agree to charge a reduced fee as compared to the fee it otherwise would be entitled to receive from the ETF with respect to investments in the ETF by Unitholders that hold, on average during any period specified by the Manager from time to time (currently a quarter), Units of the ETF having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the ETF will be distributed quarterly in cash by the ETF, at the direction of the Manager, to the applicable Unitholders of the ETF as Management Fee Distributions.

The availability and amount of Management Fee Distributions with respect to Units will be determined by the Manager. Management Fee Distributions for the ETF will generally be calculated and applied based on a Unitholder’s average holdings of Units over each applicable period as specified by the Manager from time to time. Management Fee Distributions will be available only to beneficial owners of Units and not to the holdings of Units by dealers, brokers or other CDS Participants that hold Units of the ETF on behalf of beneficial owners. Management Fee Distributions will be paid first out of net income of the ETF then out of capital gains of the ETF and thereafter out of capital. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units must submit a claim for a Management Fee Distribution that is verified by a CDS Participant on the beneficial owner’s behalf and provide the Manager with such further information as the Manager may require in accordance with the terms and procedures established by the Manager from time to time.

The Manager reserves the right to discontinue or change Management Fee Distributions at any time. The tax consequences of Management Fee Distributions made by the ETF generally will be borne by the Unitholders of the ETF receiving these distributions from the Manager.

Operating Expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including: audit fees; trustee and custodial expenses; accounting and record keeping costs; legal expenses; permitted prospectus

preparation and filing expenses; annual stock exchange fees; index licensing fees, if applicable; bank related fees and interest charges; unitholder reports and servicing costs; income taxes; registrar and transfer agent fees; costs of the ETF's independent review committee; income taxes; GST; brokerage expenses and commissions; and withholding taxes.

The Manager is responsible for paying the fees of the Investment Manager, and fees payable to certain other service providers retained by the Manager.

Expenses of the Issue

Apart from the initial organizational costs of the ETF, all expenses related to the issuance of Units shall be borne by the ETF unless otherwise waived or reimbursed by the Manager.

Fees and Expenses Payable Directly by the Unitholders

Redemption Fees

The Manager may charge Unitholders, at its discretion, an administrative fee as a percentage of the exchange or redemption proceeds to offset certain transaction costs associated with the redemption of Units.

RISK FACTORS

An investment in Units of the ETF involves certain risks.

Stock Market Risk

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

Specific Issuer Risk

The value of securities will vary positively or negatively with developments within the specific companies or governments that issue such securities.

Reliance on Historical Data Risk

Past trends may not be repeated in the future. The accuracy of the historical data used by the Investment Manager for research and development, which is often provided by third parties, cannot be guaranteed by the Investment Manager. The Investment Manager only seeks to obtain such data from companies that it believes to be highly reliable and of high reputation.

Corresponding Net Asset Value Risk

The closing trading price of a Unit may be different from the net asset value per Unit. As a result, Underwriters may be able to acquire or redeem the PNU of the ETF at a discount or a premium to the closing trading price per Unit. Such price differences may be due, in large part, to supply and demand factors in the secondary trading market for Units being similar, but not identical, to the same forces influencing the price of the underlying securities of the ETF at any point in time.

Market Price and Net Asset Value Deviation Risk

Units may trade at a level other than the net asset value per Unit. The net asset value per Unit will fluctuate based on the changes in the market value of the ETF's holdings. The trading prices of the Units of the ETF will fluctuate in accordance with changes in the net asset value per Unit, as well as market supply and demand on the applicable Canadian stock exchange. As Unitholders may redeem a PNU, the Manager expects that large discounts or premiums to the net asset value per Unit will not be sustained.

Designated Broker/Underwriter Risk

As the ETF will only issue Units directly to Designated Brokers and Underwriters, in the event that a Designated Broker or Underwriter that is purchasing Units is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the ETF.

Cease Trading of Securities Risk

If the securities of a constituent issuer of the ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its securities. Accordingly, securities of the ETF bear the risk of cease trading orders against all constituent issuers of the applicable index, not just one. If securities of the ETF are cease-traded by order of a securities regulatory authority, if normal trading is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for securities, the ETF may suspend the right to redeem securities for cash, subject to any required prior regulatory approval. If the right to redeem securities for cash is suspended, the ETF may return redemption requests to securityholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease-trade order is lifted.

Exchange Risk

In the event that the TSX closes early or unexpectedly on any day that it is normally open for trading, Unitholders will be unable to purchase or sell Units of the ETF on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of Units of the ETF may be suspended until the TSX reopens.

Tax Risk

It is anticipated that the ETF will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. In the event an ETF were not to qualify as a mutual fund trust under the Tax Act at all times, the after-tax returns to Unitholders may be reduced.

There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel is of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA’s view should not affect the ETF’s ability to deduct interest on money borrowed to acquire units of income trusts. If the CRA’s view were to apply to the ETF, part of the interest payable by the ETF in connection with money borrowed to acquire certain securities could be non-deductible, increasing the net income of the ETF for tax purposes and the taxable component of distributions to Unitholders.

The Tax Act contains rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as “non-portfolio property.” A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust’s income earned from “non-portfolio property” to the extent that such income is distributed to its unitholders. These rules should not impose any tax on the ETF as long as the ETF adheres to its investment restriction in this regard. If these rules apply to the ETF, the after-tax return to Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

On October 31, 2003, the Department of Finance announced a Tax Amendment relating to the deductibility of losses under the Tax Act. Under this Tax Amendment, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose,

does not include capital gains or capital losses. On February 23, 2005, the Minister of Finance (Canada) announced that a more modest legislative initiative to replace the Tax Amendment of October 31, 2003 would be released. No such legislative proposal has publicly been released to date. If such legislative proposal were to apply to deny deductions that would otherwise reduce the ETF's taxable income, after-tax returns to Unitholders would be reduced as a result.

Exchange Traded Funds Risk

The ETF may invest in Listed Funds that issue index participation units. These Listed Funds seek to provide returns similar to the performance of a particular market index or industry sector index. These Listed Funds may not achieve the same return as their benchmark market or industry sector indices due to differences in the actual weightings of securities held in the Listed Fund versus the weightings in the relevant index and due to the operating and administrative expenses of the Listed Fund.

BetaPro Funds Risk

The ETF will rely on relief obtained from the Canadian securities regulatory authorities in order to invest in the BetaPro Funds. The BetaPro Funds are exchange traded funds that seek to provide returns similar to a particular benchmark market, industry sector index, or commodity and magnify returns by either a multiple or an inverse multiple of that benchmark, index or commodity. Investments in the BetaPro Funds are highly speculative and involve a high degree of risk. The BetaPro Funds are also subject to increased volatility as they seek to achieve a multiple or inverse multiple of a benchmark, index or commodity.

The relief does not permit the ETF to invest in BetaPro Funds that have an underlying index that is based on a:

- physical commodity, other than gold; or
- derivative, the underlying interest of which is a physical commodity, other than gold.

Securities Lending, Repurchase and Reverse Repurchase Transaction Risk

The ETF is authorized to enter into securities lending, repurchase and reverse repurchase transactions in accordance with NI 81-102. In a securities lending transaction, the ETF lends its portfolio securities through an authorized agent to another party (often called a "counterparty") in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, the ETF sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, the ETF buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase transactions:

- when entering into securities lending, repurchase and reverse repurchase transactions, the ETF is subject to the credit risk that the counterparty may default under the agreement and the ETF would be forced to make a claim in order to recover its investment;
- when recovering its investment on default, the ETF could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the ETF; and
- similarly, the ETF could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the ETF to the counterparty.

Short Selling Risk

The ETF previously obtained relief to engage in a limited amount of short selling and is currently applying for exemptive relief to expand the scope of short selling available to the ETF. A "short sale" will occur when the ETF

borrow securities from a lender which are then sold in the open market (or “sold short”). At a later date, the same number of securities are repurchased by the ETF and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the ETF pays fees to the lender. If the value of the securities declines between the time that the ETF borrows the securities (and sells short) and the time it repurchases and returns the securities, the ETF makes a profit for the difference (less any fees the ETF is required to pay to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the fees paid by the ETF and make a profit for the ETF, and securities sold short may instead appreciate in value. The ETF also may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the ETF has borrowed securities may go bankrupt and the ETF may lose the collateral it has deposited with the lender.

When the ETF engages in short selling, the ETF will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The ETF will also deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

Possible losses from short sales differ from losses that may be incurred from purchases of securities, because losses from short sales may be unlimited, whereas losses from purchases are limited to the total amount invested. To deliver securities to a purchaser, the ETF must arrange through a broker to borrow the securities, and, as a result, the ETF becomes obligated to replace the securities borrowed at the market price at the time of replacement, whatever that price may be. A short sale therefore involves the theoretically unlimited risk of loss occasioned by an increase in the market price of the security between the date of the short sale and the date on which the ETF covers its short position. In addition, the borrowing of securities entails the payment of a borrowing fee (which may increase during the borrowing period) and the payment of any dividends or interest payable on the securities until they are replaced. When the ETF is engaged in short selling it is required to maintain cash cover for its short positions and other investments may need to be sold quickly (and at potentially unattractive prices) in order to maintain sufficient cash cover.

