

**ANNUAL INFORMATION FORM**

**Units**

**March 27, 2015**

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this annual information form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Manager believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form.

In particular, this annual information form may contain forward-looking statements pertaining to distributable cash and Distributions. The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this annual information form. The Manager does not undertake any obligation to publicly update or revise any forward-looking statements.

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## GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Additional Distribution**” means, with respect to any taxation year of the Fund, the amount, if any, by which the aggregate of the Net Income and Net Realized Capital Gains, less any Net Realized Capital Gains the tax on which would be refundable to the Fund in the current year under Part I of the Income Tax Act for such taxation year exceeds the aggregate of the Distributions paid or payable by the Fund to Unitholders for such taxation year.

“**Annual Redemption Amount**” means a redemption price per Unit surrendered for redemption on the Annual Redemption Date that is equal to 100% of the Net Asset Value per Unit less any costs and expenses associated with the redemption.

“**Annual Redemption Date**” means the second last Business Day of September of each year.

“**Annual Redemption Payment Date**” means the tenth Business Day of the month immediately following an Annual Redemption Date.

“**Brompton**” means the Brompton Group of companies.

“**Brompton Funds**” means Brompton Corp., and its wholly owned subsidiary Brompton Funds Limited, which acts as manager of the Fund. Brompton Corp. is in the business of managing investment funds.

“**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**Closing Market Price**” means the closing price of the Units on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) on a calculation date or, if there was no trade on the relevant calculation date, the average of the last bid and the last asking prices of the Units on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX).

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means CIBC Mellon Global Securities Services Company in its capacity as custodian under the Custodian Agreement as appointed from time to time by the Manager.

“**Custodian Agreement**” means the custodian agreement entered into by the Manager, on behalf of the Fund, the Custodian, CIBC Mellon Trust Company, Canadian Imperial Bank of Commerce and The Bank of New York Mellon dated as of February 18, 2010, as it may be amended from time to time.

“**Declaration of Trust**” means the declaration of trust governing the Fund as it may be amended, restated or modified from time to time, as described in section 1.1 of this Annual Information Form.

“**Distributions**” means the distributions of the Fund declared in accordance with the Declaration of Trust.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

“**Fund**” means Canadian High Income Equity Fund.

“**Fund Investment**” means an investment acquired and managed by the Investment Manager on behalf of the Fund and “**Fund Investments**” means more than one Fund Investment taken collectively.

“**Fund Property**” means the property and assets of the Fund.

“**Income Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and shall include regulations promulgated thereunder.

“**Investment Management Agreement**” means the investment management agreement dated as of February 18, 2010 among the Fund, the Manager and the Investment Manager, as it may be amended from time to time.

“**Investment Manager**” means Bloom Investment Counsel, Inc. or such other investment manager as may be appointed from time to time by the Manager on behalf of the Fund to provide investment management services to the Fund in respect of the Fund Property, including the Portfolio.

“**Investment Objectives**” means the investment objectives of the Fund as set forth in the Declaration of Trust, as described in section 1.1.1 of this Annual Information Form.

“**Investment Restrictions**” means the investment restrictions of the Fund as set forth in the Declaration of Trust including, without limitation, those described in section 2.0 of this Annual Information Form.

“**Investment Strategy**” means the investment strategy of the Fund as set forth in the Declaration of Trust, as described in section 1.1.2 of this Annual Information Form.

“**IRC**” means the Independent Review Committee established by the Manager for the Fund pursuant to NI 81-107.

“**Loan Facility**” means the loan facility described in section 14.1 of this Annual Information Form.

“**Management Agreement**” means the management agreement dated as of January 27, 2010 between the Manager and the Fund, as it may be amended from time to time.

“**Management Fee**” means the management fee payable to the Manager pursuant to the Management Agreement and the Declaration of Trust, as described in section 8.1.1 of this Annual Information Form.

“**Manager**” means the manager and administrator of the Fund, namely Brompton Funds Limited, or if applicable its successor.

“**Net Asset Value**” means, at any time, the net asset value of the Fund, as determined in accordance with the Declaration of Trust, as described in section 5.0 of this Annual Information Form.

“**Net Asset Value per Unit**” means the Net Asset Value divided by the total number of Units outstanding on any Valuation Date.

“**Net Realized Capital Gains**” of the Fund for a taxation year of the Fund means the amount, if any, by which:

- a) the capital gains realized by the Fund in the taxation year;

exceed the aggregate of:

- b) the capital losses incurred by the Fund in the taxation year;
- c) the unapplied capital losses incurred by the Fund in the preceding taxation years, to the extent that they may be and are applied against capital gains realized by the Fund in the taxation year; and
- d) any Net Loss for the year and, if the Trustee so determines, any unapplied non-capital losses (as defined in the Income Tax Act) of the Fund for preceding years of the Fund, in each case multiplied by the reciprocal of the applicable fraction in paragraph 38(a) of the Income Tax Act,

where, for this purpose, “capital gains” and “capital losses” shall be computed in accordance with the provisions of the Income Tax Act.

“**Net Income**” or “**Net Loss**” of the Fund for any taxation year means the amount, if any, by which the income or loss of the Fund for such taxation year computed in accordance with the provisions of the Income Tax Act, other than paragraph 82(1)(b) and subsection 104(6) thereof and disregarding any designations made by the Fund under subsection 104(19) of the Income Tax Act, without reference to the Fund’s “capital gains” or “capital losses” (as those terms are defined in the Income Tax Act) for the taxation year, exceeds the non-capital losses of the Fund (as defined in the Income Tax Act) for any preceding taxation years of the Fund, to the extent that they may be and are deducted in computing taxable income of the Fund for such taxation year for the purposes of the Income Tax Act.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Portfolio**” means the portfolio of Fund Investments held by the Fund.

“**Service Fee**” means the fee required to be paid by the Fund to the Manager, who is in turn required to pay such fee in an equivalent amount to dealers, all in accordance with the Declaration of Trust, as described in section 8.1.2 of this Annual Information Form.

“**SIFT Rules**” means the rules in the Income Tax Act which apply to “specified investment flow-through trusts”, “specified investment flow-through partnerships” and their unitholders.

“**Tax Proposals**” means all specific proposals to amend the Income Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**Termination Date**” means the date the Fund is terminated in accordance with the Declaration of Trust, as described in section 3.4 of this Annual Information Form.

“**Total Assets**” means the aggregate value of the assets of the Fund determined in accordance with the Declaration of Trust, as described in section 4.0 of this Annual Information Form.

“**Trustee**” means Equity Financial Trust Company, in its capacity as trustee under the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Unit**” means a transferable, redeemable unit of the Fund. “**Units**” represents more than one transferable, redeemable unit of the Fund.

“**Unitholder(s)**” means the holder(s) of a Unit.

“**Valuation Date**” means, at a minimum, Thursday of each week or, if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value of the Fund and the Net Asset Value per Unit.

## **1.0 NAME, FORMATION AND HISTORY**

Canadian High Income Equity Fund is a closed-end investment trust with a registered office located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 1, 2010. The Declaration of Trust was amended and restated as of January 27, 2010 in connection with the initial public offering of the Fund and included, among other amendments, changing the name of the Fund to Canadian High Income Equity Fund and adding provisions relating to the management, administration and operation of the Fund.

### **1.1 Declaration of Trust**

#### **1.1.1 Investment Objectives**

The Declaration of Trust provides that the Investment Objectives of the Fund are to provide Unitholders with (i) a high monthly cash Distribution and (ii) the opportunity for capital appreciation, through investment in an actively managed portfolio of publicly listed or traded Canadian securities.

