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*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.*

## PRELIMINARY PROSPECTUS

Initial Public Offering

December 30, 2014

# BROMPTON OIL SPLIT CORP.

**\$● (Maximum)**

### Up to ● Preferred Shares and ● Class A Shares

Brompton Oil Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario. The Company proposes to offer preferred shares (“Preferred Shares”) and class A shares (“Class A Shares”) at a price of \$10.00 per Preferred Share and \$15.00 per Class A Share (the “Offering”). Preferred Shares and Class A Shares are issued only on the basis that an equal number of Preferred Shares and Class A Shares will be outstanding at all times.

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.1250 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until March 31, 2020 (the “Maturity Date”) and to return the original issue price of \$10.00 to holders on the Maturity Date. See “Investment Objectives”.

The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders with the opportunity for growth in the net asset value per Class A Share. See “Investment Objectives”.

The Company will invest in a portfolio (the “Portfolio”) of equity securities of at least 15 large capitalization North American oil and gas issuers selected by the Manager (defined herein) from the S&P 500 Index and the S&P/TSX Composite Index. The Portfolio will be focused primarily on oil and gas issuers that have significant exposure to oil. See “Investment Strategies”.

Brompton Funds Limited (the “Manager”) will act as the manager and the portfolio manager of the Company. The Manager is a member of the Brompton Group, a provider of investment management and portfolio advisory services to TSX-listed investment funds since 2002 with total assets under management of approximately \$2.2 billion as of November 30, 2014, and will be responsible for the management and administration of the Company, and as portfolio manager, will also implement the Company’s investment strategies. See “Organization and Management Details of the Manager”.

### Price: \$10.00 per Preferred Share and \$15.00 per Class A Share

	Price to the Public <sup>(1)</sup>	Agents’ Fee	Net Proceeds to the Company <sup>(2)</sup>
Per Preferred Share	\$10.00	\$0.30	\$9.70
Minimum Total Offering <sup>(3)(4)</sup>	\$14,000,000.00	\$420,000.00	\$13,580,000.00
Maximum Total Offering <sup>(4)</sup>	●	●	●
Per Class A Share	\$15.00	\$0.90	\$14.10
Minimum Total Offering <sup>(3)(4)</sup>	\$21,000,000.00	\$1,260,000.00	\$19,740,000.00
Maximum Total Offering <sup>(4)</sup>	●	●	●

**Notes:**

- (1) The terms of the Offering were established through negotiation between the Agents (as defined below) and the Manager on behalf of the Company.
- (2) Before deducting the expenses of the Offering, which are estimated to be \$725,000. Such expenses, together with the Agents' fee, will be paid out of the proceeds of the Offering, provided however that the expenses of the Offering to be borne by the Company shall not exceed 1.5% of the gross proceeds of the Offering. Any such excess expenses shall be paid for by the Manager.
- (3) There will be no Closing unless a minimum of 1.4 million Preferred Shares and 1.4 million Class A Shares are sold. If subscriptions for a minimum of 1.4 million Preferred Shares and 1.4 million Class A Shares have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Preferred Shares and Class A Shares on or before such date.
- (4) The Company has granted to the Agents an over-allotment option, exercisable for a period of 30 days from the Closing Date (defined herein), to purchase an additional ● Preferred Shares and ● Class A Shares in an amount up to 15% of the aggregate number of Preferred Shares and Class A Shares issued on the Closing Date on the same terms as set forth above solely to cover over-allocations, if any (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Company will be \$●, \$● and \$●, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and Class A Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Preferred Shares and Class A Shares forming part of the Agents' over-allocation position acquires such Preferred Shares and Class A Shares under this prospectus, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Prospective purchasers may purchase: (i) Preferred Shares or Class A Shares by a cash payment; or (ii) Units or Class A Shares by an exchange (the "Exchange Option") of freely-tradable listed securities of any of the issuers included in the Indicative Portfolio, as defined herein (the "Exchange Eligible Issuers") by no later than 5:00 p.m. (Toronto time) on January 23, 2015 through CDS Clearing and Depository Services Inc. A prospective purchaser's book-entry deposits must be made by a participant in CDS (a "CDS Participant"), who may have an earlier deadline for depositing securities of Exchange Eligible Issuers. **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Eligible Issuer.** See "Income Tax Considerations" and "Purchases of Securities".

**There is currently no market through which the Preferred Shares and Class A Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Preferred Shares and Class A Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "Risk Factors". An investment in Preferred Shares or Class A Shares involves a degree of risk. It is important for prospective purchasers to consider the risk factors described in this prospectus. See "Risk Factors".**

**There is no guarantee that an investment in the Company will earn any positive return in the short or long term nor is there any guarantee that the Investment Objectives will be achieved or that the Net Asset Value per Preferred Share or Class A Share will appreciate or be preserved. An investment in the Company is appropriate only for investors who have the capacity to absorb investment losses. Prospective investors should read carefully the risk factors described in this prospectus. See "Risk Factors" for a discussion of certain factors that should be considered by prospective purchasers of Preferred Shares and Class A Shares.**

Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc. and Mackie Research Capital Corporation (collectively, the Agents"), as agents, conditionally offer the Preferred Shares and Class A Shares for sale, on a best efforts basis, if, as and when issued by the Company in accordance with the conditions contained in an agency agreement dated as of ●, 2015 referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Osler, Hoskin & Harcourt LLP and on behalf of the Agents by Stikeman Elliott LLP. The Agents may over-allot or effect transactions as described under "Plan of Distribution".

Subscriptions for Preferred Shares and Class A Shares will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about ●, 2015, but no later than 90 days after a receipt for this prospectus has been issued (the "Closing Date"). Registrations and transfers of Preferred Shares and Class A Shares will be effected only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See "Plan of Distribution" and "Description of The Securities – Book-Entry-Only and Book-Based Systems".

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms used, but not defined herein shall have the meanings given to such terms in the “Glossary of Terms”.*

### The Offering

<b>Issuer:</b>	Brompton Oil Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on December 30, 2014. Brompton Funds Limited (the “Manager”) is the manager and the investment manager of the Company. See “Overview of the Company”.
<b>Offering:</b>	The Company is offering preferred shares (“Preferred Shares”) and class A shares (“Class A Shares”) of the Company. The Preferred Shares and Class A Shares are offered separately but will be issued only on the basis that an equal number of each class of shares will be issued and outstanding.
<b>Maximum Issue:</b>	Maximum: \$● (● Preferred Shares) Maximum: \$● (● Class A Shares)
<b>Minimum Issue:</b>	Minimum: \$14,000,000.00 (1,400,000 Preferred Shares) Minimum: \$21,000,000.00 (1,400,000 Class A Shares)
<b>Price:</b>	\$10.00 per Preferred Share \$15.00 per Class A Share
<b>Investment Objectives:</b>	<p>The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.1250 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until March 31, 2020 (the “Maturity Date”) and to return the original issue price of \$10.00 to holders on the Maturity Date.</p> <p>The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders with the opportunity for growth in the net asset value per Class A Share.</p> <p>See “Investment Objectives”.</p>
<b>Investment Strategies:</b>	<p>To achieve its investment objectives, the Company will invest in a portfolio (the “Portfolio”) of approximately equal-weighted positions in equity securities of at least 15 large capitalization North American oil and gas issuers selected by the Manager from the S&amp;P 500 Index and S&amp;P/TSX Composite Index. The Portfolio will be focused primarily on oil and gas issuers that have significant exposure to oil.</p> <p>To be considered for inclusion in the Portfolio, at the time of investment and at the time of each periodic reconstitution and rebalancing, an oil and gas issuer must be a constituent of the S&amp;P 500 Index or the S&amp;P/TSX Composite Index, must have a market capitalization of at least \$2 billion and must pay a dividend.</p> <p>After applying the above mentioned criteria, the Manager will select at least 15 oil and gas issuers to comprise the Portfolio, giving consideration to, among other metrics, as applicable: valuation (on an enterprise value/EBITDA, price/cash flow and/or price/net asset value ratio basis); growth prospects (in terms of expected cash flows and/or reserves); profitability (in terms of return on equity); liquidity (of both listed stock and options); sustainability of dividends (in terms of Basic Payout Ratio, as defined herein); and a strong balance sheet (in terms of debt/EBITDA and debt/capital ratios).</p>

If less than 15 oil and gas issuers included in the S&P 500 Index and S&P/TSX Composite Index satisfy the market capitalization or dividend criteria, the Portfolio will include all issuers that satisfy the criteria together with such other issuers selected by the Manager at its discretion, giving consideration to the principles noted above.

The Portfolio will be rebalanced and may be reconstituted by the Manager at least semi-annually, but may be rebalanced and reconstituted more frequently at the Manager's discretion. See "Investment Strategies – Rebalancing Criteria". The Portfolio, if invested on December 23, 2014, would be invested, on an approximately equally-weighted basis, in equity securities of the following issuers (the "Indicative Portfolio"):

ARC Resources Ltd.	Husky Energy Inc.
Canadian Natural Resources Limited	Imperial Oil Limited
ConocoPhillips	Occidental Petroleum Corporation
Crescent Point Energy Corp.	PrairieSky Royalty Ltd.
Cenovus Energy Inc.	Suncor Energy Inc.
Chevron Corporation	Vermilion Energy Inc.
Encana Corporation	Exxon Mobil Corporation
EOG Resources Inc.	

The Company may also invest up to 25% of the Portfolio value, as measured at the time of investment, in equity securities of issuers listed on the S&P 500 Index or the S&P/TSX Composite Index that satisfy the market capitalization and dividend criteria noted above operating in energy subsectors including equipment, services, pipelines, transportation and infrastructure.

The Company may selectively write covered call options from time to time in respect of all or a portion of the securities in the Portfolio in order to enhance the Company's total returns, enhance the dividend yield on the securities in the Portfolio and to mitigate the overall volatility of the Portfolio. Based on the Manager's experience using its tactical covered call writing strategy, it expects there will be periods of time when the securities in the Portfolio will be subject to covered call options as well as to periods when no covered call options will be written on the securities in the Portfolio.

See "Investment Strategies".

**Currency Hedging:**

The Company may hedge all or a portion of its U.S. dollar exposure back to the Canadian dollar from time to time, in the Manager's discretion. Initially, the Company does not intend to hedge any of its U.S. dollar exposure.

See "Investment Strategies – Currency Hedging".

**Distribution Policy:**

Holders of record of Preferred Shares on the last Business Day of each of March, June, September and December will be entitled to receive fixed, cumulative preferential quarterly cash distributions equal to \$0.1250 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of approximately 5.0%. Such quarterly distributions are expected to be paid by the Company before the tenth Business Day of the month following the period in respect of which the distribution was payable. Based on the expected Closing Date (defined herein), the initial distribution will be \$● per Preferred Share and is expected to be payable to the holders of Preferred Shares of record on March 31, 2015. The first distribution will be pro-rated to reflect the period from the Closing Date to March 31, 2015.

The policy of the Board of Directors of the Company will be to pay monthly non-cumulative distributions to the holders of Class A Shares in the amount of \$0.10 per Class A Share. Such distributions will be paid on or before the tenth

Business Day of the month following the month in respect of which the distribution becomes payable. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears or (ii) in respect of a cash distribution by the Company, the NAV per Unit would be less than \$15.00. In addition, the Company will not pay distributions in excess of \$0.10 per month on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$23.50 unless the Company has to make such distribution to fully recover refundable taxes.

Assuming that the gross proceeds of the offering are \$100 million and fees and expenses are as presented in this prospectus, in order to achieve the Company's targeted annual distributions for the Class A Shares and the Preferred Shares while maintaining a stable NAV per Unit, the Company will be required to generate an average annual total return (comprised of net realized capital gains, option premiums and dividends) on the Portfolio of approximately 8.4%. The Portfolio currently generates dividend income of 3.5% per annum and would be required to generate an additional 4.9% per annum from other sources to return and distribute such amounts. Such distributions may consist of ordinary dividends, capital gains dividends or returns of capital. There can be no assurance that the Company will be able to pay distributions to the holders of Preferred Shares or Class A Shares.

See "Distribution Policy" and "Risk Factors".

**Exchange Option:**

Prospective purchasers may purchase, at their election: (i) Preferred Shares or Class A Shares by a cash payment; or (ii) Units or Class A Shares by an exchange (the "Exchange Option") of freely-tradable listed securities of any of the issuers included in the Indicative Portfolio (the "Exchange Eligible Issuers"). Under the Exchange Option prospective purchasers will receive for the securities of Exchange Eligible Issuers tendered to the Company, that number of Units or Class A Shares, as the case may be, determined in the manner described below and where prospective purchases tender securities of Exchange Eligible Issuers for Class A Shares, \$0.01 in cash per Class A Share purchased.

The number of Units or Class A Shares issuable for each security of an Exchange Eligible Issuer (the "Exchange Ratio") will be determined by dividing the weighted average trading price of the securities of such Exchange Eligible Issuer on the Toronto Stock Exchange (the "TSX"), during the three consecutive trading days ending on February 6, 2015 (the "Pricing Period") as adjusted to reflect dividends declared or distributions pending by any Exchange Eligible Issuer that trades on an ex-dividend basis until the Closing Date by the sum of offering prices of a Preferred Share and Class A Share being \$25.00, in the case of a subscription for Units or \$15.00 in the case of a subscription for Class A Shares. The Exchange Ratio will be adjusted to reflect the \$0.01 per Class A Share to be received by prospective purchasers who tender securities of Exchange Eligible Issuers to the Company for Class A Shares.

A prospective purchaser who elects to pay for Units or Class A Shares by using the Exchange Option must do so by depositing (in the form of a book-entry deposit) securities of Exchange Eligible Issuers through CDS Clearing and Depository Services Inc. prior to 5:00 p.m. (Toronto time) on January 23, 2015. A prospective purchaser's CDS Participant (as defined herein) may have an earlier deadline for depositing securities of Exchange Eligible Issuers. Each prospective purchaser who has authorized the deposit of securities of an Exchange Eligible Issuer through CDS has the right to withdraw such deposit of securities at any time on or before midnight on the second Business Day after the later of: (i) receipt or deemed receipt of the final prospectus relating to the Offering and any amendment thereto, and (ii) the date on which the press release referred to below is issued. The Manager may, in its discretion, accept or reject any purchase of Units or Class A Shares using freely-tradable

securities of the Exchange Eligible Issuers.

The Company will issue a press release as soon as practicable after the close of business on February 9, 2015 announcing for each of the Exchange Eligible Issuers, the name of the Exchange Eligible Issuer, the ticker symbol, the CUSIP number, the ISIN, the volume weighted average trading price of the securities during the Pricing Period and the Exchange Ratio.

A purchaser who is resident in Canada, who holds securities of an Exchange Eligible Issuer as capital property and who exchanges such securities for Units or Class A Shares under the Exchange Option will be considered to have disposed of such securities for proceeds of disposition equal to the sum of (i) any cash received by such purchaser, and (ii) the fair market value, as at the time of acquisition, of Units or Class A Shares, as the case may be, acquired by such purchaser on the exchange. As a result, the purchaser generally will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the purchaser of the securities of the Exchange Eligible Issuer(s) and any reasonable costs of disposition.

The purchase of Units or Class A Shares by the exchange of securities of an Exchange Eligible Issuer pursuant to the Exchange Option will be a taxable event for the purchaser.

See “Purchases of Securities” and “Income Tax Considerations”.

#### **Redemptions:**

The Preferred Shares will be redeemed by the Company on the Maturity Date. The redemption price payable by the Company for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the NAV of the Company on that date divided by the total number of Preferred Shares then outstanding.

The Class A Shares will be redeemed by the Company on the Maturity Date. The redemption price payable by the Company for a Class A Share on that date will be equal to the greater of (i) the NAV per Unit on that date minus the sum of \$10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

See “Redemptions and Retractions – Redemptions”.

#### **Retraction Privileges:**

##### **Preferred Shares**

*Monthly:* Preferred Shares may be surrendered at any time for retraction to ● (the “Registrar and Transfer Agent”), the Company’s registrar and transfer agent, but will be retracted only on the second last Business Day of a month (the “Retraction Date”). Preferred Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Retraction Date will be retracted on such Retraction Date and the holder will be paid on or before the tenth Business Day of the following month (the “Retraction Payment Date”). If a shareholder surrenders its Preferred Shares after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the NAV per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be



paid on the Retraction Payment Date. On any monthly retraction of Preferred Shares the Company will purchase for cancellation an equal number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all times.