Income Trust Investment Risk

Real estate, royalty, income and other investment trusts are investment vehicles in the form of trusts rather than corporations. To the extent that claims, whether in contract, in tort or as a result of tax or statutory liability, against an investment trust are not satisfied by the trust, investors in the investment trust, including the ETF, could be held liable for such obligations. Investment trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the investment trust will not be binding on investors personally. However, investment trusts could still have exposure to damage claims such as personal injury and environmental claims. Certain jurisdictions have enacted legislation to protect investors in investment trusts from the possibility of such liability.

The Tax Act contains rules which impose a tax on SIFTs. Generally, these rules impose a Distribution Tax. Distributions and allocations of a SIFT's non-portfolio earnings, less the related Distribution Tax, will be treated as dividends paid from taxable Canadian corporations in the hands of a recipient (e.g., the ETF). These rules apply: (i) in the case of a SIFT the units of which were first listed for public trading after October 31, 2006, beginning in the 2007 taxation year of such SIFT, and (ii) in the case of a SIFT the units of which were already publicly traded on October 31, 2006, beginning with the 2011 taxation year of such SIFT, subject to earlier application where certain growth guidelines are exceeded. These changes will reduce the tax effectiveness of affected income trusts and limited partnerships, which will result in such issuers being treated in a manner substantially the same as corporate issuers and may negatively impact the value of such SIFT's units that are held by the ETF. In addition, the changes have had, and may continue to have, an effect on the trading price of such trusts and limited partnerships, which will affect the net asset value of the ETF to the extent it has exposure to SIFTs. Finally, as a result of these rules, it is possible that SIFTs may seek to restructure their affairs and organizational structures in manners that could have a negative impact on the returns to the extent that the ETF is exposed to SIFTs. The ETF itself will not be a SIFT as long as it adheres to its investment restrictions in this regard.

DISTRIBUTION POLICY

Distributions on Units of the ETF, which will automatically be reinvested in additional Units of the ETF, are expected to be made annually at the end of each calendar year. The Manager reserves the right to make additional distributions in any year if determined to be appropriate.

On an annual basis, the ETF will ensure that all of its income (including net realized capital gains) will be distributed to Unitholders to such an extent that the ETF will not be liable for ordinary income tax thereon. Such distributions will be paid as a “reinvested distribution”. Reinvested distributions on Units, net of any required withholding, will be reinvested automatically in additional Units at a price equal to the net asset value per Unit on such day and the Units will be immediately consolidated such that the number of outstanding Units held by each Unitholder on such day following the distribution will equal the number of Units held by the Unitholder prior to the distribution, except in the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution. The tax treatment to Unitholders of reinvested distributions is discussed under the heading “Income Tax Considerations” on page 35.

PURCHASES OF UNITS

Issuance of Units of the ETF

To Designated Brokers and Underwriters

All orders to purchase Units directly from the ETF must be placed by Designated Brokers and/or Underwriters. The ETF reserves the absolute right to reject any subscription order placed by a Designated Broker and/or an Underwriter. No fees will be payable by the ETF to a Designated Broker or an Underwriter in connection with the issuance of Units. On the issuance of Units, the Manager may, at its discretion, charge an administrative fee to an Underwriter or Designated Broker to offset any expenses incurred in issuing the Units.

On any Trading Day, a Designated Broker or an Underwriter may place a subscription order for the PNU or integral multiple PNU of the ETF.

If a subscription order is received by the ETF at or before 9:30 a.m. on a Trading Day and accepted by the Manager, the ETF will generally issue to the Underwriter or Designated Broker the PNU (or an integral multiple thereof) within three Trading Days from the Trading Day of the subscription. The ETF must receive payment for the Units subscribed for within three Trading Days from the Trading Day of subscription.

Unless the Manager shall otherwise agree or the Trust Agreement shall otherwise provide and provided the ETF receives the necessary relief from applicable securities law requirements, as payment for a PNU of the ETF, an Underwriter or Designated Broker must deliver subscription proceeds consisting of a Basket of Securities and/or cash in an amount sufficient so that the value of the Basket of Securities and/or cash delivered is equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order. The Manager may, in its complete discretion, instead accept subscription proceeds consisting of cash only in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order.

In any case in which a subscription order from an Underwriter or Designated Broker is received by the ETF on or after the date of declaration of a distribution by ETF payable in cash and on or before the ex-dividend date for that distribution (generally, the third Trading Day prior to the record date or such other date where the purchaser becomes entitled to rights connected to the Units subscribed), an additional amount equal to the amount of cash per Unit of that distribution must be delivered in cash to the ETF in respect of each issued Unit.

The Manager will usually publish the applicable PNU for the ETF following the close of business on each Trading Day on its website, www.hapetfs.com. The Manager may, at its discretion, increase or decrease the applicable PNU of the ETF from time to time.

To Unitholders of the ETF as Reinvested Distributions

Units will be issued to Unitholders on the automatic reinvestment of all distributions in accordance with the distribution policy of the ETF. See “Distribution Policy” at page 26.

Buying and Selling Units of the ETF

The Manager has applied to list the Units of the ETF on the TSX. Subject to receiving conditional approval, investors will therefore be able to trade Units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders. An investor will be able to buy or sell Units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors may incur customary brokerage commissions when buying or selling Units of the ETF.

Special Considerations for Unitholders

The ETF has applied for, and expects to receive, relief from the provisions of the so-called “early warning” requirements set out in Canadian securities legislation in connection with the acquisition of Units of the ETF. In addition, subject to regulatory approval which is expected to be received, Unitholders may acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders.

EXCHANGE AND REDEMPTION OF UNITS

Exchange of Units at Net Asset Value per Unit for Baskets of Securities and/or Cash

Unitholders of the ETF may exchange the applicable PNU (or an integral multiple thereof) of the ETF on any Trading Day for Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. To effect an exchange of Units, a Unitholder must submit an exchange request in the form prescribed by the ETF from time to time to the Manager at its office by 9:30 a.m. on a Trading Day. The exchange price will be equal to the net asset value of each PNU tendered for exchange on the effective day of the exchange request, payable by delivery of a Basket of Securities (constituted as most recently published prior to the receipt of the exchange request) and/or cash. The Units will be redeemed in the exchange. The Manager will also make available to Underwriters and Designated Brokers the applicable PNU to redeem Units of the ETF on each Trading Day.

If an exchange request is not received by 9:30 a.m. on a Trading Day, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for Baskets of Securities and/or cash will generally be made by the third Trading Day after the effective day of the exchange request.

If securities of any Listed Fund, BetaPro Fund or other issuers in which the ETF has invested are cease traded at any time by order of a securities regulatory authority, the delivery of Baskets of Securities to a Unitholder, Underwriter or Designated Broker on an exchange in the PNU may be postponed until such time as the transfer of the Baskets of Securities is permitted by law.

As described under “Book-Entry Only System” on page 33, registration of interests in, and transactions regarding, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units sufficiently in advance of the cut-off times described below to allow such CDS Participant to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

Redemption of Units for Cash

On any Trading Day, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. Because Unitholders will generally

be able to sell Units at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the ETF from time to time must be delivered to the Manager at its office by 9:30 a.m. on that day. If a cash redemption request is not received by 9:30 a.m. on a Trading Day, the cash redemption order will be effective only on the next Trading Day. The cash redemption request forms may be obtained from any registered broker or dealer.

Payment of the redemption price will be made on the third Trading Day after the effective day of the redemption. Unitholders that have delivered a redemption request prior to the distribution record date for any distribution will not be entitled to receive that distribution.

In connection with the redemption of Units, the ETF will generally dispose of securities or other assets.

Suspension of Exchanges and Redemptions

The Manager may suspend the exchange or redemption of Units or payment of redemption proceeds of the ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the ETF; or (ii) with the prior permission of the securities regulatory authorities where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the ETF or which impair the ability of the Custodian to determine the value of the assets of the ETF. The suspension may apply to all requests for exchange or redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first Valuation Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for exchange or redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the ETF, any declaration of suspension made by the Manager shall be conclusive.

Costs Associated with Redemptions

The Manager may charge to Unitholders, at its discretion, an administrative fee as a percentage of the exchange or redemption proceeds to offset certain transaction costs associated with the redemption of Units.

Allocations of Income and Capital Gains to Redeeming Unitholders

Pursuant to the Trust Agreement, the ETF may allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, the ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder who has redeemed Units during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's income and capital gains for the year or such other amount that is determined by the ETF to be reasonable.

Book-Entry Only System

Registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. Units of the ETF must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units.

Upon buying Units, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither the ETF nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The ETF has the option to terminate registration of Units through the book-entry only system in which case certificates for Units in fully registered form will be issued to beneficial owners of the Units or to their nominees.

Short-Term Trading

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the ETF at this time as: (i) the ETF is an exchange traded fund that are primarily traded in the secondary market; and (ii) the few transactions involving Units that do not occur on the secondary market involve Designated Brokers and Underwriters, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a redemption fee.

