

# LOM FIXED INCOME FUND LTD.

Incorporated as an exempted Company under the laws of the Cayman Islands March 13, 2000.

## INFORMATION MEMORANDUM

Offering of Non-Voting Redeemable Participating Shares in a Mutual Fund

**Minimum Initial Subscription:**

**Class A: U.S. \$50,000**

**Class B: Euro equivalent of U.S. \$50,000**

A Total of 49,999,000 non-voting, redeemable participating shares (U.S. \$0.001 Par Value) and 50,000,000 Non-Voting, Redeemable Participating Class B shares (€0.001 Par Value) (together, "Participating Shares") are listed on the Bermuda Stock Exchange.

The Listing Sponsor is LOM Capital Limited.

This Information Memorandum includes particulars given in compliance with the Listing Regulations of the Bermuda Stock Exchange for the purpose of giving information with regard to the offering of the Participating Shares. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement herein misleading.

THE BERMUDA STOCK EXCHANGE TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS WHATSOEVER ARISING FROM OR IN RELIANCE UPON ANY PART OF THE CONTENTS OF THIS DOCUMENT.

**The Securities described in this confidential Information Memorandum have not been approved for offer or sale to the public under the securities laws of any country or jurisdiction.**

**Not for use or distribution in the United States of America.**

**Dated July 6th, 2006  
Updated January 27<sup>th</sup>, 2009**

## **NOTICE TO INVESTORS**

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**THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT YOUR ACCOUNTANT, SOLICITOR, OR OTHER INDEPENDENT PROFESSIONAL ADVISOR.**

This Information Memorandum has been prepared in connection with the private offering and sale of non-voting redeemable participating shares ("Shares") by LOM Fixed Income Fund Ltd. (the "Company").

The Directors of the Company are responsible for the accuracy of the information contained in this Information Memorandum and confirm that to the best of their knowledge and belief, having made reasonable enquiry, there are no facts the omission of which would make any statement contained in this Information Memorandum misleading.

### ***RELIANCE ON INFORMATION MEMORANDUM***

The Shares are offered solely on the basis of the information and representations contained in this Information Memorandum and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or its Directors. Neither the delivery of this Information Memorandum nor the issue of Shares implies that there has been no change to the facts and representations contained in it since the date hereof.

This Information Memorandum is based on the law and practice in force in the Cayman Islands at the date hereof.

The Company has been registered as a regulated mutual fund pursuant to Section (4) of the Mutual Funds Law (2003 Revision) with the Monetary Authority of the Cayman Islands (the "Authority"). Such registration does not imply that the Authority or any other regulatory authority in the Cayman Islands has approved this Information Memorandum or the offering of Shares hereunder nor is it intended that they will.

Persons interested in acquiring Shares should inform themselves as to:

- (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition;
- (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on acquisition or disposal of Participating Shares; and
- (iii) the income tax and other taxation consequences which might be relevant to the acquisition, holding or disposal of Participating Shares.

### ***RESTRICTIONS ON DISTRIBUTION***

The distribution of this Information Memorandum and the offering of Participating Shares in certain jurisdictions may be restricted and, accordingly, persons into whose possession this Information Memorandum may come must inform themselves about and observe any such restrictions. This Information Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by any person in any jurisdiction:-

- (i) in which such offer or solicitation is not authorised; or
- (ii) in which the person making such offer or solicitation is not qualified to do so; or
- (iii) to any person to whom it is unlawful to make such offer or solicitation.

Applicants for Participating Shares are required to declare that they are Eligible Investors (as defined herein) and the Directors may, in their discretion, reject any application. Holders of Participating Shares who cease to be Eligible Investors will be required to dispose of such shares either through redemption or by transfer to an Eligible Investor.

**United States**

The Company has not been and will not be registered under the Investment Company Act of 1940 of the United States and the Participating Shares have not been and will not be registered under the Securities Act of 1933 of the United States (as amended) (the "1933 Act") or the securities laws of any State of the United States. The Participating Shares may not be directly or indirectly offered, sold or delivered to any person in the United States or to or for the account or benefit of any "US Person" as defined herein, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and any applicable State laws. Applicants for Participating Shares will be required to declare that they are not a US Person and are not applying for Shares on behalf of any US Person.

**Cayman Islands**

No invitation may be made to the public in the Cayman Islands to subscribe for the Participating Shares.

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## **DIRECTORY**

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ADMINISTRATOR	<b>INTERNATIONAL CORPORATE MANAGEMENT OF BERMUDA</b> Bermuda Commercial Bank 19 Par-la-Ville Road Hamilton HM11 Bermuda
AUDITORS	<b>MARCUM &amp; KLEIGMAN LLP</b> Cayman Corporate Centre 27 Hospital Road P.O. Box 1748 George Town, Grand Cayman Cayman Islands, B.W.I.
CUSTODIAN	<b>LINES OVERSEAS MANAGEMENT LIMITED</b> The LOM Building 27 Reid St. Hamilton, HM11 Bermuda
INVESTMENT MANAGER	<b>LOM ASSET MANAGEMENT LIMITED</b> The LOM Building 27 Reid St. Hamilton, HM11 Bermuda
LEGAL COUNSEL (as to Cayman Law)	<b>CHARLES ADAMS RITCHIE &amp; DUCKWORTH</b> P.O. Box 709 Zephyr House George Town, Grand Cayman KY1-1107 Cayman Islands, B.W.I.
PRIMARY EXCHANGE	<b>BERMUDA STOCK EXCHANGE</b> Washington Mall Church Street Hamilton, HMTX Bermuda
PRINCIPAL BANKER	<b>BANK OF BUTTERFIELD</b> 65 Front Street Hamilton, HMAX Bermuda
SECRETARY (Company Registered Office)	<b>BRIDGE STREET SERVICES LIMITED</b> The Marquee Place, Suite 300 430 West Bay Road P.O. Box 30691 Grand Cayman, KY1-1203 Cayman Islands, B.W.I.
SUB-CUSTODIAN	<b>UBS AG</b> Bahnhofstrasse 45 8098 Zurich, Switzerland
WEB SITE	<a href="http://www.lom.com">http://www.lom.com</a>

## DEFINITIONS

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“Alternative Investments”	futures, options, forwards, swaps, hedge funds, derivatives;
“Articles of Association”	the Articles of Association of the Company;
“Business Day”	any day on which The Principal Banker (as defined herein) is open for cash transactions;
“Class A”	United States Dollar denominated shares for the U.S. Fixed Income Class.
“Class B”	Euro denominated shares for the Euro Fixed Income Class.
“Dealing Day”	Class A USD the last Business Day of each week, or if on such day US Banks are closed, the following Business Day. Class B EURO The last Business Day of each week, or if on such day European Banks are closed, the following Business Day
“Directors”	the members of the board of Directors of the Company for the time being and any duly constituted committee thereof and any successors to such members as they may be appointed from time to time;
“Eligible Investor”	an investor who satisfies the criteria for being eligible to subscribe for, or to hold, Participating Shares as set out on page 22;
“Investment Policy Committee”	a group of LOM Investment Professionals that meet regularly to determine the investment strategy of the fund.
“LOM Mutual Funds”	collectively and individually, the LOM Money Market Fund Ltd, the LOM Fixed Income Fund Ltd. (Class A, LOM USD Fixed Income Fund and Class B LOM EURO Fixed Income Fund), the LOM Balanced Fund Ltd., the LOM Equity Growth Fund Ltd (Class A, LOM Global Equity Fund and Class B, LOM Global Equity (Ex US) Fund) and such other funds as may be designated by the Investment Manager from time to time;
“Management Fee”	the management fee payable by the Company to the Investment Manager, as described on page 21;
“Management Shares”	Management Shares of par value US\$0.001 in the Company;
“Mutual Funds Law”	The Mutual Funds Law, as revised, of the Cayman Islands.
“Net Asset Value”	the net asset value of each participating shares in the Company as determined in accordance with the Articles;
“Net Asset Value per Share”	the Net Asset Value divided by the number of Shares in issue or deemed to be in issue;
“Participating Shares”	non-voting, redeemable participating shares of par value US\$0.001 (Class A) and €0.001 (Class B);
“Redemption Fee”	the fee, if any, payable to the Company by a Shareholder calculated in the manner described on Page 25;
“Redemption Price”	the price per share at which Participating Shares are redeemed, calculated in the manner described on page 25;

“Shareholder”	a person recorded as a holder of shares of any class in the register of members of the Company;
“Special Situations Committee”	means the committee appointed by the Directors to carry out the functions more specifically set out on page 20;
“Subscription Price”	the price per share at which Participating Shares are issued, calculated in the manner described on page 23;
“US Person”	(a) any natural person who is a resident or citizen of the United States of America; (b) any partnership or corporation organised or incorporated under the laws of the United States or a state of the United States of America; (c) any estate of which any executor or administrator is a U.S. Person as defined in sub-paragraphs (a) and (b) herein; (d) any trust of which any trustee is a U.S. Person as defined in sub-paragraphs (a) and (b) herein; (e) any agency or branch of a foreign entity located in the United States of America; (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated or, if an individual, resident in the United States of America; or (h) any partnership or corporation if (i) organised or incorporated under the laws of any foreign jurisdiction and (ii) formed by a U.S. Person principally for the purpose of investing in securities not registered under the United States Securities Act 1933, as amended (the “Act”), unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Act) who are not natural persons, estates or trustees (whenever such term is used in this document it shall have the meaning given in the Act).
“United States”	the United States of America (including the States and District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction;
“Valuation Day”	the Business Day on which the Net Asset Value is calculated (see Dealing Day).