#### **1.1.2 Investment Strategy**

The Fund seeks to achieve its Investment Objectives by investing the Fund Property in an actively managed portfolio of publicly traded or listed Canadian securities including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, non-dividend paying equities and foreign securities, managed by the Investment Manager.

#### **1.1.3 General**

The Declaration of Trust also provides for the administration of the Fund and governs matters including, without limitation, the powers of the Trustee, the issue and sale of Units, the registration and the transfer of Units, the redemption and repurchase of Units, Distributions to Unitholders, the provision of management and administration, portfolio management and custodial services to the Fund, the limitation on the liability of the Unitholders, the Trustee and other parties and the termination of the Fund.

Pursuant to the Declaration of Trust, the Trustee has retained Brompton Funds Limited as the Manager of the Fund and the Manager, on behalf of the Fund, has retained Bloom Investment Counsel, Inc. as the Investment Manager and CIBC Mellon Global Securities Services Company as the Custodian of the Fund Property.

## **2.0 INVESTMENT RESTRICTIONS**

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to National Instrument 81-102 – *Investment Funds* (“NI 81-102”), it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. The Fund is managed in accordance with applicable requirements and restrictions and the Investment Restrictions set out in the Declaration of Trust.

The Units are qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans. During 2014,



the Fund did not deviate from the rules under the Income Tax Act that apply to the status of the Units qualifying for inclusion in such plans.

The Units will generally not be a “prohibited investment” for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Income Tax Act or (ii) has a “significant interest” as defined in the Income Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length. In addition, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the Income Tax Act for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund.

Holders or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be “excluded property”.

### **3.0 DESCRIPTION OF SECURITIES**

#### **3.1 The Units**

The Fund is authorized to issue an unlimited number of a single class of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units. On the redemption of Units, however, the Fund may, in its sole discretion, designate payable to the redeeming Unitholder, as part of the redemption price, any income or capital gain incurred by the Fund in the taxation year of the Fund in which the redemption occurred. Each holder of Units is entitled to one vote for each whole Unit held and is entitled to participate equally with respect to any and all Distributions made by the Fund, including distributions of Net Income and Net Capital Gains, if any. On termination or liquidation of the Fund, the holders of outstanding Units of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The Declaration of Trust permits fractions of Units to be issued which have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except that fractional Units do not have the right to vote.

On December 16, 2004, the *Trust Beneficiaries’ Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer in each of the provinces and territories of Canada and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

#### **3.2 Distributions**

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.

Distributions, when declared, are payable to Unitholders of record on the last Business Day of each month and, unless a Unitholder is a participant in any distribution reinvestment plan established by the Fund, all cash Distributions payable, less any amount required to be withheld therefrom under applicable law, are to be paid in Canadian dollars no later than the tenth Business Day of the subsequent month. Distributions will be paid out of revenue generated by the Portfolio and, if required, out of capital. There can be no assurance that the Fund will make any Distribution in any particular month or months.

Some of the issuers of the securities in which the Fund invests are entitled to tax deductions relating to the nature of their assets, with the result that their cash distributions exceed the amount required to be included in the income of the recipients. As a result, cash Distributions received by Unitholders from the Fund in a year can exceed the amount required to be included in their income for tax purposes and as a result the excess will be a return of capital. The proportion of the Distributions characterized as a return of capital will be affected by Net Realized Capital Gains. To the extent that the Fund has received distributions as a return of capital that reduced the adjusted cost base of such securities to the Fund, the Fund may realize a capital gain if such securities are sold. In addition, the Fund may realize a capital gain on sales if the securities sold have appreciated in value. Such capital gains will reduce the proportion of the Distributions characterized as a return of capital.

The Fund has also adopted a distribution reinvestment plan (the “Plan”), pursuant to which Distributions paid to Unitholders may be reinvested, automatically on each Unitholders’ behalf at the option of such Unitholder, to purchase additional Units in accordance with the Plan. Notwithstanding the availability of the Plan, all Distributions to non-resident Unitholders are paid in cash and may not be reinvested.

The Fund is subject to tax under Part I of the Income Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the Fund makes Distributions in each year of its Net Income and Net Realized Capital Gains, and provided the Fund deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable for income tax under Part I of the Income Tax Act. In order to ensure this result, the Declaration of Trust provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly Distributions paid or made payable to Unitholders during the year. The Additional Distribution may, at the option of the Manager, be satisfied by the issuance of additional Units having a value equal to the cash shortfall. Following such issue of additional Units, the outstanding Units of the Fund will be automatically consolidated on a basis such that the number of consolidated Units (before giving effect to any redemption of Units on such date) is equal to the number of Units outstanding immediately preceding payment of the Additional Distribution, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the Distribution. Additional information regarding tax matters is set out in section 11.0.

### **3.3 Amendment of the Declaration of Trust**

#### **3.3.1 Amending of the Declaration of Trust by the Trustee**

The Declaration of Trust provides that the Trustee is entitled to amend the Declaration of Trust without consent of, or notice to, the Unitholders to:

- a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- b) make any change or correction which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities administrators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- d) maintain the status of the Fund as a “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Income Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or
- e) provide added protection or benefit to Unitholders.

### **3.3.2 Amending of the Declaration of Trust by Unitholders**

The Declaration of Trust provides that except as otherwise required by or contemplated in the Declaration of Trust, which exceptions are summarized below, the Declaration of Trust may be amended by an Ordinary Resolution of the Unitholders.

Pursuant to any additional requirements set out in section 5.1(1) of NI 81-102, the Declaration of Trust provides that the following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- a) any change in the Investment Objectives or Investment Restrictions unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- b) any material change in the Management Agreement, other than a change in the Manager, provided the new manager is an affiliate of the Manager;
- c) any increase in the Management Fee;
- d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- e) any issue of Units (other than (i) pursuant to the exercise of rights, warrants, options or other similar securities (ii) any distribution reinvestment plan which may be established by the Fund or (iii) any securities convertible into or exchangeable for Units issued to existing Unitholders) when the net proceeds per Unit are less than the most recently calculated Net Asset Value per Unit prior to the date of the setting of the subscription price for such issuance;
- f) any change in the frequency of calculating Net Asset Value per Unit to less often than weekly;
- g) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;

- h) any liquidation, dissolution or termination of the Fund, except if it is determined by the Manager, in its sole discretion, to be in the best interests of the Unitholders or otherwise in accordance with the Declaration of Trust; and
- i) any amendment to the above provisions except as permitted under the Declaration of Trust.

### **3.4 Termination of the Fund**

Pursuant to the Declaration of Trust, the Fund shall continue until the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund approved at a duly called meeting of Unitholders, provided that at least 90 days written notice has been given to the Manager by the Trustee of the date so fixed by the Unitholders for the termination of the Fund. In addition to such termination upon the approval of the Unitholders, the Declaration of Trust also provides that the Fund may be terminated in the following circumstances:

- a) In the event that the Manager resigns and no new Manager is appointed by the Trustee within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period.
- b) The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund.

In each case the Fund must first file a news release that discloses the termination and the Fund may not terminate earlier than 15 days or later than 90 days after the filing of such news release, unless the Fund undertakes a reorganization, or transfers asset to, another investment fund, if (i) the Fund ceases to continue after the reorganization or transfer of assets and (ii) the transaction results in Unitholders becoming securityholders in the other investment fund.

The Declaration of Trust further provides that prior to the Termination Date, the Manager will instruct the Investment Manager to convert the Fund Investments to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust permits that the Manager may, in its discretion and upon not less than 30 days notice to the Unitholders, postpone the Termination Date by a period of up to 180 days if the Investment Manager advises the Manager that it will be unable to convert all of the Fund Investments to cash prior to the original Termination Date and the Manager determines that it would be in the best interests of the Unitholders to do so. Upon termination, the Declaration of Trust provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets *in specie* rather than in cash. Following such distribution, the Fund will be dissolved.