PRIOR SALES

Trading Price and Volume

The Units of the ETF are new and accordingly information in respect of prior trading prices and volume for Units are not available for periods prior to the date of this document.

INCOME TAX CONSIDERATIONS

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the ETF, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units of the ETF by a Unitholder of the ETF who acquires Units of the ETF pursuant to this prospectus. This summary only applies to a prospective Unitholder of the ETF who is an individual (other than a trust) resident in Canada for purposes of the Tax Act, who deals at arm's length with the ETF within the meaning of the Tax Act and who holds Units as capital property (a "**Holder**").

Generally, Units of the ETF will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Assuming that the ETF is a "mutual fund trust" for purposes of the Tax Act, certain Holders who might not otherwise be considered to hold Units, as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the assumption that the ETF will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and will not be a "SIFT trust" within the meaning of the Tax Act. For the ETF to qualify as a "mutual fund trust," it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of its Units. In addition, in certain circumstances, the ETF can lose its status as a "mutual fund trust" if, in general terms, a majority of its Unitholders are not resident in Canada. The ETF will not be a SIFT trust as long as it does not hold any "non-portfolio property" within the meaning of the Tax Act. In the event the ETF were not to

qualify as a mutual fund trust under the Tax Act at all times, the income tax consequences described below would, in some respects, be materially different.

This summary is also based on the assumptions that none of the issuers of the securities in the portfolio will be foreign affiliates of the ETF or of any Unitholder and, that none of the securities in the portfolio will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and counsel’s understanding of the current publicly available published administrative and assessing practices and policies of the CRA. This summary takes into account the Tax Amendments. This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law whether by legislative, governmental or judicial action other than the Tax Amendments in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Tax Amendments will be enacted in the form publicly announced, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units of the ETF. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units of the ETF. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Units of the ETF. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units of the ETF based on their particular circumstances.

Status of the ETF

As noted above, this summary assumes that the ETF qualifies at all times as a “mutual fund trust” for purposes of the Tax Act, and is not a “SIFT trust” for purposes of the Tax Act.

Provided that the ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units of the ETF are listed on the TSX, Units of the ETF will be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a RESP, or a TFSA (the “Plans”).

In the case of an exchange of Units for a Basket of Securities, the investor may receive securities that may or may not be qualified investments under the Tax Act for Plans or registered pension plans. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments for Plans or registered pension plans.

Units of the ETF are generally not prohibited investments for a “registered pension plan” under subsection 8514(1) of the regulations under the Tax Act unless the ETF is (a) an employer who participates in the plan; (b) a person connected with such an employer; (c) a person that controls, directly or indirectly, in any manner whatsoever, such an employer or connected person; or (d) a person that does not deal at arm’s length with a member of the plan or with any person described in (a), (b) or (c) above.

Taxation of the ETF

The ETF must pay tax on its net income (including net realized capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable to its Unitholders in the year. An amount will be considered to be payable to a Unitholder of the ETF in a taxation year if it is paid to the Unitholder in that year by the ETF or if the Unitholder is entitled in that year to enforce payment of the amount. The Trust Agreement for the ETF requires that sufficient amounts be paid or made payable each year so that the ETF is not liable for any income tax under Part I of the Tax Act.

In general, gains and losses realized by an ETF from derivative transactions will be on income account.

Although the ETF is not expected to earn any material amount of interest income, the ETF is required to include in its income for each taxation year all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

The ETF will also be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

In general, the ETF will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio, to the extent the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the ETF were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the ETF has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager has advised counsel that the ETF will take the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. The Manager has also advised counsel that the ETF has made an election under subsection 39(4) of the Tax Act so that all securities held by the ETF that are "Canadian securities" (as defined in the Tax Act) will be deemed to be capital property to the ETF. The ETF will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the "Capital Gains Refund"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the ETF for such taxation year which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units.

The ETF may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that any such foreign tax paid by the ETF exceeds 15% of the amount included in the ETF's income from such investments, such excess may generally be deducted by the ETF in computing its net income for the purposes of the Tax Act. To the extent that any such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the ETF's income, the ETF may designate in respect of a Unitholder a portion of its foreign source income which can reasonably be considered to be part of the ETF's income distributed to such Unitholder so that such income and a portion of the foreign tax paid by the ETF may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

In computing its income under the Tax Act, the ETF may deduct reasonable administrative and other expenses incurred to earn income from property or a business. The ETF may not deduct interest on borrowed funds that are used to fund redemptions of its Units. The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel is of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence and the anticipated nature of income trust distributions, the CRA's view should not affect the ETF's ability to deduct interest on money borrowed to acquire units of income trusts included in its portfolio. If the CRA's view were to apply to the ETF, part of the interest payable by the ETF in connection with money borrowed to acquire certain portfolio securities could be non-deductible, increasing the net income of the ETF for tax purposes and the taxable component of distributions to Unitholders.

The ETF will be required to compute all amounts in Canadian dollars for purposes of the Tax Act.

Losses incurred by the ETF in a taxation year cannot be allocated to Unitholders of the ETF, but may be deducted by the ETF in future years in accordance with the Tax Act. See "Risk Factors" regarding a Tax Amendment relating to the deductibility of losses under the Tax Act announced on October 31, 2003.

If the ETF does not qualify as a mutual fund trust under the Tax Act throughout a taxation year, among other things, the ETF may be liable to pay an alternative minimum tax under the Tax Act.

The Tax Act contains rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as "non-portfolio property." A trust that is subject to these rules is subject to trust

level taxation, at rates comparable to those that apply to corporations, on the trust's income earned from "non-portfolio property" to the extent that such income is distributed to its unitholders. These rules should not impose any tax on the ETF since the ETF is not expected to own any "non-portfolio property." If these rules apply to the ETF, the after-tax return to Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

There are Tax Amendments regarding the taxation of investments in foreign investment entities ("FIEs"). In general, as currently proposed, these rules may require the ETF, if it invests in a "participating interest" of an FIE, to include in computing income for tax purposes each year amounts in respect of its investments in FIEs that it has not earned or received. In general, securities listed on the S&P/TSX 60 Index[®] should not be participating interests in FIEs.

Taxation of Holders

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the ETF for that particular taxation year, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder, including any Management Fee Distributions, (whether in cash or whether such amount is automatically reinvested in additional Units of the ETF). The non-taxable portion of the ETF's net realized capital gains that are paid or become payable to a Holder in a taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of the ETF for a taxation year that is paid or becomes payable to the Holder in the year (i.e. returns of capital) will not generally be included in the Holder's income for the year, but will reduce the adjusted cost base of the Holder's Units of the ETF. To the extent that the adjusted cost base of a Unit of the ETF would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the ETF, such portion of the net realized taxable capital gains of the ETF, the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations, the foreign source income of the ETF as is paid or becomes payable to a Holder and the amount of foreign taxes paid or deemed to be paid by the ETF, if any, will effectively retain their character and be treated as such in the hands of the Holder for purposes of the Tax Act. A Holder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply including the enhanced gross-up and dividend tax credit rules in respect of "eligible dividends".

Any loss of the ETF for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

Under the Tax Act, the ETF is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the ETF to use, in a taxation year, losses from prior years without affecting the ability of the ETF to distribute its income annually. In such circumstances, the amount distributed to a Holder of the ETF, but not deducted by the ETF will not be included in the Holder's income. However, the adjusted cost base of a Holder's Units in the ETF will be reduced by such amount.

On the disposition or deemed disposition of a Unit of the ETF, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the ETF which represents an amount that is otherwise required to be included in the Holder's income as described herein), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit of the ETF. For the purpose of determining the adjusted cost base of a Holder's Units of the ETF, when additional Units of the ETF are acquired by the Holder, the cost of the newly acquired Units of the ETF will be averaged with the adjusted cost base of all Units of the ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of the ETF that have been issued on a distribution will generally be equal to the amount of the net income or capital gain distributed to the Holder of the ETF that has been distributed in the form of additional Units of the ETF. A consolidation of Units of an ETF following a distribution paid in the form of additional Units of the ETF will not be regarded as a disposition of Units of the ETF and will not affect the aggregate adjusted cost base to a Holder.

In the case of an exchange of Units for a Basket of Securities, a Holder's proceeds of disposition of Units would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the ETF on the disposition of such distributed property. The cost to a Holder of any property received from the ETF upon the exchange will generally be equal to the fair market value of such property at the time of the distribution.

Pursuant to the Trust Agreement, the ETF may allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, the ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder who has redeemed Units of the ETF during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's income and capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such allocations will reduce the redeeming Unitholder's proceeds of distribution.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder on the disposition of Units of the ETF or designated by the ETF in respect of the Holder in a taxation year will be included in computing the Holder's income for that year and one-half of any capital loss realized by the Holder on the disposition of Units of the ETF in a taxation year may be deducted from taxable capital gains realized by the Holder or designated by the ETF in respect of the Holder in accordance with the detailed provisions of the Tax Act.

A Holder will be required to compute all amounts, including the adjusted cost base of Units of the applicable ETF and proceeds of disposition, in Canadian dollars for purposes of the Tax Act.