*Annual Concurrent Retraction:* A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of March of each year, other than in a year when the last Business Day of March is a Maturity Date or any subsequent maturity date, commencing in 2016 (the “Annual Retraction Date”) at a retraction price equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the tenth Business Day of the following month.

*Non-Concurrent Retraction Right:* On the Maturity Date and upon any subsequent maturity date as determined by the Company’s Board of Directors, a holder of Preferred Shares may retract such Preferred Shares. The Company will provide at least 60 days’ notice to holders of Preferred Shares of such right. The redemption price payable by the Company for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the NAV of the Company on that date divided by the total number of Preferred Shares then outstanding.

See “Redemption and Retractions – Retraction Privileges – Preferred Shares”.

#### **Class A Shares**

*Monthly:* Class A Shares may be surrendered at any time for retraction to the Registrar and Transfer Agent, but will be retracted only on the monthly Retraction Date. Class A Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the monthly Retraction Date will be retracted on such Retraction Date and the shareholder will be paid on or before the Retraction Payment Date. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the Class A Shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted Shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the NAV per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred Share. If the NAV per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

*Annual Concurrent Retraction:* A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in 2016 at a retraction price equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of

any portion of the Portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must both be surrendered at least 10 Business Days prior to the Annual Retraction Date. Payment of the proceeds will be made on or before the tenth Business Day of the following month subject to the Manager's right to suspend retractions in certain circumstances.

*Non-Concurrent Retraction Right:* On the Maturity Date and upon any subsequent maturity date as determined by the Company's Board of Directors, a holder of Class A Shares may retract such Class A Shares. The Company will provide at least 60 days' notice to holders of Class A Shares of such right. The redemption price payable by the Company for a Class A Share pursuant to the non-concurrent retraction right will be equal to the greater of (i) the NAV per Unit determined on that date minus \$10.00 plus any accrued and unpaid distributions on the Preferred Share, and (ii) nil.

For the purpose of calculating the NAV per Unit, the value of the Portfolio (as defined herein) will be equal to the weighted average trading price of the constituent securities over the last three Business Days of the month, as described under "Calculation of Net Asset Value – Valuation of Portfolio Securities".

See "Redemption and Retractions – Retraction Privileges – Class A Shares".

**Use of Proceeds:**

The net proceeds of the Offering (including the proceeds from the exercise, if any, by the Agents of the Over-Allotment Option (as defined herein)) will be used to purchase the securities for the Portfolio following the Closing Date.

See "Use of Proceeds".

**Risk Factors:**

An investment in Preferred Shares and Class A Shares is subject to certain risk factors, including: (i) there is no assurance that the Company will be able to achieve its investment objectives; (ii) risks relating to the oil and gas industry; (iii) risks relating to commodity price fluctuations and the volatility of oil and gas prices; (iv) risks relating to the performance of the securities in the Portfolio; (v) risks relating to the nature of oil and gas exploration and development; (vi) risks relating to the volatility of the Class A Shares; (vii) risks relating to recent and future global financial developments; (viii) concentration risk; (ix) sensitivity to interest rates; (x) risks relating to changes in credit rating; (xi) reliance on the Manager; (xii) conflicts of interest; (xiii) risks associated with the use of options and other derivative instruments; (xiv) sensitivity to volatility levels; (xv) risks associated with securities lending; (xvi) tax risks; (xvii) significant retractions; (xviii) loss of investment; (xix) risks associated with non-concurrent retraction; (xx) changes in legislation and regulatory risk; (xxi) risks relating to accrued gains; (xxii) risks relating to currency exposure; (xxiii) risks relating to foreign market exposure; and (xxiv) lack of operating history.

See "Risk Factors".

**Income Tax Considerations:**

The Company intends to qualify at all relevant times as a mutual fund corporation under the Tax Act. As a mutual fund corporation, the Company will be entitled to capital gains refunds in respect of: (i) capital gains dividends paid by it in respect of its net realized capital gains and from which it may elect to pay dividends ("Capital Gains Dividends") which are treated as capital gains in the hands of the shareholders; and (ii) its capital gains redemptions. As a result thereof and of the deduction of expenses in computing its taxable income, based on the Indicative Portfolio, the Company does not expect to be subject to any material net income tax liability.

A purchaser who is resident in Canada, who holds securities of an Exchange Eligible Issuer as capital property and who exchanges such securities for Units or Class A Shares under the Exchange Option will be considered to have disposed of such securities for proceeds of disposition equal to the sum of (i) any cash received by such purchaser, and (ii) the fair market value, as at the

**Taxation of Shareholders  
Resident in Canada**

time of acquisition, of Units or Class A Shares, as the case may be, acquired by such purchaser on the exchange. As a result, the purchaser generally will realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the purchaser of the securities of the Exchange Eligible Issuer(s) and any reasonable costs of disposition.

See “Income Tax Considerations”.

**Distributions**

Dividends, other than Capital Gains Dividends, received by individuals on the Preferred Shares and Class A Shares (“Ordinary Dividends”) will be subject to the usual gross-up and dividend tax credit rules applicable to taxable dividends (including eligible dividends) received on shares of a taxable Canadian corporation.

Ordinary Dividends received by corporations, other than a “specified financial institution” (as defined in the Tax Act), on the Preferred Shares and Class A Shares will generally be deductible in computing taxable income.

Ordinary Dividends received by “specified financial institutions” on the Preferred Shares and Class A Shares will be deductible in computing taxable income, provided that certain conditions applicable to “term preferred shares” under the Tax Act are met, such as the 10% ownership restriction.

Ordinary Dividends received by private corporations (and certain other corporations) on the Preferred Shares and Class A Shares will be subject to a refundable tax under Part IV of the Tax Act, generally at the rate of 33⅓%.

Ordinary Dividends received by certain corporations other than private corporations on the Preferred Shares will be subject to a 10% tax under Part IV.1 of the Tax Act.

Return of capital payments to a holder of Preferred Shares and Class A Shares will not be subject to tax but will reduce the adjusted cost base of the Preferred Shares and Class A Shares to the holder. To the extent that such adjusted cost base would otherwise be a negative amount, the holder will be deemed to have realized a capital gain at that time and the adjusted cost base will be increased by the amount of such deemed capital gain.

The amount of any Capital Gains Dividend received by a shareholder from the Company will be considered to be a capital gain of the shareholder from the disposition of capital property in the taxation year of the shareholder in which the Capital Gains Dividend is received.

See “Income Tax Considerations”.

**Eligibility for Investment**

Provided that the Company qualifies as a “mutual fund corporation” for the purposes of the Tax Act, or if the Preferred Shares and Class A Shares are listed on a “designated stock exchange” within the meaning of the Tax Act, the Preferred Shares and Class A Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (“TFSAs”). Trusts governed by registered education savings plans should consult their own tax advisors as to eligibility.

Provided that a holder of a TFSA or the annuitant of an RRSP or RRIF deals at arm’s length with and does not have a “significant interest” (within the meaning of the Tax Act) in the Company, the Preferred Shares and Class A Shares will not be a prohibited investment under the Tax Act for such TFSA, RRSP or RRIF.

See “Eligibility for Investment”.

**Redemption of the Shares by the Company:**

All Preferred Shares and Class A Shares of the Company outstanding on the Maturity Date will be redeemed by the Company on such date provided that the term of the Company may be extended after the Maturity Date for a further period of five years and thereafter for additional successive periods of five years as determined by the Company's Board of Directors on such date.

See "Redemption of the Shares by the Company" and "Redemption and Retractions – Redemptions".

**Organization and Management of the Company:**

*Manager, Portfolio Manager and Promoter*

Brompton Funds Limited will be the manager and portfolio manager of the Company. The Manager is a member of the Brompton Group, a provider of investment management and portfolio advisory services to TSX-listed investment funds since 2002. The Manager's head office is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Toronto, Ontario M5J 2T3.

The Manager may be considered a promoter of the Company within the meaning of the securities legislation of certain provinces and territories of Canada by reason of its initiative in organizing the Company.

See "Organization and Management Details of the Manager".

*Custodian*

●, located in Toronto, Ontario, is the custodian of the assets of the Company and is responsible for certain aspects of the day-to-day administration of the Company.

See "Organization and Management Details of the Company – The Custodian".

*Auditor*

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licenced Public Accountants, Toronto, Ontario.

See "Organization and Management Details of the Company – The Auditor".

*Registrar and Transfer Agent*

● will provide the Company with registrar, transfer and distribution agency services in respect of the Preferred Shares and Class A Shares from its principal offices in Toronto, Ontario.

See "Organization and Management Details of the Company – The Registrar and Transfer Agent".

**Agents:**

Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc. and Mackie Research Capital Corporation (collectively, the "Agents") conditionally offer the shares on a best efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein) referred to under "Plan of Distribution" and subject to the approval of certain matters on behalf of the Company by Osler, Hoskin & Harcourt LLP and on behalf of the Agents by Stikeman Elliott LLP.

Pursuant to the Agency Agreement, the Agents have agreed to offer the Preferred Shares and Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The Agents will receive a fee equal to \$0.30 for each Preferred Share sold and \$0.90 for each Class A Share sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents

have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered hereby, the Agents will not be obligated to purchase Preferred Shares and Class A Shares which are not sold.

The Company has granted the Agents an Over-Allotment Option. This prospectus qualifies the distribution of the Over-Allotment Option, and the Preferred Shares and the Class A Shares issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of this offering. To the extent that the Over-Allotment Option is exercised, the additional Preferred Shares and Class A Shares will be offered at the offering prices hereunder and the Agents will be entitled to a fee of \$0.30 per Preferred Share and \$0.90 per Class A Share purchased.

See "Plan of Distribution".

Agents' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	● Preferred Shares and ● Class A Shares	Within 30 days following the Closing Date	\$10.00 per Preferred Share and \$15.00 per Class A Share

## SUMMARY OF FEES AND EXPENSES

*The following table contains a summary of the fees and expenses payable by the Company. For further particulars, see "Fees and Expenses".*

### Fees and Expenses Payable by the Company

<b><u>Type of Fee</u></b>	<b><u>Amount and Description</u></b>
<b>Agents' Fees:</b>	\$0.30 per Preferred Share (3.0%) \$0.90 per Class A Share (6.0%)
<b>Expenses of the Offering:</b>	The Company will pay the expenses incurred in connection with the offering of Preferred Shares and Class A Shares by the Company, estimated to be \$725,000. Such expenses, together with the Agents' fee, will be paid out of the proceeds of the Offering, provided however that the expenses of the Offering to be borne by the Company shall not exceed 1.5% of the gross proceeds of the Offering. Any such excess expenses shall be paid for by the Manager.
<b>Fee Payable to the Manager:</b>	The Manager will receive an annual management fee (the "Management Fee") equal to 0.70% per annum of the NAV of the Company, calculated and payable monthly in arrears, plus any applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs shall be pro-rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days of such month.
<b>Operating Expenses:</b>	The Company will be responsible for various operating expenses incurred by the Company and by the Manager on behalf of the Company. In addition to the Management Fee, and any debt servicing costs, the Company will pay all of its own expenses incurred in connection with its operation and administration, estimated to be approximately \$220,000 per annum (assuming an offering size of approximately \$100 million).
<b>Service Fee:</b>	A service fee (the "Service Fee") will be paid to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40% annually of the NAV of the Class A Shares held by clients of the dealers, plus any applicable taxes. For these purposes, the NAV per Class A Share will be the NAV per Unit less \$10.00 plus any accrued and unpaid distributions on a Preferred Share.

## **FORWARD LOOKING STATEMENTS**

Certain statements included in this prospectus constitute forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company or the Manager. The forward looking statements are not historical facts but reflect the expectations of the Company or the Manager regarding future results or events as at the date of this prospectus. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations including the matters discussed under “Risk Factors” and in other sections of this prospectus.

## GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**Agents**” means collectively, Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc. and Mackie Research Capital Corporation.

“**Annual Retraction Date**” means the second last Business Day of the month of March, other than in a year which contains a maturity date, commencing in 2016.

“**Basic Payout Ratio**” means the ratio of dividends paid to cash flow available to pay dividends.

“**Business Day**” means any day on which the TSX is open for business.

“**Brompton Funds**” means Brompton Corp. and its wholly owned subsidiary Brompton Funds Limited, which acts as manager of the Company.

“**cash equivalents**” means, and for the purposes of “cash cover” and “cash covered put option”, “cash” as used therein means:

- (a) cash on deposit at the Company’s custodian;
- (b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by:
  - (i) any of the federal or provincial Governments of Canada;
  - (ii) the Government of the United States; or
  - (iii) a Canadian financial institution;provided that, in the case of (ii) and (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS or the equivalent rating from another approved rating organization; or
- (c) other cash cover as defined in NI 81-102.

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

“**CDS Participants**” means participants in CDS.

“**Class A Shares**” means the class A shares of the Company.

“**Class J Shares**” means the class J shares of the Company.

“**Closing Date**” means on or about ●, 2015 but not later than 90 days after a receipt for this prospectus has been issued.

“**Company**” means Brompton Oil Split Corp., a split share corporation incorporated under the laws of the Province of Ontario.

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

“**Custodian**” means ●, in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement to be entered into on or about the Closing Date between the Company and the Custodian, as it may be amended from time to time.

“**DBRS**” means DBRS Limited.

“**Exchange Agent**” means ●.

“**Exchange Eligible Issuers**” means any of the issuers included in the Indicative Portfolio.



“**Exchange Eligible Shares**” means the freely-tradable listed securities of the Exchange Eligible Issuers.

“**Exchange Option**” means the option of prospective purchasers to elect to purchase Units or Class A Shares by an exchange of Exchange Eligible Shares.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least 66⅔% of the votes cast, either in person or by proxy, at a meeting of shareholders called for the purpose of approving such resolution.

“**Investment Guidelines**” means the investment guidelines of the Company described under “Investment Strategies – Investment Guidelines” in this prospectus.

“**Investment Objectives**” means the investment objectives of the Company described under “Investment Objectives” in this prospectus.

“**Investment Strategies**” means the investment strategies of the Company described under “Investment Strategies” in this prospectus.

“**Investment Restrictions**” means the investment restrictions of the Company, including without limitation those described under “Investment Restrictions” in this prospectus.

“**Manager**” means Brompton Funds Limited, in its capacity as manager of the Company, or if applicable, its successor.

“**Management Agreement**” means the management agreement dated as of ●, 2015 between the Company and the Manager as it may be amended from time to time.

“**Maturity Date**” means March 31, 2020, subject to extension for successive terms of up to five years as determined by the Company’s Board of Directors. See “Redemption of the Shares by the Company”.

“**Minister**” means the Minister of Finance (Canada).

“**NAV**” or “**Net Asset Value**” means net asset value.

“**NAV per Unit**” means the NAV of the Company divided by the number of Units then outstanding.

“**NAV of the Company**” means (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date and (iii) the stated capital of the Class J Shares (\$100.00).

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

“**Offering**” means the offering of up to ● Preferred Shares and ● Class A Shares as contemplated in this prospectus.

“**Over-Allotment Option**” means the over-allotment option granted to the Agents by the Company described under “Plan of Distribution” in this prospectus.

“**Portfolio**” means the Company’s investment portfolio.

“**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof.

“**Preferred Shares**” means the preferred shares of the Company.

“**Rebalancing Criteria**” means the rebalancing criteria of the Company as described under “Investment Strategies – Rebalancing Criteria” in this prospectus.

“**Retraction Date**” means the second last Business Day of a month.

“**Retraction Notice**” means a notice delivered by a CDS Participant to CDS (at its office in Toronto) on behalf of a Shareholder who desires to exercise his or her retraction privileges.

“**Retraction Payment Date**” means the day that is on or before the tenth Business Day of the month following the Retraction Date or Annual Retraction Date, as applicable.

“**Shareholder**” means a holder of a Class A Share or a Preferred Share.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as the same may be amended from time to time.

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

“**Unit**” means a notional unit consisting of one Preferred Share and one Class A Share. The number of Units outstanding at any time will be equal to the sum of the number of Preferred Shares and Class A Shares then outstanding divided by two.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

## OVERVIEW OF THE COMPANY

Brompton Oil Split Corp. is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 30, 2014. The Articles of the Company will be amended prior to closing to create the Preferred Shares and the Class A Shares. See “Description of The Securities”. The manager of Brompton Oil Split Corp. (the “Company”) is Brompton Funds Limited (the “Manager”), who is responsible for investing the net proceeds of the offering to purchase securities for the Portfolio (as defined herein) and to rebalance the Portfolio in accordance with the Rebalancing Criteria (as defined herein).