**In this Information Memorandum:**

references to “US Dollars” and “US\$” are to dollars of the United States of America.

references to “CA Dollars” and “CA\$” are to dollars of Canada.

Reference to “Euros” and “€”, are to Euros of the European Union.

## SUMMARY

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The information set forth below should be read in conjunction with, and is qualified in its entirety by, the full text of this Information Memorandum and the documents referred to herein.

<b>The Company</b>	LOM Fixed Income Fund Ltd. is structured as an open-ended mutual fund designed to permit investors to participate in a professionally managed portfolio. The Company was incorporated under the laws of the Cayman Islands as an exempted company on March 13, 2000.
<b>The Participating Shares</b>	This Information Memorandum relates to the issue of non-voting redeemable participating shares by the Company. At the date of this Information Memorandum the Shares are divided into 2 classes, Class A and Class B.
<b>Investment Objective</b>	The investment objective of the Company is to achieve above average total returns while employing an absolute return mandate. Class A: expressed in US dollars by investing primarily in US dollar-denominated securities. Class B: expressed in Euros by investing primarily in Euro-denominated securities.
<b>Investment Policy</b>	The Company will seek to achieve its investment objective through selective investment in fixed income securities and open and closed end mutual funds.
<b>Offering of Shares</b>	The Participating Shares are offered on a continuing basis on each Dealing Day at a price based on the Net Asset Value per Share.
<b>Minimum Subscription</b>	The minimum initial subscription is US\$50,000 (or equivalent of) and the minimum additional subscription by the same subscriber is US\$1 for Class A and €1 for Class B or, in either case, such lesser amount as the Directors may in any particular case determine.
<b>Redemptions</b>	Participating Shares are redeemable at the option of the Shareholder on any Dealing Day, upon at least one Business Day prior written notice to the Administrator, at the relevant Redemption Price.
<b>Subscription/ Redemption Cut-off Time</b>	17.00 (Bermuda time)
<b>Eligible Investors</b>	Subscribers for Participating Shares must be, and continue to be, Eligible Investors (as defined herein) and the Directors may reject any application at their discretion.
<b>Investment Manager</b>	LOM Asset Management Limited has been appointed as Investment Manager with responsibility to develop the investment strategy of the Company, to select and monitor the performance of the other service providers and for day to day management of the investment portfolio of the Company.
<b>Custodian</b>	Lines Overseas Management Limited has been appointed as Custodian of the investments of the Company.
<b>Fees and Expenses</b>	The Investment Manager will receive a Management Fee 1.0% per annum of the Company's weekly Net Asset Value as described on

page 21. The Company will also pay its marketing and operating expenses including the fees of the Custodian and the Administrator.

**Administrator**

International Corporate Management of Bermuda Limited has been appointed as Administrator with responsibility for the day-to-day administration of the affairs of the Company including the processing of subscriptions and redemptions (share registration) and the calculation of Net Asset Values.

**Auditors**

Marcum & Kliegman LLP have been appointed auditors of the Company.

**Reporting Currency**

The Company will maintain its accounting records in class currency. Subscriptions and redemptions will be maintained in the designated class currency.

**Financial Reports**

The annual audited financial statements of the company are available on request as soon as they are completed after the financial year-end of the company, December 31.

## **THE COMPANY**

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### ***INCORPORATION***

The Company was incorporated as an exempted company under the laws of the Cayman Islands on March 13, 2000 and has its registered office at 2<sup>nd</sup> Floor, Waterfront Centre, 28 N. Church Street, George Town, Grand Cayman, Cayman Islands, BWI

The Company is structured as an open-ended investment company limited by shares, having the power to issue or redeem non-voting redeemable participating shares (the "Participating Shares") at the relevant Subscription or Redemption Price based on their underlying Net Asset Value. The financial year-end of the Company is the 31st December and the Company has retained Marcum & Kliegman LLP to independently audit its annual financial statements.

The currency of designation of the Participating Shares shall be United States Dollars for Class A and Euros for Class B.

### ***INVESTMENT OBJECTIVES, AND POLICIES***

The primary investment objective of the Company is to achieve above-average long-term absolute returns while controlling risk through an effective program of diversification when considered prudent. The overall investment approach of the Company is to provide a conservative approach to investing. Accordingly, the Company will pursue an asset allocation strategy with an emphasis on fixed income securities.

The fund seeks to achieve its investment objective by investing its assets in a diversified portfolio of fixed income instruments of varying maturities. The fund mainly invests in government bonds and notes, corporate bonds, asset-backed securities, mortgage-related securities and foreign bonds. The average portfolio duration of this Fund may vary within the one to five year time frame based on LOM's forecast for interest rates.

The Company will achieve its objective through selective investment in fixed income securities, and open and closed-ended mutual funds. Closed-ended funds will comprise less than 15% of net assets of the Company. In selecting investments for the Company, the Investment Manager will seek to identify the most appropriate investments, be they securities or mutual funds, through a rigorous process of quantitative and qualitative analysis. These funds may offer exposure to different areas such as global, regional, sector, currency, investment style and asset class. The Investment Manager may invest in other selected opportunities in which a strong investment theme is seen to be present. The benchmark index for Class A shares is 100% Salomon Smith Barney 1 to 5 year Government Credit Index and for Class B shares is 50% Citigroup Euro BIG 3 to 5 Year and 50% Citigroup Euro BIG 1 to 3 Year. It is the opinion of the Investment Manager that these indices most accurately represent the risk profile of the Company. The Company is not permitted to directly hold equity investments; however it may invest in other mutual or exchange traded funds which invest in equities provided that the total equity exposure of that Fund does not exceed 25%. The Company may from time to time, as market conditions warrant, hold large liquidity positions, usually through the use of money market funds.

The diversification of investments for the Company including the allocation between asset classes, currencies, geographic regions and investment style may be varied by the Investment Manager from time to time in its absolute discretion.

<b>LOM FIXED INCOME FUND LTD. (Conservative)</b>	
Minimum Initial Subscription	US\$50,000 (or equivalent in Euros)
Minimum Subsequent Subscriptions	\$1 (Class A) €1 (Class B)
Minimum Redemption	None
Dealing	Weekly (Friday, 17:30 AST)
Early Redemption Fee & Bank Fee	1% for first 12 months Wire fee may apply
Switching Fee	0.50% (unless transferring from class to class or to the LOM Balanced Fund or the LOM Equity Growth Fund)
Management Fees	Up to 1.2% (currently 1.00%)
Administrator Fees	An annual fee of X/Y multiplied by Z, where: X = the net assets of the Company Y = the combined net assets of the LOM Money Market Fund Ltd., LOM Fixed Income Fund Ltd., LOM Equity Growth Fund Ltd., and LOM Balanced Fund Ltd. Z = the higher of US\$100,000 or 5 basis points multiplied by Y
Custodial Fees	Larger of \$3000 or 0.05%
Director Fees	An annual fee of X/Y multiplied by Z, where: X = the net assets of the Company Y = the combined net assets of the LOM Money Market Fund Ltd., LOM Fixed Income Fund Ltd., LOM Equity Growth Fund Ltd., and LOM Balanced Fund Ltd. Z = \$15,000
Other Fees	See section "FEES AND EXPENSES"
Lead Manager	Jonathan Heckscher
Bloomberg Ticker	Class A = LOMFIXD KY Class B =
Currency	Class A = USD Class B = EUR

### **INVESTMENT RESTRICTIONS**

The investment policies of the above mentioned accounts include the following restrictions on investments that the Investment Manager is permitted to make:

- 1) The fund invests only in US Dollar denominated securities for Class A and only in Euro denominated securities for Class B;
- 2) The fund must adhere to the following guidelines for each investment:
  - AAA up to 35% can be in one security
  - AA up to 25% can be in one security
  - A up to 15% can be in one security
  - BBB or lower up to 5% can be in one security
- 3) The fund will have an average credit quality of A+ or better;
- 4) The fund shall not invest in securities with a rating lower than B (or equivalent);
- 5) The creditworthiness of each un-rated security will be assigned an S&P/ Moody's equivalent as determined by LOM Asset Management Limited;
- 6) The Fund may invest up to 5% of total assets in fixed-income securities of issuers in emerging markets ;
- 7) The fund will not take legal or management control of any of the entities in which its underlying investments are made or acquire a sufficient number of securities carrying voting rights which would enable it to exercise significant influence over the management of any issuing body;

- 8) The fund shall not invest in Hedge Funds;
- 9) The fund may invest in other mutual funds; including other LOM managed funds;
- 10)The funds fixed income investments shall not be less than 75% of its Net Asset Value;
- 11)The funds equity investments shall not be greater than 25% of its Net Asset Value;
- 12)The fund may borrow up to 10% of its Net Asset Value;

The limits on investment set forth above are deemed to apply at the time of purchase of the investments. If the limits set forth are subsequently exceeded as a result of market fluctuations or as a result of the exercise of subscription rights, the Company must adopt as a priority objective the remedying of that situation, taking due account of the interests of the Participating Shareholders.