### **4.0 VALUATION OF PORTFOLIO SECURITIES**

Pursuant to the Declaration of Trust, the calculation of Total Assets on a Valuation Date is determined as follows:

- a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand

note, account receivable, prepaid expense, distribution or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair market value thereof;

- b) short-term investments including notes and money-market instruments will be valued at cost plus accrued interest;
- c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use provided that, for the purpose of calculating the Annual Redemption Amount, the value of any security which is listed or traded upon a stock exchange (or if more than one, on the stock exchange in which the security primarily trades, as determined by the Manager) will be equal to the weighted average trading price over the last three Business Days of the month in which the Annual Redemption Date occurs;
- d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Custodian on the Valuation Date on which the Total Assets are being determined;
- g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and
- h) the value of any security or property to which, in the opinion of the Manager, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

Pursuant to item (h) above, the Manager has not exercised its discretion to deviate from the valuation practices noted above in the last three years.

In connection with the foregoing, the Net Asset Value and Net Asset Value per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain.

## **5.0 CALCULATION OF NET ASSET VALUE**

Pursuant to the Declaration of Trust, the Net Asset Value per Unit on any Valuation Date shall be calculated by dividing the Net Asset Value (including an allocation of any Net Realized Capital Gains or other amounts payable to Unitholders on or before such date) on such Valuation Date by the total number of Units outstanding on such Valuation Date (before giving effect to any issue of Units issued on that date or the redemption of Units on that date). In addition, if applicable, a diluted Net Asset Value per Unit will be calculated when the Closing Market Price on the Valuation Date is greater than the subscription price for rights, warrants, options or other similar securities. To calculate the diluted Net Asset Value per Unit, the Total Assets of the Fund are increased by the proceeds, less costs, that would be received assuming all rights, warrants, options or other similar securities are exercised and the total number of Units outstanding are increased by the number of Units that would be issued assuming all rights, warrants, options or other similar securities outstanding are exercised.

The Net Asset Value per Unit is calculated as at the close of business on each Valuation Date. The Net Asset Value and the Net Asset Value per Unit is available to the public at no cost by calling 1-866-642-6001 and the Net Asset Value per Unit is available on the Manager's website at [www.bromptongroup.com](http://www.bromptongroup.com). The Fund also makes the Net Asset Value per Unit available to the financial press for publication on a weekly basis.

The Net Asset Value per Unit is calculated in Canadian dollars.

## **6.0 PURCHASES OF FUND UNITS**

### **6.1 General**

The Units are listed for trading on the TSX under the symbol CIQ.UN and may be purchased through the facilities of the TSX. Registration of interests in and transfers of the Units are made only through CDS and the Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled are made or delivered by, CDS or the CDS Participant through which such Units are held. Upon purchase of any Units, Unitholders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the securities are purchased.

### **6.2 Issuer Bid**

The Declaration of Trust provides that, subject to applicable law and stock exchange requirements, the Fund may, in its sole discretion, from time to time purchase (in the open market or by invitation for tenders) Units for cancellation.

## **7.0 REDEMPTION OF SECURITIES**

### **7.1 Annual**

Subject to the Fund's right to suspend redemptions as discussed in section 7.3, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust in September of each year,

provided the Units are surrendered by 5:00 p.m. (Toronto time) on the last Business Day of August. The Declaration of Trust provides that Units surrendered for redemption will be redeemed on the Redemption Date at a redemption price per Unit equal to the Annual Redemption Amount and payment will be made on or before the tenth Business Day of the month immediately following the Annual Redemption Date.

## **7.2 General**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the last Business Day of the month prior to the Annual Redemption Date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise the redemption right sufficiently in advance of such deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that in the opinion of the Manager such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice or its withdrawal will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund or the Trustee to the CDS Participant or the Unitholder.

On the redemption of Units, the Fund may, in its sole discretion, designate payable to the redeeming Unitholder, as part of the redemption price, any income or capital gain realized by the Fund in the taxation year of the Fund in which the redemption occurred, including as a result of any disposition of property of the Fund undertaken to facilitate the redemption pursuant to the Declaration of Trust and such income or capital gains will reduce the redemption price per Unit pursuant to the Declaration of Trust by the amount so designated.

## **7.3 Suspension of Redemptions**

The Declaration of Trust permits the Manager, on behalf of the Fund, to direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the Fund Investments included in the Portfolio are listed and traded and if the securities are not traded on any exchange that represents a reasonable alternative for the Fund; or (b) upon approval from the applicable securities regulatory authority, for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to

all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances, all Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. Redemptions that have been suspended will be effected at a price determined on the first date that the Net Asset Value per Unit is calculated following the termination of the suspension. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

## **8.0 RESPONSIBILITY FOR OPERATIONS**

### **8.1 Manager**

The Declaration of Trust provides that the Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager pursuant to the terms of the Declaration of Trust and the Management Agreement.

Brompton Funds Limited was formed pursuant to the *Business Corporations Act* (Ontario) by articles of incorporation dated May 17, 2011. Its head office is located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. Its telephone number is (416) 642-6000, its e-mail address is info@bromptongroup.com and its website address is www.bromptongroup.com. The Manager was organized for the purpose of managing and administering closed-end investment funds, including the Fund, and is a member of the Brompton group of companies. The Manager is registered with the Ontario Securities Commission as a portfolio manager, investment fund manager, commodity trading manager and exempt market dealer and is also registered as an investment fund manager in Quebec and Newfoundland and Labrador.

Pursuant to the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, and may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund and the Unitholders to do so.

#### **8.1.1 Management Fee**

In consideration for these services, the Fund pays the Manager a Management Fee equal to 1.25% per annum of Net Asset Value of the Fund, calculated and payable monthly in arrears plus an amount equal to the Service Fee, plus applicable taxes. The Manager is responsible for paying the fees payable to the Investment Manager out of the Management Fee.

#### **8.1.2 Service Fee**

The Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) is equal to 0.40% per annum of the Net Asset Value of the Fund and is applied by the Manager to pay a Service Fee in an equivalent amount plus applicable taxes to CDS Participants based on the number of Units held at the end of the relevant quarter by clients of such CDS Participants.



### 8.1.3 Termination of the Management Agreement

The Management Agreement may be terminated at any time by the Trustee, on behalf of the Fund, on 90 days written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution. The Management Agreement may also be terminated by the Trustee on behalf of the Fund:

- a) at any time on 30 days written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement;
- b) immediately in the event of the commission by the Manager of any fraudulent act; and
- c) automatically, if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The Manager may resign and the Management Agreement be terminated upon 120 days notice to the Trustee. The Manager may assign the Management Agreement to an affiliate of the Manager at any time.

### 8.1.4 Directors and Officers of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<b>Name and Municipality of Residence and Position with the Manager</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
MARK A. CARANCI <sup>(1)(2)</sup> Toronto, Ontario President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds.
RAYMOND R. PETHER <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds.
CRAIG T. KIKUCHI <sup>(2)</sup> Toronto, Ontario Chief Financial Officer and Director	Chief Financial Officer, Brompton Funds; Corporate Secretary, Brompton Funds from July 2013 to March 2015, Director, Brompton Funds Limited since July 2014.
CHRISTOPHER S.L. HOFFMANN <sup>(1)</sup> Toronto, Ontario Director	Director, Brompton Funds Limited since July, 2014; Director, Brompton Corp.; Vice President, Nutowima Ltd. and private investor.
ANN WONG Toronto, Ontario Vice President and Controller	Vice President and Controller, Brompton Funds.

