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March 17, 2015

VIA SEDAR & E-MAIL FILING PORTAL

Ontario Securities Commission
P.O. Box 55, Suite 1900
20 Queen Street West
Toronto, Ontario
M5H 3S8

Dear Ladies and Gentlemen:

Re: Marret Funds - Application for an exemption under section 19.1 of National Instrument 81-102 *Investment Funds* ("NI 81-102") and section 113 of the *Securities Act* (Ontario) (the "OSA") pursuant to National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* ("NP 11-203) (this "Application")

Introduction

1. We are legal counsel to Marret Asset Management Inc. (the "**Manager**"). The Manager is the manager of each of:

    (a) Marret High Yield Strategies Fund and Marret Multi-Strategy Income Fund (the "**Non-Redeemable Investment Funds**"); and

    (b) Marret High Yield Hedge Limited Partnership, Marret Private Portfolio HYS Trust, Marret Private Portfolio HY Trust and Marret Equity Hedge Fund (the "**Pooled Funds**" and, together with the Non-Redeemable Investment Funds, the "**Funds**").

Request for expedited review

2. This Application seeks discretionary relief in order that the recapitalization plan of Cline Mining Corporation approved by the Funds may be implemented under the CCAA Order (as defined below) of the Ontario Superior Court of Justice. Since the effect of the CCAA Order is to temporarily stay the rights of creditors of Cline Mining Corporation, the recapitalization plan is required to be

implemented by April 1, 2015. Cline Mining Corporation will be seeking a 60-day extension of the CCAA Order. However, there is no guarantee of the length of the extension that may be granted by the Ontario Superior Court of Justice, or whether any further extensions will be granted thereafter. Accordingly, the Filer requests that this Application be processed on an expedited basis.

Requested Relief

3. On behalf of the Funds and the Manager, we hereby request a decision pursuant to:

   (a) section 19.1 of NI 81-102 exempting each Non-Redeemable Investment Fund from section 2.6(f) of NI 81-102 to make the Loans (as defined below) to Cline Mining Corporation ("**Cline**") (the "**Lending Relief**"); and

   (b) section 113 of the OSA exempting each Fund from sections 111(2)(b) and 111(4) of the OSA to purchase and hold common shares of Cline (the "**Substantial Security Holder Relief**"),

   in each case as described herein (together, the "**Requested Relief**").

Principal Jurisdiction

4. In accordance with Part 4 of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") and section 3.6 of NP 11-203, the Ontario Securities Commission (the "**Principal Regulator**") has been selected as the principal regulator for the purposes of this Application as the head office of the Manager is located in Toronto, Ontario.

5. In accordance with subsection 4.7(2) of MI 11-102, the Manager gives notice to the Principal Regulator pursuant to paragraph 4.7(1)(c) of MI 11-102 that the relief requested in this Application is to be relied upon by each Non-Redeemable Investment Fund in each of the other provinces of Canada and Yukon (together with Ontario, the "**Jurisdictions**").

Defined terms and interpretation

6. Unless expressly defined herein, terms in this Application have the respective meanings given to them in NI 81-102, National Instrument 14-101 *Definitions* and MI 11-102.

Relevant Facts

In support of this Application, the Manager makes the representations set out below.

The Manager

7. The Manager is a corporation subsisting under the laws of the Province of Ontario with its head office located in Toronto, Ontario. The Manager is registered:

   (a) under the securities legislation of all the provinces of Canada as an investment fund manager, a portfolio manager and an exempt market dealer; and

   (b) under the *Commodity Futures Act* (Ontario) as a commodity trading manager.

8. The Manager is not in default of securities legislation in any Jurisdiction.

9. The Manager is the manager of each Fund.

The Funds

10. Each Fund (other than Marret High Yield Hedge Limited Partnership) is a trust formed under the laws of the Province of Ontario. Marret High Yield Hedge Limited Partnership is a limited partnership formed under the laws of the Province of Ontario.

11. Each Non-Redeemable Investment Fund is:

    (a) a "non-redeemable investment fund" (as such term is defined in the OSA); and

    (b) a reporting issuer under the securities legislation of all the Jurisdictions.

12. Each Pooled Fund is

    (a) a "mutual fund" (as such term is defined in the OSA); and

    (b) not a reporting issuer under the securities legislation of any Jurisdiction.

13. Each Fund is not in default of securities legislation in any Jurisdiction.

14. Each Non-Redeemable Investment Fund is in the process of terminating. To that end, each Non-Redeemable Investment Fund disposed of all its liquid assets and distributed the proceeds therefrom to its unitholders. The investments of the Non-Redeemable Investment Funds in Cline represent illiquid assets.