The Investment Policy Committee may change these restrictions with a majority vote. A current copy of the restrictions is available on request.

## ***RISK FACTORS***

The value of Participating Shares is subject to the performance of the investments of the Company and, accordingly, may fall as well as rise. There can be no assurance that the investment objective of the Company will be achieved and past performance is not necessarily a guide to performance in the future. Investment in the Company is not intended to be a complete investment programme for any investor. Prospective investors should carefully consider whether an investment in Participating Shares is suitable for them in light of their circumstances and financial resources.

Investors in the Company are warned that any investment in securities markets involves risk. Prospective investors should consider, amongst others, the following factors before subscribing for Participating Shares. This list is not exhaustive and there may be other risk factors not included below.

**General Considerations.** An investment in the Company involves some risk and may not be suitable for all investors. There is no guarantee that the Company will achieve its investment objective and Investors should recognise that investing in the Company involves special considerations not typically associated with investing in other securities.

**Economic Conditions.** The success of any investment activity is affected by general economic conditions which may affect the level and volatility of interest rates and the extent and timing of investor participation in equity markets. Unexpected volatility or illiquidity in the markets in which the Company holds positions could impair its ability to carry out its business or cause it to incur losses.

**Political and/or Regulatory Risks.** The Net Asset Value may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the assets of the Company are invested.

**Possible Limitations on Redemptions.** Under certain circumstances the Directors of the Company may find it necessary to limit the right of Shareholders to have their Participating Shares redeemed (see “Redemptions” and “Suspension of Valuations”).

**Liquidity and Market Characteristics.** In some circumstances the funds in which the Company invests can be illiquid thereby making it difficult to acquire or dispose of investments. In addition, the suspension by a fund of redemptions could make it impossible for positions to be realised and could thereby expose the Company to losses.

**Competition.** The securities industry is extremely competitive. The Company and the Investment Manager will compete with firms, including many of the larger investment and commercial banking firms, which have substantially greater financial resources and research capability.

**Investment Selection.** The Investment Manager will select investments for the Company on the basis of information and data filed by the issuers of such securities with various government regulators or made directly available to the Investment Manager by such issuers or through other sources. Although the Investment Manager may evaluate such information and data and seek independent corroboration when the Investment Manager considers it appropriate and available, the Investment Manager is not in a position to confirm the completeness, genuineness or accuracy of such information or data.

**Lack of Control and Reliance on the Investment Manager.** Investors will have no right to participate in the management of the Company or in the control of its business. Accordingly, no person should purchase any Participating Shares unless he is willing to entrust all aspects of management of the Company to the Investment Manager. The Directors of the Company will give complete investment discretion to the Investment Manager. The death, disability or withdrawal of the Investment Manager’s principals, or financial or operational difficulties of the Investment Manager could adversely affect the Company.

**Lack of Independent Representatives.** The Investment Manager has consulted with counsel, accountants and other experts regarding the formation of the Company. Such personnel are accountable to the Company only and not to the Shareholders. Each prospective investor should consult his own legal, tax and financial advisers regarding the desirability of an investment in the Participating Shares.

**Liquidity Risks.** Although, subject to certain restrictions and to the approval of the Directors, and subject to the holder's right to redeem, the Participating Shares are transferable, there is no recognised market for the Participating Shares and any investment in the Participating Shares will have limited liquidity.

**Conflict of Interest.** Instances may arise where the interests of the Investment Manager or its principals or affiliates conflict with interests of the Company and its Shareholders. Such conflicts include the fact that the principals of the Investment Manager may be engaged in other substantial activities apart from the activities with respect to the Investment Manager or the Company and may therefore devote to the Investment Manager or the Company only as much time as is reasonably necessary, in their judgement, for their respective management. Prospective investors should also understand that the Investment Management Agreement and the Custodian Agreement have not been negotiated at arm's length and that it is unlikely that the Investment Manager nor Custodian will be replaced or that additional advisers will be retained. Each of the above parties are closely associated with The LOM Group. Directors will seek to resolve all conflicts in a fair and reasonable manner.

The Company may invest in other funds managed by Lines Overseas Management Limited.

The Directors and the various agents of the Company have substantial conflicts of interest which increase the risks of an investment in the Company. Such conflicts include the following:

- a) The Investment Manager may provide investment advisory and management services to other clients and entities whose interests may compete with or be different from those of the Company. The Investment Manager may also give advice or make investment for its own account or for other clients, which may differ from the timing and nature of the investment services for the Company. Such activities may have an effect on the price of investments owned for the Company or which may be purchased for the Company. Furthermore, the Investment Manager may be in receipt of information through other activities which it will have no obligation to use, or may be prohibited from using, for the benefit of the Company. There may be insufficient investments of any one type available for purchase by all entities for whom the Investment Manager provides investment services, in which case the investments available may have to be allocated pro-rata or otherwise fairly amongst such entities as determined by the Investment Manager.
- b) The Investment Manager will earn a fee based on the Net Asset Value of the Company. Such fee will be earned in respect of unrealised gains and a subsequent reduction in the Net Asset Value may mean that such fee would not otherwise have been earned. Such fee may also create an incentive to make investments that are more speculative than would be the case without such value-based fees.
- c) The Directors of the Company, the Investment Manager, the Custodian and other agents of the Company are not prohibited from subscribing for, and may subscribe for, Participating Shares in the Company.
- d) Certain Directors and officers of the Company are also directors, officers and/or employees of the Investment Manager and the Custodian. The fiduciary duty of the Directors to the Company may conflict with or be different from the interests of the Investment Manager or the Custodian. Excepting for these interests, no Director or officer of the Company has any interest in any contract material to the Company. These same parties hold or control the voting shares of the Company.
- e) Only the Management Shares owned by the Investment Manager have voting rights. Only the holders of the Management Shares can appoint and remove the Directors of the Company. Only the Directors of the Company may terminate the services of the Investment Manager, the Administrator, the Custodian and other agents of the Company.

Except for the contracts with agents of and service providers to the Company described herein, there are no such contracts in which the Company is otherwise interested which are significant in relation to the business of the Company.

**Currency Risk.** The Net Asset Value of the Company will be calculated in U.S. Dollars (Class A) and Euros (Class B) for all purposes, including redemptions. Consequently, investors are subject to the risk of exchange rate fluctuations between the value of the U.S. Dollar or Euro and their original currency of investment.

**Absence of U.S. Regulation.** The Company is not currently registered with, or regulated by, any securities or other governmental authority in the United States of America or any other jurisdiction. Thus, the benefits of such registration or regulation are not, and will not be, available to the Shareholders.

**Amortisation of Organisational Costs.** The financial statements of the Company will be prepared in accordance with generally accepted accounting principles in Bermuda and Canada, which permit the amortisation of organisational costs.

## **MANAGEMENT OF THE COMPANY**

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There is no litigation or claims of material importance pending or threatened against the Company.

### ***BOARD OF DIRECTORS***

The function of the Board of Directors (the “Directors”) is to manage and conduct the Company’s business operations, and review and be responsible for the activities of the Company. The Directors will supervise and determine the overall investment profile of the Company and will work in close association with the Investment Manager, calling upon the Investment Manager’s extensive knowledge to supply timely market information and advice.

The Directors will usually meet twice a year to review the investment and administrative affairs of the Company. The Directors are elected by the holders of voting shares of the Company to serve for an indefinite term in accordance with the Articles of Association until their resignation, death or removal. For all board meetings, four Directors will constitute a quorum. A 4/7 majority resolution of a quorum is required to change the investment policies of the Company.