The principal office of the Company and the Manager is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Toronto, Ontario, M5J 2T3.

### Status of the Company

While the Company is technically considered to be a mutual fund corporation under the securities legislation of certain provinces and territories of Canada, the Company is not a conventional mutual fund.

The Company differs from conventional mutual funds in a number of respects, most notably as follows (i) while the Preferred Shares and Class A Shares of the Company may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily, (ii) the Preferred Shares and Class A Shares of the Company are to have a stock exchange listing whereas the securities of most conventional mutual funds do not, and (iii) unlike most conventional mutual funds, the Preferred Shares and Class A Shares will not be offered on a continuous basis.

## INVESTMENT OBJECTIVES

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.1250 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until March 31, 2020 (the “Maturity Date”) and to return the original issue price of \$10.00 to holders on the Maturity Date.

The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders with the opportunity for growth in the net asset value per Class A Share.

## INVESTMENT STRATEGIES

### Investment Guidelines

To achieve its investment objectives, the Company will invest in a portfolio (the “Portfolio”) of approximately equal-weighted positions in equity securities of at least 15 large capitalization North American oil and gas issuers selected by the Manager from the S&P 500 Index and S&P/TSX Composite Index. The Portfolio will be focused primarily on oil and gas issuers that have significant exposure to oil.

To be considered for inclusion in the Portfolio, at the time of investment and at the time of each periodic reconstitution and rebalancing, an oil and gas issuer must be a constituent of the S&P 500 Index or the S&P/TSX Composite Index, must have a market capitalization of at least \$2 billion and must pay a dividend.

After applying the above mentioned criteria, the Manager will select at least 15 oil and gas issuers to comprise the Portfolio, giving consideration to, among other metrics, as applicable: valuation (on an enterprise value/EBITDA, price/cash flow and/or price/net asset value ratio basis); growth prospects (in terms of expected cash flows and/or reserves); profitability (in terms of return on equity); liquidity (of both listed stock and options); sustainability of dividends (in terms of Basic Payout Ratio, as defined herein); and a strong balance sheet (in terms of debt/EBITDA and debt/capital ratios).

If less than 15 oil and gas issuers included in the S&P 500 Index and S&P/TSX Composite Index satisfy the market capitalization or dividend criteria, the Portfolio will include all issuers that satisfy the criteria together with such other issuers selected by the Manager at its discretion, giving consideration to the principles noted above.

The Portfolio will be rebalanced and may be reconstituted by the Manager at least semi-annually, but may be rebalanced and reconstituted more frequently at the Manager’s discretion. See “Investment Strategies –

Rebalancing Criteria”. The Portfolio, if invested on December 23, 2014, would be invested, on an approximately equally-weighted basis, in equity securities of the following issuers (the “Indicative Portfolio”):

Company Name	Country	Market Capitalization (\$ Billions) <sup>(1)</sup>	Dividend Yield <sup>(2)</sup>	% Oil Production <sup>(3)</sup>
ARC Resources Ltd.	CA	\$8.4	4.5%	39.6%
Canadian Natural Resources Limited	CA	\$40.1	2.4%	67.6%
ConocoPhillips	US	\$101.6	3.5%	48.8%
Crescent Point Energy Corp.	CA	\$12.7	9.7%	91.5%
Cenovus Energy Inc.	CA	\$18.5	4.4%	73.2%
Chevron Corporation	US	\$250.2	3.2%	66.9%
Encana Corporation	CA	\$11.9	2.0%	25.7%
EOG Resources Inc.	US	\$61.4	0.6%	49.9%
Husky Energy Inc.	CA	\$27.1	4.4%	69.3%
Imperial Oil Limited	CA	\$43.7	1.0%	92.3%
Occidental Petroleum Corporation	US	\$74.7	3.0%	66.2%
PrairieSky Royalty Ltd.	CA	\$4.9	4.0%	52.9%
Suncor Energy Inc.	CA	\$54.8	3.0%	99.4%
Vermilion Energy Inc.	CA	\$6.2	4.4%	63.8%
Exxon Mobil Corporation	US	\$465.3	2.5%	52.7%
<b>Average</b>		<b>\$78.8</b>	<b>3.5%</b>	<b>64.0%</b>

**Notes:**

(1) Shown in Canadian dollars. U.S. dollar figures were converted to Canadian dollar equivalents at spot rates as at December 23, 2014.

(2) Net of withholding tax.

(3) Calculated based on production numbers expressed as barrel of oil equivalents (derived by converting six thousand cubic feet (“Mcf”) of natural gas to one barrel (“bbl”) of crude oil (6 Mcf:1 bbl).

Source: Bloomberg, as at December 23, 2014.

The Company may also invest up to 25% of the Portfolio value, as measured at the time of investment, in equity securities of issuers listed on the S&P 500 Index or the S&P/TSX Composite Index that satisfy the market capitalization and dividend criteria noted above operating in energy subsectors including equipment, services, pipelines, transportation and infrastructure.

The Company may selectively write covered call options from time to time in respect of all or a portion of the securities in the Portfolio in order to enhance the Company’s total returns, enhance the dividend yield on the securities in the Portfolio and to mitigate the overall volatility of the Portfolio. Based on the Manager’s experience using its tactical covered call writing strategy, it expects there will be periods of time when the securities in the Portfolio will be subject to covered call options as well as to periods when no covered call options will be written on the securities in the Portfolio. See “Investment Strategy – Call Option Writing”.

### Rebalancing Criteria

The Portfolio will be rebalanced and may be reconstituted at least semi-annually. In the event of an announcement of a merger, takeover, dividend reduction or other fundamental corporate action affecting a Portfolio constituent, or if in the view of the Manager such an event is likely, the Manager may reduce such position and reinvest the proceeds in a new constituent.

The Portfolio shall not include less than 15 investments. In addition, between the rebalancing dates, the Company may sell Portfolio securities for working capital purposes or replace Portfolio securities with proceeds from the exercise of covered call options previously written. In order to rebalance the Portfolio, the Manager will, at the time of rebalancing, calculate the market value of the Portfolio, less any amount to be used for working capital purposes, and divide such resultant amount by the number of issuers to be included in the Portfolio. Rebalancing transactions will be effected as soon as is reasonably practicable thereafter. As a result of changes in market prices of the shares in the Portfolio between rebalancing dates, it is not expected that the issuers included in the Portfolio will be exactly equally-weighted at any given time.

The Portfolio may also be rebalanced in the event of any future offering of shares by the Company. New Preferred Shares and Class A Shares may not be issued for net proceeds per Unit less than the most recently calculated NAV per Unit prior to the date of the settling of the subscription price by the Company.

### **Portfolio Composition**

The Company will initially invest the net proceeds of the offering primarily in shares of the issuers listed above under “Investment Strategies – Investment Guidelines” and may from time to time write covered call options on or cash covered put options in respect of a portion of the shares held in the Portfolio to generate additional returns.

### **Call Option Writing**

#### ***Strategy***

The Company may, from time to time, sell call options in respect of some or all of the securities held in the Portfolio. Such call options may be either exchange traded options or over-the-counter options. Since call options will be written only in respect of securities that are in the Portfolio and the Investment Restrictions of the Company prohibit the sale of securities subject to an outstanding option, the call options will be covered call options at all times.

The holder of a call option purchased from the Company will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Company at the strike price per security. By selling call options, the Company will receive option premiums, which are generally paid within one Business Day of the writing of the option. If at any time during the term of a call option or at expiry the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Company will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Company may repurchase a call option it has written that is in-the-money by paying the market value of the call option. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option, the option will expire and the Company will retain the underlying security. In each case, the Company will retain the option premium. See “Call Option Pricing”.

The amount of option premium depends upon, among other factors, the volatility of the price of the underlying security: generally, the higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. See “Call Option Pricing”.

When a call option is written on a security in the Portfolio, the amounts that the Company will be able to realize on the security during the term of the call option will be limited to the dividends received prior to the exercise of the call option during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.

### **Call Option Pricing**

Many investors and financial market professionals price call options based on the Black-Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black-Scholes Model can be attained in the market.

Under the Black-Scholes Model (modified to include distributions), the primary factors that affect the option premium received by the seller of a call option are the following:

<b>Factor</b>	<b>Description</b>
<i>Price volatility of the underlying security</i>	The volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in

percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or trailing the date of calculation.

*The difference between the strike price and the market price of the underlying security at the time the option is written*

The smaller the positive difference (or the larger the negative difference), the greater the option premium.

*The term of the option*

The longer the term, the greater the call option premium.

*The "risk-free" or benchmark interest rate in the market in which the option is issued.*

The higher the risk-free interest rate, the greater the call option premium.

*The distributions expected to be paid on the underlying security during the relevant term*

The greater the distributions, the lower the call option premium.

### **Volatility History**

The volatility of a stock is a measure of variation in its trading price over time. The average, low and high of the historical 30-day volatility and the current 30-day volatility (expressed in percentages on an annualized basis) for the ten year period from December 23, 2004 to December 23, 2014 for the Indicative Portfolio are set out in the chart below:

	<b>Average</b>	<b>Low</b>	<b>High</b>	<b>Current</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
ARC Resources Ltd.	31.0	11.3	112.5	51.0
Canadian Natural Resources Limited	36.3	12.4	158.7	49.1
ConocoPhillips	27.1	7.1	124.3	41.2
Crescent Point Energy Corp.	27.2	8.9	119.0	74.8
Cenovus Energy Inc. <sup>(1)</sup>	26.1	11.0	59.3	59.3
Chevron Corporation	23.6	9.1	125.7	33.4
Encana Corporation	32.6	12.7	126.8	56.0
EOG Resources Inc.	37.5	14.9	129.7	43.4
Husky Energy Inc.	27.2	8.9	82.1	49.8
Imperial Oil Limited	26.8	8.7	123.3	39.2
Occidental Petroleum Corporation	32.7	12.1	152.5	43.7
PrairieSky Royalty Ltd. <sup>(2)</sup>	30.6	18.1	89.9	49.7
Suncor Energy Inc.	34.9	11.5	134.0	47.6
Vermilion Energy Inc.	27.5	10.7	108.5	57.4
Exxon Mobil Corporation	22.2	8.6	119.5	27.4

#### **Notes:**

(1) Data from November 2, 2009, the date the company completed its spinout from Encana Corporation.

(2) Data from May 28, 2014, the date the company completed its initial public offering.

Source: Bloomberg, as at December 23, 2014.

The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future volatility levels of the Portfolio securities.

### **Income from Covered Call Option Writing**

The following table represents the percentage of the Indicative Portfolio against which at-the-money call options would need to be written at different volatility levels to pay the target distribution on the Preferred Shares of 5.0% and the target distribution on the Class A Shares of 8.0% while maintaining a stable NAV per Unit.

The percentages of the Portfolio shown below do not take into account the potential price impact on the value of the Portfolio resulting from writing covered call options. Securities on which the Company has written covered calls have the full downside risk associated with a regular security holding but are limited in upside return to the amount out of the money at which the call is written. In the case of covered calls written at-the-money, the

investor forgoes any upside on the security position, but retains all of the downside risk. In exchange for forgoing the upside return, the investor receives the premium payment.

		<b>Cash Flow from Option Premiums</b>					
		<b>Volatility (%)</b>					
		<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>48.2%<sup>(1)</sup></b>	<b>50%</b>
<b>Call Option Write Level (% of Portfolio)</b>	<b>5%</b>	0.6%	1.3%	2.0%	2.7%	3.3%	3.4%
	<b>7.6%<sup>(2)</sup></b>	0.9%	2.0%	3.0%	4.1%	4.9%	5.1%
	<b>10%</b>	1.2%	2.6%	4.0%	5.4%	6.5%	6.8%
	<b>15%</b>	1.9%	3.9%	6.0%	8.1%	9.8%	10.1%
	<b>20%</b>	2.5%	5.2%	8.0%	10.8%	13.0%	13.5%
	<b>25%</b>	3.1%	6.6%	10.0%	13.4%	16.3%	16.9%
	<b>30%</b>	3.7%	7.9%	12.0%	16.1%	19.5%	20.3%

**Notes:**

- (1) Current volatility of the Indicative Portfolio as at December 23, 2014.
- (2) Call option write level that would be needed to generate the additional return required to cover distributions of the Class A and Preferred Shares.

**Cash Flow Available for Distribution from Option Premiums and Dividends  
(Net of Withholding Tax and Expenses)**

		<b>Volatility</b>					
		<b>10%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>48.2%<sup>(1)</sup></b>	<b>50%</b>
<b>Call Option Write Level (% of Portfolio)</b>	<b>5%</b>	2.7%	3.4%	4.1%	4.8%	5.4%	5.5%
	<b>7.6%<sup>(2)</sup></b>	3.0%	4.1%	5.1%	6.2%	7.0%	7.2%
	<b>10%</b>	3.3%	4.7%	6.1%	7.5%	8.6%	8.9%
	<b>15%</b>	4.0%	6.0%	8.1%	10.2%	11.9%	12.2%
	<b>20%</b>	4.6%	7.3%	10.1%	12.9%	15.1%	15.6%
	<b>25%</b>	5.2%	8.7%	12.1%	15.5%	18.4%	19.0%
	<b>30%</b>	5.8%	10.0%	14.1%	18.2%	21.6%	22.4%

**Notes:**

- (1) Current volatility of the Indicative Portfolio as at December 23, 2014.
- (2) Call option write level that would be needed to generate the additional return required to cover distributions of the Class A and Preferred Shares.

The tables above were generated using a modified Black-Scholes model and assume that call options will be written at-the-money which is within the range generally expected to be utilized by the Manager in writing call options and is based on the following assumptions as at December 23, 2014:

- (a) the gross proceeds of the Offering are \$100 million and the net proceeds are fully invested in the securities of the Indicative Portfolio;
- (b) call options are written for a term of 30 days;
- (c) the range of volatility shown in the table approximates the range of the historical average volatility of Portfolio securities;
- (d) all call options are exercisable only at maturity and are written at-the-money;
- (e) the Portfolio generates a return from dividends and distributions equal to 3.6% (3.5% net of withholding tax);

- (f) the risk-free or benchmark interest rate is the Canadian one-month Treasury Bill rate which equals 0.90% per annum;
- (g) there are no realized capital gains or losses on the Portfolio securities for the period during which the call options are outstanding and there are no price changes in the securities that make up the Portfolio; and
- (h) fees and expenses of the Company are as described under “Fees and Expenses”.

### **Voting Rights in the Portfolio Securities**

Shareholders will have no voting rights in respect of securities held by the Company. The Company has delegated to the Manager the responsibility for voting on matters for which the Company receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer included in the Portfolio.

The policies of the third party service provider adopted by the Manager set forth guidelines for voting on routine matters including appointment of auditors and the election of directors and on non-routine matters such as shareholder rights plans, mergers and corporate restructurings and share based compensation plans. The Manager will review voting positions taken by the service provider to ascertain whether proxies are voted in compliance with the established policies and procedures. The Manager will maintain annual proxy voting records for the Company for record keeping purposes.

### **Utilization of Cash Equivalents**

The Company may, from time to time, hold a portion of its assets in cash equivalents. The Company may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options and for working capital purposes. Such cash covered put options will only be written in respect of securities in which the Company is permitted to invest. See “Investment Restrictions”.

The holder of a put option purchased from the Company will have the option, exercisable during a specific time period or at expiry, to sell the securities underlying the option price per security. In such case, the Company will be obligated to acquire a security at a strike price, which may exceed the then current market value of such security. If, however, the option is out-of-the-money at the expiration of the put option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Company will retain the option premium. By selling put options, the Company will receive option premiums, which are generally paid within one Business Day of the writing of the option. The Company, however, must maintain cash equivalents in an amount at least equal to the aggregate strike price of all securities underlying the outstanding put options that it has written. If at any time during the term of a put option or at expiry the market price of the underlying securities is below the strike price, the holder of the option may exercise the option and the Company will be obligated to buy the securities from the holder at the strike price per security. In such case, the Company will be obligated to acquire a security at a strike price, which may exceed the then current market value of such security. If, however, the option is out-of-the-money at the expiration of the put option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Company will retain the option premium.

