



**CANADIAN  
HIGH INCOME  
EQUITY  
FUND**

**DISTRIBUTION REINVESTMENT PLAN**

## **Introduction**

Canadian High Income Equity Fund (“the **“Fund”**”) has established a distribution reinvestment plan (the **“Plan”**) to provide holders (the **“Unitholders”**) of units (the **“Units”**) with a means to reinvest distributions on Units (the **“Distributions”**) declared and payable to them in additional Units (the **“Plan Units”**), as described herein. Subject to obtaining all required regulatory approvals, the Plan will be effective as of June 9, 2014.

Distributions on Units (and on Plan Units) will be reinvested on behalf of those Unitholders who participate in the Plan (the **“Plan Participants”**) by Equity Financial Trust Company, as agent under the Plan (the **“Plan Agent”**) on the terms and conditions contained in the Fund’s distribution reinvestment agency agreement (the **“Agreement”**). The material provisions of the Agreement are summarized below.

## **Participation in the Plan**

A Unitholder may elect to become a Plan Participant by notifying CDS Clearing & Depository Services Inc. (**“CDS”**) via the applicable participant (the **“CDS Participant”**) in CDS’ depository service through which such Unitholder holds their Units that the Unitholder wishes to become a Plan Participant and participation will continue until the notice is withdrawn or the Plan is cancelled. The CDS Participant shall, on behalf of such Unitholder, provide notice to CDS of such Unitholder’s participation in the Plan at any time up to 5:00 p.m. (Toronto time) on the Record Date in respect of each Distribution in which the Unitholder intends to participate.

Participation in the Plan is restricted to Unitholders who are residents of Canada.

## **Administration**

The Fund shall pay to the Plan Agent, on behalf of the Plan Participants, all amounts paid as Distributions (including on Plan Units) for which Plan Participants are the owners of record on the last business day of the calendar month (the **“Record Date”**) immediately preceding the date on which the Fund makes a Distribution to Unitholders (each such date being a **“Distribution Date”**). The Plan Agent shall purchase Plan Units for the Plan Participants on the terms and conditions set out below under **“Purchase of Units by the Plan Agent”** and in the Agreement. The Plan Agent shall not be obligated to expend any of its own funds in carrying out its duties under the Agreement and shall not be liable for failing to do so.

The Fund will not have a fixed monthly Distribution but may make Distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager. The Manager will determine and announce each year in January an expected Distribution amount to be paid by the Fund for the following 12 months. If the Manager determines it is in the best interests of the Unitholders, it may amend the Distribution during the year.

Plan Units will be credited by CDS for the benefit of a Plan Participant to the account of the applicable CDS Participant through whom a Plan Participant holds Units.

### **Purchase of Units by the Plan Agent**

Distributions due to the Plan Participants will be applied, on behalf of Plan Participants, to purchase Plan Units. Such purchases will either be made from the Fund or in the market. If the weighted average trading price on The Toronto Stock Exchange (the "TSX") (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Distribution Date, plus applicable commissions and brokerage charges (the "Market Price") is less than the Net Asset Value per Unit (as determined in accordance with the Agreement) on the Distribution Date, the Plan Agent shall apply the Distributions either to purchase Plan Units in the market or from treasury as follows. Purchases in the market will be made by the Plan Agent on an orderly basis during the 10 trading day period following the Distribution Date and the price paid for those Plan Units will not exceed 115% of the Market Price of the Units. On the expiry of that period, the unused part, if any, of the Distributions attributable to the Plan Participants will be used to purchase the Plan Units from the Fund at the higher of (i) the Net Asset Value per Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date.

If the Market Price is equal to or greater than the Net Asset Value per Unit, the Plan Agent shall apply the Distributions to the purchase of Plan Units from the Fund through the issue of new Units at the higher of (i) the Net Asset Value per Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date.

The Plan Units purchased from the Fund's treasury or in the market will be allocated on a *pro rata* basis to the Plan Participants based on their respective entitlement to the Distributions used to purchase Plan Units.

### **Insufficient Funds**

The Plan Agent shall not be obligated to purchase any Units in the event of any NSF activity or insufficient funds for a Plan Participant.

### **Fractional Units**

No fractional Units will be issued under the Plan. On a monthly basis, a cash adjustment for any fractional Units will be paid by the Plan Agent to CDS. In accordance with CDS policies, CDS will in turn credit such cash adjustment to the Plan Participants via the applicable CDS Participants.

## **Certificates**

Certificates representing Plan Units purchased under the Plan will not be issued to Plan Participants.

## **Voting of Plan Units**

Plan Units may be voted in the same manner as the Plan Participants' Units of record may be voted.

## **Administrative Costs**

All administrative costs associated with the operation of the Plan will be borne by the Fund as set out in the Agreement.

## **Use of Proceeds**

Proceeds received by the Fund upon the purchase of Plan Units will be invested in accordance with the investment objectives and investment strategy, and subject to the investment restrictions, of the Fund.

## **Responsibilities of the Fund, the Investment Manager, the Manager and the Plan Agent**

None of the Fund, Bloom Investment Counsel, Inc. (the "**Investment Manager**"), Brompton Funds Limited (the "**Manager**") or the Plan Agent shall be liable for any act done by any of them in good faith or for any good faith omission to act. In particular, none of the Fund, the Investment Manager, the Manager or the Plan Agent shall have any liability with respect to the prices at which Plan Units are purchased for the Plan Participants' accounts or the times at which such purchases are made.

**Plan Participants should recognize that none of the Fund, the Investment Manager, the Manager nor the Plan Agent can assure a gain or protect against loss as a result of Plan Participants holding Plan Units.**

## **Amendments, Suspension or Termination of the Plan and the Plan Agent**

The Fund may terminate the Plan in its sole discretion, upon not less than 30 days' notice to (i) the Plan Participants via the CDS Participants through which the Plan Participants hold their Units and (ii) the Plan Agent. The Fund may also amend, modify or suspend the Plan at any time in its sole discretion in accordance with the Agreement, provided that (i) it gives notice of the amendment, modification or suspension to Plan Participants via the CDS Participants through which the Plan Participants hold their Units and the Plan Agent, and (ii) any amendments or modifications to the Plan must be pre-cleared by the TSX. The Fund may, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan. The Fund is not required to issue Units into any jurisdiction where that issuance would be illegal.

The Fund may, in its sole discretion, and upon at least 90 days' written notice to the Plan Agent, remove the Plan Agent and appoint any person or entity licensed to carry on the business of a trustee in Ontario as the Plan Agent.

Similarly, the Plan Agent may resign as agent under the Plan upon at least 90 days' written notice to the Fund and upon delivery to the Fund of all documents and monies being held by the Plan Agent on the Fund's behalf pursuant to the Agreement. Should the Fund fail to appoint a successor to the Plan Agent on or prior to the end of the applicable notice period, the Plan will terminate.

### **Notices**

All notices required to be given to the Plan Participants will be given via the CDS Participants through which they hold their Units.

Written communications to the Plan Agent should be addressed to:

Equity Financial Trust Company  
300 - 200 University Ave.  
Toronto, ON M5H 4H1

Attention: Lori Winchester  
Facsimile: (416) 361-0470

Written communications to the Fund should be addressed to:

Canadian High Income Equity Fund  
c/o Brompton Funds Limited  
Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place  
181 Bay Street  
Toronto, ON M5J 2T3

Attention: Chief Financial Officer  
Facsimile: (416) 642-6001