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Partners in Capital Growth

Premium Value Partnership LP

Summary

THE PARTNERSHIP

The Aquilon Premium Value Partnership is an open-ended investment portfolio established on January 31, 2002 to offer investors a simple vehicle to access Portfolio Manager Scott Leckie's Premium Value asset management strategy.

Intrinsic Value asset management as practiced by the Premium Value Partnership is a common sense investment methodology successfully applied since the 1920s by investors focused on rational business values rather than market prices. Starting in 1986, Mr. Leckie has developed and successfully implemented his own adaptation of it, described below under "Investment Objectives".

The investment activities of the Partnership involve the opportunistic purchase and sale (including short sale) of common shares, corporate debt and other securities such as options principally in the Canadian and to a lesser extent US public markets.

PARTNERSHIP ORGANIZATION

Portfolio Manager: W. Scott Leckie, CFA
Mr. Leckie has managed the assets of the Partnership since the Partnership inception in January 2002. He has been managing client assets on a discretionary basis since 1993 and advising investors since 1986.

As Portfolio Manager, Mr. Leckie focuses exclusively on intrinsic value discretionary asset management. In addition to managing the assets of the Partnership, Mr. Leckie manages a number of segregated accounts either as Premium Value portfolios or as variants of the Premium Value methodology (Classic Value portfolios are limited to long only positions and are RRSP eligible; Income and Arbitrage portfolios privilege income generation as opposed to capital accumulation).

All Premium Value portfolios - Partnership and Accounts - share the same strategy and investment opportunities, leading to similar portfolios and results (the composite track record of the Premium Value Accounts dates back to March 31, 1993 and is available separately).

General Partner and Investment Advisor: Takota Asset Management

Takota Asset Management was founded by Mr. Leckie in April 2012. Takota manages investment portfolios and aims at creating value for its investors by seeking and realizing upon intrinsic value investments, which currently includes taking advantage of the dislocations and opportunities created by the financial crisis.

INVESTMENT OBJECTIVES

Preserve capital and generate significant returns

The first objective of the Portfolio Manager is to avoid the permanent impairment of the invested capital. To do so, the Portfolio Manager evaluates and compares the intrinsic value of each potential investment to its current market price. The intrinsic value of an investment is equal to the value of its share in the underlying business, when that business is appraised with common and rational business sense. For an investment to be considered further the intrinsic value of the investment needs to be significantly higher than its asking price (lower for short sales). The significant difference we seek between intrinsic value (business value) and asking price (market value) represents a margin of safety that will offer us protection against adverse corporate developments. It is also the source of our future profits.

The second objective of the Portfolio Manager is to generate significant long-term returns, well above traditional market returns. To achieve this objective, the Portfolio Manager builds on the intrinsic value methodology described above. Once he has found securities offered at a significant discount to their intrinsic value (premium for short sales), the Manager evaluates the possible catalysts, existing or that he could introduce, that could provoke the market or other business interests to re-evaluate those securities to a value closer to their intrinsic value - at which time the investment would be sold and the process started anew. The investment will be made only if the Portfolio Manager is reasonably confident that a minimum annualized rate of return of 20% can be obtained.

When looking at the entire capital structure of a target company, the Manager will consider only those securities that have the highest margin of safety (for capital protection) and the potential of returning at least 20% annualized. Investment decisions are strictly based on this bottom-up analysis and driven by the Portfolio Manager's intrinsic value assessment of each individual investment.

RISK MANAGEMENT AND INVESTMENT RESTRICTIONS

The Portfolio Manager prefers to concentrate the invested capital on the best investment opportunities he can find, those with the highest margin of safety and the highest likelihood of success. While such concentration can accentuate short-term market-induced volatility, it is essential to lay the foundation for significant long-term returns. Even so, it is only the rarest of opportunities that results in an allocation at the maximum level permitted (20% of the invested capital for long positions, 10% for short positions - all shorts being subject to a stop-loss discipline).

Risk is assessed separately for each investment. Each position is weighted according to its own risk and potential impact on the portfolio. The portfolio exposure to the market is the aggregate of all individual investments and varies according to the availability of suitable opportunities.

The Manager's use of leverage varies based on opportunities. Total portfolio leverage is kept within reasonable limits (and well within regulatory limits) to avoid risking the involuntary sale of portfolio assets due to market volatility. Long positions will not exceed 100% of capital except temporarily if required to efficiently transact positions. Overall, the use of leverage will be principally to enter into short or hedged positions offering the likelihood of some protection in declining markets.

The Manager does not seek to be invested at all times. When no acceptable opportunities are to be found, cash will be preserved for future use rather than tied up in second-rate investments. The Manager does not use any top-down analysis and does not set targets for cash level or total market exposure.

INVESTMENT SUITABILITY

Premium Value Accounts are dedicated to investors who have a long-term perspective of their need for capital accumulation and who:

- Share in the Manager's objective of long-term returns significantly higher than those usually delivered by traditional asset management or index investing, irrespective of short-term returns;
- Understand and are comfortable with the uniqueness of intrinsic value investing (such as seeking value amongst out-of-favor companies or portfolio concentration) and the resulting un-conventional behavior of such portfolios;
- Understand that portfolio risk is controlled by assessing and tracking the margin of safety of each investment, and not by traditional methods such as portfolio diversification or value-at-risk or any other quantitative method also relying on past historical data;
- Understand that market-induced volatility is of little long-term relevance and that accordingly short-term performance will not be targeted by the manager;
- Are willing to commit in principle to an initial investment horizon of three year at a minimum. Such a horizon is occasionally required for a new pool of intrinsic value investments to start accumulating significant results.

SUMMARY OF TERMS AND CONDITIONS

Structure	Partnership under the laws of the Province of Ontario
General Partner	Takota Asset Management Inc.
Investment Advisor	Takota Asset Management Inc.
Inception date	January 31, 2002
Auditors	Segal and Partners, Chartered Accountants, Toronto, Ontario
Legal counsel	Koskie Minsky LLP
Custodian	Canaccord Genuity
Investment management style	Intrinsic value investing
Investment objective	Significant long-term growth while avoiding permanent capital impairment
Investment universe	Mostly Canadian securities - Foreign securities allowed

Eligible securities	Publicly traded equities, options and debt securities; may at times include some private investments
Offering	Limited Partnership Units
Minimum initial portfolio	$ 500,000, subject to the discretion of the General Partner
RRSP eligibility	Not eligible. (Registered portfolios may be invested in RRSP-eligible Classic Value Accounts).
Subsequent investments	No stated minimum
Recommended holding period	Minimum of 3 to 5 years to reflect the long-term nature of intrinsic value investing
Subscriptions	Monthly
Redemptions	Monthly, subject to 45 days' notice. In kind, subject to 10 business days' notice
Early redemption fees	As the short-term purchases and redemptions of units may negatively affect the interests of long-term Unit Holders, the Partnership protects its investors by applying the following schedule of early redemption fees: first year, 5% of capital withdrawn; second year, 3%; third year, 1%. Early redemption fees are collected for the benefit of the remaining Unit Holders and added back to the capital of the Partnership.
Target return	While the Partnership does not target a specific annualized return, each investment at inception must have the potential to yield a 20% annualized return
Maximum position allocation	Long positions: 20%. Short positions: 10%. Short positions subject to stop-loss policy
Maximum market exposure	Unhedged short positions: 100 % of capital
Net market exposure	Net exposure will vary depending on available investment opportunities
Management and advisory fee	2% annually
Performance fee	20% of performance above hurdle rate, after deduction of costs and fees
Hurdle rate	5%, augmented by performance of previous year if negative