### **Use of Other Derivative Instruments**

In addition to writing covered call options and cash covered put options, to the extent permitted by Canadian securities regulators from time to time, the Company may also purchase call options and put options with the effect of closing out existing call options and put options written by the Company. The Company may also purchase put options in order to protect the Company from declines in the market prices of the individual securities in the Portfolio or in the value of the Portfolio as a whole. The Company may enter into trades to close out positions in such permitted derivatives.

### **Currency Hedging**

The Company may hedge all or a portion of its U.S. dollar exposure back to the Canadian dollar from time to time, in the Manager’s discretion. Initially, the Company does not intend to hedge any of its U.S. dollar exposure.

### **Securities Lending**

In order to generate additional returns, the Company may lend Portfolio securities to securities borrowers acceptable to the Company pursuant to the terms of a securities lending agreement between the Company and any



such borrower under which: (i) the borrower will pay to the Company a negotiated securities lending fee and will make compensation payments to the Company equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Company will receive collateral security. The Company may only lend the portion of the securities of a Portfolio issuer that is not subject to a covered call option. The Company will appoint the Custodian to act as securities lending agent in the event that it lends Portfolio securities to securities borrowers. Such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. Acceptable collateral would generally be limited to Government of Canada or provincial treasury securities or other liquid collateral as approved by the Board of Directors of the Company, in each case with a value equal to 105% of the value of the securities on loan.

### Credit Facility

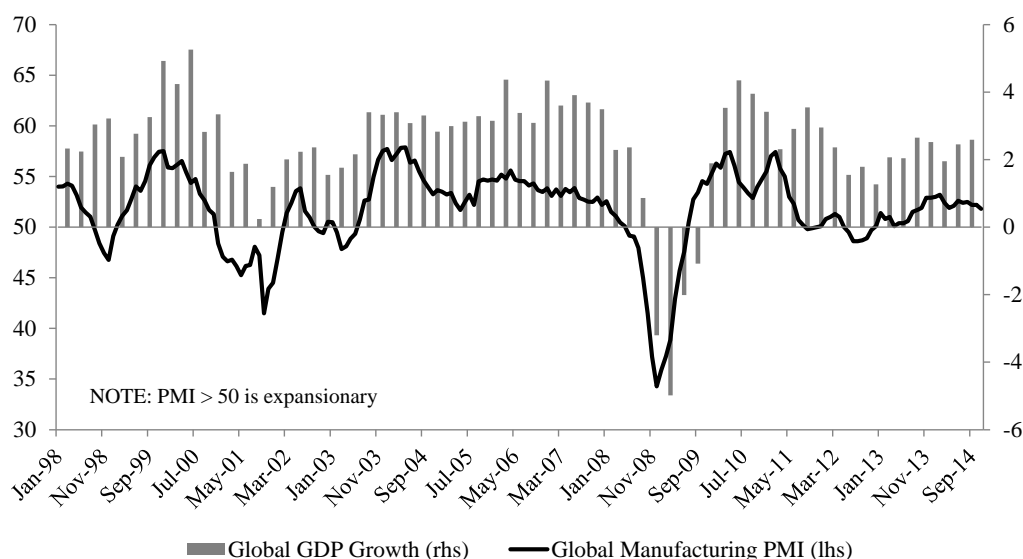
The Company may establish a credit facility which may be used by the Company for working capital purposes. The Company expects that the maximum amount it borrows thereunder will be limited to 5% of NAV. The Company may pledge Portfolio shares as collateral for amounts borrowed thereunder.

## OVERVIEW OF OIL AND GAS SECTORS

### Economic Outlook

The Manager expects that the global economic growth rate will continue to trend higher over the next several quarters. As shown in Figure 1, the Global Manufacturing Purchasing Managers Index (“PMI”) readings have been consistently above 50 in recent months and a PMI reading above 50 indicates expanding activity in the manufacturing sector. The Manager believes this growth will be driven by the strong performance of developed economies, particularly the U.S. as it continues to recover from the 2007-2009 economic downturn. The Manager also expects that emerging markets, in particular China, will continue to experience growth at a rate which outpaces developed markets as they undergo a period of mass urbanization that requires building infrastructure.

**Figure 1: Global Manufacturing PMI vs. Global GDP Growth**



Source: Bloomberg as at November 30, 2014

In light of generally improving economic fundamentals, the U.S. Federal Reserve has recently ended its large scale asset purchase program, known as Quantitative Easing. The Manager believes that continued improvement in the economy sets the stage for the U.S. Federal Reserve to begin to raise interest rates in the second half of 2015. However, the Manager believes that this will be a prolonged process and that interest rates are likely to remain low by historical standards for the next several quarters. Additionally, the European Central Bank (the “ECB”) and the Bank of Japan (the “BOJ”) have recently expanded their own Quantitative Easing programs with the ECB starting to purchase covered bonds and announcing plans to purchase asset-backed securities by the end of

2014, and the BOJ announcing an expansion of its bond buying program. The Manager believes that these monetary policy initiatives will be supportive of global equity markets and crude oil prices.

## Market Outlook

Given that the U.S. economy is delivering positive economic performance, the Manager believes the U.S. Federal Reserve will start raising interest rates in the middle of 2015. Since the U.S. Federal Reserve has indicated any increases will be dependent upon data, any rate hikes should be moderate enough to accommodate economic activity. This should feed into stronger earnings estimates to drive equity markets higher. The Manager anticipates increased volatility, but since valuations are in a reasonable range, a large correction is not anticipated.

The Manager expects North American equity markets to continue to outperform fixed income markets and the U.S. dollar strength to continue. Canada is expected to benefit from a stronger U.S. economy through a lower dollar and increased trade.

## Crude Oil

The Manager is of the view that the recent decline in crude oil prices, as represented by West Texas Intermediate (“WTI”) oil prices in Figure 2 below, is the result of transitory factors that have led to a short-term surplus in the global oil market. In the Manager’s view, the supply surplus in the oil market is temporary driven by U.S. supply growth.

**Figure 2: WTI Price History**



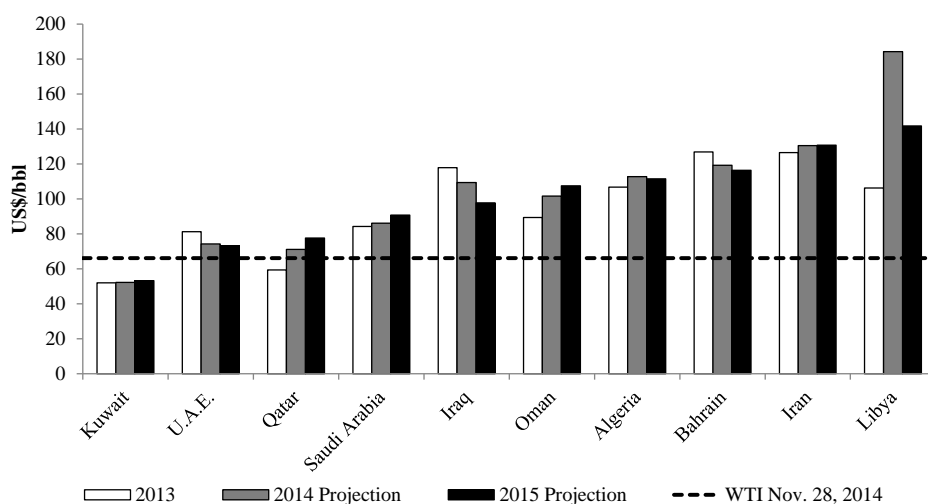
Source: Bloomberg (December 23, 2014)

The Manager believes that low oil prices should have the effect of increasing demand and slowing production growth. In the Manager’s view, very few U.S. shale oil plays are profitable in the current environment, with the cost to extract oil being higher in many cases than current market prices. The Manager believes that a global crude oil price of less than US\$80.00 per barrel is unsustainable over the next few years, as the price of oil is well supported by a rising cost structure in the industry, extraction costs higher than current market prices for many shale plays, and relatively high Breakeven Oil Prices (as defined below) required by Organization of the Petroleum Exporting Countries (“OPEC”) members. Additionally, the International Energy Agency (“IEA”) expects the price of oil to rise near \$100 a barrel in coming years.

The Manager believes that global crude oil prices are supported by the high prices that certain governments, in particular Middle Eastern governments and oil exporting nations, require to balance their fiscal budgets (“Breakeven Oil Prices”), shown in Figure 3 below. The majority of these countries are part of the OPEC cartel which sets production targets to stabilize the oil price for oil-producing nations. In recent years, Breakeven Oil Prices have been trending higher as exploration and development costs increase globally and as governments

promise additional entitlements to their populace. The strong dependence of OPEC countries on the production of oil, and the high Breakeven Oil Prices needed to meet fiscal budget demands, collectively provide support for the global crude oil price.

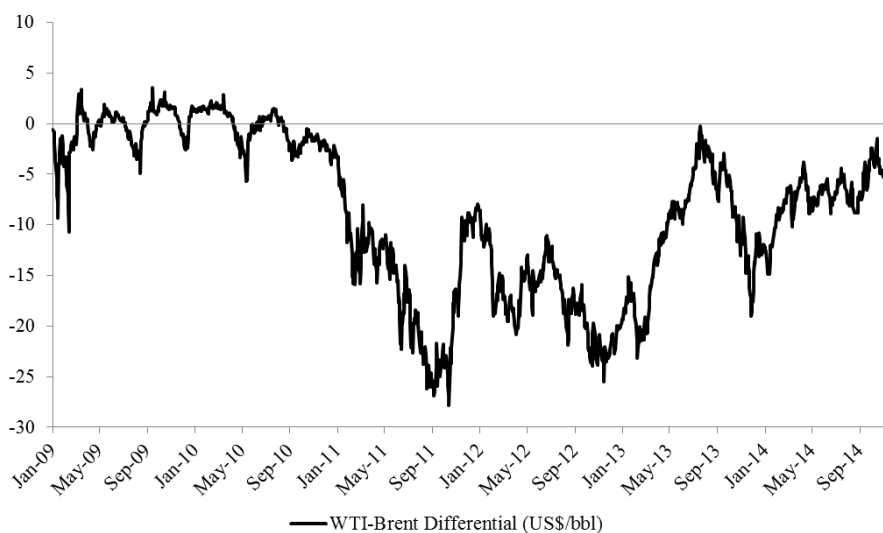
**Figure 3: Breakeven Oil Prices for Various Oil Exporters**



Source: Bloomberg (November 28, 2014), International Monetary Fund (May 2014)  
 Note: Kuwait, U.A.E., Qatar, Saudi Arabia, Iraq, Algeria, Libya, and Iran are OPEC members

The Manager has a positive view on North American crude oil prices. As shown in Figure 4 below, crude oil production growth in the United States has caused the North American benchmark West Texas Intermediate (“WTI”) oil price to trade at a discount to the global crude oil price (as represented by the Brent price) over the past 3 years. Recent improvements to transportation infrastructure (including pipelines and crude-by-rail projects) have resulted in the narrowing of this differential and the Manager believes that future infrastructure projects will help alleviate any remaining bottlenecks and cause the North American benchmark price to trade closer to the global crude oil price, thereby benefitting North American oil companies.

**Figure 4: WTI-Brent Differential**

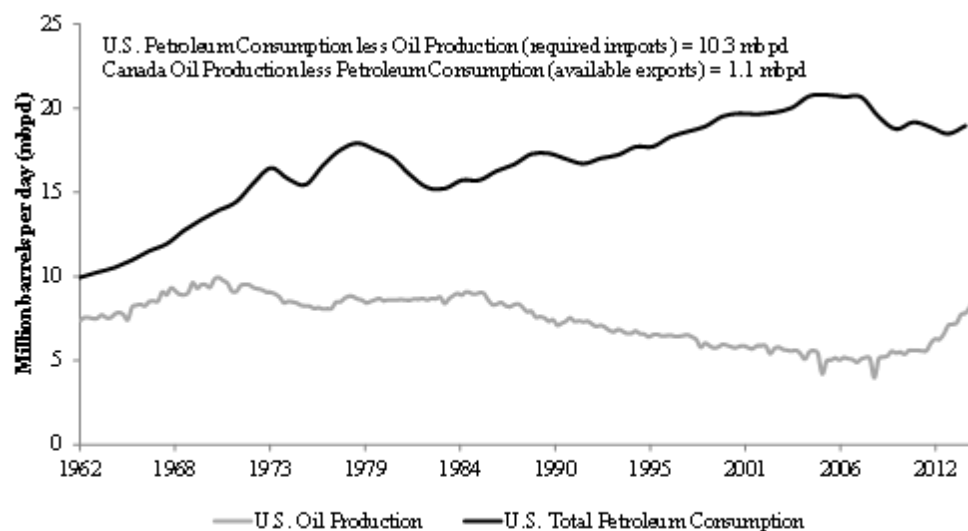


Source: Bloomberg (as at November 28, 2014)

The Manager also has a positive view on the Canadian crude oil market. Despite the rapid growth in domestic crude oil production in the United States, the U.S. still imports a majority of the oil and petroleum products

they consume (see Figure 5). Furthermore, these imports far outweigh the amount of Canadian oil production that is available for export.

**Figure 5: U.S. Production and Consumption of Petroleum**

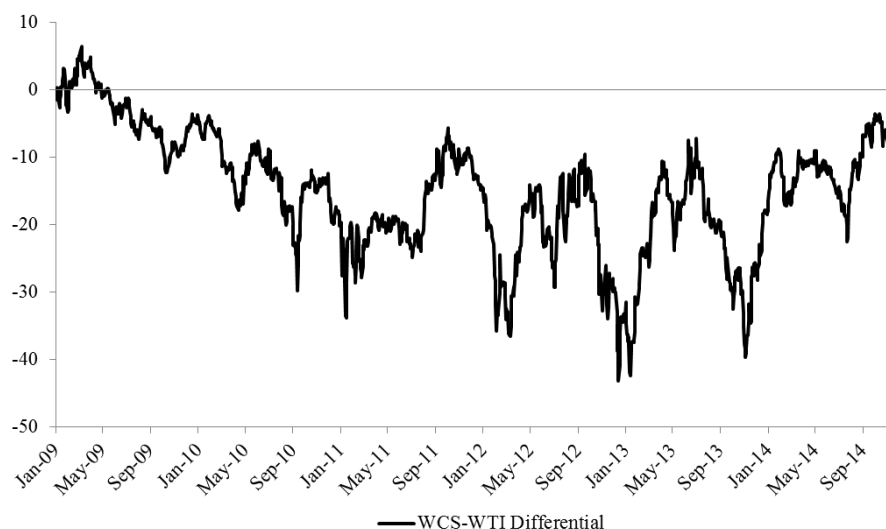


Source: Bloomberg as at September 30, 2014

Note: U.S. petroleum consumption data is reported annually, the chart reflects consumption to December 31, 2013

Additionally, the Manager believes that the decline in the Canadian dollar relative to the U.S. dollar over the past few years is positive for Canadian oil and liquids producers, as these companies earn revenues in U.S. dollars while incurring costs in Canadian dollars. The net impact of declining price differentials and a declining Canadian dollar is shown in Figure 6 below with a narrowing price gap between West Texas Intermediate (“WTI”) crude oil, priced in U.S. dollars, and Western Canadian Select (“WCS”) crude oil, priced in Canadian dollars.