**Name and Municipality of Residence  
and Position with the Manager**

**Principal Occupation and Positions Held During the Last 5 Years**

CHRISTOPHER CULLEN  
Toronto, Ontario  
Senior Vice President

Senior Vice President, Brompton Funds since May 2010; Vice President, Brompton Funds from October 2007 to May 2010.

LAURA LAU  
Toronto, Ontario  
Senior Vice President and Senior Portfolio Manager

Senior Vice President and Senior Portfolio Manager, Brompton Funds since February 2012; Senior Portfolio Manager, Sentry Investments Inc. from May 2008 to November 2011.

MICHAEL CLARE  
Toronto, Ontario  
Vice President and Portfolio Manager

Vice President & Portfolio Manager, Brompton Funds since December 2012; Vice President and Portfolio Manager, Creststreet Asset Management Limited from June 2008 to November 2012.

MICHELLE TIRABORELLI  
Toronto, Ontario  
Vice President

Vice President, Brompton Funds since February 2011; Assistant Vice President, Brompton Funds from September 2010 to February 2011; Investment Advisor, BMO Nesbitt Burns from March 2009 to August 2010.

JASON GOLETZ  
Toronto, Ontario  
Vice President, Sales & Marketing

Vice President, Sales and Marketing, Brompton Funds since May 2012; Director of Sales, Qwest Investment Management from March 2009 to May 2012.

KATHRYN BANNER  
Toronto, Ontario  
Vice President and Corporate Secretary

Vice President and Corporate Secretary, Brompton Funds since March 2015; Assistant Vice President, Brompton Funds from February 2011 to March 2015; Senior Manager, Brompton from August 2007 to February 2011.

Note:

- (1) Member of the audit committee.  
(2) Executive officer.

### **8.1.5 Independent Review Committee**

The members of the IRC are James W. Davie, Arthur R.A. Scace and Ken S. Woolner. Mr. Woolner is the Chair of the IRC and is the primary IRC member who interacts with the Manager.

The mandate and responsibilities of the IRC are set out in its charter. The IRC is responsible for carrying out those responsibilities required to be undertaken by an IRC under NI 81-107, in particular:

- a) reviewing and providing input into the Manager's policies and procedures regarding conflict of interest matters, including any amendments to such policies and procedures referred to the IRC by the Manager;
- b) approving or disapproving each conflict of interest matter referred by the Manager to the IRC for its approval;
- c) providing its recommendation as to whether the Manager's proposed action on a conflict of interest matter referred by the Manager to the IRC for its recommendation achieves a fair and reasonable result for the Fund;
- d) together with the Manager, providing orientation to new members of the IRC as required by NI 81-107;

- e) conducting regular assessments as required by NI 81-107; and
- f) reporting to the securityholders of the Fund, to the Manager and to regulators as required by NI 81-107.

In addition to its responsibilities and functions under NI 81-107, the IRC:

- a) handles complaints and implements corrective action regarding accounting, internal accounting controls and auditing matters for the Manager, as more specifically set out in the whistleblower policy of the Manager;
- b) acts in an advisory capacity to the audit committee of the board of directors of the Manager, as more specifically set out in the IRC’s charter; and
- c) may, as more specifically set out in its charter, identify conflict of interest matters.

Note:

The members of the IRC also act as the members of the investment review committee for other investment funds managed by the Manager.

## 8.2 Investment Manager

The Declaration of Trust provides that the Manager shall, on behalf of the Fund, retain an investment manager to make investment decisions with respect to the Fund Property, in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. The Manager has retained Bloom Investment Counsel, Inc. as the investment manager pursuant to an Investment Management Agreement entered into among the Manager, the Fund and the Investment Manager dated as of February 18, 2010 to provide such services to the Fund, in accordance with the terms of the Declaration of Trust. The Investment Manager’s principal office is located at Suite 1710, Adelaide Place, 150 York Street, Toronto, Ontario. The Investment Manager may, pursuant to the terms of the Investment Management Agreement, delegate any of its functions, powers, responsibilities and duties to any of its affiliates.

### 8.2.1 Principal Investment Advisors

The principal investment managers of Bloom Investment Counsel, Inc. who are responsible for the investment management of the Fund are as follows:

<b>Name and Municipality of Residence and Position with the Investment Manager</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
M. PAUL BLOOM Toronto, Ontario President	President, Bloom Investment Counsel, Inc. since May 1985.
ADINA BLOOM SOMER Toronto, Ontario Vice President and Director	Vice President and Director, Bloom Investment Counsel, Inc. since May 2010; Vice President, Analyst, TD Newcrest from January 2006 to August 2009; Associate Analyst, TD Newcrest from July 2000 to August 2005.

<b>Name and Municipality of Residence and Position with the Investment Manager</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
ELI PAPAKIRYKOS Toronto, Ontario Vice President and Portfolio Manager	Portfolio Manager, Bloom Investment Counsel, Inc. since February 2015; Vice President, Bloom Investment Counsel, Inc. since January 2015; Investment Analyst, Bloom Investment Counsel, Inc. from February 2011 to February 2015; Associate Analyst, TD Newcrest from February 2005 to February 2011.

Paul Bloom has overall responsibility for overseeing the investment management activities of the Investment Manager. Adina Bloom Somer and Eli Papakirykos have extensive day-to-day management responsibilities for the Portfolio.

Investment decisions are made on a team basis by Mr. Bloom, Ms. Bloom Somer and Mr. Papakirykos. Investment decisions are not subject to the oversight, approval or ratification of a committee.

### **8.2.2 Investment Manager Fee**

Pursuant to the terms of the Investment Management Agreement, the Manager pays the Investment Manager a portfolio management fee and the Fund reimburses the Investment Manager for all reasonable costs and expenses incurred by the Investment Manager on behalf of the Fund.

### **8.2.3 Brokerage Arrangements**

The Investment Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments. The primary consideration in all portfolio transactions is the prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers, the Investment Manager considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. Although the Investment Manager does receive investment research from certain brokers, the Investment Manager has no soft dollar or other brokerage arrangements. The Investment Manager's allocation of brokerage business is based on decisions made by the portfolio managers of the Investment Manager in accordance with the Investment Manager's policies and procedures.

### **8.2.4 Termination of the Investment Management Agreement**

The Investment Management Agreement will automatically terminate on the Termination Date. The Manager, on behalf of itself and the Fund, may also terminate the Investment Management Agreement:

- a) in the event that the Investment Manager is in breach or default of the provisions of the Investment Management Agreement and such breach or default has not been cured within 15 days notice of such breach or default to the Investment Manager;
- b) at any time in the event the Investment Manager shall be declared bankrupt or insolvent or passes a resolution for its winding up or dissolution or is ordered dissolved or makes a general assignment for the benefit of its creditors;
- c) at any time if the Investment Manager permanently loses a registration or licence required by it in order to fulfill its duties under the Investment Management Agreement or is otherwise incapable under applicable law of performing its obligations under the Investment Management Agreement;  
or

- d) at any time in the event of the commission by the Investment Manager of any fraudulent act in the performance of its duties under the Investment Management Agreement or if there has been any misrepresentation by the Investment Manager in the Investment Management Agreement.

The Investment Management Agreement may be terminated by the Investment Manager:

- a) at any time on three months prior written notice to the Manager;
- b) in the event that the Fund or the Manager is in breach or default of a provision in the Investment Management Agreement and such breach or default has not been cured within 15 days notice of the breach or default to the Manager;
- c) at any time in the event that the Manager is declared bankrupt or insolvent or passes a resolution for its winding up or dissolution or is ordered dissolved or makes a general assignment for the benefit of its creditors or the Manager is incapable under applicable law of performing its obligations under the Investment Management Agreement; or
- d) at any time in the event the Manager commits any fraudulent act in the performance of its duties under the Investment Management Agreement or in the event of a misrepresentation by the Manager in the Investment Management Agreement.

