

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States of America (the "**United States**"). This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Ag Growth International Inc. at 198 Commerce Drive, Winnipeg, Manitoba R3P 0Z6, telephone (204) 489-1855, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

December 10, 2013



**\$75,000,000**

### **5.25% Convertible Unsecured Subordinated Debentures**

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**Price: \$1,000 per Debenture**

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This short form prospectus qualifies for distribution (the "**Offering**") \$75,000,000 aggregate principal amount of 5.25% convertible unsecured subordinated debentures (the "**Debentures**") of Ag Growth International Inc. (the "**Corporation**" or "**AGI**") at a price of \$1,000 per Debenture. The Debentures will bear interest at an annual rate of 5.25%, payable semi-annually in arrears on June 30 and December 31 of each year commencing June 30, 2014, with the initial interest payment representing accrued interest for the period from and including the date of issue to, but excluding, June 30, 2014. The Debentures have a maturity date of December 31, 2018 (the "**Maturity Date**"). See "Description of the Debentures".

### Debenture Conversion Privilege

Each Debenture will be convertible into freely tradeable common shares ("**Common Shares**") of the Corporation at the option of the holder of a Debenture at any time prior to the close of business on the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date specified for redemption of the Debentures, at a conversion price of \$55.00 per Common Share (the "**Conversion Price**"), being a conversion rate of approximately 18.1818 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events as described in the Debenture Indenture (as defined herein). Holders converting their Debentures will not receive accrued and unpaid interest on such Debentures for the period from the last interest payment date (or the date of issue of the Debentures if there has not yet been an interest payment date) unless they convert the Debentures on an interest payment date, in which case they will be entitled to receive such interest payment. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under "*Description of the Debentures - Conversion Rights*".

The Debentures are not redeemable prior to December 31, 2016, except upon the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after December 31, 2016 and prior to December 31, 2017, the Debentures may be redeemed by the Corporation, in whole or in part, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price (as defined herein) on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after December 31, 2017, and prior to maturity, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, up to but excluding the date of redemption. See "*Description of the Debentures — Redemption*".

The Corporation may, at its option, subject to applicable regulatory approval and provided that no Event of Default (as defined herein) has occurred and is continuing, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures that are to be redeemed or that have matured, upon not less than 40 days and not more than 60 days prior notice, by issuing to the holders thereof that number of freely tradeable Common Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. In addition, subject to applicable regulatory approval, freely tradeable Common Shares may be issued to the Debenture Trustee and sold, with the proceeds used to satisfy the obligation to pay interest on the Debentures. See "*Description of the Debentures — Method of Payment*".

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "*Risk Factors and Uncertainties*".**

The Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "AFN". The TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion thereof. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX on or before February 28, 2014. On November 27, 2013, the last trading price of the Common Shares on the TSX prior to the announcement of the Offering was \$40.55. On December 9, 2013, the closing price of the Common Shares on the TSX was \$40.39.

| Price: \$1,000 per Debenture |                                       |                                     |                                       |
|------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
|                              | Price to the<br>public <sup>(1)</sup> | Underwriters'<br>fee <sup>(2)</sup> | Net proceeds to AGI <sup>(3)(4)</sup> |
| Per Debenture                | \$1,000                               | \$40                                | \$960                                 |
| Total                        | \$75,000,000                          | \$3,000,000                         | \$72,000,000                          |

Notes:

- (1) The terms of the Offering and the price of the Debentures were determined by negotiation between the Corporation and the Underwriters (as defined herein).
- (2) The Underwriters' fee represents 4.0% of the offering price of the Debentures.
- (3) Before deducting the expenses of the Offering, which are estimated to be approximately \$700,000.

- (4) AGI has granted to the Underwriters an option (the "**Over-Allotment Option**") to purchase up to 15% of the principal amount of the Debentures issued under the Offering at a price of \$1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of TD Securities Inc. on behalf of the Underwriters, at any time up until 30 days after the closing of the Offering for the purposes of covering the Underwriters' over-allocation position. If the Over-Allotment Option is exercised in full, the "Price to Public", "Underwriters' fee" and "Net proceeds to AGI" (before deducting expenses of the Offering) will be \$86,250,000, \$3,450,000 and \$82,800,000, respectively. See "Plan of Distribution". This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of the Debentures pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution".

A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

| Underwriters' Position | Maximum Size                                          | Exercise Period                                    | Exercise Price        |
|------------------------|-------------------------------------------------------|----------------------------------------------------|-----------------------|
| Over-Allotment Option  | \$11,250,000 aggregate principal amount of Debentures | Up until 30 days after the closing of the Offering | \$1,000 per Debenture |

TD Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., Cormark Securities Inc., AltaCorp Capital Inc., Cantor Fitzgerald Canada Corporation, Laurentian Bank Securities Inc. and Paradigm Capital Inc. (collectively, the "**Underwriters**"), as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by AGI and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*", and subject to the approval of certain legal matters on behalf of the Corporation by Burnet, Duckworth & Palmer LLP, and on behalf of the Underwriters by Stikeman Elliott LLP.

In connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. **The Underwriters propose to offer the Debentures initially at the offering price specified above. After a reasonable effort has been made to sell all of the Debentures at the price specified, the Underwriters may reduce the selling price from time to time in order to sell any of the Debentures remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See "*Plan of Distribution*".**

Subscriptions for Debentures offered under this short form prospectus will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about December 17, 2013 or such other date not later than the date that is 42 days following the date of the receipt for this short form prospectus as AGI and the Underwriters may agree (the "**Closing Date**").

Except in certain limited circumstances: (i) the Debentures will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Debentures will not be issued to subscribers; and (iii) subscribers will receive only a customer confirmation from an Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures are purchased. See "*Description of the Debentures — Book-Based System for Debentures*".

**TD Securities Inc., National Bank Financial Inc. and CIBC World Markets Inc. are affiliates of members of a syndicate that has made credit facilities available to AGI. Consequently, AGI may be considered a "connected issuer" of TD Securities Inc., National Bank Financial Inc. and CIBC World Markets Inc. See "*Relationship Among the Corporation and Certain Underwriters*".**

**An investment in the Debentures and the Common Shares is subject to a number of risks and investment considerations that should be considered by a prospective purchaser. See "*Risk Factors and Uncertainties*" and "*Forward-Looking Statements*".** The Corporation may repay the outstanding principal of the Debentures through the issuance of Common Shares. In addition, the Corporation may, subject to any required regulatory approval and provided that no Event of Default has occurred, satisfy all or part of its obligation to pay interest on the

Debentures by delivering freely tradeable Common Shares to the Debenture Trustee in accordance with the Debenture Indenture. See "*Description of the Debentures*".

The head and registered office of AGI are located at 198 Commerce Drive, Winnipeg, Manitoba R3P 0Z6.

***Prospective investors should rely only on the information contained or incorporated by reference in this short form prospectus. AGI has not authorized anyone to provide different information. If an investor is provided with different or inconsistent information, he or she should not rely on it. Prospective investors should assume that the information appearing in this short form prospectus is accurate as of the date on the front cover of this short form prospectus only, regardless of the time of delivery of this short form prospectus or of any sale of the securities offered hereunder.***

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## GLOSSARY OF TERMS

The following terms used in this short form prospectus have the meanings set out below:

**"2009 Debentures"** means the \$115 million aggregate principal amount of 7.0% convertible unsecured subordinated debentures of the Corporation due December 31, 2014.

**"AIF"** means the annual information form of AGI for the year ended December 31, 2012 dated March 19, 2013.

**"Annual Financial Statements"** means the audited consolidated financial statements of the Corporation as at December 31, 2012 and 2011, and for the years ended December 31, 2012 and 2011, together with the notes thereto and the auditor's reports thereon.

**"Annual MD&A"** means the management's discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2012.

**"Board"** means the board of directors of AGI.

**"Business Day"** means any day other than a Saturday, Sunday or any other day that the Debenture Trustee in Toronto, Ontario is not generally open for business.

**"CDS"** means CDS Clearing and Depository Services Inc.

**"Change of Control"** means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of more than 50% of the outstanding voting securities of AGI and, for greater certainty, excludes an acquisition, merger, reorganization, amalgamation, arrangement, combination or other similar transaction involving AGI if immediately after the closing of such transaction no person, or group of persons acting jointly or in concert, holds voting control or direction over more than 50% of the outstanding voting securities of AGI or the successor entity resulting from such transaction.

**"Change of Control Conversion Price"** has the meaning set forth under *"Description of the Debentures – Change of Control"*.

**"Common Share Interest Payment Election"** has the meaning set forth under *"Description of the Debentures – Method of Payment – Interest Payment Election"*.

**"Common Shares"** means common shares of the Corporation.

**"Conversion Price"** means \$55.00 per Common Share.

**"Conversion Rate"** means the number of Common Shares to be issued upon conversion of \$1,000 principal amount of Debentures in accordance with the terms of the Debenture Indenture, which rate will be calculated by dividing the \$1,000 principal amount of such Debentures by the Conversion Price for the Debentures then in effect, as adjusted from time to time pursuant to the provisions of the Debenture Indenture.

**"Corporation"** or **"AGI"** means Ag Growth International Inc. and, unless the context otherwise requires, includes its subsidiaries.

