

**Memo from Northwater Capital Management
December 31, 2008**

As you are aware, the Pan-Canadian Investors Committee is working toward a restructuring of the ABCP that will result in the conversion of the illiquid ABCP into long term notes. The restructuring process has faced some hurdles, resulting in a delay in the issuance of the restructured notes. It is expected however, that the restructuring will be completed in early 2009.

This note is to provide you with an outline of the approach Northwater will be using for the December 31, 2008 valuation of the third party Asset Backed Commercial Paper (ABCP) that is held in NDF US Equity, NDF Midcap and NDF III Funds.

Canadian Generally Accepted Accounting Principles (GAAP) rules require that all financial instruments are valued at fair value in the financial statements. As you are aware, in the absence of a market for the ABCP, the Fair Value of the ABCP held in the affected Northwater pooled funds at December 31, 2007 was determined using a factor-based model. As a result, the ABCP was marked down by 12%, except for Rocket Trust, which was marked down by 15%. The market exposure was adjusted downwards so as to keep it equal to the value of the backing assets. We will use the same approach to determine fair value of ABCP for GAAP purposes as at December 31, 2008.

Since the end of 2007, the equity and credit markets have continued to be very volatile with the result that credit spreads have widened from the level at year-end 2007. As a result, we expect to further mark down the Fair Value of the ABCP at the year end in accordance with GAAP.

Based on the spreads in the market at market close on December 24th, 2008, we expect the write downs to Fair Value to be as follows. Please note that the actual write-downs will be determined at market close on December 31st, 2008, and may be different from the estimated values below. We will confirm the Fair Value used for valuing the ABCP for GAAP purposes following our discussions with our Auditors, PriceWaterhouseCooper after the year-end.

Trust	Estimated additional write-down	Write-down at Dec 31, 2007	Estimated total write-down
Comet Trust (CAD)	35%	12%	47%
Rocket Trust (CAD)	32%	15%	47%
MMAI-I Trust (CAD)	35%	12%	47%
Silverstone Trust (CAD)	35%	12%	47%
Whitehall Trust (CAD)	35%	12%	47%
Rocket Trust (USD)	33%	15%	48%

As we indicated in our letter of July 4th, 2008, it is quite likely that the Fair Value will not reflect the expected value that will be realized by long-term noteholders. Further, to

our knowledge, the majority of the assets backing the ABCP (and after the restructuring, the long term notes), are performing assets. As a result, as at December 31, 2008, Northwater will not adjust further the Transactional Value used for overlay and subscriptions/ redemptions purposes from the Dec 31-07 write down of 12% (15% for Rocket Trust). However, the year-end audited financial statements will show the Fair Value, as calculated using the factor based model, with a reconciliation to the Transactional Value used for subscriptions/ redemptions and overlay purposes.

Mohamed Khaki
Northwater Capital Management Inc.