Amounts designated by the ETF to a Holder of the ETF as taxable capital gains or dividends from taxable Canadian corporations, and taxable capital gains realized on the disposition of Units of the ETF may increase the Holder's liability for alternative minimum tax.

Taxation of Registered Plans

Distributions received by a RRSP, RRIF, DPSP, TFSA, RDSP or RESP on Units of the ETF while the Units are a qualified investment for such plans will be exempt from income tax in the plan, as will capital gains realized by the plan on the disposition of such Units. Withdrawals from such plans (other than a TFSA) are generally subject to tax under the Tax Act. Tax rules in respect of TFSAs come into force in 2009.

Tax Implications of the ETF's Distribution Policy

The net asset value per Unit of the ETF will, in part, reflect any income and gains of the ETF that have accrued or been realized, but have not been made payable at the time Units of the ETF were acquired. Accordingly, a Holder of the ETF who acquires Units of the ETF, including on a reinvestment of distributions, may become taxable on the Holder's share of income and gains of the ETF that accrued before Units of the ETF were acquired. In particular, if an ETF adheres to its distribution policy of paying distributions annually at the end of each year, an investor who acquires Units of the ETF late in the year but prior to the distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) regardless of the fact that the investor only recently acquired such Units.

ORGANIZATION AND MANAGEMENT DETAILS OF THE ETF

Manager of the ETF

AlphaPro is the manager and trustee of the ETF and its principal office is at 26 Wellington Street East, Suite 920, Toronto, Ontario, M5E 1S2. The Manager was primarily organized for the purpose of managing the investment products, including, exchange traded funds.

Officers and Directors of the Manager

The name, municipality of residence, office and principal occupation of the officers and directors of the Manager are as follows:

Name and Municipality of Residence	Position(s) with Manager	Principal Occupation During the Last 5 Years
Philip Armstrong Toronto, Ontario	Chairman and Director	Chairman and Director, JovFunds (since 2006); Director, TEIC (since 2003); Chief Executive Officer and Director, Jovian (since 2003); Director, the Investment Manager. (since 2003);
Mark L. Arthur Toronto, Ontario	Director	Director of TEIC (since 2003); Director, JovFunds (since 2006); President, Jovian (since 2003); Vice-Chairman, MGI (since 2004)
Duriya Patel Toronto, Ontario	Secretary	Secretary, Vice-President and General Counsel, Jovian (since 2003); and Director, JovFunds (since 2008); previously, Partner, Meyer, Wassenaar & Banach LLP.
Adam Felesky, Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer and Director, JovFunds (since 2008); Chief Executive Officer, JovFunds Inc. (since 2008); Chief Executive Officer, Horizons Funds Inc. (since 2008); Chief Executive Officer and Director, BetaPro Management Inc. (since 2005); Vice President, the Investment Manager. (since 2005); previously, Partner, Bradbrooke Capital Holdings Inc. (2003-2004); previously, Associate, JP Morgan Securities Inc. (2001-2003).
Howard Atkinson, Toronto, Ontario	President and Director	President, JovFunds Inc. (since 2008); Managing Partner and a director, JovFunds (since 2008); President and a director, BetaPro Management Inc. (since 2006); previously, Head of Business Development, Exchange Traded Products, Barclays Global Investors Canada Ltd. (2000-2006).
Alex Watters Queensville, Ontario	Chief Financial Officer	Senior Vice-President - Finance and Operations, JovFunds (since 2006); previously, Administration and Finance Manager, SNC Lavalin/PAE (2005 – 2006); and Vice-President Finance and Deputy Registrar, Tarion (1999 – 2005)

Where a person has held multiple positions within a company, the above table only refers to the last position held at that company. Each director will hold his or her position until the next annual general meeting of the Manager at which time he/she may be re-elected.

Duties and Services to be Provided by the Manager

Pursuant to the Trust Agreement, the Manager has full authority and responsibility to manage and direct the business and affairs of the ETF, to make all decisions regarding the business of the ETF and to bind the ETF. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the ETF to do so.

The Manager's duties will include negotiating contracts with certain third-party service providers, including, but not limited to, investment managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; maintaining accounting records for the ETF; preparing the reports to Unitholders of the ETF and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements including the continuous disclosure obligations of the ETF

under applicable securities laws; administering purchases, redemptions and other transactions in Units; arranging for any payments required upon termination of the ETF; and dealing and communicating with Unitholders. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager will also monitor the investment strategy of the ETF to ensure that the ETF complies with its investment objective, investment strategies and investment restrictions and practices.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Agreement provides that the Manager will not be liable to an ETF or to any Unitholder or any other person for any loss or damage relating to any matter regarding the ETF, including any loss or diminution of value of the assets of the ETF if it has satisfied its standard of care set forth above.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of the ETF from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done or omitted in or in relation to the execution of its duties to the ETF as long as the person acted honestly and in good faith with a view to the best interests of the ETF.

The Manager may resign upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation. As compensation for the management services it provides to the ETF, the Manager is entitled to receive a Management Fee from the ETF. See "Fees and Expenses" at page 14.

Ownership of the Manager

The Manager is an indirect subsidiary of Jovian, the securities of which are traded on the TSX. As at December 31, 2008, the only person owning 10% or more of the voting shares of Jovian is N. Murray Edwards of Calgary, Alberta, who directly or indirectly owns 49,829,432 shares representing 30.6% of the outstanding voting shares.

Investment Manager

JovInvestment Management Inc. has been appointed investment manager to the ETF pursuant to the Investment Management Agreement. Based in Ontario, the Investment Manager operates as an advisor in the categories of investment counsel and portfolio manager under the *Securities Act* (Ontario) and commodity trading manager under the *Commodity Futures Act* (Ontario). The principal office of the Investment Manager is at 26 Wellington Street East, Suite 920, Toronto, Ontario M5E 1S2. The Investment Manager was incorporated under the *Business Corporations Act* (Ontario) on July 10, 1997. The Investment Manager provides investment advisory services to a broad range of clients, including public mutual funds. The Investment Manager will provide investment advisory and portfolio management services to the ETF. The Investment Manager is a wholly-owned subsidiary of Jovian, a management and holding company with interests in a variety of financial service firms specializing in wealth and asset management that administer or manage approximately \$2.17 billion in client assets.

Officers and Directors of the Investment Manager

The name, municipalities of residence and position of the senior officers and directors of the Investment Manager principally responsible for providing advice to the ETF are as follows:

Name and Municipality of Residence	Position with the Investment Manager	Principal Occupation During the Last 5 Years
Mark L. Arthur, CFA Toronto, Ontario	Chief Executive Officer,	Director of TEIC (since 2003); Director, JovFunds (since 2006); President, Jovian (since 2003); Vice-Chairman, MGI (since

	Chairman and Director	2004)
Steven J. Hawkins Oakville, Ontario	President, Chief Operating Officer and Chief Compliance Officer	Managing Partner and a director, JovFunds (since 2005); President, Chief Compliance Officer, and Chief Operating Officer, JovInvestment Management Inc. (since 2007); President and Chief Executive Officer, Canadian Medical Discoveries Fund Inc. (since 2006); previously, Vice-President, Compliance, AMG Canada Inc. and Senior Vice-President, Compliance and Risk Management and Chief Investment Officer for First Asset Investment Management Inc. (2000 – 2005).

Details of the Investment Management Agreement

The Investment Management Agreement will continue until the termination of the ETF unless terminated as described below. The Manager may terminate the Investment Management Agreement: (i) upon 10 days' prior written notice to the Investment Manager; (ii) in the event that the Investment Manager is in breach or default of the Investment Management Agreement and, if capable of being cured, the breach or default has not been cured within 20 business days' written notice of such breach or default being given by the Manager to the Investment Manager; (iii) if there is a dissolution or the commencement of the winding-up of the Investment Manager; (iv) if the Investment Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Investment Manager or a substantial portion of its assets; (v) if the assets of the Investment Manager become subject to seizure or confiscation by any public or governmental organization; or (vi) if the Investment Manager is no longer registered or has failed to obtain any registration, license or other authorization required by it to perform the services delegated to it hereunder.

The Investment Manager may terminate the Investment Management Agreement upon 30 days' prior written notice to the Manager. The Investment Manager may also terminate the Investment Management Agreement immediately: (i) if the ETF is terminated; (ii) if the Manager or any of its affiliates is no longer the manager of the ETF; (iii) if there is a dissolution or the commencement of the winding-up of the Manager; (iv) if the Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Manager or a substantial portion of its assets; (v) if the assets of the Manager become subject to seizure or confiscation by any public or governmental organization; or (vi) in the event that the Manager is in breach of the Investment Management Agreement and, if capable of being cured, the breach or default has not been cured within 20 business days' written notice of such breach or default being given by the Investment Manager to the Manager.

Pursuant to the terms of the Investment Management Agreement, the Investment Manager has covenanted to act at all times on a basis which is fair and reasonable to the ETF, to act honestly and in good faith with a view to the best interests of the ETF and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment counsellor would exercise in comparable circumstances. The Investment Management Agreement provides that the Investment Manager will not be liable in any way for any default, failure or defect in any of the securities comprising an investment portfolio of the ETF if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Investment Management Agreement also requires the Manager to indemnify the Indemnified Persons, against all losses, damages, costs and expenses incurred by any of them in connection with the Manager's administration of the ETF, unless an Indemnified Person is finally adjudicated to have committed an act or omission involving wilful misconduct, bad faith or negligence.