### **8.3 Trustee**

Equity Financial Trust Company, located in Toronto, Ontario, is the trustee of the Fund and is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust.

### **8.4 Custodian**

The Manager has appointed CIBC Mellon Global Securities Company, located in Toronto, Ontario, as Custodian, pursuant to the terms of a Custodian Agreement dated as of February 18, 2010, to provide various safekeeping and custodial services relating to the Fund Property. The Custodian may, in accordance with the terms of the Custodian Agreement, appoint sub-custodians and enter into sub-custodian agreements.

#### **8.4.1 Custodian Fees**

In consideration for its services, the Fund pays to the Custodian such compensation as agreed upon in writing between the Manager and the Custodian from time to time and reimburses the Custodian for all reasonable costs and expenses incurred by the Custodian on behalf of the Fund.

#### **8.4.2 Termination of the Custodian Agreement**

The Custodian Agreement may be terminated by either party without penalty at any time on 90 days written notice. Notice is not required and termination will be immediate if either party becomes insolvent or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or against that party and is not discharged within 30 days or proceedings for the appointment of a receiver for that party are commenced and not discontinued within 30 days.

## 8.5 Valuation Services

The Manager, on behalf of the Fund, has appointed CIBC Mellon Global Securities Company, located in Toronto, Ontario, to provide the Fund with valuation services. Such services include the calculation of the Fund's Net Asset Value in accordance with the Fund's valuation parameters described in section 4.0.

## 8.6 Auditor, Registrar, Transfer Agent and Distribution Agent

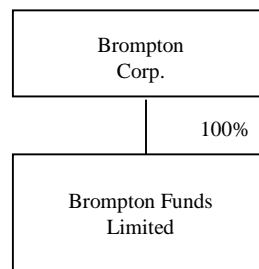
The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licenced Public Accountants ("PWC"), located in Toronto, Ontario. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. Equity Financial Trust Company is the registrar, transfer agent and distribution agent for the Units. The register and transfer ledger for the Units is kept by the Trustee at its offices located in Toronto.

## 8.7 Securities Lending Agent

The Manager has appointed the Canadian Imperial Bank of Commerce, located in Toronto, Ontario, as the securities lending agent (the "Agent"), pursuant to the terms of a Securities Lending Authorization (the "Security Lending Agreement") dated as of April 28, 2010, among the Manager, CIBC Mellon Global Securities Services Company ("GSS"), CIBC Mellon Trust Company ("CMT"), the Agent and The Bank of New York Mellon ("BNY") to provide various securities lending services relating to the Fund Property.

## 9.0 CONFLICTS OF INTEREST

### 9.1 Principal Holders of Securities



Note:  
Brompton Corp. owns of record and beneficially 100% of the shares of the Manager.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The services of the Custodian and the officers and directors of the Custodian are not exclusive to the Fund. The Custodian and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in any other activity.

The Manager and the Investment Manager and their directors and officers engage in the promotion, management or investment management of other funds or trusts with investment objectives similar to the Fund. The Investment Manager acts as the investment advisor or administrator for other funds and may in the future act as the investment advisor to other funds which are considered competitors of the Fund. The services of the Manager are not exclusive to the Fund.

In addition, the directors and officers of the Manager and the Investment Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Manager, the Investment Manager or their affiliates may be a manager of one or more issuers in which the Fund may acquire securities and may be managers or administrators of funds with similar investment objectives as the Fund. Although none of the directors or officers of the Manager or the Investment Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or the Investment Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Manager and the Investment Manager, as applicable.

No person or entity that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager other than Brompton Corp., which provides premises and staff to the Manager. Brompton Corp. does not receive any fees from the Fund. Each of the directors and officers of the Manager are also directors and officers of Brompton Corp., see section 8.1.4.

## **9.2 Securities Held by Members of the Independent Review Committee**

As at March 1, 2015, the members of the IRC did not own, directly or indirectly, any securities in the Manager. Further, as at March 1, 2015, the percentage of securities of each class or series of voting securities beneficially owned, directly or indirectly, in aggregate, by all members of the IRC in any person or company that provides material services to the Fund or Manager or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or Manager is less than 1%.

## **10.0 FUND GOVERNANCE**

Brompton supports good governance practices for its funds. The Fund is managed by the Manager and consequently, the board of directors (the “Board”) and audit committee (the “Audit Committee”) referred to are the Board and Audit Committee of the Manager. The Board is responsible for the overall stewardship of the business and affairs of the Fund. The Board consists of 4 directors, 2 of whom are not involved in the management of the Fund. Details regarding the names, principal occupations and committee memberships of the Board are set out in section 8.1.4. The Board believes that the number of directors is appropriate.

Certain Board members are also members of the Audit Committee. The Audit Committee consists of 3 members, 2 of whom are not involved in the management of the Fund. The responsibilities of the Audit Committee include, but are not limited to, review of the Fund’s financial statements and the annual audit performed by PWC, the auditor of the Fund, and oversight of internal controls and of the Fund’s compliance with tax laws and regulations. PWC reports to the Audit Committee and the Audit Committee and PWC have direct communication channels to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund’s approach to governance issues. To ensure the proper management of the Fund and compliance with regulatory requirements, the Board has adopted policies, procedures and guidelines relating to business practices, risk management control, and internal conflicts of interest. As part of managing its business practices, the Board has adopted a whistleblower policy, a privacy policy and a proxy voting policy. The whistleblower policy establishes a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters pertaining to the Fund. The privacy policy dictates the manner in which the Fund and the Manager may collect, use and disclose personal information regarding Unitholders. The proxy voting policy is described in section 10.2. As part of its risk management, the Board has adopted a disclosure policy. The disclosure policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to

the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Board has adopted a code of business ethics and an insider trading policy. The code of business ethics and insider trading policy address, among other things, ethical business practices and handling of material information and purchasing or selling of securities by insiders.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest and the Manager has such policies and procedures in place.

In accordance with NI 81-107, the Manager has appointed an IRC to deal with potential conflict of interest matters between the Manager and the Fund. See section 8.1.5 of this Annual Information Form.

The Manager maintains a website for the Fund at [www.bromptongroup.com](http://www.bromptongroup.com). The mandate of the Board is available on the website. The Manager has an investor relations line to respond to inquiries from Unitholders which is 1-866-642-6001.

### **10.1 Composition of the Independent Review Committee**

As indicated in section 8.1.5 of this Annual Information Form, the IRC is comprised of three members, who were appointed by the Manager in accordance with NI 81-107. Subsequent to this initial appointment by the Manager, the IRC shall, taking into consideration any recommendation of the Manager, fill vacancies on the IRC, provided that if for any reason the IRC has no members, the Manager shall fill the vacancies.

### **10.2 Proxy Voting Policy**

The Portfolio is managed by the Investment Manager and, pursuant to the Investment Management Agreement, the Investment Manager is authorized to exercise all rights and privileges incidental to ownership for the Portfolio. The Fund has adopted the Investment Manager's proxy voting policy (the "Proxy Voting Policy"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. The ultimate decision as to how to cast a vote rests with the Investment Manager, based on what the Investment Manager believes to be in the best interests of the Fund and in accordance with its Investment Objectives, Investment Policies and Investment Restrictions.