There is no mandatory retirement date for Directors. Directors are not required to hold any qualification shares, and they are not permitted to borrow from the Company. In addition, there are no other contacts in which a Director has a material interest.

The following persons are Directors of the Company at the date of this Information Memorandum:

#### **Donald P. Lines**

Position: Chairman, LOM Group

Nationality: British (Bermudian)

Business Address: LOM Group, The LOM Building, 27 Reid Street, Hamilton, HM 11 Bermuda

Donald Lines is Chairman of the LOM Group of Companies and President of Millpoint Limited. Prior to forming Millpoint Limited, Mr. Lines was President and Chief Executive Officer of The Bank of Bermuda Limited until he retired in 1994 after 25 years of service. He is a Director and board member of several Bermuda-based investment and trading companies as well as a director of several companies listed on the London and Dublin Stock Exchanges. Mr. Lines has a distinguished record of community service and in 1989 was awarded an OBE by Her Majesty Queen Elizabeth II in recognition of his service to Bermuda.

#### **Scott G. S. Lines**

Position: Managing Director, LOM Group

Nationality: British (Bermudian)

Business Address: LOM Group, The LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda

Scott Lines is Managing Director of the LOM Group of Companies and responsible for overall management of the LOM group. Mr. Lines has 18 years experience in the global financial markets. Prior to co-founding Lines Overseas Management Limited in 1992 he worked for The Bank of Bermuda Limited in fund management. Mr. Lines is on the Board of Directors of the Bermuda International Business Association. He is a member of the governing council of the Bermuda Stock Exchange and sits on the Executive Committee. He is also a director of the Financial Planning Association of Bermuda.

#### **Christopher A. Rowlandson**

Position: Retired

Nationality: British

Business Address: Websters Drive, P.O. Box 920 GT, Grand Cayman.

Christopher Rowlandson is an Associate of the Chartered Institute of Bankers. Born and educated in England, he has lived in the Cayman Islands since 1971 and has Caymanian Status. From 1980 until his retirement in 1999 he was Managing Director of Julius Baer Bank and Trust Company Ltd in Grand Cayman. He was also a Director of several institutional and private investment companies, from which he has gained experience in the management of funds and international investments. Prior to settling in the Cayman Islands his career was in international banking.

**William D. Thomson**

Position: Retired

Nationality: British (Bermudian)

Address: "North Winds" 10 Burgess Point Road, Warwick, WK04, Bermuda

Educated in Bermuda and Canada, Mr. Thomson retired as Executive Vice President of The Bank of Bermuda Limited in October 1994 after 40 years of service. Prior to joining the Bank of Bermuda, he was associated with the investment banking firm of Dominion Securities Corporation in Montreal, Canada and England. Mr. Thomson was appointed an Officer of the Bank of Bermuda in 1964 and Executive Vice President in 1990. He was responsible for the Bank's investment division, international activities both in Bermuda and abroad, as well as for developing and maintaining relations with the Bank's major customers, correspondent banks and regulatory authorities. He is a director of a number of insurance, shipping, investment and mutual fund companies. He is a past Chairman of the Bermuda International Business Association, a former Director of the Bermuda Monetary Authority, and a Fellow of the Institute of Directors.

**Michael J. Mello, Q.C.,J.P.**

Position: Senior Partner, Mello Jones and Martin

Nationality: British (Bermudian)

Address: 31 Pitts Bay Road, Pembroke, Bermuda.

Educated in Canada and England, Mr Mello was called to the bar of England and Wales in 1972, enrolling as a Barrister and Attorney in Bermuda in 1973. He was later appointed Justice of the Peace in 1987 followed by Queen's Counsel in 1990. He has held many professional appointments of great standing during his career incorporating Magistrate, Arbitrator for the Bermuda Government, Chairman of the Price Control Commission and he was the Expert witness in several cases of note, one being on the law of Bermuda in the Federal Court of Canada in the case of Indalex Limited v Her Majesty The Queen in 1985. His career has led him also to be appointed on the Board of Directors for Bermuda Commercial Bank and The Bermuda Telephone Company (now Keytech) together with Chairman of the Commission for Unity and Racial Equality (C.U.R.E.) in 1995 and 1996. Mr Mello has been a senior partner in the firm of Mello Jones and Martin since inception in 1990.

### **INVESTMENT MANAGER**

The Company has appointed LOM Asset Management Limited (a "local" company incorporated under and subject to the laws of Bermuda) as its Investment Manager. The responsibilities of the Investment Manager include the selection of suitable investments, the recommendation and monitoring of professional service providers and the promotion of the Company. The Investment Manager does not carry on mutual fund administration for the purposes of the Mutual Funds Law and is not licensed under that law. LOM Asset Management Limited has never been subject to any criminal convictions or disciplinary action taken by a securities supervisory or other regulatory body.

The Investment Manager is experienced in the research and recommendation of leading offshore money managers. LOM Asset Management Limited and its team of professionals have been managing portfolios on a discretionary basis since 1998.

Directors and Management of LOM Asset Management Limited include Donald Lines, Scott Lines, Malcolm Moseley CFO, as well as the following:

#### **Jonathan Heckscher**

Position: Executive Vice President and Senior Portfolio Manager, LOM Asset Management Limited

Nationality: American

Business Address: LOM Asset Management Limited, The LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda

Educated in The United States and England, Jon Heckscher is the Executive Vice President and Senior Portfolio Manager for LOM Asset Management Limited, the investment subsidiary of LOM (Holdings) Limited. As head of the portfolio management team, he is responsible for management of the LOM Fixed Income Fund, the LOM Balanced Fund, the LOM Money Market Fund as well as fixed income discretionary accounts. Prior to joining the LOM Group in 2000, Mr. Heckscher was in charge of cash management at STW Fixed Income Management, in Bermuda. He also gained experience while working as a Trust Specialist at The Mellon Trust Company, in Boston, Massachusetts. Mr. Heckscher is member of LOM Group's Investment Policy Committee.

#### **Iraj Pouyandeh**

Position: Portfolio Manager, Research & Senior Economist

Nationality: Canadian

Business Address: LOM Asset Management Limited, The LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda

Iraj Pouyandeh is Portfolio Manager, Research and Senior Economist for the LOM Group of Companies. He is responsible for management of LOM's equity funds, equity portfolios, forecasting and analyzing financial market conditions as well as monitoring global economic developments and advising on asset allocation strategies. Prior to joining the LOM Group, Mr. Pouyandeh worked in Corporate Investments at Sun Life Assurance Company of Canada in Toronto advising on economic and financial outlook and strategy. He gained experience while working for the Ontario Ministry of Finance where he held the position of Research Officer and Senior Economist.

#### **Grant Hopkins**

Position: Research Portfolio Manager

Nationality: American

Business Address: LOM Asset Management Limited, The LOM Building, 27 Reid Street, Hamilton, HM11, Bermuda

Grant Hopkins is a Research Portfolio Manager for LOM Asset Management Limited, the investment subsidiary of LOM (Holdings) Limited. Mr. Hopkins is a junior manager on the LOM Money Market Fund and the LOM Balanced Fund. As part of the portfolio management team, he is accountable for monitoring risk levels for all aspects of the portfolios which include: equities, fixed income, currencies and commodities. Prior to joining LOM, Mr. Hopkins was an Equity Research Analyst at Ferris, Baker Watts in Baltimore, Maryland, which was later acquired by Royal Bank of Canada. He holds licenses for NASD Series 7, 86, and 87, is pursuing the CFA III exam in June 2009. Mr. Hopkins is also a member of LOM Group's Investment Policy Committee.

### ***ADMINISTRATOR***

The Fund has entered into an Administration Agreement (the “Administration Agreement”) with International Corporate Management of Bermuda Limited (the “Administrator”), a company incorporated under the laws of the Cayman Islands, to perform certain financial, accounting, corporate, administrative, registrar and transfer agency and other services on behalf of the fund. Certain personnel associated with the Administrator may serve as Directors of the Fund.

Pursuant to the Administration Agreement, it is the Administrator’s responsibility to administer and to account for the Fund’s day-to-day activities, to calculate the value of the Shares as of the last Business Day of each month, to inform the Shareholders of such value and to communicate to the Shareholders all other changes of substance. As Registrar and Transfer Agent for the Fund, the Administrator is responsible for the recording and processing of subscriptions, transfers and redemptions from Shareholders and for recording the pertinent Shareholder information in the Fund’s shareholder register. The Administrator may sub-contract some or all of these duties subject to prior approval by the Board.