**"CRA"** means Canada Revenue Agency.

**"Current Market Price"** means the volume-weighted average trading price per Common Share for the 20 consecutive trading days ending on the fifth trading day preceding the date of determination on the TSX (or, if the Common Shares are not listed on the TSX, on such stock exchange on which the Common Shares are listed as may be selected for such purpose by the Board and approved by the Debenture Trustee, or if the Common Shares are not

listed on any stock exchange, then on the over-the-counter market). The volume weighted average trading price shall be determined by dividing the aggregate sale price of all Common Shares sold on the said exchange or market, as the case may be, during the said 20 consecutive trading days by the total number of Common Shares so sold.

"DDCP" means AGI's directors' deferred compensation plan.

"**Debenture Certificates**" has the meaning set forth under "*Description of the Debentures – Book-Based System for Debentures*".

"**Debentureholders**" means holders of Debentures.

"**Debenture Indenture**" means the trust indenture dated October 27, 2009 between AGI and the Debenture Trustee, as supplemented by a first supplemental indenture creating and setting forth the terms of the Debentures to be entered into between AGI and the Debenture Trustee.

"**Debenture Offer**" has the meaning set forth under "*Prospectus Summary- The Debentures – Change of Control*".

"**Debenture Offer Price**" has the meaning set forth under "*Prospectus Summary- The Debentures – Change of Control*".

"**Debentures**" means the \$75,000,000 (\$86,250,000 if the Over-Allotment Option is exercised in full) aggregate principal amount of 5.25% convertible unsecured subordinated debentures of AGI qualified for distribution pursuant to this short form prospectus.

"**Debenture Trustee**" means Computershare Trust Company of Canada or its successor or successors in their capacity as debenture trustee of the Debentures pursuant to the Debenture Indenture.

"**DRIP**" means AGI's dividend reinvestment plan.

"**Effective Date**" has the meaning set forth under "*Description of the Debentures – Change of Control*".

"**Event of Default**" has the meaning set forth under "*Description of the Debentures – Events of Default and Waiver*".

"**Financial Statements**" means, collectively, the Annual Financial Statements and the Interim Financial Statements.

"**IFRS**" means International Financial Reporting Standards, being, for fiscal years beginning on or after January 1, 2011, the Canadian generally accepted accounting principles for publicly accountable enterprises as defined by the Accounting Standards Board of The Canadian Institute of Chartered Accountants, as amended from time to time.

"**Interest Obligation**" has the meaning set forth under "*Description of the Debentures – Method of Payment – Interest Payment Election*".

"**Interest Payment Date**" has the meaning set forth under "*Description of the Debentures – Method of Payment – Interest Payment Election*".

"**Interim Financial Statements**" means the unaudited interim condensed consolidated financial statements of the Corporation as at September 30, 2013 and 2012, and for the three and nine month periods ended September 30, 2013 and 2012, together with the notes thereto.

"**Interim MD&A**" means the management's discussion and analysis of the financial condition and results of operations of the Corporation for the three and nine month periods ended September 30, 2013.

"**Maturity Date**" means the date on which the Debentures will mature, being December 31, 2018.

"**MD&A**" means, collectively, the Annual MD&A and the Interim MD&A.

"**Offering**" means the distribution and offering of the Debentures pursuant to this short form prospectus and the Underwriting Agreement.

"**Participant**" means a participant in the depository services of CDS.

"**Redemption**" means the proposed redemption of the 2009 Debentures, which the Corporation intends to give notice of in accordance with the Debenture Indenture upon closing of the Offering.

"**SAIP**" means AGI's share award incentive plan.

"**Securities**" means the Debentures and any Common Shares acquired under the terms thereof.

"**Senior Creditor**" means a holder or holders of Senior Indebtedness and includes any representative or representatives or trustee or trustees of any such holder or holders.

"**Senior Indebtedness**" has the meaning set forth under "*Description of the Debentures – Subordination*".

"**Shareholders**" means holders of Common Shares.

"**Tax Act**" means *the Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended.

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means, collectively, TD Securities Inc., National Bank Financial Inc., CIBC World Markets Inc., Scotia Capital Inc., Cormark Securities Inc., AltaCorp Capital Inc., Cantor Fitzgerald Canada Corporation, Laurentian Bank Securities Inc. and Paradigm Capital Inc.

"**Underwriting Agreement**" means the underwriting agreement dated as of December 3, 2013 among AGI and the Underwriters.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

In this short form prospectus, references to "dollars" or "\$" are to Canadian dollars.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, on the basis of the applicable legislation in effect on the date hereof, the Debentures, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), deferred profit sharing plans (except, in the case of Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSA**") (collectively, "**Deferred Plans**"). Common Shares issuable upon the conversion, redemption or maturity of the Debentures, if issued on the date hereof, would be qualified investments under the Tax Act for Deferred Plans.

Notwithstanding that the Securities may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a trust governed by a TFSA may be subject to a penalty tax if such Securities are a "prohibited investment" for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Securities, if issued on the date hereof, would not be a "prohibited investment" for trusts governed by a TFSA, RRSP, or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Corporation for purposes of the Tax Act, (ii) has a "significant interest" as defined in the Tax Act in the Corporation, or (iii) has a "significant interest" as defined in the Tax Act in a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Proposed amendments to the Tax Act contained in Bill C-4 (which received Second Reading and was referred to the Standing Committee on Finance on October 29, 2013) propose to delete the condition in (iii) above.

**Prospective investors who intend to hold Securities in their RRSP, RRIF or TFSA should consult their own tax advisers regarding whether the Securities will be a prohibited investment in their particular circumstances, including with respect to the proposed amendments contained in Bill C-4.**

## FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward looking statements. These statements relate to future events or the Corporation's future performance. All information and statements contained herein that are not clearly historical in nature constitute forward looking statements, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward looking statements. Such statements represent the Corporation's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of the payment of dividends, capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

This short form prospectus contains forward looking statements concerning the anticipated closing of the Offering and the anticipated use of the net proceeds of the Offering. The closing of the Offering could be delayed if the Corporation is not able to obtain the necessary regulatory approvals required for completion when anticipated. The Offering will not be completed at all if these approvals are not obtained or, unless waived, some other condition to closing is not satisfied. Accordingly there is a risk that the Offering will not be completed within the anticipated time or at all. Forward-looking statements contained in certain documents incorporated by reference into this short form prospectus are based on the key assumptions described in such documents and are subject to the risk factors described in such documents. Investors are cautioned that such information, although considered reasonable by the Corporation, may prove to be incorrect. Actual results achieved will vary from the information provided in this short form prospectus and in the documents incorporated by reference herein as a result of numerous known and unknown risks and uncertainties and other factors which are discussed in the documents incorporated herein by reference.

Some of the additional risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and in certain documents incorporated by reference herein include, but are not limited to:

- general economic and business conditions in North America and globally;
- the ability of management to execute the Corporation's business plan;
- fluctuations in commodity prices and interest and currency exchange rates;
- crop conditions and crop yields;
- weather patterns, the timing of harvest and conditions during harvest;
- volatility of production costs;
- governmental regulation of the agriculture and manufacturing industries, including environmental regulation;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- risks inherent in marketing operations, including credit risk;
- seasonality and industry cyclicalities;
- potential delays or changes in plans with respect to capital expenditures;
- availability of sufficient financial resources to fund the Corporation's capital expenditures;
- incorrect assessments of the value of acquisitions and failure of the Corporation to realize the anticipated benefits of acquisitions;
- the potential reassessment by the CRA of the tax consequences of AGI's conversion to a corporation in 2009 to eliminate certain tax attributes resulting therefrom;
- volatility in the stock markets including the market price of the Common Shares and in market valuations;
- competition for, among other things, customers, supplies, capital and skilled personnel;
- the availability of capital on acceptable terms;
- dependence on suppliers;
- changes in labour costs and the labour market; and
- the other factors described under "*Risk Factors and Uncertainties*" in this short form prospectus and in the AIF and MD&A, which are incorporated by reference herein, and described in other filings made by AGI with Canadian securities regulatory authorities.

With respect to forward looking statements contained or incorporated by reference in this short form prospectus, the Corporation has made assumptions regarding: redemption of the 2009 Debentures; anticipated financial performance; business prospects and strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the cost of materials, labour and services; the impact of competition; the general stability of the economic and regulatory environment in which the Corporation operates; the timely receipt of any required regulatory and third party approvals; the ability of the Corporation to obtain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Corporation to obtain financing on acceptable terms; currency exchange and interest rates; the regulatory framework in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its products and services.

**The information contained in this short form prospectus, including documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Corporation. Investors should carefully consider those factors. Management of the Corporation has set out the above summary of assumptions and risks related to forward looking statements included in this short form prospectus and the documents incorporated by reference herein in order to provide potential purchasers of the Debentures with a more complete perspective on the Corporation's future operations. Readers are cautioned that this information may not be appropriate for other purposes.**

Investors are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a

negative or positive effect on profit, as further information becomes available and as the economic environment changes.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this short form prospectus are made as of the date of this short form prospectus and AGI undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

## **FINANCIAL INFORMATION**

This short form prospectus and certain documents incorporated by reference herein make reference to certain non-IFRS financial measures to assist in assessing the Corporation's financial performance. Non-IFRS financial measures do not have standard meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Such non-IFRS financial measures should not be considered as an alternative to, or more meaningful than, profit (loss), cash flow provided by operating activities and other measures of financial performance as determined in accordance with IFRS as an indicator of performance. For additional information regarding these non-IFRS measures, see the MD&A, which is incorporated by reference herein.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of AGI, 198 Commerce Drive, Winnipeg, Manitoba R3P 0Z6, telephone (204) 489-1855, or on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the various securities commissions or similar regulatory authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

- (a) the AIF;
- (b) the management proxy circular of AGI for its annual meeting of shareholders held on May 10, 2013;
- (c) the Annual Financial Statements;
- (d) the Annual MD&A;
- (e) the Interim Financial Statements;
- (f) the Interim MD&A;
- (g) the management proxy circular of AGI for the annual and special meeting of shareholders held on May 11, 2012;
- (h) the material change report of the Corporation dated December 2, 2013 in respect of the Offering; and
- (i) the "template version" (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements*) of the term sheet for the Offering dated and filed November 27, 2013.