In the event that the Investment Management Agreement is terminated as provided above, the Manager shall promptly appoint a successor investment manager to carry out the activities of the Investment Manager.

The Manager is responsible for the payment of all fees owing to the Investment Manager.

Designated Brokers

The Manager, on behalf of the ETF, has entered into a Designated Broker Agreement with one or more Designated Brokers pursuant to which each Designated Broker agrees to perform certain duties relating to the ETF including, without limitation: (i) to subscribe for Units of the ETF on an ongoing basis, and (ii) to post a liquid two way market for the trading of Units of the ETF on the TSX. Payment for Units of the ETF must be made by the Designated Broker, and Units of the ETF will be issued, by no later than the first Trading Day after the subscription notice has been delivered.

A Designated Broker may terminate a Designated Broker Agreement at any time by giving AlphaPro at least six months' prior written notice of such termination. AlphaPro may terminate a Designated Broker Agreement at any time, without prior notice, by sending a written notice of termination to the Designated Broker.

Conflicts Of Interest

The Manager, the Investment Manager, and their respective principals and affiliates (each an “**ETF Manager**”) do not devote their time exclusively to the management of the ETF. The ETF Managers perform similar or different services for others and may sponsor or establish other investment funds (public and private) during the same period that they act on behalf of the ETF. The ETF Managers therefore will have conflicts of interest in allocating management time, services and functions to the ETF and the other persons for which they provide similar services.

The ETF Managers may trade and make investments for their own accounts, and such persons currently trade and manage and will continue to trade and manage accounts other than the ETF's accounts utilizing trading and investment strategies which are the same as or different from the ones to be utilized in making investment decisions for the ETF. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of the ETF. Furthermore, all of the positions held by accounts owned, managed or controlled by the Investment Manager will be aggregated for purposes of applying certain exchange position limits. As a result, the ETF may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the ETF and such other accounts, would exceed applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades. See “Risk Factors” at page 17.

The ETF Managers may at times have interests that differ from the interests of the Unitholders.

In evaluating these conflicts of interest, potential investors should be aware that the ETF Managers have a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the ETF. In the event that a Unitholder believes that one of the ETF Managers has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of the ETF to recover damages from or to require an accounting by the ETF Manager. Unitholders should be aware that the performance by the ETF Manager of its responsibilities to the ETF will be measured in accordance with (i) the provisions of the agreement by which the ETF Manager has been appointed to its position with the ETF; and (ii) applicable laws.

MGI Securities Inc., a dealer through whom Units may be purchased, is related to the Manager as it is wholly-owned by Jovian. As a consequence of this relationship, MGI Securities Inc. may at times have interests that differ from the interests of the Unitholders.

Independent Review Committee

NI 81-107, came into force on November 1, 2006. NI 81-107 requires all publicly offered investment funds, such as the ETF, to establish an independent review committee. The Manager must refer all conflict of interest matters for review or approval to the IRC. NI 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three (3) independent members, and is subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the ETF and to its Unitholders in respect of those functions. The

report prepared by the IRC will be available on the Manager's website (www.hapetfs.com), or at a Unitholder's request at no cost, by contacting the ETF at 26 Wellington Street East, Suite 920, Toronto, Ontario M5E 1S2; telephone: 416-933-5745; toll free: 1-866-641-5739; fax: 416-777-5181.

Karen Fisher, Julia Dublin and Harvey Naglie have been appointed to the IRC.

The IRC:

- reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;
- reviews conflict of interest matters referred to it by the Manager and make recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for the ETF;
- considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- performs such other duties as may be required of the IRC under applicable securities laws.

The ETF compensates the IRC members for their participation on the IRC through member fees and meeting fees that are paid on a quarterly basis. Karen Fisher and Harvey Naglie each receive an annual fee of \$15,000 per year in member fees, while Julia Dublin, as chairperson of the IRC, receives an annual fee of \$20,000 per year. In addition to the member fees, each IRC member receives \$500 per meeting for each IRC meeting attended. The total quarterly fees payable to an IRC member by the ETF is calculated by dividing the total net assets of the ETF by the total net assets of all of the investment funds managed by the Manager, its associates and its affiliates, for which the IRC is responsible and then multiplying the resulting value by the total dollar value due to the IRC member by the ETF for that particular quarter.

The Trustee

AlphaPro is also the trustee of the ETF pursuant to the Trust Agreement. The Trustee may resign and be discharged from all further duties under the Trust Agreement upon 90 days' prior written notice to the Manager or upon such lesser notice as the Manager may accept. The Manager shall make every effort to select and appoint a successor trustee prior to the effective date of the Trustee's resignation. If the Manager fails to appoint a successor trustee within 90 days after notice is given or a vacancy occurs, the Manager shall call a meeting of Unitholders within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders may call a meeting of Unitholders of the ETF within 31 days after notice is given or a vacancy occurs for the purpose of appointing a successor trustee. In each case, if, upon the expiry of a further 30 days, neither the Manager nor the Unitholders of the ETF have appointed a successor trustee, the ETF shall be terminated and the property of the ETF shall be distributed in accordance with the terms of the Trust Agreement.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the ETF, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Agreement provides that the Trustee will not be liable in carrying out its duties under the Trust Agreement as long as the Trustee has adhered to its standard of care set out above. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee will not receive any fees from the ETF but will be reimbursed for all expenses and liabilities that it properly incurs in carrying out activities on behalf of the ETF.

Custodian

RBC Dexia is the custodian of the ETF assets pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario. Pursuant to the Custodian Agreement, the Custodian is required to exercise its duties with the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances. Provided the Custodian has not breached its standard of care as set out in the Custodian Agreement, the Custodian shall not be responsible for the holding or control of any property of the ETF which is not directly held by the Custodian, including any property of the ETF that is loaned or pledged to a counterparty.

Under the Custodian Agreement, the ETF shall pay fees to the Custodian at such rate as determined by the parties from time to time and shall reimburse the Custodian for all reasonable expenses and disbursements incurred in the performance of its duties under the Custodian Agreement. The ETF shall also indemnify the Custodian or any of its officers, directors, employees or agents for any loss, damage, liability, actions, suits, claims, costs and expenses arising in the course of performing the duties of the Custodian Agreement unless arising from negligence, fraud, bad faith, wilful default or breach of the Custodian's standard of care. Either party may terminate the Custodian Agreement in the event that the other party violates any material provision of the Custodian Agreement by giving written notice to the violating party, provided the violating party has not been cured or made substantial progress to cure the violation within 90 days of receipt of such written notice.

Auditors

KPMG LLP are the auditors of the ETF. The office of the Auditors is located at Suite 3300, Commerce Court West, Toronto, Ontario M5L 1B2.

Transfer Agent and Registrar

Computershare, at its principal offices in Toronto, is the Registrar and Transfer Agent for the ETF pursuant to registrar and transfer agency agreements entered into as of the date of the initial issuance of Units of the ETF.

Promoter

The Manager took the initiative in founding and organizing the ETF and is accordingly the promoter of the ETF within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the ETF, receives compensation from the ETF. See "Fees and Expenses" at page 14.

CALCULATION OF NET ASSET VALUE

The net asset value per Unit will be computed by adding up the cash, securities and other assets of the ETF, less the liabilities and dividing the value of the net assets of the ETF by the total number of Units that are outstanding. The net asset value per Unit so determined will be adjusted to the nearest cent per Unit and will remain in effect until the time as at which the next determination of the net asset value per Unit is made. The net asset value per Unit will be calculated on each Valuation Day.

Typically, the net asset value per Unit will be calculated at its applicable Valuation Time. The net asset value per Unit may be determined at an earlier Valuation Time if the TSX and/or the principal exchange for the securities held by the ETF closes earlier on that Valuation Day.

Valuation Policies and Procedures of the ETF

The Manager will use the following valuation procedures in determining the ETF's "**net asset value**" and "**net asset value per Unit**" on each Valuation Day:

1. The value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends to be received and interest accrued and not yet received, will be deemed to be the face amount thereof, unless the Manager determines that any such deposit, call loan, bill, note or account

receivable is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as the Manager determines, on such basis and in such manner as may be approved by the board of directors of the Manager to be the reasonable value thereof.