**Figure 6: Currency-Adjusted WCS-WTI Differential**



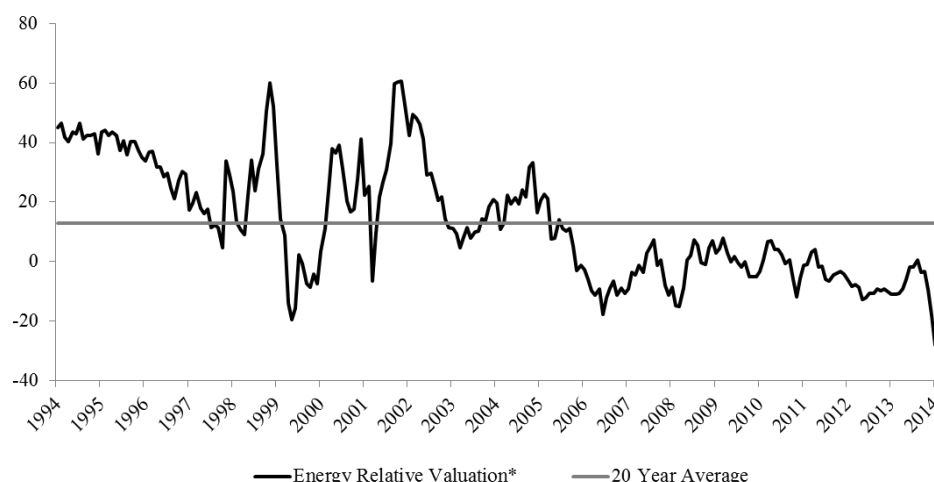
Source: Bloomberg (as at November 28, 2014)

### Attractive Valuations

The Manager believes that oil companies are trading at attractive valuation levels, particularly relative to the overall market. In particular, the Canadian energy sector is trading at relative valuation levels which are lower than valuation levels seen during the 2008 global financial crisis and during the commodity market lows of the late

1990s, as seen in Figure 7 below. The Manager believes that these valuation levels currently present an attractive investment opportunity for oil companies.

**Figure 7: Canadian Energy Relative Valuation**



Source: Canacord Genuity, Thomson Reuters Datastream as at November 28, 2014

\*Combination of P/BV, P/CF and Dividend Yield for Energy (excluding pipelines) relative to the TSX Composite Index.

### Recent Selloff in Crude Oil and Energy Equities

The Manager believes that the recent selloff in crude oil and North American energy equities presents an attractive buying opportunity for the securities comprising the Portfolio. The Manager notes that West Texas Intermediate (“WTI”) crude oil has recently declined to US\$57.12 as of December 23, 2014, down from a high of US\$110.53 and an average of US\$95.84 for the two year period from December 23, 2012 to December 23, 2014. As a result, the constituents of the Indicative Portfolio have declined by an average of 22.5% from their respective highs over the same period. The Manager believes that equity prices are likely to trend higher with a recovery in oil prices, as discussed above. The average, low and high of the historical prices and the current price for the period from November 30, 2012 to November 28, 2014 for the Indicative Portfolio are set out in the chart below:

#### Historical Trading Prices

	Currency	Average	Low	High	Current	% Change from High
ARC Resources Ltd.	C\$	28.23	23.30	33.31	26.42	-20.7%
Canadian Natural Resources Limited	C\$	36.93	28.39	49.19	36.75	-25.3%
ConocoPhillips	US\$	69.30	56.81	86.76	71.05	-18.1%
Crescent Point Energy Corp.	C\$	39.40	21.76	47.42	28.48	-39.9%
Cenovus Energy Inc.	C\$	30.76	19.29	34.68	24.40	-29.6%
Chevron Corporation	US\$	120.32	100.86	134.85	113.95	-15.5%
Encana Corporation	C\$	20.64	13.53	26.66	16.01	-39.9%
EOG Resources Inc.	US\$	85.65	56.72	117.98	96.41	-18.3%
Husky Energy Inc.	C\$	30.99	21.92	36.93	27.51	-25.5%
Imperial Oil Limited	C\$	47.66	38.85	57.86	51.56	-10.9%
Occidental Petroleum Corporation	US\$	88.06	72.34	100.94	82.90	-17.9%
PrairieSky Royalty Ltd. <sup>(1)</sup>	C\$	36.66	28.00	42.39	32.76	-22.7%
Suncor Energy Inc.	C\$	36.85	27.50	46.75	37.77	-19.2%
Vermilion Energy Inc.	C\$	60.18	45.98	77.92	58.30	-25.2%
Exxon Mobil Corporation	US\$	93.82	85.10	104.38	94.59	-9.4%
<b>Average</b>						<b>-22.5%</b>

**Note:**

(1) Data from May 28, 2014, the date the company completed its initial public offering.

Source: Bloomberg, as at December 23, 2014.

The following table sets out the average, low and high of the historical Price to Cash Flow Multiple and the current price to cash flow multiple for the two year period from December 23, 2012 to December 23, 2014 for the Indicative Portfolio:

### Historical Price to Cash Flow Multiples

	Average	Low	High	Current	Change from Average
ARC Resources Ltd.	10.6	6.8	12.3	7.7	-2.9
Canadian Natural Resources Limited	5.8	4.2	7.2	4.8	-0.9
ConocoPhillips	5.3	4.2	6.1	4.9	-0.4
Crescent Point Energy Corp.	7.7	3.8	8.9	5.0	-2.7
Cenovus Energy Inc.	6.8	4.0	8.4	5.0	-1.8
Chevron Corporation	6.3	5.4	7.1	6.1	-0.3
Encana Corporation	5.1	3.0	6.9	3.6	-1.6
EOG Resources Inc.	6.4	3.5	7.8	4.1	-2.3
Husky Energy Inc.	6.2	4.5	7.8	5.6	-0.6
Imperial Oil Limited	10.3	7.6	13.2	8.8	-1.5
Occidental Petroleum Corporation	5.9	4.8	6.5	5.8	-0.1
PrairieSky Royalty Ltd. <sup>(1)</sup>	N/A	N/A	N/A	N/A	N/A
Suncor Energy Inc.	6.1	4.8	7.7	6.0	-0.1
Vermilion Energy Inc.	9.5	6.5	11.5	8.2	-1.3
Exxon Mobil Corporation	8.6	7.1	10.0	8.5	-0.1
<b>Average</b>					<b>-1.2</b>

**Note:**

(1) Data unavailable as the company completed its initial public offering on May 28, 2014.

Source: Bloomberg, as at December 23, 2014.

### INVESTMENT RESTRICTIONS

The Company is subject to certain investment restrictions that, among other things, limit the equity securities and other securities that the Company may acquire for the Portfolio. The Company's investment restrictions may not be changed without the approval of the holders of the Preferred Shares and Class A Shares by a two-thirds majority vote of such holders who attend and vote at a meeting called for such purpose. See "Shareholder Matters – Acts Requiring Shareholder Approval". The Company's investment restrictions provide that the Company may:

- (a) purchase equity securities of at least 15 large capitalization North American oil and gas issuers selected from the S&P 500 Index and the S&P/TSX Composite Index;
- (b) in addition to (a) above may purchase up to 25% of the Portfolio value, as measured at the time of investment, in equity securities of issuers listed on the S&P 500 Index or the S&P/TSX Composite Index operating in energy subsectors including equipment, services, pipelines, transportation and infrastructure;
- (c) purchase debt securities only if such securities are cash equivalents;
- (d) write a call option in respect of any security only if such security is actually held by the Company in the Portfolio at the time the option is written;
- (e) dispose of any security included in the Company's Portfolio that is subject to a call option written by the Company only if such option has either terminated or expired;
- (f) write put options in respect of any security only if (i) the Company is permitted to invest in such security, and (ii) so long as the options are exercisable, the Company continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;

- (g) reduce the total amount of cash equivalents held by the Company, if the total amount of cash equivalents held by the Company remains an amount not less than the aggregate strike price of all outstanding put options written by the Company;
- (h) not acquire or continue to hold any security that would be “taxable Canadian property” if the definition of that term in the Tax Act were read without reference to paragraph (b) thereof if more than 10% of the Company’s property consisted of such property;
- (i) not invest in securities of an issuer that is treated as a foreign affiliate of the Company;
- (j) not invest in: (i) any security that is an offshore investment fund property that would require the Company to include significant amounts in the Company’s income pursuant to section 94.1 of the Tax Act; or (ii) any interest in a non-resident trust that would require the Company to include amounts in income in connection with such interest pursuant to sections 91, 94 or 94.2 of the Tax Act; and
- (k) not purchase derivatives and enter into derivative or other transactions, including call options and put options, and short-sale arrangements, except as specifically permitted under NI 81-102 or as permitted by the Canadian Securities Administrators.

In addition, but subject to these investment restrictions, the Company has adopted the standard investment restrictions and practices set forth in NI 81-102 (as it may be amended from time to time). A copy of such standard investment restrictions and practices will be provided by the Manager to any person on request.

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents’ fees, be paid by the Company from the gross proceeds of the offering. The initial expenses are estimated to be \$725,000. Such expenses, together with the Agents’ fee, will be paid out of the proceeds of the Offering, provided however that the expenses of the Offering to be borne by the Company shall not exceed 1.5% of the gross proceeds of the Offering. Any such excess expenses shall be paid for by the Manager.

### **Management Fee**

The Manager will receive an annual Management Fee equal to 0.70% per annum of NAV, calculated and payable monthly in arrears, plus any applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs shall be pro-rated based on the fraction that the number of days from and including the Closing Date (defined herein) to and including the last day of the month is of the number of days of such month.

### **Service Fee**

The Company will pay to the Manager a Service Fee at the end of each calendar quarter equal to 0.40% annually of the NAV of the Class A Shares held by clients of the dealers, plus any applicable taxes. The Service Fee will be applied by the Manager to pay a Service Fee in an equivalent aggregate amount, plus any applicable taxes to dealers based on the number of Class A Shares held by clients of such dealer at the end of the relevant quarter. For these purposes, the NAV per Class A Share will be the NAV per Unit less \$10.00 plus any accrued and unpaid distributions on a Preferred Share. The Service Fee payable to the Manager and the Service Fee payable by the Manager in respect of the quarter ending March 31, 2015 shall be pro-rated based on the fraction that the number of days from and including the closing of the offering to and including March, 2015 is of the number of days in the quarter ending March 31, 2015.

### **Operating Expenses**

The Company will also pay for all expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation, all costs of Portfolio transactions, fees payable to the Manager, debt service costs, the Service Fee (in respect of the Class A Shares), custodial fees, legal, audit and valuation fees and expenses, expenses of the directors of the Manager, fees and expenses of the members of the independent review committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, premiums for directors’ and officers’ insurance coverage for the directors and officers of the Manager and the

Company and members of the independent review committee, costs of reporting to Shareholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Company and investor relations, fees and expenses relating to any services provided by third parties, taxes, brokerage commissions, costs and expenses relating to the issue of shares, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Company may incur and all amounts paid on account of indebtedness of the Company. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Agents and/or any of their respective officers, directors, the independent review committee members, employees, consultants or agents is entitled to indemnity by the Company. The Company will also pay for all expenses incurred in connection with its termination on or about the Maturity Date.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, debt service and other costs and brokerage expenses related to Portfolio transactions, will be approximately \$220,000 per year (assuming an offering size of approximately \$100 million).

## **RISK FACTORS**

Certain risk factors relating to the Company, the Class A Shares and the Preferred Shares 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 Company. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Company and the ability of the Company to make Distributions on the Shares, could be materially adversely affected.

### **No Assurances on Achieving Objectives**

There is no assurance that the Company will be able to achieve its distribution objective or will return to investors an amount equal to or in excess of the original issue price of the Class A Shares or the Preferred Shares. There is no assurance that the Company will be able to pay quarterly distributions on the Preferred Shares or monthly distributions on the Class A Shares. The funds available for distributions to Shareholders will vary according to, among other things, the dividends and distributions paid on all of the securities in the portfolio, the level of option premiums received and the value of the securities comprising the portfolio. As the dividends and distributions received by the Company may not be sufficient to meet the Company's objectives in respect of the payment of distributions, the Company may depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such pricing model can be attained.

### **Risks Relating to the Oil and Gas Industry**

The securities in the Portfolio may be subject to a number of risks specific to the energy sector, such as: (i) changes in industrial, government and consumer demand, which will be affected by levels of industrial and commercial activities that are associated with high levels of energy demand; (ii) price changes in alternative sources of energy; (iii) disruptions in the supply chain or in the production or supply of energy sources; (iv) adjustments to inventories; (v) variations in production and shipping costs; and (vi) costs associated with regulatory compliance, including environmental regulations. These factors interrelate in complex ways, and the effect of one factor on the Company and the value of its Preferred Shares and Class A Shares may increase or reduce the effect of another factor.

Oil markets and issuers involved in all aspects of the oil and energy markets have experienced significant volatility and price declines in recent months. Many such issuers have cut revenue and capital expenditure targets as well as distributions to their shareholders. There can be no assurance that such recent volatility and declines will not continue, which could have an adverse impact on the Company and returns to Shareholders.

### **Commodity Price Fluctuations and Volatility of Oil and Gas Prices**

The operations and financial condition of the majority of issuers in which the Company will invest 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 particular, the operational results and financial condition of issuers included in the Portfolio are



especially sensitive to oil and gas prices. Oil and gas prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Any decline in oil and gas prices could have an adverse effect on the distributions received from the issuers included in the Portfolio and the value of the Portfolio securities.

### **Nature of Oil and Gas Exploration and Development**

Oil and gas exploration and development is very competitive and involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Furthermore, the marketability oil and gas may be affected by numerous factors beyond issuers' control, including: market fluctuations of prices, proximity and capacity of pipelines and processing equipment, equipment availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas and environmental protection). The extent of these factors cannot be accurately predicted and will change from time to time, but the combination of these factors may result in issuers not receiving an adequate return on invested capital.

There is no assurance that the companies operating in the oil and gas sectors will produce oil and gas in quantities or at costs anticipated. Actual operating costs may differ materially from such current estimates. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws and regulations and enforcement policies thereunder could result in substantial costs and liabilities, delays or an inability to complete projects.

Oil and gas exploration and development including operations and pipelines are subject to environmental regulation pursuant to federal and provincial legislation and regulations. These laws require various approvals and provide for restrictions and prohibitions on releases or emissions of various substances produced or used in association with such operations. Risks of substantial costs and liabilities are inherent in such operations and a violation of any such law may result in the issuance of remedial orders, the suspension of approvals or the imposition of significant fines or penalties.

### **Performance of the Portfolio Issuers and Other Considerations**

The NAV per Unit varies as the value of the securities in the portfolio changes. The Company has no control over the factors that affect the value of the securities in the portfolio. Factors unique to each company included in the portfolio, such as changes in its management, strategic direction, achievement of goals, mergers, acquisitions and divestitures, changes in distribution policies and other events, may affect the value of the securities in the portfolio. A substantial drop in equities markets could have a negative effect on the Company and could lead to a significant decline in the value of the portfolio and the value of the Shares.

Shares of the Company may trade in the market at a discount to their NAV and there can be no assurance that the Shares will trade at a price equal to their NAV. The NAV will vary in accordance with the value of the securities acquired by the Company. The value of the securities acquired by the Company will be affected by business factors and risks that are beyond the control of the Manager, including:

- (a) operational risks related to specific business activities of the respective issuers;
- (b) quality of underlying assets;
- (c) financial performance of the respective issuers and their competitors;
- (d) volatility in the price of oil, natural gas and other commodity prices;
- (e) environmental risks;
- (f) political risks;
- (g) fluctuations in exchange rates;
- (h) fluctuations in interest rates; and
- (i) changes in government regulations.

### **Greater Volatility of the Class A Shares**

An investment in the Class A Shares represents a leveraged investment by virtue of the Preferred Shares which are entitled to a fixed amount upon the termination or winding-up of the Company in priority to the Class A Shares. This leverage amplifies the potential return to investors of Class A Shares in so far as returns in excess of the amounts payable to holders of Preferred Shares accrue to the benefit of the holders of Class A Shares. Conversely, any losses incurred by the portfolio first accrue to the detriment of the holders of the Class A Shares since the Preferred Shares rank prior to the Class A Shares in respect of Distributions and proceeds upon the winding-up of the Company.

### **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 global 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 and matters related to the U.S. government debt limits, may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Company and the value of the Portfolio. A substantial decline in equities markets could be expected to have a negative effect on the Company and the market prices of the Preferred Shares and/or Class A Shares.

### **Concentration Risk**

The Company may invest in as few as 15 issuers and is limited to generally investing its assets in oil and gas issuers accordingly the Company's holdings are concentrated in the securities of such issuers and may be considered to be less diversified and the NAV per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Class A Shares and the Preferred Shares.

### **Sensitivity to Interest Rates**

The market prices of the Preferred Share and Class A Shares may be affected by the level of interest rates prevailing from time to time. A rise in interest rates may have a negative impact on the market prices of the Shares and increase the cost of borrowing to the Company, if any. Shareholders who wish to redeem or sell their Class A Shares or Preferred Shares prior to the Maturity Date will therefore be exposed to the risk that the market prices of the Class A Shares and Preferred Shares will be negatively affected by interest rate fluctuations. In addition the Distribution rate on Preferred Shares may be changed at the time of an extension of the Maturity Date, which may also affect the market price of such Shares.