**Any documents of the type referred to above and any business acquisition reports, material change reports (excluding confidential material change reports) and marketing materials filed by the Corporation with the securities commissions or similar regulatory authorities in the provinces of Canada subsequent to**

the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.

#### **MARKETING MATERIALS**

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing materials that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this short form prospectus.

## SUMMARY OF THE OFFERING

The following is a brief summary of some of the terms of the Offering. For a more detailed description of the terms of the Debentures, see "*Description of the Debentures*".

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Offering:</b>             | \$75,000,000 aggregate principal amount of Debentures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Over-Allotment Option</b> | AGI has granted to the Underwriters an option (the " <b>Over-Allotment Option</b> ") to purchase up to 15% of the principal amount of the Debentures issued at a price of \$1,000 per Debenture on the same terms and conditions as the offering of the Debentures, exercisable in whole or in part, at the sole discretion of TD Securities Inc. on behalf of the Underwriters at any time up until 30 days after the closing of the Offering for the purposes of covering the Underwriters' over-allocation position.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Price:</b>                | \$1,000 per Debenture.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Use of Proceeds:</b>      | The net proceeds of the Offering will be used to partially fund the redemption of the 2009 Debentures. See " <i>Use of Proceeds</i> ".                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Maturity Date:</b>        | December 31, 2018.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Interest:</b>             | <p>5.25% per annum. The interest on the Debentures will be payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2014. The first interest payment on June 30, 2014 will include interest accrued from and including the date of closing of the Offering to, but excluding, June 30, 2014.</p> <p>Subject to receipt of applicable regulatory approvals and provided that no Event of Default has occurred and is continuing, the Corporation may elect to satisfy, in whole or in part, its obligation to pay interest on the Debentures by issuing and delivering to the Debenture Trustee freely tradeable Common Shares to be sold by the Debenture Trustee, with the proceeds used to pay interest owing on the Debentures. See "<i>Description of the Debentures - Method of Payment</i>".</p>                                                                                                                                                                                                                                                                                                                              |
| <b>Conversion:</b>           | <p>Each Debenture will be convertible into freely tradeable Common Shares at the option of the holder of a Debenture at any time following closing of the Offering and prior to the close of business on the business day immediately preceding the earlier of the Maturity Date and the date specified by the Corporation for redemption of the Debentures, at a conversion price of \$55.00 per Common Share, being a conversion rate of approximately 18.1818 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events. Holders converting their Debentures will not receive accrued and unpaid interest on such Debentures for the period from the last interest payment date (or the date of issue of the Debentures if there has not yet been an interest payment date) unless they convert the Debentures on an interest payment date, in which case they will be entitled to receive such interest payment. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under "<i>Description of the Debentures — Conversion Rights</i>".</p> |

**Redemption:**

The Debentures are not redeemable prior to December 31, 2016, except upon the satisfaction of certain conditions after a Change of Control has occurred. On and after December 31, 2016 and prior to December 31, 2017, the Debentures may be redeemed by the Corporation, in whole or in part, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after December 31, 2017, and prior to maturity, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, up to but excluding the date of redemption. See "*Description of the Debentures — Redemption*".

**Payment upon Redemption or Maturity:**

On redemption or at maturity of the Debentures, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradeable Common Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional Common Shares will be issued on redemption or at maturity but in lieu thereof the Corporation will satisfy fractional interests by a cash payment equal to the Current Market Price of the fractional interest. See "*Description of the Debentures - Method of Payment*".

**Change of Control:**

Within 30 days following the occurrence of a Change of Control, being the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over more than 50% of the outstanding voting securities of AGI, the Corporation will be required to make an offer in writing to purchase, in whole or in part, the Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest earned thereon up to, but excluding, the date of acquisition (the "**Debenture Offer Price**"). If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, AGI will have the right to redeem all of the remaining Debentures at the Debenture Offer Price. See "*Description of the Debentures — Change of Control*".

Subject to regulatory approval, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares consists of: (i) cash, (ii) equity securities that are not traded or intended to be traded immediately following such transaction on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transaction on a stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the date on which the Debenture Offer is delivered to the Debentureholders, holders of Debentures will be entitled to convert their Debentures at a new Conversion Price determined in accordance with the terms of the Debenture Indenture and provided that the conversion price is not less than permitted discounts to the market price. See "*Description of the Debentures —*

*Change of Control".*

**Subordination:**

The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the full and final payment of all Senior Indebtedness, including indebtedness to trade and other creditors of the Corporation. The Debentures will not limit the ability of AGI to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness. See "*Description of the Debentures - Subordination*".

## BUSINESS OF AGI

AGI is a leading manufacturer of agricultural equipment, with a focus on portable and stationary grain handling, storage and conditioning equipment. AGI sells its products to customers that include small farms, large and corporate farms, commercial grain handling operations (i.e. grain elevators and port facilities), and commercial processors of agricultural commodities. While the majority of AGI's sales are in North America, AGI sells to customers around the world.

For further information regarding the Corporation and its subsidiaries and their respective business activities, see the AIF and the other documents incorporated by reference herein.

## USE OF PROCEEDS

The estimated total net proceeds to be received by AGI from the Offering will amount to approximately \$71,300,000 (\$82,100,000 if the Over-Allotment Option is exercised in full), after deducting the Underwriters' fee in respect of the Debentures issued and sold by the Corporation and the estimated expenses of the Offering. The net proceeds of the Offering will be used to partially fund the Redemption, including the payment of accrued and unpaid interest on the 2009 Debentures at the time of Redemption. The balance of the Redemption of approximately \$42,885,000 (before exercise of the Over-Allotment Option) will be financed by drawdowns under the Corporation's credit facility.

AGI expects to provide formal notice of the Redemption to holders and the trustee of the 2009 Debentures upon closing of the Offering. As the indenture governing the 2009 Debentures requires that 30 days' notice of the Redemption be given, AGI intends to initially use a portion of the net proceeds of the Offering to repay indebtedness under its credit facility, which will then be available to fund the Redemption upon expiry of the 30 day notice period.

AGI expects that the use of proceeds from the Offering will advance its overall business objectives of creating sustainable and profitable growth in the agricultural manufacturing industry both organically and through accretive acquisitions. No significant event needs to occur in order for AGI to achieve such objectives, which remain subject to the normal risks and uncertainties that prevail in the businesses in which AGI is engaged. See "Forward-Looking Statements" and "Risk Factors and Uncertainties" in this short form prospectus and in the AIF and the MD&A.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at September 30, 2013 both before and after giving effect to the Offering and the Redemption. Other than as set forth below, there have not been any material changes in the share or loan capitalization of the Corporation, on a consolidated basis, since September 30, 2013.

| Designation                                               | As at September 30, 2013 before giving effect to the Offering and the Redemption | As at September 30, 2013 after giving effect to the Offering and the Redemption |
|-----------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <i>(in thousands, except share amounts)</i>               |                                                                                  |                                                                                 |
| Long-Term Debt <sup>(1)</sup>                             | \$36,265 <sup>(2)</sup>                                                          | \$79,150 <sup>(3)</sup>                                                         |
| 2009 Debentures                                           | \$111,453 <sup>(4)</sup>                                                         | \$Nil                                                                           |
| Debentures                                                | \$Nil                                                                            | \$67,597 <sup>(5)</sup>                                                         |
| Total Long Term Debt <sup>(1)</sup>                       | \$147,718                                                                        | \$146,747                                                                       |
| Common Shares                                             | \$157,365                                                                        | \$157,365                                                                       |
|                                                           | (12,596,869 Common Shares)                                                       | (12,596,869 Common Shares)                                                      |
| Equity component of convertible debentures <sup>(6)</sup> | \$5,105                                                                          | \$2,668 <sup>(7)(8)</sup>                                                       |

## Notes:

- (1) Long-term debt does not include the current portion of long-term debt or bank indebtedness, which were approximately \$6,000 and \$3,652,000, respectively, as at September 30, 2013. For a description of the Corporation's long-term debt as at September 30, 2013, see Note 12(b) to the Interim Financial Statements.
- (2) This figure excludes the 2009 Debentures, which are considered long term debt.
- (3) This figure excludes the Debentures, which will be considered long term debt, but includes the anticipated drawdown of the credit facility in the amount of \$42,885,000 to partially finance the redemption of the 2009 Debentures.
- (4) 2009 Debentures does not include the equity component of the 2009 Debentures (\$7,475,000) or the financing fees (net of amortization) related to the issuance of the 2009 Debentures (\$1,328,000), but does include accumulated accretion (\$5,371,000). See Note 13 to the Interim Financial Statements.
- (5) The amount of the Debentures is equal to the net proceeds of the Offering after deducting the Underwriters' fee of \$3,000,000, estimated expenses of the Offering related to the liability component of the Debentures of \$508,000, and the pre-tax equity component of the Debentures of approximately \$3,895,000, in each case without giving effect to any Debentures that may be issued upon exercise of the Over-Allotment Option.
- (6) Under IFRS, the convertible debentures of the Corporation, including the Debentures, are, and will be classified as a liability with a portion allocated to equity related to the conversion feature.
- (7) The equity component of the Debentures of \$2,668,000 is net of approximately \$1,035,000 in future taxes that is recorded on issuance of the Debentures and costs related to the issuance of \$192,000, being the equity component's pro rata share of total costs. The related interest payments, amortization of debt issuance costs and amortization of the discount is expensed using the effective interest rate method.
- (8) Excludes the equity component of the Debentures that may be issued upon exercise of the Over-Allotment Option.