The Administration Agreement shall continue in force until terminated by either party thereto on 90 days notice in writing to the other party and may be terminated by either party immediately by notice in writing to the other party (the “Defaulting Party”) if such other party at any time during the continuance of the Administration Agreement (i) commits any material breach of the Administration Agreement that is either incapable of remedy or has not been remedied within 30 days of the other party’s serving notice upon the Defaulting Party requiring it to remedy same; (ii) becomes unable to pay its debts as they fall due or otherwise becomes insolvent or enters into any composition or arrangement with or for the benefit of its creditors or any class thereof; (iii) becomes the subject of any petition for the appointment of a liquidator or similar officer to it; (iv) has a receiver appointed over all or any substantial part of its undertaking, assets or revenues; (v) becomes the subject of an effective resolution for its winding up except in relation to a voluntary winding up for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the other party; or (vi) becomes the subject of a court order for its winding up.

In the absence of gross negligence, wilful default or fraud on the part of the Administrator or an agent thereof, the Administrator will not be liable for any loss arising as a result of the performance by the Administrator of its obligations and duties under the Administration Agreement. The Fund has agreed to indemnify the Administrator against losses suffered by the Administrator in the proper performance of its obligations and duties under the Administration Agreement, except for losses arising out of the gross negligence, wilful default, fraud or bad faith of the Administrator or an agent thereof in the performance or non-performance of its obligations and duties under the Administration Agreement.

The Fund pays fees to the Administrator for various administrative support services. Such fees are based on the standard schedule of fees charged by the Administrator for similar services. The Fund will also reimburse the Administrator out of the assets of the Fund for reasonable out-of-pocket expenses incurred by the Administrator. It should be noted that in relying on information furnished by other persons in performing services for the Fund, the Administrator is not responsible or liable for the accuracy of the underlying data. The Administrator in no way acts as guarantor or offeror of the investment described herein and is not responsible for the actions of the sales agents, trading advisors and clearing brokers the Board may select. The Administrator is not a sponsor or promoter of the Fund or this offering.

### ***CUSTODIAN AND PAYING AGENT***

Lines Overseas Management Limited has been appointed Custodian and paying agent of the Company and may appoint sub-custodians or other delegates to perform in whole or in part any of its duties. All investments and cash held in custody are the property of the Company and do not form part of the assets of the Custodian. The Custodian will not be responsible for valuing the investments or ensuring that the investment transactions comply with the investment objectives and policies set out in this Information Memorandum.

### ***AUDITORS***

The Company has appointed Marcum and Kliegman LLP as its auditor. Marcum and Kliegman LLP is an independent auditor approved by the Cayman Islands Monetary Authority. Marcum and Kliegman LLP have confirmed their acceptance as auditor of the Company and have given and not withdrawn their consent to the

issue of this Information Memorandum with the references to them in the form and context in which they appear.

***LEGAL COUNSEL***

The Company is advised as to matters of Cayman Islands law by Charles Adams Ritchie and Duckworth.

***INVESTMENT POLICY COMMITTEE***

The LOM Investment Policy Committee is a team of investment experts that provides high-level, strategic guidance on individual investing. The committee does not recommend specific investments, but rather identifies areas of investment opportunity and risk created by current market and economic conditions. The committee meets each month or more frequently as market conditions dictate.

In case of emergence of extraordinary situations such as; war, economic crisis, crash-down of communication systems, closing of markets concerning the securities, collapse of computer systems, with regard to these situations, the investment policy committee may temporarily suspend dealing of the fund. Communication of these events will be published on the investment manager's web page and notice given to the Bermuda Stock Exchange.

Committee members are appointed by the Board of Directors of the Investment Manager. For information on the individual members, please contact the Investment Manager.

## **FEES AND EXPENSES**

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Unless stated, all operating costs are pro-rated according to the Net Asset Value of each class (if applicable).

### **ADMINISTRATION FEE**

The Administrator is entitled to a annual administration fee for the administration services it provides to all of the LOM Mutual Funds as defined. The Company's portion of this fee is calculated as the higher of: the Net Asset Value of the Company at the end of each month divided by the combined Net asset Value of all of the LOM Mutual funds, multiplied by the fixed fee of \$100,000 per year or 5 basis points. The Administrator reserves the right to change its fee with the agreement of the Investment Manager.

Formula:

*An annual fee of X/Y multiplied by Z, where:*

*X = the net assets of the Company*

*Y = the combined net assets of the LOM Money Market Fund Ltd., LOM Fixed Income Fund Ltd., LOM Equity Growth Fund Ltd., and the LOM Balanced Fund*

*Z = the higher of US\$100,000 or 5 basis points multiplied by Y*

### **CUSTODIAN FEE**

The Custodian is entitled to a custodial fee of 0.05% of the Net Asset Value at each Dealing Day, subject to a minimum of US\$3,000 per annum. In addition, the Custodian will be reimbursed for all properly incurred expenses.

### **DIRECTORS FEE**

The Articles provide that the remuneration of the Directors in respect of services provided to the Company shall be determined by a resolution of the Directors. Each of the non LOM Asset Management Limited Directors (Messrs. D. Lines, Rowlandson, Thomson and Mello) is currently entitled to a per annum fee of \$15,000.

*An annual fee of X/Y multiplied by Z, where:*

*X = the net assets of the Company*

*Y = the combined net assets of the LOM Money Market Fund Ltd., LOM Fixed Income Fund Ltd., LOM Equity Growth Fund Ltd., and the LOM Balanced Fund*

*Z = \$15,000*

There are no directors fees paid to Directors who are also Directors of LOM Asset Management Limited or LOM Limited. Each of the Directors are entitled to the reimbursement of expenses incurred in carrying out their duties.

### **INVESTMENT MANAGEMENT FEE**

The Company pays the Investment Manager all properly vouched expenses plus an investment management fee not to exceed 1.00%.

### **MUTUAL FUND FEES**

The Company may invest in other mutual funds, and as a result, will be subject to fees and expenses of the underlying funds.

***OPERATING FEES***

In addition to the fees referred to above, the Company will bear all other expenses incidental to its operations and business, including: (i) banking charges; (ii) brokerage commissions; (iii) fees of legal advisers and independent auditors; (iv) any income tax, withholding taxes, transfer taxes and other governmental charges and duties occurring for the Company; (v) the costs of printing and distributing any prospectuses, information memorandum reports as well as notices to the Shareholders; (vi) licensing, registration and other fees payable to the Cayman Islands government, and (vii) listing on the Bermuda Stock Exchange or other exchanges.

The total expenses incurred in connection with the incorporation of the Company and the initial offering of the Participating Shares (including the preparation and distribution of this Information Memorandum and some marketing costs) were US\$30,000. These organisational expenses are being amortized over a five-year period from the date of commencement of business, or such shorter period as they may determine.

***MARKETING FEES***

The company will pay marketing fees not to exceed 0.01%. The purpose of which is dissemination of information on the fund to shareholders as well as the general public.

***REDEMPTION FEE***

The Company reserves the right to charge a fee upon a redemption of Participating Shares by an investor during the first twelve months subsequent to purchase. This fee accrues to the Investment Manager. The redemption fee is 1% if the assets are redeemed in the twelve months of investment, and thereafter there is no redemption charge.

Investors are entitled to redeem up to 10% of their holdings in the first twelve months subsequent to purchase without incurring a redemption fee.

Thereafter any portion or the whole amount can be redeemed without penalty.

***SWITCHING FEE***

The Company reserves the right to charge a switching fee of 0.5% of the gross redemption proceeds upon the conversion of Participating Shares from one LOM Mutual Fund to any other LOM Mutual Fund during the first year, and thereafter there is no switching fee (see the heading "Switching Between Funds" below).

## **SHARES OF THE COMPANY**

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### ***SHARE CAPITAL***

The authorised share capital of the Company is divided into classes of Participating Shares expressed in different currencies. It consists of US\$50,000 and EUR€50,000 divided into 49,999,000 Class A Participating Shares (US\$0.001 Par Value), 1,000 Management Shares (US\$0.001 Par Value) and 50,000,000 Class B Participating Shares (EUR 0.001 par value). The rights attached to each class of Participating pursuant to the Articles of Association are summarised below. There are no provisions with regard to Shareholders pre-emptive rights, and no options have been granted to any party.

#### Participating Shares (Redeemable Non-Voting)

The Participating Shares have no voting rights (except in connection with the variation of class rights, as noted below) and the holder of a Participating Share is not entitled to receive notice of, attend or vote at meetings of Shareholders. The Participating Shares have the right to participate equally in any dividends declared by the Company and are redeemable at the option of the holder. In the event of a winding-up of the Company, each holder of a Participating Share has a preferential right of return of the paid-up par value and a right to a pro-rata share in surplus assets of the Company after return of the paid-up par value of the Management Shares.

#### Management Shares (Voting, Non-Participating, Non-Redeemable)

All of the Management Shares were issued at par value to the Investment Manager. Management Shares do not carry any right to participate in dividends declared by the Company and are not redeemable. The holder of a Management Share has the right to receive notice of, attend and vote at general meetings of the Company. In the event of a winding-up of the Company, the holder of a Management Share is entitled only to the return of its paid-up par value after the paid-up par value of Participating Shares has been returned.