### **Changes in Credit Rating**

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There can be no assurance that the Preferred Shares will maintain their rating by DBRS for any given period of time or that the rating will not be lowered or withdrawn entirely by DBRS if in DBRS' judgment circumstances so warrant. A lowering or withdrawal of the rating of the Preferred Shares may have a negative effect on the market value of the Preferred Shares.

### **Reliance on the Manager**

The Manager is responsible for providing, or managing for the provision of, management and administrative services including investment and portfolio management services required by the Company. Investors who are not willing to rely on the Manager should not invest in shares.

The Manager will manage the investment portfolio of the Company in a manner consistent with the Investment Objectives, Investment Guidelines and Rebalancing Criteria of the Company. The employees of the

Manager who will primarily responsible for the management of the investment portfolio have extensive experience in managing investment portfolios including writing covered call options and cash covered put options. There is no certainty that the employees of the Manager who will be primarily responsible for the management of the portfolio will continue to be employees of the Manager throughout the term of the Company.

### **Conflicts of Interest**

The Manager and its directors and officers and its respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust with similar investment objectives and/or similar investment strategies to those of the Company. Although none of the directors or officers of the Manager devotes his or her full time to the business and affairs of the Company, 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 Company and the Manager, as applicable.

### **Use of Options and Other Derivative Instruments**

The Company is subject to the full risk of its investment position in the securities comprising the portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Company, should the market price of such securities decline. In addition, the Company will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options.

There is no assurance that a liquid exchange or over-the-counter market will exist to permit the Company to write covered call options or cash covered put options or purchase cash covered put options on desired terms or to close out option positions should the Manager desire to do so. The ability of the Company to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Company is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Company will be obligated to acquire a security at the strike price which may exceed the then current market value of such security.

In purchasing call or put options or selling call or writing put options, the Company is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations.

### **Sensitivity to Volatility Levels**

The Company intends to sell call options in respect of some or all of the securities held in the portfolio. Such call options may be either exchange traded options or over-the-counter options. By selling call options, the Company will receive option premiums. The amount of option premium depends upon, among other factors, the implied volatility of the price of the underlying security as, generally, the higher the implied volatility, the higher the option premium. The level of implied volatility is subject to market forces and is beyond the control of the Manager or the Company.

### **Securities Lending**

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

### **Taxation**

In determining its income for tax purposes, the Company will treat option premiums received on the writing of covered call options and cash covered put options and any losses sustained on closing out options as capital gains and capital losses, as the case may be, in accordance with its understanding of the CRA's published administrative policy. Gains or losses on the disposition of shares, including the disposition of shares held in the portfolio upon exercise of a call option, will be treated as capital gains or losses. The CRA's practice is not to grant an advance income tax ruling on the characterization of items as capital gains or income and no advance ruling has been requested or obtained.

The Company may use derivative instruments for converting non-Canadian currency exposure to the Canadian dollar. In accordance with the published administrative practice of the CRA, gains or losses realized on

derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives are not “derivative forward agreements” as defined in the Tax Act and are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of the Tax Act on capital or income account depending on the nature of the securities to which the hedge is linked.

If, contrary to the CRA’s published administrative policy or as a result of a change in law, some or all of the transactions undertaken by the Company in respect of options or currency derivatives were treated on income rather than capital account, after-tax returns to Shareholders could be reduced, the Company could be subject to non-refundable income tax from such transactions and the Company could be subject to penalty taxes in respect of excessive capital dividend elections.

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Company’s investments or that such tax rules will not be administered in a way that is less advantageous to the Company or its Shareholders.

### **Significant Retractions**

If a significant number of Preferred Shares or Class A Shares are retracted, the trading liquidity of the Preferred Shares and Class A Shares could be significantly reduced. In addition, the expenses of the Company would be spread among fewer Preferred Shares and Class A Shares resulting in a potentially lower NAV.

### **Loss of Investment**

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

### **Non-concurrent Retraction**

Holders of Class A Shares and Preferred Shares will be offered a non-concurrent retraction right on the Maturity Date and upon any subsequent extension of the maturity date as determined by the Company’s Board of Directors. To the extent that there are unmatched numbers of Class A Shares and Preferred Shares tendered for retraction, the Class A Shares or Preferred Shares, as the case may be, may be called by the Company for redemption on a *pro rata* basis in order to maintain the same number of Class A Shares and Preferred Shares outstanding for a redemption price equal to the price that would have been payable on a retraction of such shares by the holder. The number of retractions by holders of Class A Shares and Preferred Shares may be influenced by the performance of the Company, the management expense ratio, and the trading discount to NAV, among other things.

### **Changes in Legislation and Regulatory Risk**

There can be no assurance that certain laws applicable to the Company, including securities legislation, will not be changed in a manner which adversely affects the Company or Shareholders. If such laws change then such changes could have a negative effect upon the value of the Company, the Shares and upon investment opportunities available to the Company.

### **Accrued Gains**

The adjusted cost base to the Company for tax purposes of shares of certain securities in the Portfolio may be less than their fair market value. Accordingly, all Shareholders may be liable for tax on capital gains attributable to such securities to the extent such capital gains tax is not refundable to the Company and such capital gains are therefore distributed as a capital gains dividend.

### **Currency Exposure**

As the Portfolio will include securities denominated in U.S. dollars, the NAV of the Company, when measured in Canadian dollars will, to the extent that this has not been hedged against, be effected by changes in the value of the U.S. dollar relative to the Canadian dollar.

Currency hedges entail a risk of illiquidity and, to the extent that the U.S. dollar appreciates in Canadian dollar terms, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Company if the Manager’s expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances. Currency hedges also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the

case of exchange-traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

### **Foreign Market Exposure**

The Company's investments may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

### **Lack of Operating History**

The Company is a newly organized investment fund with no previous operating history. There is currently no public market for the Preferred Shares and Class A Shares and there can be no assurance that an active public market in respect of the shares will develop or be sustained after completion of the Offering.

## **DISTRIBUTION POLICY**

Holders of record of Preferred Shares on the last Business Day of each of March, June, September and December will be entitled to receive fixed, cumulative preferential quarterly cash distributions equal to \$0.1250 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of approximately 5.0%. Such quarterly distributions are expected to be paid by the Company before the tenth Business Day of the month following the period in respect of which the distribution was payable. Based on the expected Closing Date, the initial distribution will be \$● per Preferred Share and is expected to be payable to holders of Preferred Shares of record on March 31, 2015. The first distribution will be pro-rated to reflect the period from the Closing Date to March 31, 2015.

The policy of the Board of Directors of the Company will be to pay monthly non-cumulative distributions to the holders of Class A Shares in the amount of \$0.10 per Class A Share. Such distributions will be paid on or before the tenth Business Day of the month following the month in respect of which the distribution becomes payable. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears or (ii) in respect of a cash distribution by the Company, the NAV per Unit would be less than \$15.00. In addition, the Company will not pay distributions in excess of \$0.10 per month on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$23.50 unless the Company has to make such distribution to fully recover refundable taxes.

Assuming that the gross proceeds of the offering are \$100 million and fees and expenses are as presented in this prospectus, in order to achieve the Company's targeted annual distributions for the Class A Shares and the Preferred Shares while maintaining a stable NAV per Unit, the Company will be required to generate an average annual total return (comprised of net realized capital gains, option premiums and dividends) on the Portfolio of approximately 8.4%. The Portfolio currently generates dividend income of 3.5% per annum and would be required to generate an additional 4.9% per annum from other sources to return and distribute such amounts. Such distributions may consist of ordinary dividends, capital gains dividends or returns of capital. There can be no assurance that the Company will be able to pay distributions to the holders of Preferred Shares or Class A Shares.

## **PURCHASES OF SECURITIES**

### **Method to Purchase Shares**

Prospective purchasers may purchase: (i) Preferred Shares or Class A Shares by a cash payment; or (ii) Units or Class A Shares by an exchange (the "Exchange Option") of freely-tradable listed securities of any of the issuers included in the Indicative Portfolio (the "Exchange Eligible Issuers") by no later than 5:00 p.m. (Toronto time) on January 23, 2015 through CDS Clearing and Depository Services Inc. Under the Exchange Option prospective purchasers will receive for the securities of Exchange Eligible Issuers tendered to the Company, that number of Units or Class A Shares, as the case may be, determined in the manner described below and \$0.01 in cash per Class A Share purchased. A prospective purchaser's book-entry deposits must be made by a participant in CDS (a "CDS Participant"), who may have an earlier deadline for depositing securities of Exchange Eligible Issuers. **The**

**Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Exchange Eligible Issuer.** The maximum number of securities of any one Exchange Eligible Issuer which the Company may acquire under the Offering pursuant to the Exchange Option is that number of securities which constitutes 9.9% of the outstanding securities of that class of such Exchange Eligible Issuer (such number being referred to as the “Maximum Ownership Level”).

### **Procedure**

A prospective purchaser’s book-entry deposits must be made by a participant in CDS (a “CDS Participant”), who may have an earlier deadline for depositing securities of Exchange Eligible Issuers.

A prospective purchaser of shares who elects to pay for such shares by using the Exchange Option (the “Exchange Option Election”) must do so by means of a book-entry deposit of the securities of Exchange Eligible Issuers through CDS Clearing and Depository Services Inc. Prospective purchasers who utilize the Exchange Option must deposit their securities of Exchange Eligible Issuers with the Exchange Agent through CDS prior to 5:00 p.m. (Toronto time) on January 23, 2015. Such book-entry deposits must be made by a CDS Participant, who may have an earlier deadline for receiving instructions from the participant’s clients to deposit securities of Exchange Eligible Issuers under the Exchange Option. Once submitted to the Exchange Agent through CDS, a deposit of securities of an Exchange Eligible Issuer (including the transfers authorized thereby) is, subject to the completion of the Offering, irrevocable unless withdrawn as described below under the heading “Withdrawal of Exchange Option Elections”. By authorizing a deposit of securities of an Exchange Eligible Issuer through CDS, a prospective purchaser has authorized the transfer to the Company of each security of the Exchange Eligible Issuer so deposited and represents and warrants that the prospective purchaser has full right and authority to transfer the securities of the Exchange Eligible Issuers covered thereby and is the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities is not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Preferred Shares and Class A Shares in exchange for such securities of Exchange Eligible Issuers. The Company’s interpretation of the terms and conditions of the Exchange Option will be final and binding. The Company reserves the right to reject any securities of Exchange Eligible Issuers tendered under the Exchange Option or to waive any conditions of the Exchange Option and any irregularities in the deposit of securities of Exchange Eligible Issuers pursuant to the Exchange Option in its sole discretion. Neither the Company, the Agents nor the Exchange Agent shall be under any duty to notify a prospective purchaser of irregularities related to its deposit of securities of Exchange Eligible Issuers under the Exchange Option and will not incur any liability for failure to give such notification. If for any reason securities of an Exchange Eligible Issuer deposited pursuant to the Exchange Option are not acquired by the Company, the holders of such securities will be notified of such fact as soon as practicable following the closing or the termination of the Offering, as the case may be, and such securities will be re-credited to their accounts through CDS.

### **Determination of Exchange Ratio**

The number of Units or Class A Shares issuable for each security of an Exchange Eligible Issuer (the “Exchange Ratio”) will be determined by dividing the weighted average trading price of the securities of such Exchange Eligible Issuer on the Toronto Stock Exchange (the “TSX”), during the three consecutive trading days ending on February 6, 2015 (the “Pricing Period”) as adjusted to reflect dividends declared or distributions pending by any Exchange Eligible Issuer that trades on an ex-dividend basis until the Closing Date by the sum of offering prices of a Preferred Share and Class A Share being \$25.00 in the case of a subscription for Units or \$15.00 in the case of a subscription for Class A Shares. The Exchange Ratio will be adjusted to reflect the \$0.01 per Class A Share to be received by prospective purchasers who tender securities of Exchange Eligible Issuers to the Company for Class A Shares. Holders of securities of Exchange Eligible Issuers who deposited such securities pursuant to the Exchange Option will continue to be holders of record up to the Closing Date and will be entitled to receive distributions in respect of such securities of Exchange Eligible Issuers up to but not including the Closing Date. The Company will not issue fractional shares pursuant to the Exchange Option. Entitlement to fractional shares will be determined on the basis of the aggregate number of securities of each Exchange Eligible Issuer acquired pursuant to the Exchange Option and the Company will issue to CDS cash in lieu thereof. Allocation by CDS of cash in lieu of fractional shares to CDS Participants will be at the discretion of CDS and the allocation of cash in lieu of fractional shares to purchasers who have authorized the deposit of Exchange Option Elections through CDS will be at the discretion of the CDS Participants.

## Delivery of Final Prospectus

Each prospective purchaser who properly authorized the deposit of securities of an Exchange Eligible Issuer through CDS will be furnished with a copy of the final prospectus relating to this Offering.

The Company will issue a press release as soon as practicable after the close of business on February 9, 2015 announcing for each of the Exchange Eligible Issuers, the name of the Exchange Eligible Issuer, the ticker symbol, the CUSIP number, the ISIN, the volume weighted average trading price of the securities during the Pricing Period and the Exchange Ratio.

## Withdrawal of Exchange Option Elections

Each prospective purchaser who deposited securities of an Exchange Eligible Issuer through CDS has the right to withdraw such deposit of securities by notifying in writing such prospective purchaser's investment advisor or other nominee who effected the deposit. To be effective, a written notice of withdrawal must be received by the CDS participant who effected such deposit on or before midnight on the second Business Day after the later of: (i) receipt or deemed receipt of the final prospectus relating to the Offering and any amendment thereto, and (ii) the date on which the press release referred to above is issued. Any such notice of withdrawal must specify the securities of each Exchange Eligible Issuer to be so withdrawn and the name of the prospective purchaser, and notification thereof must be received by the Exchange Agent through CDS prior to the specified time. Each such notice must be signed by the person who authorized the deposit under the Exchange Option.

## Maximum Offering

The maximum offering (prior to the exercise of the Over-Allotment Option), comprised of the aggregate cash subscriptions and securities of the Exchange Eligible Issuers (based on the applicable Exchange Ratio and excluding that number of securities of Exchange Eligible Issuers deposited and not acquired as a result of such securities causing the Company to hold more than the Maximum Ownership Level of the outstanding securities of an Exchange Eligible Issuer), shall not be more than \$●. If the maximum offering (prior to the exercise of the Over-Allotment Option) is exceeded, the Company will accept cash subscriptions first and will then accept securities of Exchange Eligible Issuers on a pro rata basis or on such other reasonable basis that it may determine appropriate until the maximum offering size of \$● is achieved, subject to the conditions set forth above under the heading "Method to Purchase Shares".

## Exchange Eligible Issuers

The following table lists the names of the Exchange Eligible Issuers whose securities will be accepted by the Company pursuant to the Exchange Option, as well as the ticker symbol, CUSIP number and ISIN of each Exchange Eligible Issuer.

Company Name	Ticker	CUSIP	ISIN
ARC Resources Ltd.	ARX	00208D408	CA00208D4084
Canadian Natural Resources Limited	CNQ	136385101	CA1363851017
ConocoPhillips	COP	20825C104	US20825C1045
Crescent Point Energy Corp.	CPG	22576C101	CA22576C1014
Cenovus Energy Inc.	CVE	15135U109	CA15135U1093
Chevron Corporation	CVX	166764100	US1667641005
Encana Corporation	ECA	292505104	CA2925051047
EOG Resources Inc.	EOG	26875P101	US26875P1012
Husky Energy Inc.	HSE	448055103	CA4480551031
Imperial Oil Limited	IMO	453038408	CA4530384086
Occidental Petroleum Corporation	OXY	674599105	US6745991058
PrairieSky Royalty Ltd.	PSK	739721108	CA7397211086
Suncor Energy Inc.	SU	867224107	CA8672241079
Vermilion Energy Inc.	VET	923725105	CA9237251058
Exxon Mobil Corporation	XOM	30231G102	US30231G1022

## REDEMPTION AND RETRACTIONS

### Redemptions

#### *Preferred Shares*

The Preferred Shares will be redeemed by the Company on the Maturity Date. The redemption price payable by the Company for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the Net Asset Value of the Company on that date divided by the total number of Preferred Shares then outstanding.