**EARNINGS COVERAGE RATIOS**

The following earnings coverages are calculated on a consolidated basis for the twelve-month periods ended December 31, 2012 and September 30, 2013 and are derived from audited financial information, in the case of the twelve months ended December 31, 2012, and unaudited financial information, in the case of the twelve-month period ended September 30, 2013.

The Corporation's borrowing cost requirements, after giving effect to the issue of the Debentures to be distributed under this short form prospectus (before any exercise of the Over-Allotment Option) and the redemption of the 2009 Debentures, would have been approximately \$9,393,000 and \$9,484,000, respectively, for the twelve month periods ended December 31, 2012 and September 30, 2013. AGI's profit before borrowing costs and income tax expense for the twelve month periods ended December 31, 2012 and September 30, 2013 would have been approximately \$38,071,000 and \$42,110,000, respectively, which is approximately 4.1 times and 4.4 times the Corporation's borrowing cost requirement for these periods as set out in more detail below.

|                                        | Twelve months ended                  |                        |                    |                        |
|----------------------------------------|--------------------------------------|------------------------|--------------------|------------------------|
|                                        | December 31, 2012                    |                        | September 30, 2013 |                        |
|                                        | Actual                               | Pro forma              | Actual             | Pro forma              |
|                                        | <i>(in thousands, except ratios)</i> |                        |                    |                        |
| Profit                                 | \$17,188                             | \$19,681               | \$18,637           | \$21,216               |
| Borrowing costs                        | \$13,058                             | \$9,393 <sup>(1)</sup> | \$13,298           | \$9,484 <sup>(1)</sup> |
| Income tax expense                     | \$7,825                              | \$8,998                | \$10,175           | \$11,411               |
| Numerator for earnings coverage ratio  | \$38,071                             | \$38,071               | \$42,110           | \$42,110               |
| Borrowing costs                        | \$13,058                             | \$9,393                | \$13,298           | \$9,484                |
| Earnings coverage ratio <sup>(2)</sup> | 2.9                                  | 4.1                    | 3.2                | 4.4                    |

Notes:

- (1) Pro forma borrowing costs include borrowing costs in respect of the Debentures and assume the redemption of the 2009 Debentures.
- (2) For purposes of calculating the earnings coverage ratios the Debentures have been separated into the liability and equity portions, with the fair value of the debt portion estimated at \$71.1 million and the equity portion estimated at \$3.9 million. The analysis for the Debentures will be finalized after the closing of the Offering. As such, the earnings coverage ratios have been calculated including the accretion for the portion of the Debentures that are reflected in equity in the calculation of the Corporation's interest obligations. If the Debentures had been accounted for in their entirety as debt for the purpose of calculating the earnings coverage ratios, there would be no accretion charges and the ratios for the twelve months ended December 31, 2012 and September 30, 2013 would have been 4.4 and 4.8, respectively.

Under IFRS, the Debentures will be classified on the Corporation's statement of financial position as a liability, with a portion allocated to equity in respect of the conversion feature. Initially, the liability recorded in respect of the Debentures will be equal to their principal amount less the portion allocated to equity in respect of the conversion feature and the amount of the transaction costs related to the issuance of the Debentures. Interest is charged to expense using the effective interest rate method such that at maturity the initial liability in respect of the Debentures will accrete to their principal amount.

The pro forma earnings coverage ratios set forth above (i) give effect to the issuance of the Debentures under this short form prospectus and the redemption of the 2009 Debentures as of the beginning of the applicable period; (ii) assume there are no additional earnings derived from the use of the net proceeds of the Offering; and (iii) do not purport to be indicative of earnings coverage ratios for any future periods.

## DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Debenture Indenture.

### General

The Debentures will be issued under the Debenture Indenture. The Debenture Trustee is the trustee under the Debenture Indenture and the Corporation's transfer agent.

The Debentures to be issued will be in the aggregate principal amount of \$75,000,000 (\$86,250,000 assuming the Over-Allotment Option is exercised in full). The Corporation may, from time to time, without the consent of the Debentureholders, issue additional debentures of a different series under the Debenture Indenture, in addition to the Debentures offered hereby.

The Debentures will be dated as of the closing of the Offering and will have a maturity date of December 31, 2018. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof and will bear interest from and including the date of issue at 5.25% per annum, which will be payable semi-annually in arrears on June 30 and December 31 of each year, commencing on June 30, 2014. The first interest payment will include interest accrued from the date of the closing of the Offering to, but excluding, June 30, 2014. Assuming closing of the Offering occurs on December 17, 2013, the first interest payment payable on June 30, 2014 will be \$28.26 per \$1,000 principal amount of Debentures.

The principal amount of the Debentures is payable in lawful money of Canada or, at the option of the Corporation, subject to the receipt of applicable regulatory approvals and provided that no Event of Default has occurred and is continuing, by delivery of fully paid, non-assessable and freely tradeable Common Shares as further described under "*Method of Payment — Payment of Principal on Redemption or at Maturity*". The interest on the Debentures is payable in lawful money of Canada, including, at the option of the Corporation, in accordance with the Interest Payment Election as described under "*Method of Payment — Interest Payment Election*".

The Debentures are direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under "- Subordination". The Debenture Indenture does not restrict the Corporation from incurring additional indebtedness for borrowed money or otherwise or from mortgaging, pledging or charging the Corporation's properties to secure any indebtedness.

### **Subordination**

The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the full and final payment of all Senior Indebtedness of the Corporation including indebtedness to trade and other creditors of the Corporation. "**Senior Indebtedness**" of the Corporation will be defined in the Debenture Indenture to mean, in effect, the principal of and premium or make-whole amount, if any, and interest, or any other amounts payable thereunder, if any, on all existing and future indebtedness (including any indebtedness to trade creditors), liabilities and obligations of AGI (other than the Debentures), unless it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are *pari passu* with or subordinate in right of payment to Debentures which by their terms are subordinated; and provided that Senior Indebtedness shall not include the indebtedness, liabilities or obligations of a subsidiary of AGI to the extent AGI is a creditor of such subsidiary ranking at least *pari passu* with such indebtedness, liabilities or obligations.

The Debenture Indenture will provide that in the event of any distribution of the assets of AGI on any dissolution, winding-up, total liquidation or reorganization of AGI (whether in bankruptcy, insolvency or receivership proceedings, or upon an "assignment for the benefit of creditors" or any other marshalling of the assets, properties or liabilities of AGI, or otherwise), then the holders of Senior Indebtedness will receive payment in full, or provision will be made for such payment, before the holders of Debentures will be entitled to receive any payment on account of the indebtedness, liabilities and obligations of the Corporation under the Debenture Indenture or the Debentures, whether on account of principal, interest or otherwise.

The Debenture Indenture will also provide that no payment on account of the indebtedness, liabilities and obligations of the Corporation under the Debenture Indenture or the Debentures, whether on account of principal, interest or otherwise, shall be made by AGI: (i) upon the occurrence of a default, an event of default or an acceleration under any Senior Indebtedness or any swap obligation of any Senior Creditor or its affiliates; (ii) upon any default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof; or (iii) if such payment would result in a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof; unless and until such default shall have been cured or waived or shall have ceased to exist, and neither the Debenture Trustee nor the holders of Debentures shall be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without limitation by set-off, combination of accounts or otherwise in any manner whatsoever) on account of the Debentures after the happening of such a default, and unless and until such default shall have been cured or waived or shall have ceased to exist, such payments shall be held in trust for the benefit of, and, if and when such Senior Indebtedness shall have become due and payable, shall be paid over to, the Senior Creditors until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the Senior Creditors.

### **Conversion Rights**

Each Debenture will be convertible into freely tradeable Common Shares at the option of the holder of a Debenture at any time prior to the close of business on the business day immediately preceding the earlier of the Maturity Date and the date specified by the Corporation for redemption of the Debentures, at a conversion price of \$55.00 per Common Share, being a conversion rate of approximately 18.1818 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events. Holders converting their Debentures will not receive accrued and unpaid interest on such Debentures for the period from the last interest payment date (or the date of issue of the Debentures if there has not yet been an interest payment date) unless they convert the Debentures on an interest payment date, in which case they will be entitled to receive such interest payment.

Subject to the provisions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including:

- (a) the subdivision or consolidation of the outstanding Common Shares;
- (b) the distribution or the fixing of a record date for the distribution or issuance to all or substantially all of the holders of Common Shares of:
  - (i) Common Shares or shares of another class other than a dividend paid in the ordinary course or a distribution to holders of Common Shares who have elected to receive such distribution in the form of Common Shares or such other shares in lieu of cash dividends paid in the ordinary course;
  - (ii) a monthly dividend in an amount greater than \$0.20 per Common Share;
  - (iii) certain options, rights or warrants;
  - (iv) evidence of indebtedness of the Corporation; or
  - (v) assets (excluding monthly dividends paid in the ordinary course in an amount not greater than \$0.20 per Common Share); and
- (c) the payment of cash or any other consideration in respect of an issuer bid (other than a normal course issuer bid) by AGI or any of its subsidiaries to shareholders of the Corporation to the extent that the cash and fair market value of any other consideration included in the payment per Common Share exceeds the current market price of the Common Shares on the date of expiry of such issuer bid.