2. The value of any security, commodity or interest therein which is listed or dealt in upon a stock exchange will be determined by:
 - (i) in the case of securities which were traded on that Valuation Day, the price of such securities as determined at the applicable Valuation Time; and
 - (ii) in the case of securities not traded on that Valuation Day, a price estimated to be the true value thereof by the Manager on such basis and in such manner as may be approved of by the board of directors of the Manager, such price being between the closing asked and bid prices for the securities or interest therein as reported by any report in common use or authorized as official by a stock exchange.
3. Long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants will be valued at the current market value thereof. Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from any revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of such instrument. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at the current market value. The value of a future contract or a swap or forward contract shall be the gain or loss with respect thereto that will be realized if, on that Valuation Day, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest. Margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin.
4. In the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Manager, where applicable, in accordance with the principles described in paragraph 2(ii) above, except that the Manager may use, for the purpose of determining the sale price or the asked and bid price of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable, in such manner as may be approved of by the board of directors of the Manager.
5. The liabilities of the ETF will include:
 - all bills, notes and accounts payable of which the ETF is an obligor;
 - all brokerage expenses of the ETF;
 - all Management Fees of the ETF;
 - all contractual obligations of the ETF for the payment of money or property, including the amount of any unpaid distribution credited to Unitholders of the ETF on or before that Valuation Day;
 - all allowances of the ETF authorized or approved by the Manager for taxes (if any) or contingencies; and
 - all other liabilities of the ETF of whatsoever kind and nature.

6. Each transaction of purchase or sale of a portfolio asset effected by the ETF shall be reflected by no later than the next time that the net asset value of the ETF and the net asset value per Unit of the ETF is calculated.

In calculating the net asset value of the ETF, the ETF will generally value its investments based on the market value of its investments at the time the net asset value of the ETF is calculated. If no market value is available for an investment of the ETF or if the Manager determines that such value is inappropriate in the circumstances (i.e., when the value of an investment of the ETF has been materially changed by effects occurring after the market closes), the Manager will value such investments using methods that have generally been adopted by the marketplace. Fair valuing the investments of the ETF may be appropriate if: (i) market quotations do not accurately reflect the fair value of an investment; (ii) an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded; (iii) a trading halt closes an exchange or market early; or (iv) other events result in an exchange or market delaying its normal close. The risk in fair valuing an investment of the ETF is that the value of the investment may be higher or lower than the price that the ETF may be able to realize if the investment had to be sold.

In determining the net asset value of the ETF, Units subscribed for will be deemed to be outstanding and an asset of the ETF as of the time a subscription for such Units is received by and accepted by the Manager. Units that are being redeemed will only be deemed to be outstanding until (and not after) the Valuation Time on the close of business on the day on which such Units are redeemed and the redemption proceeds thereafter, until paid, will be a liability of the ETF.

Reporting of Net Asset Value

Persons or companies that wish to be provided with the most recent net asset value per Unit of the ETF may call the Manager at 416-933-5745 or at 1-866-641-5739, or check the Manager's website at www.hapetfs.com.

ATTRIBUTES OF THE SECURITIES

Description of the Securities Distributed

The ETF is authorized to issue an unlimited number of redeemable, transferable Units pursuant to this prospectus, each of which represents an equal, undivided interest in the net assets of the ETF.

The Manager, on behalf of the ETF, has applied to list the Units on the TSX. Subject to receiving the TSX's conditional approval and fulfilling all of the TSX's listing requirements, the Units will be listed on the TSX and investors will be able to buy or sell Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

On December 16, 2004, the *Trust Beneficiaries' Liability*, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any, default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The ETF is a reporting issuer under the *Securities Act* (Ontario) and the ETF is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

Each Unit entitles the owner to one vote at meetings of Unitholders. Each Unit of the ETF is entitled to participate equally with all other Units with respect to all payments made to Unitholders, other than Management Fee Distributions, whether by way of income or capital distributions and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to Units. All Units will be fully paid and non-assessable, with no liability for future assessments, when issued and will not be transferable except by operation of law.

Exchange of Units for Baskets of Securities

Unitholders may exchange the applicable PNU (or an integral multiple thereof) of the ETF on any Trading Day for Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. See “Exchange and Redemption of Units” at page 30.

Redemptions of Units for Cash

On any Trading Day, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. See “Exchange and Redemption of Units” at page 30.

Modification of Terms

Any amendment to the Trust Agreement that creates a new class of Units will not require notice to existing Unitholders unless such amendment in some way affects the existing Unitholders’ rights or the value of their investment. An amendment such as the re-designation of a class of the ETF, or the termination of a class of the ETF, which has an affect on a Unitholder’s holdings will only become effective after 30 days’ notice to Unitholders of the applicable classes of the ETF.

All other rights attached to the Units may only be modified, amended or varied in accordance with the terms of the Trust Agreement. See “Unitholder Matters – Amendments to the Trust Agreement” at page 70.

UNITHOLDER MATTERS

Meetings of Unitholders

Meetings of Unitholders will be held if called by the Manager or upon the written request to the Manager of Unitholders of the ETF holding not less than 25% of the then outstanding Units.

Matters Requiring Unitholder Approval

NI 81-102 requires a meeting of Unitholders to be called to approve certain changes as follows:

- (i) the basis of the calculation of a fee or expense that is charged to the ETF or its Unitholders is changed in a way that could result in an increase in charges to the ETF or to its Unitholders, except where:
 - (A) the ETF is at arm’s length with the person or company charging the fee; and
 - (B) the Unitholders have received at least 60 days’ notice before the effective date of the change;
- (ii) a fee or expense, to be charged to the ETF or directly to its Unitholders by the ETF or the Manager in connection with the holding of Units that could result in an increase in charges to the ETF or its Unitholders, is introduced;
- (iii) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;
- (iv) the fundamental investment objective of the ETF is changed;
- (v) the ETF decreases the frequency of the calculation of its net asset value per Unit;
- (vi) the ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the ETF ceases to continue after the reorganization or transfer of assets and the

transaction results in the Unitholders of the ETF becoming securityholders in the other mutual fund, unless:

- (A) the IRC of the ETF has approved the change in accordance with NI 81-107;
 - (B) the ETF is being reorganized with, or its assets are being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply, and that is managed by the Manager, or an affiliate of the Manager;
 - (C) the Unitholders have received at least 60 days' notice before the effective date of the change; and
 - (D) the transaction complies with certain other requirements of applicable securities legislation;
- (vii) the ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders, and the transaction would be a material change to the ETF; or
- (viii) any matter which is required by the constitutive documents of the ETF; by the laws applicable to the ETF or by any agreement to be submitted to a vote of the Unitholders.

In addition, the Auditors of the ETF may not be changed unless:

- (i) the IRC of the ETF has approved the change; and
- (ii) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

Amendments to the Trust Agreement

If a Unitholder meeting is required to amend a provision of the Trust Agreement, no change proposed at a meeting of Unitholders shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at a meeting of Unitholders or, if separate class meetings are required, at meetings of each class of Unitholders.

Subject to any longer notice requirements imposed under securities legislation, the Trustee is entitled to amend the Trust Agreement by giving not less than 30 days' notice to Unitholders affected by the proposed amendment in circumstances where:

- (a) the securities legislation requires that written notice be given to Unitholders before the change takes effect; or
- (b) the change would not be prohibited by the securities legislation; and
- (c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders, so that it is equitable to give Unitholders advance notice of the proposed change.

All Unitholders shall be bound by an amendment affecting the ETF from the effective date of the amendment.

The Trustee may amend the Trust Agreement, without the approval of or prior notice to any Unitholders, if the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of Units;
- (b) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;
- (c) make any change or correction in the Trust Agreement which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the ETF as a mutual trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the ETF or its Unitholders; or
- (e) for the purposes of protecting the Unitholders.

Reporting to Unitholders

The Manager, on behalf of the ETF, will in accordance with applicable laws furnish to each Unitholder, unaudited semi-annual financial statements and an interim management report of fund performance for the ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of the ETF will contain a statement of net assets, a statement of operations, a statement of changes in net assets, a statement of cashflows (unless it is not required by Canadian GAAP) and a statement of investment portfolio.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns will also be distributed to them within 90 days after the end of each financial year of the ETF.

The net asset value per Unit of the ETF will be determined by the Manager on each Valuation Day and will usually be published daily in the financial press.

TERMINATION OF THE ETF

Subject to complying with applicable securities law, the Manager may terminate the ETF at its discretion. In accordance with the terms of the Trust Agreement and applicable securities law, Unitholders will be provided 60 days advance written notice of the termination.

If the ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination of the ETF. Prior to terminating the ETF, the Trustee may discharge all of the liabilities of the ETF and distribute the net assets of the ETF to the Unitholders.

Upon termination of the ETF, each Unitholder shall be entitled to receive at the Valuation Time on the termination date out of the assets of the ETF: (i) payment for that Unitholder's Units at the net asset value per Unit for that class of Units of the ETF determined at the Valuation Time on the termination date; plus (ii) where applicable, any net income and net realized capital gains that are owing to or otherwise attributable to such Unitholder's Units that have not otherwise been paid to such Unitholder; less (iii) any applicable redemption charges and any taxes that are required to be deducted. Payment shall be made by cheque or other means of payment payable to such Unitholder and drawn on the ETF's bankers and may be mailed by ordinary post to such Unitholder's last address appearing in

the registers of Unitholders or may be delivered by such other means of delivery acceptable to both the Manager and such Unitholder.

Procedure on Termination

The Trustee shall be entitled to retain out of any assets of the ETF, at the date of termination of the ETF, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with or arising out of the termination of the ETF and the distribution of its assets to the Unitholders of the ETF. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands.