#### Variation of Class Rights

If at any time the authorised share capital is divided into classes of Participating Shares, the rights attached to any existing class (unless otherwise provided by the terms of issue of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the issued Participating Shares of any such class of Participating Shares which may be affected by such variation or by a special resolution passed at a separate class meeting of the holders of the Participating Shares of such class. The creation or issue of further Participating Shares ranking pari passu with any particular class of Participating Shares shall not be deemed to be a variation of the rights attaching to such class.

### ***SUBSCRIPTIONS***

#### Subscriptions

Participating Shares are available for subscription at the discretion of the Directors on each Dealing Day at the Subscription Price calculated at the close of business on each Dealing Day. The Dealing Day will be the last Business Day of each week, or such other days as the Directors may determine. The Subscription Price will equal the Net Asset Value per Participating Share as at the close of business on the Dealing Day. All subscriptions will be dealt on a forward pricing basis.

Subscription monies representing less than the Subscription Price for a Participating Share will not be returned to the Applicant. Fractions of Participating Shares will be issued where any part of the subscription monies for Participating Shares represents less than the Subscription Price for one Participating Share, provided however, that fractions shall not be less than .001 of a Participating Share.

Subscription monies representing less than .001 of a Participating Share will not be returned to the Applicant but will be retained by the Company for the benefit of the Company.

### Minimum Subscription

The minimum initial subscription that will be accepted from a new investor will be US\$50,000 for Class A and equivalence of US\$50,000 in Euros for Class B and the minimum amount of any additional subscription by the same investor is US\$1 and EUR€1, respectively, or such lesser amount as the Directors may in any particular case determine. The Directors reserve the right to alter the above-mentioned minimum subscription requirements at their absolute discretion, subject to an absolute minimum of US\$50,000 or equivalence of.

### Procedure

Applicants for Participating Shares must complete and return the Subscription Agreement (available from the administrator) to the Administrator so that it is received no later than 5:00 p.m. (Bermuda time) on the Business Day preceding the relevant Dealing Day. Facsimile copies are acceptable; however, the Administrator must receive the original copies within 5 Business Days of the relevant subscription deadline. Confirmation of investor subscription will be faxed to the investor within 5 Business Days of the relevant Dealing Day, or receipt of the original Subscription Agreement, whichever is the latter.

The acceptance of subscriptions is subject to confirmation of the prior receipt of cleared funds credited to the subscription account of the Company at the Custodian (details of which are set out in the Subscription Agreement) by 5:00 p.m. the Business Day preceding the relevant Dealing Day. Any delay in receipt of a completed Subscription Agreement or of cleared funds will result in the relevant application being deferred until the first Dealing Day following their receipt and, in such event, the Participating Shares will be issued at the Subscription Price prevailing at that Dealing Day. The Directors reserve the right, in their absolute discretion, without assigning any reason therefor, to reject applications for Participating Shares at the expense of the investor.

### ***ELIGIBLE INVESTORS***

Only persons who satisfy the requirements of this Information Memorandum including this section (referred to herein as “Eligible Investors”) may subscribe for or hold Participating Shares in the Company. The Directors have the right to request the compulsory redemption of all Participating Shares held by a Shareholder who is not an Eligible Investor (see “Compulsory Redemptions”).

For these purposes an Eligible Investor is a person to whom the issue, holding or transfer of Participating Shares would not constitute a breach of the laws of any jurisdiction or contrary to the regulations of any government authority or would not give rise to circumstances (whether taken alone or in conjunction with other persons or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Company and/or its Shareholders as a whole incurring any liability to taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantage that the Company might not otherwise have suffered or incurred. For the avoidance of doubt, a U.S. person is not an Eligible Investor unless expressly approved by the Directors.

### ***ANTI-MONEY LAUNDERING***

As part of its responsibility for the prevention of money laundering, the Company will require verification of the identity of each prospective investor to be provided with their application in a form satisfactory to the Directors.

An individual will be required to produce a certified copy or copies of the relevant passport or passports or birth certificate, a drivers license, a character reference letter, and a banking reference letter together with any other documentation of identity providing detailed verification of the Subscriber’s identity as requested by the Company in order that it might comply with legislation for the prevention of money laundering from time to time in force. Corporate applicants will be required to produce a certified copy of (i) their certificate of incorporation and any change of name (or other document evidencing the existence of the legal entity), (ii) their Memorandum and Articles of Association (or equivalent governing documents), and (iii) their register of directors or an excerpt from the trade register held at the relevant chamber of commerce and the signatory card verifying the authority of officers to sign on behalf of the corporate entity. Trusts, partnerships (or entities which are not a separate legal body) which subscribe for Participating Shares must demonstrate organisational documents which verify both their existence and the authority of one or more signatories to sign subscriptions on their behalf, in a form satisfactory to the Directors.

The Directors may request such further information as they deem necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Directors may refuse to accept the application and the subscription monies relating thereto will be returned (at the expense of the applicant and without interest).

Depending on the circumstances of each applicant, a detailed verification may not be required where: -

- (a) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or
- (b) the application is made through a recognised intermediary,

The above exceptions will only apply if the financial institution or intermediary is operating in a country recognised as having sufficient anti-money laundering legislation as determined by the Administrator in its absolute discretion.

### ***REDEMPTIONS***

Every investor will have the right to require the Company to redeem his Participating Shares on any Dealing Day (except during any period when the calculation of the Net Asset Value is suspended in the circumstances set out under the heading "Suspension of Valuations" below) on furnishing to the Administrator a redemption request.

#### Minimum Redemption

The minimum redemption that will be accepted from an investor will be US\$1 for Class A and EUR€1 for Class B. The Directors reserve the right to alter the above-mentioned minimum subscription requirements at their absolute discretion.

#### Procedure

Participating Shares may be redeemed at the option of the holder on any Dealing Day. Shareholders wishing to redeem all or part of their holding of Participating Shares must send a completed Redemption Request (available from the administrator) to the Administrator to be received not later than 5.30 p.m. on the Business Day preceding the Dealing Day. Facsimiles will be accepted; however, redemption proceeds will not be paid until the original Redemption Request Form and share certificates (if any) are received by the Administrator. Any delay in receipt of the Redemption Request Form will result in the request being deferred until the next Dealing Day and, in such event, the Participating Shares will be redeemed at the Redemption Price prevailing on that Dealing Day.

A request for the redemption of part of a holding of Participating Shares may be refused, or the holding redeemed in its entirety, if, as a result of such partial redemption, the Net Asset Value of the Participating Shares retained by the holder would be less than US\$50,000 for Class A and EUR€50,000 for Class B. All redemption requests will be dealt with on a forward pricing basis. Confirmation of investor redemption will be faxed within 5 Business Days of the relevant Dealing Day

#### Redemption Price

The Redemption Price for each Participating Share is equal to the Net Asset Value per Participating Share on the relevant Dealing Day. The Net Asset Value per Participating Share is determined as of the close of business on each Dealing Day in accordance with the provisions set out under "Net Asset Valuation" in this Information Memorandum.

The latest Redemption Price for Participating Shares will be available during normal Business Hours at the office of the Administrator.

#### Redemption Fee

A redemption fee of 1% of the Redemption Price will be payable on Participating Shares that are redeemed within twelve months of the Dealing Day on which they were issued.

Investors are entitled to redeem up to 10% of their holdings in the first twelve months subsequent to purchase without incurring a redemption fee. Thereafter any portion or the whole amount can be redeemed without penalty.

#### Payment of Redemption Proceeds

The redemption proceeds normally will be remitted within 5 Business Days after the Dealing Day on which Participating Shares are redeemed, without interest for the period from that date to the payment date. Redemption payments will be made in U.S. dollars for Class A and Euros for Class B and will be remitted to the Shareholder by wire transfer (at the expense and risk of the Shareholder) to an account as specified by the Shareholder in his Redemption Request.

#### Deferred Redemptions

In the event that redemption requests on a particular Dealing Day exceed in aggregate 10% of the total number of Participating Shares then in issue, the Directors may reduce the requests pro rata amongst all Shareholders seeking to redeem Participating Shares on the relevant Dealing Day and effect only sufficient redemptions which in aggregate equal 10% of the number of Participating Shares then in issue. Participating Shares which are not thereby redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests themselves exceed 10% of the number of Participating Shares then in issue) in priority to any later redemption requests that may have been received. All Participating Shares will be redeemed at the Dealing Price prevailing on the Dealing Day on which they are redeemed.