There will be no adjustment of the Conversion Price in respect of any event described in (b) above if the holders of the Debentures are allowed (with the approval of the TSX) to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares, or in the case of any consolidation, amalgamation, arrangement, merger or acquisition of AGI with or into any other entity, or in the case of any sale or conveyance of the assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege will be adjusted so that each holder of a Debenture will, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive, subject to the prior approval of the TSX, the number of Common Shares or other securities or property such holder would be entitled to receive if, on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale, conveyance, liquidation, dissolution or winding-up.

No fractional Common Shares will be issued on any conversion but in lieu thereof the Corporation will satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest less any applicable withholding taxes, if any; provided, however AGI shall not be required to make any payment of less than \$10.00.

## **Redemption**

The Debentures are not redeemable prior to December 31, 2016, except upon the satisfaction of certain conditions after a Change of Control has occurred. On and after December 31, 2016 and prior to December 31, 2017, the Debentures may be redeemed by the Corporation, in whole or in part, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the Current Market Price on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after December 31, 2017, and prior to maturity, the Debentures may be redeemed

by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX, if applicable. The Corporation will have the right to purchase Debentures in the market, by tender or by private contract at any time subject to regulatory requirements.

### **Change of Control**

Within 30 days following the occurrence of a Change of Control, being the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of more than 50% of the outstanding voting securities of AGI, the Corporation will be required to make an offer in writing to purchase, in whole or in part, the Debentures then outstanding, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest earned thereon up to, but excluding, the date of acquisition.

The Debenture Indenture will contain notification and repurchase provisions requiring the Corporation to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly deliver to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Debenture Offer, the Corporation will have the right to redeem all of the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Corporation to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

In addition to the requirement of AGI to make a Debenture Offer in the event of a Change of Control, subject to regulatory approval, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash, (ii) equity securities that are not traded or intended to be traded immediately following such transaction on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transaction on a stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective (the "**Effective Date**") and ending 30 days after the Debenture Offer is delivered to Debentureholders, holders of Debentures will be entitled to convert their Debentures at a new conversion price (the "**Change of Control Conversion Price**") determined in accordance with the terms of the Debenture Indenture provided that the Change of Control Conversion Price is not less than permitted discounts to the market price.

The Change of Control Conversion Price will be calculated as follows:

$$\text{COCCP} = \text{ECP} / (1 + (\text{CP} \times (c/t))) \text{ where:}$$

COCCP is the Change of Control Conversion Price;

ECP = is the Conversion Price in effect on the Effective Date;

CP = 35.8%;

c = the number of days from and including the Effective Date to but excluding December 31, 2017; and

t = the number of days from and including the Closing Date to but excluding December 31, 2017.

## **Method of Payment**

### ***Payment of Principal on Redemption or at Maturity***

On redemption or at maturity of the Debentures, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradeable Common Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional Common Shares will be issued on redemption or at maturity but in lieu thereof the Corporation will satisfy fractional interests by a cash payment equal to the Current Market Price of the fractional interest less any taxes required to be deducted or withheld.

### ***Interest Payment Election***

The Corporation may elect, subject to regulatory approval and provided that no Event of Default has occurred and is continuing, from time to time to satisfy its obligation to pay all or any part of the interest on the Debentures (the "**Interest Obligation**"), on the date it is payable under the Debenture Indenture (an "**Interest Payment Date**"), by delivering a sufficient number of Common Shares to the Debenture Trustee to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the Debenture Indenture (the "**Common Share Interest Payment Election**"). The Debenture Indenture will provide that, upon such election, the Debenture Trustee shall have the power to (a) accept delivery from the Corporation of Common Shares, (b) accept bids with respect to, and consummate sales of, such Common Shares, each as the Corporation may direct in its absolute discretion, (c) invest the proceeds of such sales in Government Obligations (as defined in the Debenture Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such Government Obligations, together with any proceeds from the sale of Common Shares not invested as aforesaid, to satisfy the Interest Obligation, and (d) perform any other action necessarily incidental thereto as directed by the Corporation in its absolute discretion.

The Debenture Indenture will set forth the procedures to be followed by the Corporation and the Debenture Trustee in order to affect the Common Share Interest Payment Election. Neither the Corporation's making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

## **Events of Default and Waiver**

The Debenture Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Debentures: (a) failure for 15 days to pay interest on such Debentures when due; (b) failure to pay the principal of such Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (c) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws; or (d) certain events with respect to the winding-up or liquidation of AGI occur. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion (subject to waiver thereof by the Debentureholders), and will upon request of holders of not less than 25% of the principal amount of the Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Debentures then outstanding may, on behalf of the holders of all such Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders may prescribe.

## Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

The Corporation and the Debenture Trustee may, without the consent or concurrence of the holders of debentures under the Debenture Indenture, by supplemental indenture or otherwise, make any changes or corrections in the Debenture Indenture which they have been advised by counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained therein or in any indenture supplemental thereto.

## Book-Based System for Debentures

On the Closing Date, except with respect to Debentures sold pursuant to Rule 506 of Regulation D or Rule 144A, which shall be represented by definitive, physical certificates registered in the names of the purchasers thereof, (i) the Debentures will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Debentures will not be issued to purchasers; and (iii) purchasers will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant (a "**Participant**") and from or through whom a beneficial interest in the Debentures are purchased.

Neither the Corporation nor the Underwriters or the Debenture Trustee will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and those contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Debentures must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of AGI to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (b) may be unable to pledge Debentures as security.

The Debentures will be issued in fully registered and certificate form (the "**Debenture Certificates**") only if: (a) required to do so by applicable law; (b) the book-based system ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to continue as depository with respect to the Debentures and the Corporation has not appointed a successor depository; (d) the Corporation, at its option, decides to terminate the book-based system; or (e) after the occurrence of an Event of Default, Participants acting on behalf of beneficial owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-based system through CDS is no longer in their best interest, and provided that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture.

Upon the termination of the book-based system on the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify the beneficial owners of the Debentures, through CDS, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as Debenture holders under the Debenture Indenture.

Interest on the Debentures will be paid directly to CDS while the book-based system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered holder by the Debenture Trustee or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS by the Debenture Trustee while the book-based system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares, if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Debenture Indenture.

### **Governing Law**

Each of the Debenture Indenture and the Debentures will be governed by, and will be construed in accordance with, the laws of the Province of Ontario.

### **Stability Rating**

The Corporation has not asked for or received a stability rating, and the Corporation is not aware that it has received any other kind of rating, including a provisional rating, from one or more approved rating organizations for the Debentures.

## **DESCRIPTION OF THE COMMON SHARES**

AGI is authorized to issue an unlimited number of Common Shares. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares.

Each Common Share entitles the holder to receive notice of, to attend, and to one vote at, all meetings of the shareholders of AGI, except meetings of holders of another class of shares. The holders of Common Shares will be, at the discretion of the Board and subject to the preferences accorded to any shares of AGI ranking senior to the Common Shares from time to time with respect to the payment of dividends, entitled to receive any dividends declared by the Board on the Common Shares. The holders of Common Shares will also be entitled, subject to the preferences accorded to holders of any shares of AGI ranking senior to the Common Shares from time to time, to share equally, share for share, in any distribution of the assets of AGI upon the liquidation, dissolution, bankruptcy or winding-up of AGI or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

### **Dividend Policy**

Currently, monthly cash dividends of \$0.20 per Common Share are paid on or about the 15<sup>th</sup> day of each month to Shareholders of record at the end of the previous calendar month. For information respecting historical dividend payments to Shareholders, see "*Dividends*" in the AIF. **The historical dividend payments made by the Corporation may not be reflective of future dividend payments and future dividends are not assured or guaranteed. The amount of future dividend payments on Common Shares will be subject to the discretion of the Board and may vary depending on a variety of factors including, among other things, the prevailing economic and competitive environment, AGI's results of operations and earnings, financial requirements for the operations and growth of the Corporation, the satisfaction of solvency tests imposed by the *Canada Business Corporations Act* for the declaration and payment of dividends, contractual restrictions and financing agreement covenants, fluctuations in working capital, capital expenditure and debt service requirements, and other factors and conditions existing from time to time, which may be beyond the control of the Corporation. See "*Risk Factors and Uncertainties*" in the AIF and the MD&A.**

## PRICE RANGE AND TRADING VOLUME OF SECURITIES

### Common Shares

The following table sets forth trading information for the Common Shares for the periods indicated as reported by the TSX:

| Common Shares  |           |          |           |
|----------------|-----------|----------|-----------|
| Period         | High (\$) | Low (\$) | Volume    |
| <b>2012</b>    |           |          |           |
| December       | 34.08     | 29.16    | 1,387,245 |
| <b>2013</b>    |           |          |           |
| January        | 35.79     | 30.89    | 861,870   |
| February       | 35.90     | 32.67    | 445,306   |
| March          | 35.64     | 31.48    | 838,670   |
| April          | 33.65     | 30.73    | 484,737   |
| May            | 36.39     | 30.11    | 1,050,593 |
| June           | 36.44     | 33.83    | 568,329   |
| July           | 38.57     | 34.10    | 401,223   |
| August         | 38.65     | 35.01    | 365,350   |
| September      | 39.50     | 35.10    | 484,139   |
| October        | 40.99     | 37.62    | 674,178   |
| November       | 41.55     | 36.16    | 1,100,708 |
| December (2-9) | 41.19     | 39.16    | 345,167   |

On November 27, 2013, the last trading price of the Common Shares on the TSX prior to the announcement of the Offering was \$40.55. On December 9, 2013, the closing price of the Common Shares on the TSX was \$40.39.