PLAN OF DISTRIBUTION

Units are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units that may be issued. The Units of the ETF shall be offered for sale at a price equal to the net asset value of such Units next determined following the receipt of a subscription order.

The Manager, on behalf of the ETF, has applied to list the Units on the TSX. Subject to receiving the TSX's conditional approval and fulfilling all of the TSX's listing requirements, the Units will be listed on the TSX and investors will be able to buy or sell Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

BROKERAGE ARRANGEMENTS

Subject to the prior written approval of the Manager, the Investment Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETF. The Portfolio Manager intends to use a number of clearing brokers to transact trades in futures contracts on behalf of the ETF. Once such brokerage accounts are established, the Investment Manager is authorized to negotiate commissions and fees to be paid on such brokerage transactions, subject to a continuing obligation to seek and obtain the best price, execution and overall terms.

RELATIONSHIP BETWEEN ETF AND UNDERWRITER

The Manager, on behalf of the ETF, may enter into various Underwriting Agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Underwriters may subscribe for Units as described under "Purchases of Units".

An Underwriting Agreement may be terminated by the registered dealer at any time by notice to AlphaPro, provided that, except in certain conditions, no such termination will be permitted after the registered dealer has subscribed for Units of the ETF and such subscription has been accepted by AlphaPro.

PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD

The Manager is responsible for all securities voting in respect of securities held by the ETF and exercising responsibility with the best economic interests of the ETF and the Unitholders. The Manager has established proxy voting policies, procedures and guidelines (the "**Proxy Voting Policy**") for securities held by the ETF to which voting rights are attached. The Proxy Voting Policy is intended to provide for the exercise of such voting rights in accordance with the best interests of the ETF and the Unitholders of the ETF.

The Proxy Voting Policy sets out the guidelines and procedures that the Manager will follow to determine whether and how to vote on any matter for which the ETF receives proxy materials. Issuers' proxies most frequently contain proposals to elect corporate directors, to appoint external auditors and set their compensation, to adopt or amend management compensation plans, and to amend the capitalization of the company.

Pursuant to the Proxy Voting Policy, the Manager will generally cause the ETF to vote on these matters as follows:

- (a) **Board Of Directors** - The Manager supports establishing a majority of independent directors and independent committee chairs. Boards are required to act in the best interests of all shareholders. This can be achieved by ensuring that the majority of directors are independent. The Manager will not normally vote against a slate of directors because they are not independent. However, it will do so if corporate performance is unsatisfactory over a reasonable period of time.
- (b) **Contested Director Elections** - In the case of contested board elections, the nominees' qualifications and the performance of the incumbent board will be evaluated, as well as the rationale behind the dissidents' campaign, to determine the outcome that will maximize shareholder value.
- (c) **Classified Boards** - Proposals to declassify existing boards (whether proposed by management or shareholders) will generally be supported, and efforts by companies to adopt classified board structures, in which only part of the board is elected each year, will be resisted.
- (d) **Director/Officer Indemnification** - Proposals to indemnify directors and officers will generally be supported to ensure the companies can recruit the most qualified individuals. Individuals may be reluctant to serve as a director or officer if they were to be personally liable for all lawsuits and legal costs.
- (e) **Director Ownership** - Proposals that will require independent directors to hold a minimum amount of company stock as individuals will generally be opposed. Such a requirement raises questions about directors' independence, and qualified candidates may be reluctant to accept directorships in the face of such a requirement.
- (f) **Director Qualifications** - The Manager supports establishing minimum standards for directors and disclosing the directors' qualifications to shareholders. The Manager supports boards that consist of experienced individuals with the appropriate business and professional credentials. Elected directors should have general business acumen, company specific knowledge, and should make informed and independent judgments. The proxy circular should set out the minimum qualifications and standards for directors and a brief description of the business and professional credentials of each director.
- (g) **Independent Advisors** - The Manager supports empowering boards, board committees and individual directors to retain (at the subject company's expense) outside legal counsel and other advisors to assist them with their responsibilities.
- (h) **Separation of Chair and Chief Executive Officer** - The Manager supports, where possible, separating the chair and chief executive officer roles. The board chair should be an independent executive director. Generally, the Manager will not vote against a slate of directors if the board and management roles are not separated. However, the Manager will do so if corporate performance over a reasonable period of time is unsatisfactory or if there are continuing issues relating to corporate governance matters.
- (i) **Approval of Independent Auditors** - The relationship between a company and its auditors should be limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence. Management's recommendation for the ratification of the auditors, except in instances where audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm, will generally be supported. Instances in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) will be evaluated on a case-by-case basis to determine whether there is a concern that independence has been compromised.
- (j) **Executive Compensation** - The Manager supports establishing an independent compensation committee to ensure that executive compensation is competitive and fair. Although, management

should be competitively compensated, an independent compensation committee should review compensation arrangements and make recommendations to the board of directors. Shareholders should be allowed to vote on all equity based compensation plans (including option plans) because of the potential dilutive effect on their existing ownership.

- (k) **Stock-Based Compensation Plans** - An independent compensation committee should have significant latitude to deliver varied compensation to motivate the company's employees. However, all compensation proposals will be evaluated in the context of several factors (a company's industry, market capitalization, competitors for talent, etc.) to determine whether a particular plan or proposal balances the perspectives of employees and the company's other shareholders. Each proposal will be evaluated on a case-by-case basis, taking all material facts and circumstances into account.
- (l) **Bonus Plans** - Bonus plans, which must be periodically submitted for shareholder approval, should have clearly defined performance criteria and maximum awards expressed in dollars. Bonus plans with awards that are excessive in both absolute terms and relative to a comparative group generally will not be supported.
- (m) **Employee Stock Purchase Plans** - The use of employee stock purchase plans to increase company stock ownership by employees will generally be supported provided that shares purchased under the plan are acquired for no less than 85% of their market value and that shares reserved under the plan comprise less than 5% of the outstanding shares.
- (n) **Executive severance agreements** - While executives' incentives for continued employment should be more significant than severance benefits, there are instances, particularly in the event of a change in control, in which severance arrangements may be appropriate. The Manager will generally, without submission to shareholders, cause the ETF to vote in favour of approving severance benefits triggered by a change in control that do not exceed three times an executive's salary and bonus. The Manager will generally not approve, without shareholder approval, any severance arrangement under which the beneficiary receives more than three times salary and bonus or where severance is guaranteed absent a change in control.
- (o) **Shareholder rights plans** - In evaluating the approval of proposed shareholder rights plans, the following factors will be considered: the length of the plan, whether the plan requires shareholder approval for renewal, whether the plan incorporates review by a committee of independent directors at least every three years, whether the plan includes permitted bid/qualified offer features that mandate a shareholder vote in certain situations, whether the ownership trigger is reasonable and the level of independence of the board that is proposing such plan.
- (p) **Crown jewel defence** - The sale of assets to "friendly" companies in an effort to frustrate a takeover will generally be opposed as this action could impair shareholder value.
- (q) **Cumulative voting** - Cumulative voting will generally be opposed on the basis that it allows shareholders a voice in director elections that is disproportionate to their economic investment in the corporation.
- (r) **Supermajority vote requirements** - Shareholders' ability to approve or reject matters presented for a vote based on a simple majority will be supported. Accordingly, proposals to remove supermajority requirements will be supported, and proposals to impose them will be opposed.
- (s) **Right to call meetings and act by written consent** - Shareholders' rights to call special meetings of the board (for good cause and with ample representation) and to act by written consent will generally be supported. Proposals to grant these rights to shareholders will be supported, and proposals to abridge these rights will be opposed.

- (t) **Confidential voting** - The integrity of the voting process is enhanced substantially when shareholders (both institutions and individuals) can vote without fear of coercion or retribution based on their votes. As such, proposals to provide confidential voting will be supported.
- (u) **Dual classes of stock** - Dual-class capitalization structures that provide disparate voting rights to different groups of shareholders with similar economic investments are objectionable. As such, the creation of separate classes with different voting rights will be opposed, and the dissolution of such classes will be supported.
- (v) **Corporate and social policy issues** - Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices. These are "ordinary business matters" that are primarily the responsibility of management and should be evaluated and approved solely by the corporation's board of directors. The ETF will typically abstain from voting on these proposals absent a compelling economic impact on shareholder value (e.g., proposals to require expensing of stock options).
- (w) **Increase in authorized shares** - The Manager supports only issuing additional common shares for good business reasons. Additional common shares should be issued only for sound business reasons. A 20% or greater increase in authorized common shares should be avoided unless there is a good reason for doing so.

Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value.

The ETF may limit its voting on foreign holdings in instances where the issues presented are unlikely to have a material impact on shareholder value, since the costs of voting (e.g., custodian fees, vote agency fees) in foreign markets may be substantially higher than for Canadian holdings.

If the potential for conflict of interest arises in connection with proxy voting and if deemed advisable to maintain impartiality, the Proxy Voting Policy provides that the Manager may choose to seek out and follow the voting recommendation of an independent proxy search and voting service.

The Proxy Voting Policy is available on request, at no cost, by calling the Manager toll-free at 1-866-641-5739 or emailing the Manager at info@alphapro.ca.