#### *Class A Shares*

The Class A Shares will be redeemed by the Company on the Maturity Date. The redemption price payable by the Company for a Class A Share on that date will be equal to the greater of (i) the Net Asset Value per Unit on that date minus the sum of \$15.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

### Retraction Privileges

#### *Preferred Shares*

##### *Monthly*

Preferred Shares may be surrendered at any time for retraction to ● (the “Registrar and Transfer Agent”), the Company’s registrar and transfer agent, but will be retracted only on the second last Business Day of a month (the “Retraction Date”). Preferred Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Retraction Date will be retracted on such Retraction Date and the holder will be paid on or before the tenth Business Day of the following month (the “Retraction Payment Date”). If a shareholder surrenders its Preferred Shares after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the Net Asset Value per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Class A Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on the Preferred Shares, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. On any monthly retraction of Preferred Shares the Company will purchase for cancellation an equal number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all times.

##### *Annual Concurrent Retraction*

A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of March of each year commencing in 2016 (the “Annual Retraction Date”) at a retraction price equal to the Net Asset Value per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the tenth Business Day of the following month.

##### *Non-Concurrent Retraction Right*

On the Maturity Date and upon any subsequent maturity date as determined by the Company’s Board of Directors, a holder of Preferred Shares may retract such Preferred Shares. The Company will provide at least 60 days’ notice to holders of Preferred Shares of such right. The redemption price payable by the Company for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the Net Asset Value of the Company on that date divided by the total number of Preferred Shares then outstanding.



If more Class A Shares than Preferred Shares have been redeemed pursuant to the non-concurrent retraction right, the Company will be authorized to redeem Preferred Shares on a pro rata basis in a number to be determined by the Company reflecting the extent to which the number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction. Conversely, if more Preferred Shares than Class A Shares have been redeemed pursuant to the non-concurrent retraction right, the Company may issue Preferred Shares to the extent that the number of Class A Shares outstanding following the non-concurrent retraction exceeds the number of Preferred Shares outstanding following the non-concurrent retraction.

In connection with any extension, the distribution rates on the Preferred Shares and distribution target on the Class A Shares for the new term will be announced at least 60 days prior to the extension of the term. The new distribution rate for the Preferred Shares will be determined based on then-current market yields for preferred shares with similar terms.

#### *General*

Any and all Preferred Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the retraction price is not paid on the Retraction Payment Date, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described. Such surrender will be irrevocable upon the delivery of a notice to CDS through a CDS Participant, except with respect to those Preferred Shares which are not retracted by the Company on the relevant Retraction Payment Date. The Company may, in its discretion, permit the withdrawal of any Preferred Share retraction request at any time prior to the Retraction Payment Date.

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 thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Shareholder's instructions will not give rise to any obligations or liability on the part of the Company or the Manager to the CDS Participant or the Shareholder.

#### **Class A Shares**

##### *Monthly Retraction*

Class A Shares may be surrendered at any time for retraction to the Registrar and Transfer Agent, but will be retracted only on the monthly Retraction Date. Class A Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the monthly Retraction Date will be retracted on such Retraction Date and the shareholder will be paid on or before the Retraction Payment Date. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the Class A Shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted Shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the Net Asset Value per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Preferred Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid Distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

##### *Annual Concurrent Retraction*

A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in March 2016 at a retraction price equal to the Net Asset Value per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. For the purpose of calculating the Net Asset Value per Unit, the value of securities comprising the Portfolio will be equal to the weighted average trading price of such securities over the last three Business Days of the month as described

under “Calculation of Net Asset Value – Valuation of Portfolio Securities”. The Class A Shares and the Preferred Shares must both be surrendered at least 10 Business Days prior to the Annual Retraction Date. Payment of the proceeds will be made on or before the tenth Business Day of the following month subject to the Manager’s right to suspend retractions in certain circumstances.

#### *Non-Concurrent Retraction Right*

On the Maturity Date and upon any subsequent maturity date as determined by the Company’s Board of Directors, a holder of Class A Shares may retract such Class A Shares. The Company will provide at least 60 days’ notice to holders of Class A Shares of such right. The redemption price payable by the Company for a Class A Share pursuant to the non-concurrent retraction right will be equal to the greater of (i) the Net Asset Value per Unit determined on that date minus \$10.00 plus any accrued and unpaid distributions on the Preferred Share, and (ii) nil.

If more Preferred Shares than Class A Shares have been redeemed pursuant to the non-concurrent retraction right, the Company will be authorized to redeem Class A Shares on a pro rata basis in a number to be determined by the Company reflecting the extent to which the number of Class A Shares outstanding following the non-concurrent retraction exceeds the number of Preferred Shares outstanding following the non-concurrent retraction. Conversely, if more Class A Shares than Preferred Shares have been redeemed pursuant to the non-concurrent retraction right, the Company may issue Class A Shares to the extent the number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction.

In connection with any extension, the distribution rates on the Preferred Shares and distribution target on the Class A Shares for the new term will be announced at least 60 days prior to the extension of the term. The new distribution rate for the Preferred Shares will be determined based on then-current market yields for preferred shares with similar terms.

#### *General*

Any and all Class A Shares that have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the retraction price is not paid on the Retraction Payment Date, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner prescribed. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not retracted by the Company on the relevant Retraction Payment Date. The Company may, in its discretion, permit the withdrawal of any Class A Share retraction request at any time prior to the Retraction Payment Date.

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 thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Shareholder’s instructions will not give rise to any obligations or liability on the part of the Company or the Manager to the CDS Participant or the Shareholder.

#### **Suspension of Redemptions and Retractions**

The Company or the Manager may suspend the redemption and/or retraction of Class A Shares or Preferred Shares or payment of redemption or retraction proceeds (i) during any period when normal trading in securities owned by the Company is suspended on the TSX and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Company to execute trades in such securities, or (ii) for any period not exceeding 120 days during which the Company or the Manager determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of its assets, only with the prior approval of the securities regulatory authorities. The suspension may apply to all requests for retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Class A Shares and Preferred Shares making such requests shall be advised by the Manager of the suspension and that the retraction will be effected at a price determined on the first Retraction Date following the termination of the suspension. All such shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first 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 Company, any declaration of suspension made by the Company or the Manager shall be conclusive.

## INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Income Tax Act and at all relevant times, are resident or are deemed to be resident in Canada, hold their Preferred Shares, Class A Shares and any Exchange Eligible Shares (defined herein) tendered under the Exchange Option as capital property, and deal at arm's length with and are not affiliated with the Company. This summary is based upon the current provisions of the Income Tax Act and the Company's understanding of the current published administrative policies and assessing practices of the CRA. This summary is based on the assumption that the Class A Shares and Preferred Shares will at all times be listed on the TSX. This summary is based on the assumption that the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada and at no time will the total fair market value of the shares of the Company held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships within the meaning of the Income Tax Act) exceed 50% of the fair market value of all of the outstanding shares of the Company. This summary is based upon the assumption that the Company will at all times comply with its Investment Guidelines and Investment Restrictions.

This summary is based on the assumption that the issuers of securities held by the Company will not be foreign affiliates of the Company or a shareholder of the Company. This summary also takes into account all specific proposals to amend the Income Tax Act announced prior to the date hereof by the Minister of Finance (Canada) (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form proposed. No assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Class A Shares and Preferred Shares. This summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations. This summary does not apply (i) to a Shareholder that is a "financial institution" as defined in section 142.2 of the Income Tax Act, (ii) to a Shareholder an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Income Tax Act, (iii) to a Shareholder to which the "functional currency" reporting rules in section 261 of the Income Tax Act apply, or (iv) to a Shareholder who has entered into a "derivative forward agreement" as defined in subsection 248(1) of the Tax Act with respect to Preferred Shares, Class A Shares and any Exchange Eligible Shares tendered under the Exchange Option.

A purchaser who acquires Units or Class A Shares pursuant to the Exchange Option will be disposing of securities of one or more Exchange Eligible Issuers ("Exchange Eligible Shares"). Provided that the purchaser holds such securities as capital property, he or she will realize a capital gain (or loss) to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such securities.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, prospective investors are advised to consult their own tax advisors with respect to their individual circumstances.

### **Tax Treatment of the Company**

The Company intends at all relevant times to qualify as a "mutual fund corporation" as defined in the Income Tax Act. The Company will file the necessary election under the Income Tax Act so that it will be deemed to be a "public corporation" and therefore qualify as a mutual fund corporation throughout its first taxation year. As a mutual fund corporation, the Company will be entitled in certain circumstances to a refund of tax paid or payable by it in respect of its net realized capital gains. Also, as a mutual fund corporation, the Company will be entitled to maintain a capital gains dividend account in respect of its realized net capital gains and from which it may elect to pay dividends ("Capital Gains Dividends") which are treated as capital gains in the hands of the shareholders of the Company (see "Tax Treatment of Shareholders", below). In certain circumstances where the Company has recognized a capital gain in a taxation year, it may elect not to pay Capital Gains Dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient Capital Gains Dividends and/or qualifying redemptions.

In computing income for a taxation year, the Company will be required to include in income all dividends received by the Company in the year. In computing taxable income, the Company will generally be permitted to deduct all dividends received by it from taxable Canadian corporations. The Company will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations.

The Company will elect in accordance with the Income Tax Act to have each of its “Canadian securities” treated as capital property. Such an election will ensure that gains or losses realized by the Company on Canadian securities are treated as capital gains or capital losses.

The Company qualifies as a “financial intermediary corporation” (as defined in the Income Tax Act) and, thus, is not subject to tax under Part IV.1 of the Income Tax Act on dividends received by the Company and is not generally liable to tax under Part VI.1 of the Income Tax Act on dividends paid by the Company on “taxable preferred shares” (as defined in the Income Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Income Tax Act), the Company is generally subject to a refundable tax of 33⅓% under Part IV of the Income Tax Act on taxable dividends received by the Company during the year to the extent that such dividends were deductible in computing the Company’s taxable income for the year. This tax is refundable upon payment by the Company of sufficient dividends other than Capital Gains Dividends (“Ordinary Dividends”).

Premiums received on covered call options and cash covered put options written by the Company that are not exercised prior to the end of the year will constitute capital gains of the Company in the year received, unless such premiums are received by the Company as income from a business of buying and selling securities or the Company has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Company purchases securities for the portfolio with the objective of earning dividends thereon over the life of the Company, writes covered call options with the objective of increasing the yield on the portfolio beyond the dividends received on the portfolio and writes cash covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Thus, having regard to the foregoing and in accordance with the CRA’s published administrative policies, transactions undertaken by the Company in respect of shares comprising the portfolio and options on such shares are treated and reported by the Company as arising on capital account.

Premiums received by the Company on covered call (or cash covered put) options that are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Company of the securities disposed of (or acquired) by the Company upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Company in the previous year, such capital gain may be reversed.

The Company may use derivative instruments for converting non-Canadian currency exposure to the Canadian dollar. In accordance with the published administrative practice of the CRA, gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives are not “derivative forward agreements” as defined in the Tax Act and are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of the Tax Act on capital or income account depending on the nature of the securities to which the hedge is linked.

The Company is required to compute all amounts, including interest, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Income Tax Act. As a consequence, the amount of income, expenses and capital gains or capital losses may be affected by changes in the value of foreign currency relative to the Canadian dollar.

## **Distributions**

The policy of the Company is to pay quarterly distributions on the Preferred Shares and monthly distributions on the Class A Shares and, in addition, to pay special year-end distributions to holders of Class A Shares where the Company has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains realized on the writing of options that are outstanding at year end) or where the Company needs to pay a dividend in order to recover refundable tax not otherwise recoverable upon payment of monthly dividends. While the principal sources of income of the Company are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Company earns net income, after expenses, from other sources, including dividends from non-Canadian sources and interest income upon interim investment of its reserves, the Company will be subject to income tax on such income and no refund of such tax will be available.

Given the investment and dividend policy of the Company and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, based on the Indicative Portfolio, the Company does not expect to be subject to any significant amount of non-refundable Canadian income tax.

## **Tax Treatment of Shareholders**

Shareholders must include in income Ordinary Dividends paid to them by the Company. For individual Shareholders, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations, including, if applicable, the enhanced gross-up and credit for Ordinary Dividends designated by the Company as eligible dividends. For corporate Shareholders, other than “specified financial institutions” (as defined in the Income Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

In the case of a Shareholder that is a specified financial institution, Ordinary Dividends received on a particular class of shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire the shares in the ordinary course of its business; or (b) at the time of the receipt of the dividends by the specified financial institution the shares of that class are listed on a designated stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding shares of that class by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm’s length (within the meaning of the Income Tax Act). For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner’s share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

Ordinary Dividends received by a corporation (other than a “private corporation” or a “financial intermediary corporation”, as defined in the Income Tax Act) on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Income Tax Act to the extent that such dividends are deductible in computing the corporation’s taxable income.

A Shareholder that is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33⅓% refundable tax under Part IV of the Income Tax Act on Ordinary Dividends received on the Shares to the extent that such dividends are deductible in computing the Shareholder’s taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a Shareholder, the rate of Part IV tax payable by the Shareholder is reduced to 23⅓%.

The amount of any Capital Gains Dividend received by a Shareholder from the Company will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the Capital Gains Dividend is received.

The amount of any payment received by a Shareholder from the Company as a return of capital on a Share will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant Share to the Shareholder. To the extent that the adjusted cost base to the Shareholder would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain at that time and the Shareholder’s adjusted cost base will be increased by the amount of such deemed capital gain. See “Disposition of Shares”, below.

## **Disposition of Shares**

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. If the Shareholder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. The adjusted cost base of each share will generally be the weighted average of the cost of the shares of that class acquired by a Shareholder at a particular time and the aggregate adjusted cost base of any Shares of that class held immediately before the particular time.

One-half of a capital gain (a taxable capital gain) is included in computing income and one-half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Income Tax Act. A Shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains.

Individuals (other than certain trusts) who realize net capital gains or dividends may be subject to an alternative minimum tax under the Income Tax Act.

Generally, Shares will qualify as “Canadian securities” for purposes of making an irrevocable election under the Income Tax Act to deem Canadian securities held by the investor to be capital property and to deem all dispositions of Canadian securities held to be dispositions of capital property for the purposes of the Income Tax Act. This election is not available to all taxpayers under all circumstances and therefore investors considering making such an election should consult their tax advisors.

### **Tax Treatment under the Exchange Option**

A purchaser who exchanges Exchange Eligible Shares for Units or Class A Shares generally will realize a capital gain (or a capital loss) in the taxation year of the purchase in which the disposition of Exchange Eligible Shares takes place to the extent that the proceeds of disposition for such Exchange Eligible Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Exchange Eligible Shares to the purchaser. For this purpose, the proceeds of disposition to the purchaser will equal the sum of (i) any cash received by the purchaser, and (ii) aggregate of the fair market value of the Preferred Shares and/or Class A Shares acquired on the exchange. The cost to a purchaser of Preferred Shares and Class A Shares so acquired will be equal to the fair market value of those shares at the time of acquisition less any cash received. In computing the adjusted cost base of the Preferred Shares and/or Class A Shares acquired by a shareholder pursuant to an exchange for Exchange Eligible Shares, the cost of such Preferred Shares and Class A Shares must be averaged with the adjusted cost base of any other Preferred Shares or Class A Shares then held by the shareholder as capital property.

### **International Information Reporting**

In 2010, the United States enacted legislation, generally referred to as the “Foreign Account Tax Compliance Act” (“FATCA”). On February 5, 2014, the United States and Canada entered into the Canada-United States Enhanced Tax Information Exchange Agreement (the “IGA”), which modifies the application of FATCA to certain Canadian entities including registered brokers and dealers and certain investment entities. On June 19, 2014, Canada enacted amendments to the Tax Act to implement the IGA as part of Canadian law. These amendments were added as Part XVIII of the Tax Act. The dealers through which unitholders hold their Units are subject to registration, information collection and reporting obligations contained in Part XVIII of the Tax Act and the IGA with respect to “financial accounts” such dealers maintain for their clients. Unitholders will generally be requested to provide their dealer with information related to their citizenship, residency and, if applicable, a U.S. federal tax identification number. If a unitholder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if a unitholder does not provide the requested information, Part XVIII of the Tax Act and the IGA will generally require information about the unitholder’s investment in the Company to be reported to the CRA, unless the investment is held within a Registered Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

### **ELIGIBILITY FOR INVESTMENT**

Provided that the Company qualifies as a “mutual fund corporation” for the purposes of the Tax Act, or if the Preferred Shares and Class A Shares are listed on a “designated stock exchange” within the meaning of the Tax Act, the Preferred Shares and Class A Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (“TFSAs”). Trusts governed by registered education savings plans should consult their own tax advisors as to eligibility.