### 2009 Debentures

The following tables set forth trading information for the 2009 Debentures for the periods indicated as reported by the TSX.

| 2009 Debentures |           |          |                       |
|-----------------|-----------|----------|-----------------------|
| Period          | High (\$) | Low (\$) | Volume <sup>(1)</sup> |
| <b>2012</b>     |           |          |                       |
| December        | 105.00    | 102.51   | 11,410                |
| <b>2013</b>     |           |          |                       |
| January         | 106.39    | 104.00   | 15,450                |
| February        | 106.04    | 103.52   | 57,410                |
| March           | 104.24    | 103.01   | 10,290                |
| April           | 104.28    | 103.10   | 15,844                |
| May             | 104.00    | 102.50   | 15,730                |
| June            | 103.50    | 100.00   | 15,370                |
| July            | 103.75    | 101.61   | 9,991                 |
| August          | 103.30    | 101.69   | 17,100                |
| September       | 102.70    | 101.49   | 12,910                |
| October         | 102.25    | 101.05   | 94,110                |
| November        | 102.49    | 100.50   | 123,615               |
| December (2-9)  | 100.98    | 100.50   | 33,020                |

Note:

(1) Each 2009 Debenture has a principal amount of \$1,000.

### **PRIOR SALES**

The Corporation issued the following Common Shares and securities convertible or exchangeable into Common Shares during the 12 month period prior to the date hereof:

1. In December 2012 an aggregate of 2,107 Common Shares were issued to certain of AGI's directors pursuant to awards granted under AGI's DDCP. The awards were granted based on a weighted average trading price of \$30.73.
2. In December 2012 awards entitling the directors of AGI to receive an aggregate of 2,525 Common Shares were granted pursuant to AGI's DDCP based on a weighted average trading price of \$31.33.
3. In January 2013 awards entitling certain executive officers to receive an aggregate of 260,000 Common Shares were granted pursuant to AGI's SAIP based on a closing price of \$31.49.
4. In March 2013 awards entitling the directors of AGI to receive an aggregate of 2,585 Common Shares were granted pursuant to AGI's DDCP based on a weighted average trading price of \$32.92.
5. In April 2013 AGI issued 2,533 Common Shares pursuant to its DRIP at a price per Common Share of \$31.72.
6. In May 2013 AGI issued 7,576 Common Shares pursuant to its DRIP at a price per Common Share of \$31.24.
7. In June 2013 AGI issued 10,450 Common Shares pursuant to its DRIP at a price per Common Share of \$33.01.
8. In June 2013 awards entitling the directors of AGI to receive an aggregate of 2,256 Common Shares were granted pursuant to AGI's DDCP based on a weighted average trading price of \$35.24.
9. In July 2013 AGI issued 9,393 Common Shares pursuant to its DRIP at a price per Common Share of \$35.38.
10. In August 2013 AGI issued 9,311 Common Shares pursuant to its DRIP at a price per Common Share of \$35.88.
11. In August 2013 awards entitling certain executive officers to receive an aggregate of 63,000 Common Shares were granted pursuant to AGI's SAIP based on a closing price of \$38.17.
12. In September 2013 AGI issued 9,503 Common Shares pursuant to its DRIP at a price per Common Share of \$35.34.
13. In September 2013 awards entitling the directors of AGI to receive an aggregate of 1,839 Common Shares were granted pursuant to AGI's DDCP based on a weighted average trading price of \$37.32.
14. In October 2013 AGI issued 8,605 Common Shares pursuant to its DRIP at a price per Common Share of \$37.90.
15. In November 2013 AGI issued 8,705 Common Shares pursuant to its DRIP at a price per Common Share of \$36.77.

### **PLAN OF DISTRIBUTION**

Under the Underwriting Agreement, the Corporation has agreed to issue and sell to the Underwriters, and the Underwriters have agreed to purchase, as principals, on or about December 17, 2013 or on such later date as AGI

and the Underwriters may agree, an aggregate of \$75,000,000 principal amount of Debentures at a price of \$1,000 per Debenture, for total gross proceeds to the Corporation of \$75,000,000 payable in cash to the Corporation against delivery by the Corporation of the Debentures. Under the Underwriting Agreement, in consideration for their services in connection with the Offering, AGI has agreed to pay the Underwriters, on closing of the Offering, a fee of \$40 per \$1,000 principal amount of Debentures sold under the Offering, for an aggregate fee payable by the Corporation of \$3,000,000. The offering price for the Debentures offered hereunder was determined by negotiation between AGI and TD Securities Inc., on its own behalf and on behalf of the other Underwriters.

AGI has granted to the Underwriters the Over-Allotment Option to purchase up to 15% of the principal amount of the Debentures issued (or up to an additional \$11,250,000 principal amount of Debentures) at a price of \$1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, in the sole discretion of TD Securities Inc., on behalf of the Underwriters, at any time up until 30 days after the closing of the Offering for the purposes of covering the Underwriters' over-allocation position. If the Over-Allotment Option is exercised in full, the price to the public, Underwriters' fee and net proceeds to AGI (before deducting expenses of the Offering) will be \$86,250,000, \$3,450,000 and \$82,800,000, respectively. This short form prospectus also qualifies for distribution the grant of the Over- Allotment Option and the issuance of the Debentures pursuant to the exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the occurrence of certain stated events. Such events include, but are not limited to: (i) the occurrence or discovery of any material change in the assets, liabilities (contingent or otherwise), financial condition, properties, business, affairs, operations, results of operations, income, cash flow or capital of AGI or its subsidiaries, or any change in any material fact contained or referred to in this short form prospectus, which in the reasonable opinion of any Underwriter, or any of them, would reasonably be expected to have a material adverse effect on the market price or value of the Common Shares or the Debentures; and (ii) the development, occurrence or coming into effect of any occurrence of national or international consequence, or any action, law or regulation, inquiry, which, in the reasonable opinion of the Underwriters, seriously adversely affects, or will seriously adversely affect, the financial markets or the business of AGI and its subsidiaries, taken as a whole, such that, in the reasonable opinion of the Underwriters, the Debentures cannot be profitably marketed. The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of the Debentures are purchased under the Underwriting Agreement. The obligations of the Underwriters to purchase the Debentures are several (and not joint or joint and several). The terms of the Offering and the price of the Debentures have been determined by negotiation between the Corporation and the Underwriters. Under the Underwriting Agreement, the Corporation has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, employees and agents against certain liabilities on a joint (and not several or joint and several) basis.

AGI has agreed with the Underwriters that it will not, for the period commencing on November 27, 2013 and ending 90 days after the Closing Date, issue, sell, agree to issue or sell, or announce an intention to issue or sell any additional Common Shares, Debentures or any securities convertible into or exchangeable for Common Shares, except in connection with the exercise of the Over-Allotment Option or the exchange, transfer, conversion or exercise of Debentures or existing outstanding securities or commitments to issue securities pursuant to the Corporation's existing equity compensation plans, without the consent of TD Securities Inc. on behalf of the Underwriters, such consent not to be unreasonably withheld.

The TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion thereof. Listing will be subject to AGI fulfilling all of the listing requirements of the TSX on or before February 28, 2014. **There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "Risk Factors and Uncertainties".**

Pursuant to the policy statements or rules of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures other than pursuant to the Underwriting Agreement. The foregoing restriction is subject to exceptions, including (i) a bid or purchase permitted under Universal Market Integrity Rules; and (ii) a bid or purchase made for and on behalf of a customer where the order

was not solicited during the period of distribution, provided that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. The Corporation has been advised by the Underwriters that, in connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions that stabilize or maintain the market price of the Debentures at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Debentures to the public at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Debentures at that price, the offering price to the public of the Debentures may be decreased and may be further changed from time to time to an amount not greater than the offering price set out on the cover page of this short form prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Debentures is less than the price paid by the Underwriters to the Corporation. Any such reduction will not affect the proceeds received by the Corporation.

Neither the Debentures offered hereby nor the Common Shares issuable upon conversion, redemption or maturity of the Debentures have been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

### **RELATIONSHIP AMONG AGI AND CERTAIN UNDERWRITERS**

TD Securities Inc., National Bank Financial Inc. and CIBC World Markets Inc. are affiliates of members of a syndicate that has made credit facilities available to AGI. Consequently, the Corporation may be considered a "connected issuer" of TD Securities Inc., National Bank Financial Inc. and CIBC World Markets Inc. under applicable securities legislation. As at November 30, 2013, approximately \$10.53 million of indebtedness was outstanding under those credit facilities and AGI was in compliance in all material respects with the terms and conditions thereof and no breach of the agreement establishing those facilities has been waived by the lenders thereto. There has been no material change in the financial position of the Corporation since the establishment of those credit facilities, except as previously disclosed by the Corporation or as described elsewhere in this short form prospectus or the documents incorporated by reference herein. The decision by the Underwriters to purchase the Debentures was made independently of their affiliated lenders, and those lenders had no influence as to the determination of the terms of the distribution of the Debentures. The offering price of the Debentures and the other terms and conditions of the Offering were established through negotiations with the Corporation and the Underwriters, without involvement of their affiliated lenders. In addition, none of TD Securities Inc., National Bank Financial Inc. and CIBC World Markets Inc., nor their affiliate lenders, will receive any benefit from the Offering, other than these Underwriters' respective portion of the Underwriters' fee payable by the Corporation.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters (collectively, "**Counsel**"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Debentures by a holder who acquires Debentures pursuant to this short form prospectus and to the acquisition, holding and disposition of Common Shares acquired on the conversion, redemption or maturity of the Debentures. This summary is applicable to a holder (a "**Holder**") who, for purposes of the Tax Act and at all relevant times deals at arm's length with the Corporation and holds the Debentures and any Common Shares acquired under the terms of the Debentures as capital property. Generally, Securities will be considered to be capital property to a Holder provided that the Holder does not hold the Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules), (ii) an interest in which would be a "tax shelter investment" as defined in the Tax Act, (iii) that is a "specified financial institution" as defined in the Tax Act or (iv) a Holder whose functional currency for the purposes of the Tax Act is the currency of a country other than Canada. Any such Holders should

consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Securities.