The ETF's proxy voting record for the annual period from July 1 to June 30 will be available free of charge to any investor of the ETF upon request at any time after August 31 following the end of that annual period. The ETF's proxy voting record will also be available on our Internet site at www.hapetfs.com.

MATERIAL CONTRACTS

The only contracts material to the ETF are the:

- (a) **Trust Agreement.** For additional disclosure related to the Trust Agreement, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETF – The Trustee" on page 57, "Attributes of Securities – Modification of Terms" on page 66, and "Unitholder Matters – Amendments to the Trust Agreement" on page 70;
- (b) **Investment Management Agreement.** For additional disclosure related to the Investment Management Agreement, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETF – Details of the Investment Management Agreement" on page 52;

- (c) **Custodian Agreement.** For additional disclosure related to the Custodian Agreement, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETF – Custodian” on page 58;
- (d) **form of Designated Broker Agreement.** For additional disclosure related to the form of Designated Broker Agreement, see “Organization and Management Details of the ETF – Designated Brokers” on page 54; and
- (e) **form of Underwriting Agreement.** For additional disclosure related to the form of Underwriting Agreement see “Relationship between ETF and Underwriter” on page 74.

Copies of these agreements may be examined at the head office of the Manger of the ETF, 26 Wellington Street East, Suite 920, Toronto, Ontario, M5E 1S2, during normal business hours.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

The ETF is not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving the ETF.

EXPERTS

Fasken Martineau DuMoulin LLP, legal counsel to the ETF, has provided a legal opinion on the principal Canadian federal income tax considerations that apply to an investment in Units by an individual resident in Canada. See “Income Tax Considerations” on page 35.

KPMG LLP, the auditors of the ETF, have consented to the use of their report dated February 28, 2008. KPMG LLP has confirmed that they are independent with respect to the ETF within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

EXEMPTIONS AND APPROVALS

The ETF will rely on or has applied for exemptive relief from the Canadian securities regulatory authorities with respect to permit the following practices:

- (a) to permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation provided the Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders. See “Purchases of Units – Buying and Selling Units of the ETF” at page 29;
- (b) to permit the ETF to invest in BetaPro Funds. See “Investment Restrictions” at page 10;
- (c) to permit the ETF to obtain short positions in securities that are listed on a major stock exchange and are consistent with the ETF’s investment objective. See “Investment Restrictions” at page 10;
- (d) to permit the ETF to accept a combination of cash and securities as subscription proceeds for Units;
- (e) to enable the purchase and sale of Units on the TSX, which precludes the transmission of purchase or redemption orders to the office of the Manager;
- (f) to permit the redemption of less than a PNU at a price equal to 95% of the closing price for the Units on the TSX on the effective date of redemption;

- (g) to relieve the ETF from the requirement relating to the record date for the payment of distributions, provided that the ETF complies with applicable TSX requirements;
- (h) to relieve the ETF from the requirement that a prospectus contain a certificate of the underwriters; and
- (i) to relieve the ETF from the dealer registration requirement provided that the Manager complies with Part 15 of NI 81-102.

OTHER MATERIAL FACTS

Formation and Creation of the ETF

Prior to December 31, 2008, the ETF distributed Series A, Series F, and Series I units pursuant to a simplified prospectus. The ETF was, at that time, named “Jov Talisman Fund” (the “**Fund**”). On December 1, 2008, at a special meeting of Series A, Series F, and Series I unitholders of the Fund, unitholders approved changing the investment objective of the Fund, converting the Series A units, Series F units and Series I units of the Fund into Class E units, listing and distributing Units of the ETF through the facilities of a Canadian stock exchange, and amending and restating the trust indenture and such other agreements of the ETF as were necessary. These changes were completed on December 31, 2008, the date of the first prospectus for Units of the ETF.

Management of the ETF

AlphaPro may, at any time and without seeking Unitholder approval, assign the Trust Agreement to an affiliate.

Index Information

S&P/TSX 60 Index®

The S&P/TSX 60 Index® is a measure of large-cap Canadian stock market performance. The index shares underlying the S&P/TSX 60 Index® represent 60 of the largest (by market capitalization) and most liquid stocks listed for trading on the TSX. The S&P/TSX 60 Index® is a market capitalization weighted index.

“S&P/TSX 60” is a trademark of The McGraw-Hill Companies, Inc. and “TSX” is a trademark of the TSX, which have each been licensed for use by the Manager.

The S&P/TSX Index Policy Committee (the “**Committee**”) is responsible for selecting and determining the index shares, setting policy with respect to the composition, calculation, maintenance and administration of the index generally and for making adjustments to such index. The Committee is composed of seven members, a majority of whom are employees of Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“**S&P**”) and the remainder of whom are employees of the TSX. The Chief Economist of S&P is currently the Chair of the Committee. The Committee usually meets monthly, but may also meet more frequently as required.

Disclaimer:

The ETF is not sponsored, endorsed, sold or promoted by Standard & Poor's and its affiliates (“**S&P**”) OR BY THE TORONTO STOCK EXCHANGE AND ITS AFFILIATES (“**TSX**”). S&P AND TSX make no representation, CONDITION OR warranty, express or implied, to the owners of the ETF or any member of the public regarding the advisability of investing in securities generally or in the ETF particularly or the ability of the ETF particularly to track general stock market performance. S&P's AND TSX'S only relationship to the Manager is the licensing of certain trademarks and trade names. S&P AND TSX have no obligation to take the needs of AlphaPro or the owners of the ETF into consideration in determining, composing or calculating the S&P/TSX 60 Index®. S&P and TSX are not responsible for and have not participated in the determination of the prices and amount of the ETF or the timing of the issuance or sale of Units of the ETF or in the determination or calculation of the equation by which

the securities of the ETF are to be converted into cash. S&P AND TSX have no obligation or liability in connection with the administration, marketing, or trading of Units of the ETF.

S&P AND TSX DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P/TSX 60 INDEX® OR ANY DATA INCLUDED THEREIN AND S&P AND TSX SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P AND TSX MAKE NO WARRANTY OR CONDITION, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY ALPHAPRO, OWNERS OF THE FUND, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P/TSX 60 INDEX® OR ANY DATA INCLUDED THEREIN. S&P AND TSX MAKE NO EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS, AND EXPRESSLY DISCLAIM ALL WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P/TSX 60 INDEX® OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P OR TSX HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) RESULTING FROM THE USE OF THE S&P/TSX 60 INDEX® OR ANY DATA INCLUDED THEREIN, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase mutual fund securities within two business days after receipt of a prospectus and any amendment or within 48 hours after receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer.

In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limits prescribed by the securities legislation of the investor's province or territory of residence. The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal advisor.

DOCUMENTS INCORPORATED BY REFERENCE

Additional information about the ETF is available in the following documents:

- (a) the most recently filed comparative annual financial statements of the ETF, together with the accompanying report of the auditors;
- (b) the annual financial statements of the Series A, F, and I units of the Fund for the period ending December 31, 2007, together with the accompanying report of the auditors;
- (c) any interim financial statements of the ETF;
- (d) the interim financial statements for the Fund for the interim period ending June 30, 2008;
- (e) the most recently filed annual management report of fund performance of the ETF; and
- (f) any interim management report of fund performance of the ETF filed after that most recently filed annual management report of fund performance of the ETF;

These documents are incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can obtain a copy of these documents, at your request, and at no cost, by calling toll-free: 1-866-641-5739 or by contacting your dealer. These documents are

available on the ETF's Internet site at www.hapetfs.com. These documents and other information about the ETF are also available on the Internet at www.sedar.com.

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the ETF after the date of this prospectus and before the termination of the distribution of the ETF are deemed to be incorporated by reference into this prospectus.



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AUDITORS' CONSENT

To the Board of Directors of AlphaPro Management Inc.

Horizons AlphaPro Managed S&P/TSX 60® ETF (formerly Jov Talisman Fund) (the "ETF")

We have read the prospectus of the ETF dated December 31, 2008 relating to the sale and issue of units of the ETF. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use of our report dated February 28, 2008 to the unitholders of the ETF on the statements of net assets of the ETF as at December 31, 2007 and 2006, the statement of investment portfolio as at December 31, 2007 and the statements of operations and changes in net assets for the years ended December 31, 2007 and 2006.

"KPMG LLP"

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
December 31, 2008

**CERTIFICATE OF THE HORIZONS ALPHAPRO MANAGED S&P/TSX 60[®] ETF, THE MANAGER
AND PROMOTER**

Dated: December 31, 2008

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

**ALPHAPRO MANAGEMENT INC.,
AS MANAGER AND PROMOTER OF THE HORIZONS ALPHAPRO MANAGED S&P/TSX 60[®] ETF**

(signed) "Adam Felesky"

Adam Felesky
Chief Executive Officer

(signed) "Alex Watters"

Alex Watters
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS
OF ALPHAPRO MANAGEMENT INC.**

(signed) "Philip Armstrong"

Philip Armstrong
Director

(signed) "Howard Atkinson"

Howard Atkinson
Director