Generally:

- a) the Investment Manager will vote with management on routine issues such as the election of directors, reappointment of auditors and the acceptance of the auditors' report. Any votes against management proposals requires the approval of two portfolio managers;
- b) non-routine matters including executive compensation, stock options, director compensation and shareholder rights plans are reviewed on a case-by-case basis. The Investment Manager believes that matters relating to a company's labour practices, environmental policies and non-discrimination policies are management issues and that management is in the best position to determine appropriate practices in the context of a company's business;
- c) where the Investment Manager is aware of an actual, potential, or perceived conflict of interest between its interests and the interests of the Unitholders, the Investment Manager may choose to seek out and follow the voting recommendation of an independent proxy research and voting service.



The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-866-642-6001 or by writing to the Manager at Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

The Fund's voting record for the most recent period ended June 30 of each year is available free of charge to any Unitholder of the Fund upon request at any time after August 31 of that year. The Fund has made its proxy voting record available on its website at [www.bromptongroup.com](http://www.bromptongroup.com).

### **10.3 Use of Derivatives**

The Declaration of Trust allows the Fund to invest in or use derivative instruments for hedging purposes consistent with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions.

### **10.4 Securities Lending**

In order to generate additional returns, the Manager has entered into the Securities Lending Agreement with the Agent to administer any securities lending transaction for the Fund.

The Manager manages the risks associated with securities lending by requiring the Agent, pursuant to the Securities Lending Agreement, to:

- a) Enter into securities lending, repurchase or reverse purchase transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties");
- b) Maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- c) Establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Agent will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall;
- d) Ensure that no more than 50% of the Total Assets of the Fund are out on loan at one time;
- e) Ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund; and
- f) Obtain mutual indemnification from GSS, CMT, the Agent, and BNY in respect of all losses, damages, liabilities, costs or expenses (including reasonable counsel fees and expenses but excluding consequential damages) arising from:
  - i. The failure to perform any obligations under the Security Lending Agreement;
  - ii. Any inaccuracy of any representation or warranty made in the Security Lending Agreement; or
  - iii. Fraud, bad faith, willful misconduct or reckless disregard of duties.

Each lending transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions and the Security Lending Agreement may be terminated at any time at the option of either the Manager or the Agent (i) upon 30 days prior notice to the other parties or (ii) immediately upon notice to all other parties in the event of a material breach by any party.

The Manager has written procedures that set out the objectives, goals and risk management practices with respect to securities lending arrangements which are reviewed annually by the Board. The Securities Lending Agreement was approved by the Board and securities lending arrangements and risks are monitored by the Manager.

With respect to collateral, by the close of the Business Day on which loaned securities are delivered to a borrower, the Agent shall obtain from such borrower one or more types of collateral as outlined below in an amount equal, as of such day, to 105% or such other percentage as reflects the best market practices in the market in which the securities are being lent but shall never be less than 102% of the market value of the loans, including any accrued interest.

The indemnifications in the Securities Lending Agreement survive its termination.

### **10.5 Short-Term Trades**

The Fund's Units trade on the TSX. The Fund does not have policies and procedures in place to monitor, detect and deter short-term trading given that:

- a) the Fund is a closed-end investment trust;
- b) Unitholders are only permitted to redeem Units on an annual basis;
- c) the Annual Redemption Amount is based on the Net Asset Value per Unit on the second last business day of September, less any costs or expenses associated with the redemption;
- d) for the purpose of calculating the Annual Redemption Amount the value of any security is equal to the weighted average trading price over the last three Business Days of the month of September; and
- e) redemptions require more than 4 weeks to process from the date a holder notifies CDS of their redemption request to the date the redemption proceeds are paid out.

### **11.0 INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations under the Income Tax Act with respect to the acquisition, ownership and disposition of Units generally applicable as at the date of this Annual Information Form to you if you are an individual (other than a trust) and, for the purposes of the Income Tax Act, are resident in Canada, deal at arm's length with the Fund and hold Units as capital property. This summary does not apply to a holder that enters into, or has entered into, a "derivative forward agreement", as such term is defined in the Income Tax Act, in respect of Units.

Generally, Units will be considered to be capital property to a holder provided that the holder does not hold such securities in the course of carrying on a business of buying and selling securities and has not acquired such securities in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Units as capital

property may, in certain circumstances, be entitled to have Units and all other “Canadian securities” (as defined in the Income Tax Act) owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Income Tax Act. Holders should consult their own tax advisors in this regard.

This summary is based upon the current provisions of the Income Tax Act, the Tax Proposals, and counsel’s understanding of the current published administrative practices of CRA. This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire such securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the holder, the province or provinces in which the holder resides or carries on business and, generally, the holder’s own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular holder. Holders should consult their own tax advisors with respect to the income tax consequences of investing in Units based upon the holder’s particular circumstances.

This summary is based on the assumption that the Fund will qualify at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Income Tax Act. In order to so qualify, the Fund must comply on a continuous basis with the Investment Restrictions, and certain minimum distribution requirements relating to the Units. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different. This summary also assumes that the Fund will at no time be a “SIFT trust” as defined in the Income Tax Act.

This summary is based on the assumption that the Fund is not and will not be a “SIFT trust” within the meaning of the SIFT Rules. The Fund has not held and will not hold any investments that would result in the Fund becoming subject to the SIFT Rules in any taxation year. If the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations discussed herein could be materially and adversely different in certain respects.

This summary is also based on the assumption that none of the issuers of the securities comprising the Portfolio will be “foreign affiliates” of the Fund or of any Unitholder and that none of the securities comprising the Portfolio will be “tax shelter investments” (each within the meaning of the Income Tax Act). This summary is also based on the assumption that the Portfolio will not include offshore investment fund property, or interests in a non-resident trust other than an exempt foreign trust, each as set forth in the Income Tax Act.

### **11.1 Taxation of the Fund**

The Fund is subject to tax in each taxation year under Part I of the Income Tax Act on the amount of its income for the year, including the taxable portion of Net Realized Capital Gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the Fund makes distributions in each year of its Net Income and Net Realized Capital Gains, and provided the Fund

deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable in such year for income tax under Part I of the Income Tax Act.

With respect to an issuer included in the Portfolio that is a trust (subject to the SIFT Rules discussed below), the Fund will be required to include in its income such portion of the net income and the taxable portion of net realized capital gains of such issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided appropriate designations are made by the issuer, any net taxable capital gains realized by the issuer, taxable dividends received by the issuer from taxable Canadian corporations and any foreign source income of the issuer that are paid or become payable to the Fund and are designated by the issuer in respect of the Fund will effectively retain their character as such in the hands of the Fund.

The Fund will generally be required to reduce the adjusted cost base of the units of such issuer to the extent that all amounts paid or payable in a year by the issuer to the Fund exceed the sum of the amounts included in the income of the Fund for the year and the Fund's share of the non-taxable portion of capital gains of such issuer for the year. To the extent that the adjusted cost base to the Fund of a unit of such an issuer would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such unit will be increased by the amount of such deemed capital gain.

With respect to an issuer included in the Portfolio that is a limited partnership (subject to the SIFT Rules discussed below), the Fund will be required to include or, subject to certain restrictions, will be entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the issuer allocated to the Fund for the fiscal period of the issuer ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the interest in such an issuer at a particular time will be equal to the actual cost of such interest plus the share of the income and capital gains of the issuer allocated to the Fund for fiscal periods of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the Fund for fiscal periods of the issuer ending before the particular time, and less the Fund's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Fund of the interest in such an issuer would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such interest will be increased by the amount of such deemed capital gain.

The Fund will also be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year and all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, generally including interest on borrowed funds used to purchase securities to be included in the Portfolio. Any losses incurred by the Fund cannot be allocated to Unitholders, but may generally be carried forward or back in accordance with the rules and limitations contained in the Income Tax Act and deducted in computing the taxable income of the Fund.