This summary is of a general nature only and is based upon the facts set out herein, the current provisions of the Tax Act, all proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and Counsel's understanding of the administrative and assessing policies and practices of the Canada Revenue Agency ("**CRA**") published in writing by the CRA prior to the date hereof. There can be no assurance that the Tax Proposals will be implemented in their current form or at all. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law whether by legislative, governmental or judicial action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed in this short form prospectus. There can be no assurances that the CRA will not change its administrative and assessing policies and practices. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the Corporation or the tax consequences of investing in the Securities.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Securities will vary depending on the Holder's particular circumstances. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser of Securities. Consequently, a prospective Holder should consult the Holder's own tax advisor for advice with respect to the tax consequences of an investment in Securities based on the prospective Holder's particular circumstances.**

## **Residents of Canada**

This portion of the summary is applicable to a Holder who, for the purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada (a "**Resident Holder**").

Certain Resident Holders who might not otherwise be considered to hold their Debentures or Common Shares as capital property may, in certain circumstances, be entitled to have them (and every other "Canadian security" owned by the taxpayer in that taxation year or any subsequent taxation year) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Resident Holders of Debentures or Common Shares should consult their own tax advisors regarding their particular circumstances.

This portion of the summary does not apply to a Resident Holder who has entered into or will enter into a "derivative forward agreement" as that term is defined in the Tax Proposals with respect to the Securities.

## **Debentures**

### ***Interest on Debentures***

A Resident Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Resident Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the Resident Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year.

Any other Resident Holder of Debentures will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by such Resident Holder in that taxation year (depending upon the method regularly followed by the Resident Holder of Debentures in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Resident Holder, such Resident Holder will be

required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Debenture up to any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Resident Holder's income for that year or a preceding year.

A Resident Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay the refundable tax of 6½% on its "aggregate investment income", which, as defined in the Tax Act, includes interest income.

As described above under the heading "*Description of the Debentures - Method of Payment –Interest Payment Election*", the Corporation may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to a cash payment from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Corporation was to satisfy an Interest Obligation in this manner, the Canadian federal income tax consequences to a Resident Holder would not differ from those described above.

### ***Exercise of Conversion Privilege***

A Resident Holder of Debentures that converts a Debenture into Common Shares (or Common Shares and cash in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture, and accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or a capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives upon conversion by the amount of the cash received.

The aggregate cost to a Resident Holder of the Common Shares acquired on the conversion will generally be equal to the Resident Holder's adjusted cost base of the Debenture immediately before the conversion. For the purpose of determining the adjusted cost base to a Resident Holder of Common Shares so acquired at any time, the cost of such Common Shares will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at the time.

Upon a conversion of a Debenture, interest accrued thereon to the date of conversion will generally be included in computing the income of the Resident Holder as described above under "*Interest on Debentures*".

### ***Dispositions of Debentures***

A disposition or deemed disposition of a Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Resident Holder's right of conversion as described above, will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Resident Holder, the Resident Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received, but not including amounts in respect of interest, as described below. The Resident Holder's adjusted cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. For the purposes of determining the adjusted cost base to a Resident Holder of Common Shares so received at any time, the cost of such Common Shares will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Any amount paid by the Company as a penalty or bonus because of the redemption or purchase for cancellation of a Debenture will generally be deemed to be interest received at the time of the payment by the Resident Holder to the extent that such amount can reasonably be considered to relate to, and does not exceed the value of, at the time of the payment, the interest that, but for the redemption or purchase for cancellation, would have been paid or payable by the Company on the Debenture as interest for a taxation year of the Company ending after the time of the payment.

Upon a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will be included in computing the income of the Resident Holder as described above under "*Interest on Debentures*", and will be excluded in computing the Resident Holder's proceeds of disposition of the Debenture.

A Resident Holder who has over accrued interest income on the Debenture will generally be entitled to a deduction in computing the Resident Holder's income for a taxation year in which a Debenture is disposed of (including on conversion) for an amount equal to such over accrued income.

## **Common Shares**

### ***Dividends on Common Shares***

Dividends received or deemed to be received on Common Shares will be included in the recipient's income for the purposes of the Tax Act. Such dividends received by a Resident Holder who is an individual will be subject to the gross up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from "taxable Canadian corporations" (as defined in the Tax Act).

In the case of a Resident Holder that is a corporation, dividends received or deemed to be received on the Common Shares will be required to be included in computing the Resident Holder's income for the taxation year in which such dividends are received and will generally be deductible in computing the Resident Holder's taxable income. A Resident Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual or a related group of individuals may be liable under Part IV of the Tax Act to pay a refundable tax of 33⅓% on dividends received on the Common Shares to the extent that such dividends are deductible in computing the holder's taxable income.

### ***Disposition of Common Shares***

A disposition or deemed disposition of a Common Share by a Resident Holder (other than a disposition to the Corporation or in a tax deferred transaction), will generally result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Common Share to the Resident Holder immediately before the disposition. See "*Taxation of Capital Gains or Capital Losses*".

### ***Taxation of Capital Gains and Capital Losses***

Generally, one-half of any capital gain realized or deemed to be realized by a Resident Holder on a disposition of capital property in a taxation year will be included in the Resident Holder's income as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized or deemed to be realized by such a Resident Holder generally is deducted from any taxable capital gains realized by the holder in the year of disposition, and any excess may be deducted against taxable capital gains in any of the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances allowed under the Tax Act.

If the Resident Holder is a corporation, any capital loss realized on the disposition of a Common Share may in certain circumstances be reduced by the amount of any dividends which have been received or which are deemed to have been received on the Common Share. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, whether directly or indirectly through another partnership or trust.

Taxable capital gains realized by a Resident Holder who is an individual (including certain trusts) may give rise to a liability for alternative minimum tax depending on the Resident Holder's circumstances.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax at a rate of 6½% on certain investment income, including taxable capital gains.

### **Holders Not Resident in Canada**

The following discussion applies to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada and does not, and is not deemed to, use or hold the Securities, in carrying on a business in Canada (a "**Non-Resident Holder**"). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act).

The following portion of this summary is also not applicable to a Non-Resident Holder that is at any time a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of the Company or that does not at any time deal at arm's length for purposes of the Tax Act with a "specified shareholder" of the Company. Generally, for this purpose, a "specified shareholder" is a person that owns, has a right to acquire or is otherwise deemed to own, either alone or together with persons with whom such person does not deal at arm's length for purposes of the Tax Act, shares of the Company's capital stock that either (i) give the holders of such shares 25% or more of the votes that could be cast at an annual meeting of the shareholders or (ii) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of the Company's capital stock. Such Non-Resident Holders should consult their own tax advisors.

### ***Interest on Debentures***

Interest paid or credited, or deemed to be paid or credited (including any accrued interest on sales or transfers described below) to a Non-Resident Holder who acquires all of the beneficial interest in a Debenture will generally not be subject to Canadian withholding tax.

### ***Exercise of Conversion Privilege***

A Non-Resident Holder will not be subject to tax under the Tax Act on a conversion of a Debenture if the Debenture does not constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of conversion.

Generally, the conversion of a Debenture into only Common Shares on the exercise of a conversion privilege by a Non-Resident Holder will be deemed not to constitute a disposition of the Debenture, and, accordingly, a Non-Resident Holder will not recognize a gain or loss on such conversion (even if the Debenture constitutes "taxable Canadian Property" of the Non-Resident Holder at the time of the conversion). On the conversion of a Debenture by a Non-Resident Holder into Common Shares and cash in lieu of a fraction of such Common Shares, if such Common Shares constitute "taxable Canadian property" to the Non-Resident Holder, as discussed below, and if the value of such cash does not exceed \$200, under the current administrative practice of the CRA, the Non-Resident Holder may choose to (i) treat this amount as proceeds of disposition and calculate and report a gain or loss and pay tax in Canada subject to relief under the Tax Treaty, or (ii) reduce, by the amount of cash received, the adjusted cost of such Common Shares received.

### ***Disposition of Debentures and Common Shares***

A Non-Resident Holder will not generally be subject to tax under the Tax Act on a disposition of a Debenture (including as a result of a redemption, payment on maturity or pursuant to the Cash Conversion Option or purchase for cancellation) or a Common Share, as the case may be, unless the Debenture or Common Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

As long as the Common Shares are then listed on a designated stock exchange (which currently includes the TSX), the Debentures and the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder unless at any time during the 60-month period immediately preceding the disposition of the Debenture or Common Share, as the case may be: (i) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the capital stock of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interests in, such properties. Pursuant to Tax Proposals released July 12, 2013, the ownership test will include Common Shares held by a partnership in which the Non-Resident Holder or any non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships).

**Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, shares which are not otherwise taxable Canadian property could be deemed to be taxable Canadian property. A Non-Resident Holder whose Debentures or Common Shares are taxable Canadian property should consult their own tax advisors with respect to the consequences of disposing of a Debenture or a Common Share.**

### ***Dividends on Common Shares***

Where a Non-Resident Holder receives or is deemed to receive a dividend on Common Shares, the amount of such dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder's country of residence. Where the Non-Resident Holder is a resident of the United States who is entitled to benefits under the *Canada-United States Income Tax Convention* (1980) and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

## **RISK FACTORS AND UNCERTAINTIES**

*An investment in the Debentures and the Common Shares involves certain risks and investment considerations which are described in the AIF and the MD&A, including those listed herein under "Forward-Looking Statements". Investors should carefully consider, in light of their own financial circumstances, such factors as well as those set out below and the other information contained or incorporated by reference in this short form prospectus.*

### **Risk Inherent in an Investment in the Debentures**

#### ***Market for Debentures***

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. Although the TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion thereof, listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before February 28, 2014. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the price at which the Debentures trade may be adversely affected.

The market price of the Debentures may be volatile and subject to wide fluctuations and will be based on a number of factors, including: (i) the prevailing interest rates being paid by companies similar to the Corporation; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) actual or anticipated fluctuations in the financial condition, results of operations and prospects of the Corporation; (vi) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vii) the market price and volatility of the Common Shares; (viii) changes in the industry in which the Corporation operates and competition affecting the Corporation; and (ix) general market and economic conditions in North America and globally.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

### ***Prior Ranking Indebtedness***

The Debentures will be subordinate to all Senior Indebtedness of the Corporation and to any indebtedness of trade creditors of the Corporation. The Debentures will also be effectively subordinate to claims of creditors of the Corporation's subsidiaries for payment of which the Corporation is responsible or liable, whether absolutely or contingently. Therefore, if the Corporation becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Corporation's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.

### ***Absence of Covenant Protection***

The Debenture Indenture will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness. Nor will the Debenture Indenture prohibit or limit the ability of the Corporation to pay dividends, except where an Event of Default has occurred and such default has not been cured or waived. The Debenture Indenture will not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation.

### ***Prevailing Yields on Similar Securities***

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

### ***Possible Dilutive Effects on Holders of Common Shares***

The Corporation may determine to redeem outstanding Debentures for Common Shares or repay outstanding principal amounts of the Debentures at maturity by issuing additional Common Shares. Accordingly, holders of Common Shares may suffer dilution.

### ***Credit Risk and Earnings Coverage Ratios***

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Corporation and its creditworthiness. See "*Earnings Coverage Ratios*", which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Debentures when due.

### ***Redemption Prior to Maturity***

The Debentures may be redeemed, at the option of the Corporation, in whole or in part at any time on and after December 31, 2017, subject to certain conditions, at a price equal to the principal amount thereof plus accrued and unpaid interest. Holders of Debentures should understand that this redemption option may be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interests of the Corporation to redeem the Debentures. See "*Description of the Debentures – Redemption*".

### ***Change of Control***

The Corporation will be required to make an offer to purchase all of the outstanding Debentures for cash in the event of certain transactions that would constitute a Change of Control. The Corporation cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be

able to arrange financing to pay the purchase price of the Debentures in cash. The Corporation's ability to purchase the Debentures in such an event may be limited by law, by the Debenture Indenture governing the Debentures, by the terms of other present or future agreements relating to the Corporation's credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Debentures without the consent of the lenders or other parties thereunder. If the Corporation's obligation to offer to purchase the Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Debentures, the Corporation could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain a consent or refinance these borrowings, the Corporation could remain prohibited from purchasing the Debentures. The Corporation's failure to purchase the Debentures would constitute an Event of Default under the Debenture Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

In the event that Debentureholders holding 90% or more of the Debentures have tendered their Debentures for purchase pursuant to the Debenture Offer, the Corporation may redeem the remaining Debentures on the same terms. In such event, the conversion privilege associated with the Debentures would be eliminated. See *"Description of the Debentures — Change of Control"*.

### ***Conversion Following Certain Transactions***

Pursuant to the Debenture Indenture, in the event of certain transactions each Debenture will become convertible into the securities, cash or property receivable by a Shareholder in accordance with such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Corporation were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors. See *"Description of the Debentures - Conversion Rights"*.

### ***Volatility of Market Price of Common Shares***

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at an advantageous price and may result in greater volatility in the market price of the Debentures than would otherwise be expected for non-convertible securities. Market price fluctuations in the Common Shares may be due to actual or anticipated fluctuations in the financial condition, results of operations and prospects of the Corporation, the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under *"Forward-Looking Statements"*. In addition, the market price for securities in the stock markets have at times experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Common Shares.

### ***Change in Tax Laws***

The Debenture Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. At present, no amount is required to be withheld from such payments to holders of Debentures resident in Canada or in the United States who deal at arm's length with the Corporation, but no assurance can be given that applicable income tax laws or treaties will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

### ***Withholding Tax***

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm's length. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has recently stated that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants sent to the CRA on May 10, 2010) and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The Debentures should generally meet the criteria set forth in the CRA's recent statement.

### ***Investment Eligibility***

The Corporation will endeavour to ensure that the Debentures continue to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such plans.

### ***Additional Risks Relating to the Corporation***

#### ***Tax Consequences of Corporate Conversion***

In June 2009, AGI converted to a corporate structure. As part of an ongoing review of the conversion by the CRA, in November 2013, AGI received a proposal letter from the CRA indicating that it intends to challenge the tax consequences of the conversion to eliminate certain tax attributes resulting therefrom. Although AGI is confident in the appropriateness of its tax filing position and intends to continue to file its future tax returns on a basis consistent with such view, it may not be able to resolve the matter with the CRA in a manner satisfactory to AGI and therefore may receive Notice(s) of Reassessment from the CRA, following which, if AGI wishes to dispute the Notice(s) of Reassessment, it will be required to file Notice(s) of Objection with the CRA's appeals division and deposit with the CRA an amount equal to 50% of the income tax payable pursuant to such Notice(s) of Reassessment together with interest and penalties. For the period from June 2009 through September 2013, AGI estimates that the income tax otherwise payable that was offset through the use of the tax attributes related to the conversion was approximately \$27 million and accordingly the amount of the deposit for such period would be approximately \$13.5 million, plus interest and penalties. The deposit will be held by the CRA until the matter is resolved. AGI anticipates that the appeals process and any subsequent legal proceedings commenced to adjudicate the matter may take between two to four years. If successful in its appeal of the CRA's challenge, the deposit will be returned with interest; however, if AGI is unsuccessful in defending its position as to the income tax consequences of the conversion, it will be required to pay the remaining 50% of the income tax otherwise payable that was offset through the use of the tax attributes, plus interest and any penalties that may be assessed and will be denied the use

of the remaining unutilized tax attributes. The forfeiture of the deposit and the requirement to pay the remaining portion of the income tax otherwise payable, plus interest and penalties, as well as the denial of the use of the remaining unutilized tax attributes related to the conversion could have a material adverse effect on the financial results and position of AGI and could adversely affect the market prices of the Debentures and the Common Shares.

### **EXPERTS**

Certain legal matters in connection with the issuance of the Debentures and the Common Shares issuable upon conversion of the Debentures offered hereby will be passed upon on behalf of the Corporation by Burnet, Duckworth & Palmer LLP, and on behalf of the Underwriters by Stikeman Elliott LLP. As of the date of this short form prospectus, partners and associates of Burnet, Duckworth & Palmer LLP, as a group, and partners and associates of Stikeman Elliott LLP, as a group, each owned, beneficially or of record, less than 1.0% of the outstanding Common Shares.

Ernst & Young LLP have confirmed that they are independent within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of Manitoba.

### **PURCHASERS' CONTRACTUAL RIGHTS**

In the event that this short form prospectus or any amendment thereto contains a misrepresentation, original purchasers of Debentures that have exercised the conversion privilege and converted their Debentures into Common Shares will have a contractual right of rescission against the Corporation entitling them to receive from the Corporation, upon surrender of the Common Shares issued upon such conversion, the amount paid for such Debentures, provided that such right of rescission is exercised within 180 days of the date of the purchase of the Debentures under this short form prospectus.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. The right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of convertible debentures, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the convertible debenture is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

**CERTIFICATE OF THE CORPORATION**

Dated: December 10, 2013

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than Quebec.

**AG GROWTH INTERNATIONAL INC.**

(Signed) Gary Anderson  
President and Chief Executive Officer

(Signed) Steve Sommerfeld  
Executive Vice President and Chief  
Financial Officer

**On behalf of the Board of Directors of Ag Growth International Inc.**

(Signed) William Lambert  
Director

(Signed) William S. Maslechko  
Director

**CERTIFICATE OF THE UNDERWRITERS**

Dated: December 10, 2013

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada other than Quebec.

**TD SECURITIES INC.**

(Signed) Peter Giacomelli

**NATIONAL BANK FINANCIAL INC.**

(Signed) Noam Silberstein

**CIBC WORLD MARKETS INC.**

(Signed) Jason Stefanson

**SCOTIA CAPITAL INC.**

(Signed) Russell Green

**CORMARK SECURITIES INC.**

(Signed) Chris Shaw

**ALTACORP CAPITAL INC.**

(Signed) William Murray

**CANTOR FITZGERALD  
CANADA CORPORATION**

(Signed) Laurence Rose

**LAURENTIAN BANK  
SECURITIES INC.**

(Signed) Tyler Wirvin

**PARADIGM CAPITAL INC.**

(Signed) Chris Seto