#### Fractions

Apart from circumstances in which a Shareholder is redeeming his entire holding of Participating Shares:

- a) fractions of Participating Shares will be redeemed where any part of the redemption monies for Participating Shares represents less than the Redemption Price for one Participating Share, provided however that fractions shall not be less than .001 of a Participating Share.
- b) redemption monies, representing less than .001 of a Participating Share will not be returned to a Shareholder but will be retained by the Company for the benefit of the Company.

#### ***COMPULSORY REDEMPTION***

The Directors may compulsorily redeem all of the Participating Shares held by a Shareholder if:

- (a) as a result of a redemption request the value of Participating Shares held by a Shareholder is reduced to less than US\$50,000 for Class A and EUR€50,000 for Class B;
- (b) Participating Shares are acquired by, or on behalf of, a person who is not an Eligible investor;
- (c) the Net Asset Value in respect of Class A is less than US\$300,000 or less than €300,000 in respect of Class B for four consecutive Dealing Days, treating each class as a separate fund;
- (d) the Investment Manager notifies the Company that the investment objective is no longer reasonably achievable in accordance with the investment policies and restrictions set out in this Information Memorandum; or
- (e) any law is passed which renders it illegal or impracticable for the Company to continue its operations.

In any event the Participating Shares will be compulsorily redeemed at the Redemption Price prevailing on the Dealing Day next following the issuance of a notice of compulsory redemption to the relevant Shareholder. Any redemption fee applicable will be charged in the event of a compulsory redemption.

### ***SWITCHING BETWEEN FUNDS***

Shareholders may switch between LOM Mutual Funds. Conversion will be effected by way of a regular redemption (sale) of Participating Shares in one LOM Mutual Fund (the “Original Fund”) and a subscription (purchase) for Participating Shares in any other LOM Mutual Fund being offered at that time (the “New Fund”). Shareholders will be able to apply to convert on any Dealing Day an amount equal in value to part or all of their holding of Participating Shares in the Original Fund. Unless the Directors otherwise determine, the amount to be converted must be at least equal to the initial Minimum Subscription (in the case of initial purchase of a New Fund) or subsequent Minimum Subscription (in the case of purchases in a New Fund in which Shares are already held) for the relevant Shares of the New Fund. Shareholders will be required to complete such conversion request forms as may be prescribed by the Directors in relation to any Fund (the “Conversion Request Form”). Conversion Request Forms must be signed by all joint Shareholders and may be sent to the Administrator by facsimile at the risk of the sending Shareholder.

A Conversion Request Form will not be processed unless the Shares referred to in the Conversion Request Form have been fully paid up and unless any other supporting documents as may be required by the Directors have been received.

If the conversion would result in the Shareholder holding a number of Participating Shares in the Original Fund of a value which is less than the Minimum Holding, the Directors may, at their discretion, convert the whole of the applicant’s holding of Participating Shares of the Original Fund to Participating Shares of the New Fund or refuse to effect any conversion from the Original Fund. No conversion will be made during any period when the right of the Shareholders to require the redemption of their Participating Shares is suspended. The general provisions on procedures relating to redemption will apply equally to conversion.

Notice of conversion on a duly completed Conversion Request Form must be received by the Administrator not later than 5.00 p.m. on the Business Day before the relevant Dealing Day. Any delay in receipt of the Conversion Request Form will result in the request being deferred until the next Dealing Day.

There will be no Initial Fee payable in respect of an issue of Participating Shares in the New Fund in conjunction with a conversion but a switching fee may be payable.

### ***NET ASSET VALUATION***

The Net Asset Value of the Participating Shares is expressed in United States Dollars in respect of Class A shares and Euros in respect of Class B shares. The assets of the Company will be valued by the Administrator as of the close of business on each Valuation Day in accordance with the Articles of Association. The Net Asset Value of the Company comprises its total assets less total liabilities, determined on the basis of generally accepted accounting principles in Bermuda and Canada.

In certain circumstances the Directors may suspend valuations (see “Suspension of Valuations”) and, during any such period of suspension, no Participating Shares may be redeemed or new subscriptions accepted.

### ***SUSPENSION OF VALUATIONS***

The Directors and/ or Investment Policy Committee may suspend the calculation of the Net Asset Value of the Participating Shares and consequently may suspend the acceptance of new subscriptions and the right to redeem any Participating Share if, in their opinion, any of the following events has occurred:

- (a) any securities exchange or organised inter-dealer market on which a significant portion of the Company’s assets is regularly quoted or traded is closed (other than for holidays) or trading thereon has been restricted or suspended;
- (b) trading in securities which form a significant portion of the Company’s assets has been restricted or suspended by the issuing company or a securities regulator;
- (c) as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Company, disposal of the assets of the Company is not reasonable or normally practicable without being seriously detrimental to Shareholders’ interests as a whole;

- (d) it is not reasonably practicable to determine the Net Asset Value of the Participating Shares on an accurate and timely basis;
- (e) as a result of exchange restrictions or other restrictions affecting the transfer of funds, transactions on behalf of the Company are rendered impracticable or if purchases and sales of the Company's assets cannot be effected at normal exchange rates; or
- (f) upon the passing of a special resolution to wind-up the Company.

If total requests for redemptions on any Dealing Day for the Company exceed 10% of the total number of Participating Shares outstanding in the Company, each redemption request in respect of Participating Shares in the Company may, at the sole discretion of the Directors, be reduced "pro rata". Any redemption request so reduced shall be effected in priority to subsequent redemption requests on the following Dealing Day. If redemption requests are so carried forward, the Directors shall procure that the Shareholders affected thereby are promptly informed.

#### ***REGISTRATION AND TRANSFER OF SHARES***

Participating Shares of the Company will be issued in registered form and share certificates will normally not be issued unless specifically requested by a Shareholder at the time of application. The Company maintains a register of the names and addresses of the Shareholders at the offices of the Administrator and an entry in such register is conclusive evidence of ownership.

Participating Shares may be freely transferred to Eligible Investors (see "Eligible Investors") provided the transfer does not result in the holding of Participating Shares by the transferee or the transferor being less than the minimum stipulated in this Information Memorandum. Transfers must be made in writing using the draft form of share transfer that may be obtained on request from the Administrator.

The share transfer form must be signed by the transferor and returned to the Administrator together with the share certificates, if any, representing the Participating Shares to be transferred.

Any transferee will have to sign a Subscription Agreement and furnish the same information which would be required in connection with a direct subscription in order for a transfer application to be considered by the Administrator. Violation of applicable ownership and transfer restrictions may at the discretion of the Directors result in compulsory redemption (see "Redemptions") of the Participating Shares to be transferred.

#### ***DIVIDEND POLICY***

The Company does not anticipate that any dividends will be paid to Shareholders out of the profits of the Company and it is the present intention of the Directors that all earnings of the Company will be reinvested. In the event any dividend or capital distribution is paid and remains unclaimed after a period of six years, such amount shall become property of the Company.

## **TAXATION**

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### **COMPANY**

The following comments are based on advice received by the Directors. The tax position of the Company may change at any time.

**Cayman Islands Tax Considerations.** Under current legislation in the Cayman Islands, no taxes will be imposed upon the Company or its Shareholders by the Cayman Islands Government and there are no exchange control laws or regulations in effect. The Company has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or interests or gains or appreciation shall apply to the Company or its operations and that no such tax or any tax in the nature of estate duty or inheritance tax shall be payable on the Participating Shares, debentures or other obligations of the Company. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The annual filing fee and mutual fund registration fee payable each year by the Company to the Government of the Cayman Islands is currently US\$2,400 and US\$3,050 respectively.

**U.S. Tax Considerations.** The U.S. income taxation of the Company depends on whether the Company is engaged in the conduct of a trade or business within the United States. However, under a specific safe harbour contained in Section 864 (b) (2) (A) (ii) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company should not be considered engaged in a trade or business in the United States. Consequently, capital gains realised by the Company as a result of the sale or exchange of securities by the Company will not be subject to any U.S. income taxes except to the extent such securities qualify as U.S. real property interests for U.S. federal income tax purposes. The Company presently does not expect to acquire securities that will so qualify.

Dividend and interest income realised by the Company from U.S. sources is generally subject to U.S. withholding taxes at a 30% statutory rate. Because the Company is formed in the Cayman Islands, and because the Cayman Islands does not have an income tax treaty with the United States, there is no reduction in the U.S. 30% withholding taxes, where applicable.

However, no withholding tax is imposed on (i) interest received as original issue discount on obligations payable within 183 days or less from the date of original issue; (ii) portfolio interest as defined by Section 871 (h) of the Code; (iii) interest on certain deposits including bank deposits described in Section 871 (i) (2) (A) of the Code; or (iv) interest on tax exempt obligations as described in Section 103 of the Code. In order for interest to qualify as portfolio interest to the Company, and therefore be exempt from the U.S. 30% withholding tax, the Company must own less than 10% of the voting power of the issuer of the underlying note, after taking into account any conversion rights or options to acquire Participating Shares in the issuer.