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or 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 security provided such security is capital property to the Fund. The Fund has made an election under subsection 39(4) of the Income Tax Act so that all securities included in the portfolio that are Canadian securities (as defined in the Income Tax Act) will be deemed to be capital property to the Fund.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its Net Realized Capital Gains by an amount determined under the Income Tax Act based on the redemptions of Units during the year (“capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or distribution of securities in connection with redemptions of Units or adjustment of the Portfolio.

The Fund may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities, interest and all other amounts will be determined for the purposes of the Income Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Income Tax Act in that regard.

The Fund may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that any such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Income Tax Act. To the extent that any such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund’s income, the Fund may designate in respect of a Unitholder a portion of its foreign source income so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Income Tax Act.

The SIFT Rules modify the taxation of certain partnerships and trusts, referred to as “SIFT partnerships” and “SIFT Trusts”, respectively. Generally, the SIFT Rules apply a tax at the trust or partnership level on distributions (in the case of a SIFT trust), or allocations (in the case of a SIFT partnership) of certain income (other than income which is a taxable dividend received by a SIFT trust or SIFT partnership) from such SIFT trust or SIFT partnership at a rate of tax comparable to the combined federal and provincial corporate tax rate (the “SIFT tax”). Such distributions or allocations, as the case may be, are treated as taxable dividends to the SIFT trust’s or SIFT partnership’s unitholders.

Certain income funds in which the Fund holds units may be SIFT trusts or SIFT partnerships, as defined in the Income Tax Act, and distributions received by the Fund from a SIFT trust, or allocations received by the Fund from a SIFT partnership, which have been subject to the SIFT tax will be characterized as taxable dividends received from a taxable Canadian corporation. Provided that appropriate designations are made by the Fund, that portion of its taxable dividends deemed to be received from taxable Canadian corporations as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Income Tax Act.

## **11.2 Taxation of Unitholders**

A Unitholder will generally be required to include in income for a particular taxation year of the Unitholder such portion of the net income, including the taxable portion of the Net Realized Capital Gains of the Fund for a taxation year as is paid or becomes payable to the Unitholder in the particular taxation year, whether received in cash or reinvested in additional Units. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable dividends received or deemed received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply, including the enhanced

dividend tax credit in respect of certain “eligible dividends”. To the extent that the Fund designates its income from a foreign source in respect of a Unitholder, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder’s proportionate share of foreign taxes paid by the Fund in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits in respect of foreign source income designated to a Unitholder by the Fund is subject to the foreign tax credit rules under the Income Tax Act and the Unitholder’s particular circumstances. Any loss of the Fund for purposes of the Income Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders.

The non-taxable portion of Net Realized Capital Gains of the Fund that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder’s income for the year. Any amount in excess of a Unitholder’s share of the Net Income and Net Realized Capital Gains of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year will not generally be included in computing the Unitholder’s income for the year but will reduce the adjusted cost base of Units to the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased by the amount of such deemed capital gain.

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units may become taxable on the Unitholder’s share of such income and gains of the Fund.

Any additional Units acquired by a Unitholder on a reinvestment of distributions from the Fund will have an initial cost to the Unitholder equal to the amount of the Distribution so reinvested. In computing the adjusted cost base of a Unit so acquired, the cost of such Unit must be averaged with the adjusted cost base of all other Units then held by that Unitholder as capital property. If a Unitholder participates in the distribution reinvestment plan and the Unitholder acquires a Unit from the Fund at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased.

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder 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 the Unit to the Unitholder immediately before the disposition.

One-half of any capital gain (“taxable capital gain”) realized by a Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss (“allowable capital loss”) realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in such year, to the extent and under the circumstances provided for in the Income Tax Act. Capital gains realized on the disposition of Units or amounts designated by the Fund to a Unitholder as taxable capital gains or as taxable dividends from taxable Canadian corporations may give rise to a liability for alternative minimum tax.

## **12.0 REMUNERATION OF DIRECTORS, OFFICERS, IRC AND TRUSTEES**

The Manager is paid the Management Fee as disclosed in section 8.1.1 of this Annual Information Form. The directors of the Manager do not receive any fees from the Fund. The Fund pays the fees of the IRC which for 2014 were \$7,500 per member as determined by the IRC based on a recommendation of the

Manager. The Fund pays the expenses of the IRC and directors incurred on behalf of the Fund. No expenses were paid in 2014.

For the year ended December 31, 2014, the Trustee was paid fees of \$3,391 in its capacity as trustee of the Fund.

### **13.0 MATERIAL CONTRACTS**

The Fund and/or the Manager, on behalf of the Fund, are party to the Declaration of Trust, the Management Agreement, the Investment Management Agreement and the Custodian Agreement. Copies of these material contracts may be accessed by prospective or existing Unitholders at [www.sedar.com](http://www.sedar.com) under the Fund's profile. They are also available at the Fund's office during normal business hours. Details regarding each of these contracts are provided in section 1.1 in the case of the Declaration of Trust and in section 8 in the case of the other contracts.

### **14.0 OTHER MATERIAL INFORMATION**

#### **14.1 Loan Facility**

The Fund entered into a Loan Facility with a Canadian chartered bank (the "Lender") in order to provide the Fund with the ability to utilize leverage to enhance the total return on the Portfolio. The terms, conditions, interest rates, fees and expenses of and under the Loan Facility are typical for loans of this nature. The Lender is at arm's length to the Fund, the Trustee, the Manager and the Investment Manager and their respective affiliates and associates.

The Loan Facility permits the Fund to borrow monies for various purposes including, without limitation, purchasing Fund Investments in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions, effecting market purchases of Units, maintaining liquidity, funding redemptions and paying Distributions. The Fund has provided a security interest in all of its assets in favour of the Lender to secure such borrowings. In the event of default, the Lender's recourse is limited to the assets of the Fund.

Other than borrowings by the Fund under the Loan Facility of up to 25% of the Total Assets (including securities purchased with the amount borrowed), determined at the time of borrowing, and short-term credits necessary for settlement of securities transactions, which are not considered borrowing, the Fund will not engage in further borrowing.

#### **14.2 Risk Factors**

Certain risk factors relating to the Fund and Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make Distributions on the Units, could be materially adversely affected.

#### *No Assurance on Achieving Objectives*

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore there is no assurance that the Fund will be able to pay Distributions in the short or long term nor is there any assurance that the Net Asset Value of the Fund will appreciate or be preserved. Changes in the weightings of the Fund Investments resulting from stock price movements can affect the overall yield to

Unitholders. The funds available for distribution to Unitholders will vary according to, among other things, the distributions paid on all of the securities comprising the Portfolio.

#### *Recent and Future Global Financial Developments*

Global financial markets have experienced increased volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that efforts to respond to the crisis will continue or that, if continued, they will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such efforts or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis, may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Fund Investments. A substantial decline in the North American equities markets could be expected to have a negative effect on the Fund and the market price of the Units.

#### *Performance and Marketability of Fund Investments*

The Net Asset Value per Unit will vary in accordance with the value of the Fund Investments, and the value of Fund Investments may be affected by factors beyond the control of the Manager, the Investment Manager or the Fund. There is no assurance that an adequate market exists for the Fund Investments. Securities issued by issuers who are not reporting issuers in all provinces may be subject to an indefinite hold period under certain provincial securities legislation. The issuers of the Fund Investments which the Fund may acquire may have limited operating histories. The value of the Fund Investments will be influenced by factors which are not within the control of the Fund, which, in the case of resource-oriented securities, include the financial performance of the respective issuers, commodity prices, exchange rates, interest rates, the hedging policies employed by such issuers, issues relating to the regulation of the natural resource industry and operational risks relating to the resource sector and other financial market conditions. In the case of real estate investment trusts ("REITs"), such factors include the quality of the REIT's property portfolio, the perception of and the abilities of the REIT's advisor, the prospects for the Canadian and U.S. commercial real estate market and the economy in general, including the level and likely direction of interest rates.