Cline

15. Cline is a corporation subsisting under the laws of the Province of British Columbia. The head office and registered office of Cline is located in Toronto, Ontario. Cline is a reporting issuer under the securities legislation of all the provinces of Canada.

16. Cline is in the business of locating, exploring and developing mineral resource properties. Through its wholly-owned subsidiaries, Cline owns, or holds an interest in, metallurgical coal and gold properties in Canada and the United States, and iron ore and uranium properties in Madagascar.

17. The Funds, together with other accounts (the "**SMAs**") separately managed by the Manager, previously invested in bonds and warrants issued by Cline. The aggregate principal amount of such investments by the Funds currently is $55,996,304 (not including capitalized interest payments).

The Recapitalization Plan

18. Due to a worldwide decline in commodity prices including, in particular, coal, Cline became unable to pay its liabilities as they came due, including its liabilities under the bonds held by the Funds. In July 2012, Cline suspended operations of its only operating asset in Colorado, which operations have not subsequently resumed. This contributed to Cline's inability to pay interest on the bonds held by the Funds due in December 2012.

19. The Manager, on behalf of the Funds, subsequently entered into a restructuring agreement with Cline pursuant to which (among other matters) the bondholders of Cline (including the Funds) agreed to forebear on their rights triggered by Cline's default, and additional bonds were issued by Cline. The expectation at the time of such restructuring was that Cline would be able to complete a significant transaction in the form of either a take-over bid (or other sale of the assets of Cline) or equity financing by April 30, 2013 that would repay in full the bonds held by the Funds. If this did not occur, it was expected that the bondholders of Cline would agree to convert some of their investment into equity of Cline and that a rights offering would provide additional financing to repay the remainder of the outstanding bonds. However, none of the transactions described above

occurred. In June 2013, Cline announced that it would be unable to pay interest due on the bonds later that month. The shares of Cline ceased trading on the Toronto Stock Exchange in July 2013. Financing efforts continued through the fall of 2013.

20. The Manager has reduced the fair value of the investments of the Funds in Cline by 30% to $39,200,347 (which does not include capitalized interest payments).

21. In March 2014, Cline commenced discussions with the Manager and other stakeholders whose interests could be compromised regarding a possible restructuring of its capital as Cline was unable to locate a buyer of its assets willing to pay a purchase price sufficient to repay all of the liabilities of Cline in full.

22. Later in 2014, Cline obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) pursuant to an initial order of the Ontario Superior Court of Justice (Commercial List) (the "**Ontario Court**") dated December 3, 2014 in order that Cline could move forward with a recapitalization plan (the "**Recapitalization Plan**") that had been vetted by its secured creditors, including the Manager on behalf of the Funds. The Recapitalization Plan was approved by creditors of Cline (including the Manager on behalf of the Funds and the SMAs) on January 21, 2015, and was approved and sanctioned by the Ontario Court on January 27, 2015 (the "**CCAA Order**"). On January 28, 2015, the Ontario Court's approval of the Recapitalization Plan was given full force and effect in the United States pursuant to an order of the U.S. Bankruptcy Court for the District of Colorado on January 28, 2015 under Chapter 15 of the United States Code. The principal terms of the Recapitalization Plan are summarized below:

(a) the Recapitalization Plan provides for three separate classes of creditors, namely: (i) secured noteholders (being the Funds and the SMAs), (ii) affected unsecured creditors, and (iii) plaintiffs under the United States *Worker Adjustment and Retraining Notification Act* (the "**WARN Act**");

(b) the Recapitalization Plan apportions the aggregate secured noteholders' claim between an allowed secured claim, which is $92,673,897 (which includes capitalized interest payments owed to the Funds and SMAs) for purposes of the Recapitalization Plan, and the allowed unsecured claim, which is $17,500,000 and which represents the secured noteholders' unsecured deficiency claim;

(c) the allowed secured claim will be compromised, released and discharged in exchange for common shares of Cline representing 100% of the equity in Cline, and new indebtedness (the “**Loans**”) in favour of the secured noteholders evidenced by a credit agreement (the “**Credit Agreement**”) with a term of seven years in the principal amount of $55 million, bearing interest at 0.01% per annum plus an additional variable interest payable only once Cline and its subsidiaries have achieved certain operating revenue targets;