In addition, no withholding tax will apply to interest received from a U.S. resident alien or corporation if 80% or more of that person's gross income from all sources is derived from non-U.S. sources in the active conduct of a trade or business outside of the United States. Income from debt securities deposited by the Company with brokers or others in connection with short sales of securities will not be subject to U.S. income or withholding taxes to the extent that such income would not be subject to income tax or withholding if such securities were held directly by the Company. Payments by brokers or others with whom the Company has deposited cash collateral in connection with short sales of securities, including the proceeds of such sales, will not be subject to U.S. income or withholding taxes to the extent that such payments constitute portfolio interest, as defined above.

Dividend and interest income received by the Company from sources outside the United States will not be subject to U.S. income or withholding tax. Also, the Company will not be subject to any U.S. income, capital gains, or withholding taxes on investment income derived by the Company from sources outside the United States.

**Bermuda Tax Considerations.** It is the Company's intention to market the Participating Shares in Bermuda to Bermudian shareholders. At the date of this prospectus, there is no Bermuda income tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its members in respect of their investment in the Company. The Company may be liable to pay foreign (i.e. non-Bermudian) taxes with respect to (i) the purchases or sale of, or other dealings in, assets held by the Company and (ii) capital, interest and dividends related to assets held by the Company in those countries which impose such taxes.

#### ***SHAREHOLDERS***

Distributions by the Company to a Shareholder who is neither a citizen nor a resident of the United States will not be subject to any U.S. income or withholding taxes. A shareholder who is neither a citizen nor a resident of the United States will not be subject to any U.S. income or withholding taxes as a result of the sale or other disposition outside the United States of Participating Shares in the Company.

However, shareholders and potential investors should inform themselves as to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposition of Participating Shares.

Each Shareholder or potential investor should consult a tax adviser as to his own tax position.

## **ADDITIONAL INFORMATION**

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### ***LITIGATION***

There is no litigation or claims of material importance pending or threatened against the Company.

### ***REPORTING***

The Company produces unaudited semi-annual Shareholder reports which will be sent to each Shareholder within 30 days of the relevant quarter end. The Company also produces annual reports containing the audited financial statements of the Company which will be sent to each Shareholder no later than three months after each financial year-end. All financial reports of the Company will be prepared in accordance with generally accepted accounting principles in Bermuda and Canada.

All notices and reports will be sent by the Administrator to the Shareholders whose names are recorded in the register of Shareholders on the Business Day immediately preceding the date the notices are sent out and will be sent to the address provided in the Subscription Information Form (available from the administrator) submitted by each Shareholder or such other address as the Shareholder may notify to the Administrator in writing from time to time. In addition, such reports will be available at the registered office of the Company.

### ***REGULATION***

The Company is a “mutual fund” for the purposes of the Mutual Funds Law of the Cayman Islands and will be regulated in accordance with the provisions of that law. However, the Company is not required to be licensed or to employ a licensed mutual fund administrator since the minimum interest purchasable by a prospective investor in the Company is equal to or exceeds US\$50,000 or its equivalent in any other currency. Accordingly, the obligations of the Company under the Mutual Funds Law are (a) to register with the Cayman Islands Monetary Authority (“CIMA”) in the prescribed manner, (b) to file with CIMA prescribed details of this Information Memorandum and any changes to it, (c) to file annually with CIMA accounts audited by an approved auditor and (d) to pay a prescribed registration fee.

As a regulated mutual fund, the Company will be subject to the supervision of CIMA which may at any time instruct the Company to have its accounts audited and to submit them to CIMA within such time as CIMA specifies. In addition, CIMA may ask the Directors of the Company to give CIMA such information or such explanation in respect to the Company and its subsidiaries, if any, as CIMA may reasonably require to carry out its duties under the Mutual Funds Law. The Directors on request must also give CIMA access to or provide at any reasonable time all records relating to the Company and CIMA may copy or take an extract of a record it is given access to or is provided. Failure to comply with any of these requests by CIMA may result in substantial fines being imposed on the Company and may result in CIMA applying to the court to have the Company wound up.

CIMA is prohibited by the Mutual Fund Law from disclosing any information relating to the affairs of a mutual fund it has acquired in the course of its duties or in the exercise of its functions other than disclosure required for the effective regulation of a mutual fund or when required or permitted to do so by a court or under any other Law.

CIMA may take certain actions if it believes that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of CIMA include, inter alia, the power to require the substitution of any Director of the Company, to appoint a person to advise the Company on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Company. There are also other remedies available to CIMA including the ability to apply to the Grand Court of the Cayman Islands for an order to take such other action as it considers necessary to protect the interests of investors in, and creditors of, the Company and, subsequently, to take any other action provided for under the Mutual Funds Law.

### ***TRANSACTIONS WITH DIRECTORS***

The Articles of Association of the Company provide, inter alia, that:

- (a) A Director may hold any other executive or non-executive office in the Company (other than the office of auditor) on such terms as to tenure, remuneration, indemnity and otherwise as the Directors may determine;
- (b) A Director may act by himself or his firm in a professional capacity for the Company and shall be entitled to the same remuneration, indemnity and other privileges as if he were not a Director;
- (c) A Director may be a member or director or hold any other executive or non-executive office in any company or association promoted by the Company or in which the Company may be interested or associated, and may exercise and enjoy the rights, privileges and benefits of any such position without being accountable in any way to the Company;
- (d) No person is disqualified from the office of Director by, or prevented by such office from, contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract be liable to be avoided, nor shall any such Director being so interested be liable to account to the Company for any profit realised by such contract or arrangement;
- (e) A Director may vote in respect of any contract, arrangement including his remuneration or other matter which may be proposed, notwithstanding he has an interest in it, provided that the nature of the interest shall have been disclosed to the Directors prior to the Directors' resolution.

### ***MATERIAL CONTRACTS***

The contracts described below which are or may be material have been entered into by the Company otherwise than in the ordinary course of business. In each case the Company has agreed to indemnify the service provider against all claims and demands which may be made against it in the performance of its duties otherwise than by reason of its own negligence or wilful default.

- (a) Investment Management Agreement dated March 2000 under which the Investment Manager is appointed to manage the investments of the Company and promote the Company, and is entitled to receive the payments detailed under "Fees and Charges". The Investment Management Agreement may not be terminated during an initial three year period and will continue thereafter until terminated by either party giving to the other not less than 90 days' written notice.
- (b) Custodian Agreement dated March, 2000, under which the Custodian was appointed custodian of the Company's assets and is paid a fee detailed under "Fees and Charges". The Agreement may be terminated by either the Company or the Custodian on 90 days' written notice.
- (c) Administration Agreement dated December 2005, whereby administrative, secretarial and registration functions are provided by the Administrator, for which it is paid a fee detailed under "Fees and Charges". The Agreement may be terminated by either the Company or the Administrator on 90 days' written notice.

### ***INDEMNITY***

The Fund has agreed to indemnify the Manager and every Director, Officer and employee of the Fund and of the Manager against all costs, losses and expenses which any such indemnified person may incur or for which he or she may become liable by reason of any contract entered into, or act or thing done by him or her in such capacity, or in any way in the discharge of his or her duties, except in the event of his or her own fraud or dishonesty. The amount for which such indemnity is provided shall immediately attach as a lien on the property of the Fund, and have priority as between the Shareholders over all other claims. The Management Agreement provides for the indemnity of the Manager and its Directors and Officers.

***DOCUMENTS AVAILABLE FOR INSPECTION***

This Information Memorandum is not intended to provide a complete description of the Memorandum and Articles of Association of the Company or of the agreements with its Investment Manager, Trading Advisor, Custodian and Administrator, or of the Auditors acceptance of appointment. Copies of all such documents are available for inspection by Shareholders during normal business hours at the office of the Administrator.

***INQUIRIES***

Inquiries concerning the Company and its Participating Shares should be directed to the Administrator at:

**International Corporate Management of Bermuda Limited  
Bermuda Commercial Bank  
19 Par-la-Ville Road  
Hamilton HM11  
Bermuda**

**E-Mail: [ICMOB-LOM@bcb.bm](mailto:ICMOB-LOM@bcb.bm)**

**Tel: (441) 299-2864 Fax: (441) 292-2898**

Inquiries concerning marketing of the Fund should be directed to the Investment Manager at:

**LOM Asset Management Limited  
27 Reid Street  
Hamilton, HM11  
Bermuda**

**E-Mail: [lomam@lom.com](mailto:lomam@lom.com)**

**Tel: (441)292-5000 Fax 441-295-0135**