#### *Trading at a Discount*

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per Unit on an Annual Redemption Date less any costs associated with the redemption including brokerage costs. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts of the Units.



### *Real Estate Investment Trusts*

Investments in REITs are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as availability of long term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. A REIT's income and funds available for distributions to its securityholders would be adversely affected if a significant number of tenants were to become unable to meet their obligations to the REIT or if the REIT were unable to lease a significant amount of available space in its properties on economically favourable lease terms.

### *Composition of Portfolio*

The composition of the Portfolio may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Portfolio being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss because of declines in the prices of securities in those sectors or industries.

### *Use of Leverage*

The Fund may utilize leverage in order to enhance returns for Unitholders. The use of leverage may result in capital losses or a decrease in Distributions to Unitholders. The interest expense and banking fees incurred in respect of a loan facility may exceed the incremental capital gains, if any, and income generated by the incremental investment with the borrowed funds in securities to be included in the Portfolio. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns. In addition, the Fund may not be able to renew a loan facility on acceptable terms. The level of leverage actually employed may impose additional restrictions on the Fund and the Fund will be affected by credit markets and the availability of credit at the relevant time.

### *Illiquid Securities*

If the Investment Manager is unable, or determines that it is inappropriate, to dispose of some or all of the Portfolio Securities prior to termination of the Fund, Unitholders may, subject to applicable laws, receive distributions of Fund Investments *in specie* upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration. In addition, if the Investment Manager determines that it is appropriate to acquire certain securities for the Portfolio, the Investment Manager may be unable to acquire such securities in quantities or at prices which are acceptable to the Investment Manager, if the market for such securities is particularly illiquid.

### *Taxation of the Fund*

The Fund is a mutual fund trust for purposes of the Income Tax Act.

While the Fund has been structured so that the Fund will generally not be liable to pay income tax, the information available to the Fund and the Manager relating to the characterization, for tax purposes, of the distributions received by the Fund in any year from issuers of Fund Investments may be insufficient as at December 31 of that year to ensure that the Fund will make sufficient distributions in order that it will not be liable to pay income tax in respect of that year.

If the Fund ceases to qualify as a “mutual fund trust” under the Income Tax Act, the income tax considerations described in section 11.0 would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income fund may be reduced on a *pro rata* basis in respect of distributions from the income fund that are a return of capital and which are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA’s view should not affect the Fund’s ability to deduct interest on money borrowed to acquire units of income funds included in the Portfolio. If the CRA’s view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain securities held in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of Distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

The Fund has not held and will not hold investments that would result in the Fund becoming a SIFT trust subject to the SIFT Rules. However, if the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations discussed in section 11.0 could be materially and adversely different in certain respects.

As described in section 11.1, certain income funds in which the Fund may hold units are SIFT trusts and SIFT partnerships, as described in the Income Tax Act. Accordingly, in such event, the after-tax returns realized by Unitholders may be reduced to the extent that the trust receives distributions of income or capital gains from such SIFT trusts and SIFT partnerships.

#### *Exchange of Tax Information*

The Fund is required to comply with due diligence and reporting obligations imposed under amendments to the Income Tax Act that implemented the Canada-United States Enhanced Tax Information Exchange Agreement. As long as Units continue to be listed on the TSX, the Fund should not have any U.S. reportable accounts and, as a result, it should not be required to provide information to the CRA in respect of Unitholders. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts that they maintain for their clients. Unitholders may be requested to provide information to their dealer in order to allow the dealer to identify U.S. persons holding Units. If a Unitholder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if the Unitholder does not provide the requested information, the Unitholder’s dealer will be required by the Income Tax Act to report certain information about the Unitholder’s investment in the Fund to the CRA, unless the Units are held by a registered plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

#### *Changes in Legislation and Regulations*

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs, the treatment of mutual fund trusts under the Income Tax Act and securities legislation applicable to the Fund will not be changed in a manner which adversely affects the Fund or the Unitholders. If such laws change, such changes could have a negative effect upon the value of the Fund, the Units and upon investment opportunities of the Fund.

### *Commodity Price Fluctuations*

The operations and financial condition of the issuers of certain of the Fund Investments and, accordingly, the amount of distributions paid on such securities will be dependent on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on such securities. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, an increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of distributions paid on such securities.

### *Loss of Investment*

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses.

### *Status of the Fund*

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

### *Securities Lending*

The Fund may engage in securities lending. Although the Fund will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

### *Sensitivity to Interest Rates*

It is anticipated that the market price for the Units and the value of the Fund Investments at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units and increase the cost of borrowing of the Fund, if any. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

### *Reliance on the Manager and Investment Manager*

The Fund is dependent on the Investment Manager for investment advisory and portfolio management services under the Investment Management Agreement and upon the Manager for the provision of all other required services under the Management Agreement. The officers of the Investment Manager who will be primarily responsible for the management of the portfolio have extensive experience in managing investment portfolios, however, there is no certainty that such individuals will continue as employees of the Investment Manager and there is no certainty that the officers of the Manager will continue as employees of the Manager until the termination of the Fund.

### *Conflicts of Interest*

The Manager and the Investment Manager, and their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust with similar investment objectives to those of the Fund. Although none of the directors

or officers of the Manager or the Investment Manager devotes his or her full time to the business and affairs of the Fund, each devotes as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Manager and the Investment Manager, as applicable.

### *Significant Redemptions*

The purpose of the annual redemption right is to prevent Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to their Net Asset Value per Unit. If a significant number of Units were redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower Distribution per Unit. The Manager has the ability to terminate the Fund, if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager may also suspend the redemption of Units as described in section 7.3.

### *Not a Trust Company*

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under provisions of that Act or any other legislation.

### *Nature of the Units*

Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

An investment in Units does not constitute an investment by Unitholders in the securities included in the Fund Investments. Unitholders will not own securities held by the Fund.

### *General Risks of Investing in Equity Securities*

The Fund will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. In addition, issuers of equity securities may reduce or eliminate dividends or distributions.

### *General Risks of Investing in Debt Instruments*

Generally, debt instruments will decrease in value when interest rates rise and increase in value when interest rates decline. The Net Asset Value of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the Fund Investments. The value of debt instruments is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer’s creditworthiness. Debt instruments may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the debt instruments that may be included in the Fund Investments from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Global

financial markets have experienced a significant re-pricing in recent years, which has contributed to a reduction in liquidity and the availability of credit, enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

### *Distributions*

The Fund intends to pay monthly distributions on all Units. The Manager will review such distribution policy from time to time and the distribution amount may change. If the return on the Portfolio (including Net Realized Capital Gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly Distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the Distribution is paid and, accordingly, the Net Asset Value per Unit would be reduced.

### **14.3 Future Accounting Changes**

The final version of IFRS 9, *Financial Instruments*, was issued by the International Accounting Standards Board in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however, is available for early adoption. In addition, the own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

## ANNUAL INFORMATION FORM FOR CANADIAN HIGH INCOME EQUITY FUND

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### ADDITIONAL INFORMATION:

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. Copies of these documents may be obtained at no cost:

- By calling (416) 642-6000 or toll-free at 1-866-642-6001,
- Direct from your dealer, or
- By e-mail at [info@bromptongroup.com](mailto:info@bromptongroup.com).

Copies of these documents and other information about the Fund, such as information circulars and material contracts, are also available on the Fund's website at [www.bromptongroup.com](http://www.bromptongroup.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).