(d) the claims of affected unsecured creditors (which exclude the WARN Act claims but include the allowed unsecured claim of the Funds and the SMAs) will be compromised, released and discharged in exchange for each such affected unsecured creditor’s pro rata share of an unsecured, subordinated, non-interest bearing entitlement to receive $225,000 from Cline on the date that is eight years from the date the Recapitalization Plan is implemented (the “**Unsecured Plan Entitlement**”);

(e) notwithstanding the allowed unsecured claim, the secured noteholders will waive their entitlement to the proceeds of the Unsecured Plan Entitlement, and all such proceeds will be available for distribution to the other affected unsecured creditors on a pro rata basis;

(f) all affected unsecured creditors with valid claims of up to $10,000 will, instead of receiving their pro rata share of the Unsecured Plan Entitlement, be paid in cash for the full value of their claims, provided that this cash payment will not apply to any secured noteholders allowed unsecured claim;

(g) all WARN Act claims will be compromised, released and discharged in exchange for the payment on the Recapitalization Plan implementation date of a cash payment in the amount of $90,000, and an unsecured, subordinated, non-interest bearing entitlement to receive $120,000 on the date that is eight years from the Recapitalization Plan implementation date, provided that, in each case, certain reasonable fees, costs and expenses arising from the WARN Act class action case will be funded from such consideration;

(h) certain claims against Cline and its subsidiaries, including employee priority claims, government priority claims, claims covered by insurance, certain prior-ranking secured claims of equipment providers and the secured claim of Bank of Montreal in respect of corporate credit card payables, will remain unaffected by the Recapitalization Plan;

(i) existing equity interests in Cline will be cancelled for no consideration; and

(j) the Recapitalization Plan provides for the release of certain parties in relation to certain claims.

23. Cline intends to apply to cease being a reporting issuer under the securities legislation of all the provinces of Canada once the Recapitalization Plan is implemented.

24. As a consequence of the Recapitalization Plan, all of the outstanding bonds held by the Funds and the SMAs will be exchanged for the Loans. Further, as compensation for the write-down in the principal amount of the allowed secured claims, all of the currently outstanding common shares of Cline will be cancelled and new common shares will be issued to the Funds and the SMAs. In this way, should the proceeds from a subsequent sale of either the assets or shares of Cline or an equivalent transaction (in either case, a "**Sale Transaction**") exceed the amount outstanding under the Loans, the Funds and the SMAs will be entitled to receive such excess as common shareholders of Cline. The changes described above will result in the Funds and the SMAs owning, in aggregate, all of the outstanding common shares of Cline of which 68.6% will be owned by the Funds and 31.4% will be owned by the SMAs. The Manager expects that the aggregate fair value of the Loans and common shares of Cline held by the Funds immediately following the implementation of the Recapitalization Plan will not be materially different from the fair value of the bonds of Cline held by the Funds immediately before the implementation of the Recapitalization Plan.

25. The Manager caused the Funds to vote in favour of the Recapitalization Plan because, in the Manager's view, Cline will be better positioned to maintain the value of its mineral assets and find a purchaser for a Sale Transaction after the Recapitalization Plan is implemented. This is due mainly to the fact that:

(a) the restructured obligations of Cline under the Credit Agreement will better enable Cline to spend the funds necessary to maintain its rights in its mineral assets;

(b) a purchaser will not need to address the competing interests of the different creditors of Cline since the Recapitalization Plan will result in all creditors of Cline either having their existing claims extinguished (as is the case with the WARN Act claimants) or converted into the Loans and common shares of Cline (as is the case with the bondholders); and

(c) the Recapitalization Plan will eliminate the competing interests of the equity stakeholders who had acquired shares while Cline was publicly listed.

26. Each Fund and the Manager will become a party to the Credit Agreement with Cline. The Manager will administer the Loans under the Credit Agreement. The Manager expects that for the foreseeable future, there will be no repayments of principal and only a nominal amount of interest payable under the Credit Agreement. Accordingly, the Manager's responsibilities under the Credit Agreement will consist mainly of ensuring that the Loans are repaid when a Sale Transaction occurs.

27. Cline currently is focused on reducing the carrying cost of its mineral properties that are in idle status due to commodity market weakness. During this optimization process, Cline is concurrently in discussions with potential interested purchasers with respect to a possible Sale Transaction. While there is no guarantee that Cline will be successful in these efforts, the Manager is of the view that there is a strong likelihood of Cline completing a Sale Transaction within the next 12 to 24 months.

28. The day-to-day business and affairs of Cline continue to be run by the Chief Restructuring Officer and Acting Chief Executive Officer of Cline, which individual is at arm's length to both the Manager and the Funds. None of the directors or officers of Cline currently are, nor in the future will be, a "responsible person" of the Funds as defined in section 13.5(1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

29. The Funds will remain passive investors in Cline. In particular, the Funds will not be involved in the day-to-day operations of Cline, nor in seeking a buyer for a Sale Transaction. The Funds will refrain from voting their common shares of Cline on all matters other than approval (or disapproval) of any Sale Transaction.

30. A condition precedent to the implementation of the Recapitalization Plan is the receipt of all necessary regulatory approvals. The Manager has advised Cline that the Requested Relief is necessary, and therefore a condition precedent, to the implementation of the Recapitalization Plan.

Reasons for this Application

31. Implementation of the Recapitalization Plan will result in each Non-Redeemable Investment Fund becoming a party to the Credit Agreement and making the Loans thereunder. Accordingly, absent the Lending Relief, implementation of the

Recapitalization Plan may cause each Non-Redeemable Investment Fund to contravene section 2.6(f) of NI 81-102.

32. Implementation of the Recapitalization Plan will result in the Funds owning, in aggregate, more than 20% of the voting securities of Cline and therefore will be a “substantial security holder” (as that term is defined in the OSA) of Cline. Accordingly, absent the Substantial Security Holder Relief, implementation of the Recapitalization Plan may cause each Fund to contravene sections 111(2)(b) and 111(4) of the OSA.

33. In our view, the reporting obligations in section 117(1) of the OSA do not apply to the investments by the Funds in shares of Cline following implementation of the Recapitalization Plan. If the Principal Regulator disagrees with such interpretation, then this Application also requests a decision pursuant to section 117(2) of the OSA exempting each Fund from the requirements of section 117(1) of the OSA as they pertain to each Fund's investment in common shares of Cline.

Submissions

The Recapitalization Plan provides the Funds with a greater opportunity to maximize the proceeds from a Sale Transaction

34. As described above, during 2014 Cline was unable to locate a purchaser of the assets of Cline willing to pay a purchase price sufficient to repay all liabilities of Cline in full. This was due, in part, to the interest which continued to accrue on the bonds held by the Funds as well as uncertainty associated with various liabilities, including those of the plaintiffs under the WARN Act. By implementing the Recapitalization Plan, Cline will be better positioned to conclude a Sale Transaction through which the Funds will be able to maximize the realizable value of their investments in Cline. If Cline is not able to implement the Recapitalization Plan and, instead, is required by the bondholders to liquidate its assets in whatever manner possible, the Manager believes that the proceeds received by the Funds through such a liquidation would be substantially less than the proceeds that are achievable with the benefit of the Recapitalization Plan.

The Manager will be able to monitor the value at which the assets of Cline may be sold

35. Though each Fund is, and will remain, a passive investor in Cline, Cline will need to obtain the approval of the Funds as common shareholders of Cline for any Sale Transaction. The Manager expects that this will result in Cline keeping the

Manager informed on an ongoing basis of progress toward concluding a Sale Transaction.

Similar exemptive relief has been granted in the past

36. The Canadian securities regulators have, in the past, granted relief in circumstances similar to the Substantial Security Holder Relief. See *Re Fidelity Canadian Growth Company Fund et al.* (November 10, 2005), a copy of which accompanies this Application (the "**Precedent Order**").

37. Like this Application, the Precedent Order involved investment funds which had acquired securities of an issuer that encountered financial difficulties. The issuer implemented a reorganization as a result of which each investment fund acquired securities to an extent that otherwise would contravene applicable securities legislation (in that case, section 2.2(1)(a) of NI 81-102). The Precedent Order did not provide relief from sections 111(2)(b) or 111(3) of the OSA as the aggregate holdings of the investment funds in that case did not exceed 20% of the outstanding voting securities of the issuer. Nonetheless, the Precedent Order supports the submission that in circumstances where an issuer encounters financial difficulties, it may be appropriate to permit investment funds to acquire a large degree of ownership of the issuer under a recapitalization plan intended to maximize the value of the investment of such investment funds in such issuer.

The Requested Relief is not prejudicial to the public interest

38. For the reasons provided above, the Manager submits that it would not be prejudicial to the public interest to grant the Requested Relief to the Funds.

Additional documents and fees

39. The following accompany this Application:

(a) a verification statement signed on behalf of the Manager;

(b) a draft decision document granting the Lending Relief;

(c) a draft decision document granting the Substantial Security Holder Relief; and

(d) application fees in the aggregate amount of $7,000.00.

Should you have any questions or require any further information, please do not hesitate to contact the undersigned.

Yours truly,

"John T. Kruk"

John T. Kruk