Provided that a holder of a TFSA or the annuitant of an RRSP or RRIF deals at arm’s length with and does not have a “significant interest” (within the meaning of the Tax Act) in the Company, the Preferred Shares and Class A Shares will not be a prohibited investment under the Tax Act for such TFSA, RRSP or RRIF.

### **ORGANIZATION AND MANAGEMENT DETAILS OF THE COMPANY**

#### **Officers and Directors of the Company**

The board of directors of the Company currently consists of three members. Directors are appointed to serve on the board of directors of the Company until such time as they retire or are removed and their successors are appointed. There will be no chairman of the board of directors of the Company, and instead the director who chairs the meetings will rotate among the directors of the board.

The name, municipality of residence, position with the Company and principal occupation of each director and certain officers are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
MARK A. CARANCI <sup>(1)</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.
CHRISTOPHER S.L. HOFFMANN <sup>(1)</sup> Toronto, Ontario	Director	Director, Brompton Funds since July, 2014; Director of Brompton Corp. and Vice President of Nutowima Ltd. and private investor.
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer, Corporate Secretary and Director	Chief Financial Officer, Brompton Funds; Corporate Secretary, Brompton Funds since July 2013.
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 D. 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 from June 2008 to November 2012.
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.
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.
ANN WONG Mississauga, Ontario	Vice-President and Controller	Vice President and Controller, Brompton Funds.
KATHRYN BANNER Toronto, Ontario	Assistant Vice-President and Assistant Corporate Secretary	Assistant Vice President and Assistant Corporate Secretary, Brompton Funds since February 2011; Senior Manager, Brompton Funds from August 2007 to February 2011.

**Note:**

(1) Member of the audit committee.

A description of the experience and background relevant to the business of the Company for certain of the directors and officers of the Company is set out below in “Organization and Management Details of the Manager – Directors and Officers of the Manager”.

### **Conflicts of Interest**

The directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Company may acquire securities. The Manager and its affiliates may be managers or portfolio managers of one or more issuers in which the Company may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Company. The services of the Manager are not exclusive to the Company. The Manager may in the future act as the manager or portfolio manager to other funds and companies and may in the future act as the manager or portfolio manager to other funds which invest in debt or equity securities and which are considered competitors of the Company. The Manager will refer conflict of interest matters to the IRC for review or approval in accordance with the IRC’s charter and NI 81-107.

## Independent Review Committee

Pursuant to NI 81-107, the Manager has appointed the following members to its IRC, which also acts as the IRC for other investment funds managed by the Manager:

**James W. Davie:** Mr. Davie has over 30 years of investment banking experience and currently serves as a corporate director. Mr. Davie has held a number of senior positions at RBC Dominion Securities Inc. since 1973 including Managing Director of Investment Banking and, from 1987 to 1999, head of Equity Capital Markets. Mr. Davie received a Bachelor of Commerce degree from the University of Toronto and a Master of Business Administration degree from Queen's University.

**Arthur R.A. Scace:** Mr. Scace is an independent director and former partner of McCarthy Tétrault LLP and has over 35 years of legal and business experience. Mr. Scace began his career at McCarthy Tétrault LLP in 1967 and became a partner in 1972. Mr. Scace served as the Managing Partner of the Toronto office from 1989 to 1996 and as the firm's National Chairman from 1997 to 1999. Mr. Scace received a Bachelor of Arts degree from the University of Toronto, a Bachelor of Law degree from Oxford University as a Rhodes Scholar, a Master of Arts degree from Harvard University, and a Bachelor of Laws degree from Osgoode Hall Law School at York University. Mr. Scace is also a Queen's Counsel, has been appointed as a member of the Order of Canada and has received honorary Doctorates of Law from The Law Society of Upper Canada, York University, the University of Toronto and Trinity College of the University of Toronto. Mr. Scace is former Chairman of the Board of Directors of The Bank of Nova Scotia and a director of several other Canadian companies, and is a former Treasurer of The Law Society of Upper Canada.

**Ken S. Woolner:** Mr. Woolner has over 20 years of experience in the oil and gas industry and currently serves as President, Chief Executive Officer and Director of Velvet Energy Ltd., a private Calgary based production and exploration company. From February 2006 to June 2011 he served as a corporate director. From April 2005 to February 2006, Mr. Woolner was Executive Chairman of White Fire Energy Ltd., a public oil and gas company operating in Western Canada and a trustee of Sequoia Oil & Gas Trust. Mr. Woolner was President and Chief Executive Officer of Lightning Energy Ltd. from December 2001 to April 2005, when it merged with Argo Energy Ltd. to create Sequoia Oil & Gas Trust and White Fire Energy Ltd. Mr. Woolner was the President and Chief Executive Officer and a director of Velvet Exploration Ltd. from April 1997 to July 2001 when it was acquired by El Paso Oil & Gas Inc., and was a director of El Paso Oil and Gas Canada Inc. from July 2001 to May 2002. Mr. Woolner is a professional engineer and received a Bachelor of Science degree in Geological Engineering from the University of Toronto.

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 pursuant to 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 Unitholders, 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.

The IRC will prepare a report, at least annually, of its activities for the Unitholders which will be available on the Manager's website at [www.bromptongroup.com](http://www.bromptongroup.com), or at a Unitholder's request at no cost, by contacting the Manager at [info@bromptongroup.com](mailto:info@bromptongroup.com).

Assuming net proceeds of the Offering of \$100 million, compensation for the IRC will be \$30,000 per annum in aggregate. The expenses of the directors of the Manager and the premiums for directors' and officers' insurance coverage for the directors and officers of the Manager are paid by the Company. The fees and other reasonable expenses of members of the IRC, as well as premiums for insurance coverage for such members, are paid by the Company and other applicable investment funds managed by the Manager on a *pro rata* basis. In addition, the Company has agreed to indemnify the members of the IRC against certain liabilities.

### **Brokerage Arrangements**

The primary consideration in all securities transactions for the Company will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers and negotiating commissions, the Manager considers the dealer's reliability and the quality of its execution services on a continuing basis. Brokerage transactions may also be allocated to dealers affiliated with the Manager, on terms, including fees and commissions, not less favourable than would be offered to other similar clients of such affiliated dealers.

### **Auditors**

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Professional Accountants and Licensed Public Accountants, at its office located in Toronto, Ontario.

### **Custodian**

●, at its office in Toronto, Ontario will be appointed as the custodian of the Company. The Custodian will be responsible for the safekeeping of all of the investments and other assets of the Company delivered to it (but not those assets of the Company not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Company pledged to a counterparty and not directly held by the Custodian.

### **Promoter**

The Manager may be considered a promoter of the Company within the meaning of the securities legislation of certain provinces and territories of Canada by reason of its initiative in organizing the Company.

### **Registrar and Transfer Agent**

● will be appointed the registrar, transfer agent and distribution agent for the Preferred Shares and Class A Shares on or prior to the Closing Date. The register and transfer ledger will be kept by the registrar at its principal offices located in Toronto, Ontario.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE MANAGER**

Brompton Funds Limited was formed pursuant to the Business Corporations Act (Ontario) by articles of incorporation dated May 17, 2011. Brompton Funds Limited performs management and administrative services for the Company pursuant to the Management Agreement. Its head office is 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](mailto:info@bromptongroup.com) and its website is [www.bromptongroup.com](http://www.bromptongroup.com). The Manager was organized for the purpose of managing and administering closed-end investments including the Company and is a member of the Brompton group of companies, a provider of investment management and portfolio advisory services to TSX-listed investment funds since 2002, with total assets under management of approximately \$2.2 billion as of November 30, 2014. The Manager currently manages 4 split share funds with combined assets of over \$900 million. 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.

## Duties and Services to be Provided by the Manager

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Company, to make all decisions regarding the business of the Company and has authority to bind the Company. The Manager may, pursuant to the terms of the Management Agreement, delegate certain of its powers to third parties at no additional cost to the Company where, in the discretion of the Manager, it would be in the best interests of the Company and the shareholders to do so.

As investment manager, the Manager also has authority to provide investment advisory and portfolio management services to the Company, to acquire, hold and dispose of Portfolio securities in accordance with the Investment Objectives and the Investment Strategy and subject to the Investment Restrictions and will make all investment decisions for the Company and manage the call option writing and put option writing by the Company and the purchases of call and put options by the Company. Decisions as to the purchase and sale of securities in the Portfolio and as to the execution of all Portfolio and other transactions will be made by the Manager.

The Manager is responsible for the portfolio management of the Company including writing call options and put options in accordance with the Investment Objectives, Investment Guidelines and subject to the Investment Restrictions of the Company. The principal portfolio managers who are responsible for the investment management of the Company are as follows:

Name	Length of Service and Experience in the Past 5 Years
LAURA LAU Toronto, Ontario	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 D. CLARE Toronto, Ontario	Vice President & Portfolio Manager, Brompton Funds since December 2012; Vice President and Portfolio Manager, Creststreet Asset Management from June 2008 to November 2012.

For a description of the experience and background of Laura Lau and Michael D. Clare, see “Organization and Management Details of the Manager – Directors and Officers of the Manager”.

## Details of the Management Agreement

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the shareholders and to exercise the care, diligence and skill that a reasonably prudent and qualified manager would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the assets of the Company or the Portfolio, as the case may be, if it has satisfied the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Company or wind up the affairs of the Company except if, in its opinion, it would be in the best interests of the shareholders to terminate the Company or otherwise in accordance with the provisions of the Declaration of Trust.

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Company including, without limitation:

- (a) acquiring and maintaining the Portfolio in accordance with the Investment Objectives, Investment Strategy and Investment Restrictions and investing assets held by the Company from time to time, as well as managing relationships with the registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Company;
- (b) ongoing compliance with, and the suitability of, the Investment Objectives, Investment Strategy and Investment Restrictions, as applicable, and preparing for adoption by the Unitholders of any amendments to the Investment Objectives and Investment Restrictions which the Manager believes are in the best interests of the Company;
- (c) entering into, on behalf of the Company, any derivative or other transactions and arranging for the settlement of the Company’s obligations and the receipt of the counterparty’s obligations under any such agreements;

- (d) the authorization and timely payment on behalf of the Company of fees and expenses incurred on behalf of the Company and the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);
- (e) the provision of office space, telephone services, office equipment, facilities, supplies and executive, secretarial and clerical services;
- (f) the preparation of accounting, management and other reports (including such interim and annual reports to Unitholders, financial statements, tax reporting to shareholders and income tax returns as may be required by applicable law);
- (g) keeping and maintaining the books and records of the Company and the supervision of compliance by the Company with record keeping requirements under applicable regulatory regimes;
- (h) the calculation of the amount, and the determination of the frequency, of distributions by the Company;
- (i) the handling of communications and correspondence with Unitholders and the preparation of notices of distributions to shareholders;
- (j) establishing and monitoring the Reinvestment Plan, and amending, modifying, suspending or terminating the Reinvestment Plan in a manner which the Manager believes is in the best interests of the shareholders;
- (k) ensuring that the NAV per Unit is calculated and provided to the financial press;
- (l) responding to investors' enquiries and general investor relations in respect of the Company;
- (m) dealing with banks, custodians and sub-custodians including in respect of the maintenance of bank records and the negotiating and securing of bank financing or refinancing;
- (n) determining from time to time the appropriate amount of leverage and implementing and monitoring the use of such leverage;
- (o) arranging for the liquidation of the Portfolio in an orderly manner, to the extent necessary, and using the proceeds therefrom to reduce indebtedness of the Company in the event that the Company is at any time in breach of its collateral requirements in order to limit the total indebtedness of the Company as a percentage of the aggregate value of the assets of the Company or for any other reason where the Company requires cash to meet its obligations;
- (p) obtaining such insurance as the Manager considers appropriate for the Company;
- (q) arranging for the provision of services by CDS for the administration of the non-certificated issue system with respect to the Units;
- (r) ensuring that the Company complies with all regulatory requirements and applicable stock exchange listing requirements; and
- (s) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Company including maintenance of a website.

In consideration for these services, the Company will pay to the Manager the Management Fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Company. See "Fees and Expenses — Management Fee". The Manager and each of their directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Company to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Company and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Company described herein including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, trustee, or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, breach of such person's duties or standard of care, diligence and skill or material breach or default of such person's obligations under any agreements with the Company, as applicable, to which such person is a party.

The Management Agreement may be terminated by the Company 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. The Management Agreement may be terminated immediately by the Company in the event of the commission by the Manager of any fraudulent act and will be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors. The Manager may assign the Management Agreement to an affiliate of the Manager at any time. The Manager may resign upon 120 days' notice, and, if no new manager is appointed within such 120-day period, the Company will be terminated. Other than fees and expenses payable to the Manager pursuant to the Management Agreement up to and including the date of termination, no additional payments will be required to be made to the Manager as a result of any termination.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Company. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

### **Directors and Officers of the Manager**

The Board of Directors of the Manager consists of three members. Directors are appointed to serve on the Board of Directors until such time as they retire or are removed and their successors are appointed. There is no chairman of the Board of Directors of the Manager and instead the director who chairs meetings rotates among the directors. The name, municipality of residence, position with the Manager and principal occupation of each director and senior officer is set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
MARK A. CARANCI <sup>(1)</sup> Toronto, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer and Director, Brompton Funds
RAYMOND R. PETHER <sup>(1)</sup> Toronto, Ontario	Director	Director, Brompton Funds
CHRISTOPHER S.L. HOFFMANN <sup>(1)</sup> Toronto, Ontario	Director	Director, Brompton Funds and private investor
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer, Corporate Secretary and Director	Chief Financial Officer, Corporate Secretary and Director, Brompton Funds
CHRISTOPHER CULLEN Toronto, Ontario	Senior Vice-President	Senior Vice-President, Brompton Funds
LAURA LAU Toronto, Ontario	Senior Vice-President and Senior Portfolio Manager	Senior Vice-President, Brompton Funds
MICHAEL D. CLARE Toronto, Ontario	Vice-President and Portfolio Manager	Vice-President, Brompton Funds
JASON GOLETZ Toronto, Ontario	Vice-President, Sales & Marketing	Vice-President, Sales & Marketing, Brompton Funds
MICHELLE TIRABORELLI Toronto, Ontario	Vice-President	Vice-President, Brompton Funds
ANN WONG Mississauga, Ontario	Vice-President and Controller	Vice-President and Controller, Brompton Funds
KATHRYN BANNER Toronto, Ontario	Assistant Vice-President and Assistant Corporate Secretary	Assistant Vice-President and Assistant Corporate Secretary, Brompton Funds

(1) Member of the Audit Committee.

The officers of the Manager will receive their remuneration from the Manager. The directors of the Manager do not receive any director fees.

A description of the experience and background of each of the directors and senior officers of the Manager is set out below.

**Mark A. Caranci (President, Chief Executive Officer and Director):** Mr. Caranci has over 22 years of experience in the investment business, merchant banking and public accounting and, as principal of the Brompton Group, participates in the direction of all activities in the group. Mr. Caranci was appointed as the Chief Financial Officer of the Brompton Group in 2000 and in April 2007, Mr. Caranci was appointed President, Chief Executive Officer and director of Brompton Funds. From 1996 to 2000, Mr. Caranci was Vice-President of a financial services organization. Mr. Caranci has held various senior positions with public companies, including Chief Financial Officer of a public energy services income trust and Vice-President of Finance of several public oil & gas companies. Prior to 1996, Mr. Caranci worked at PricewaterhouseCoopers LLP, Chartered Professional Accountants. Mr. Caranci is a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Ontario and received a Bachelor of Commerce degree from the University of Toronto.

**Raymond R. Pether (Director):** Mr. Pether has over 35 years of experience in the investment business having held numerous high level positions in investment management, oil & gas, banking and real estate finance. Mr. Pether co-founded the Brompton Group in 2000 and participates in the direction of all activities in the group, and is a director of Brompton Funds. Mr. Pether received a Bachelor of Arts degree in Economics from the University of Western Ontario and a Master of Business Administration degree from McMaster University.

**Christopher S.L. Hoffmann (Director):** Mr. Hoffmann has over 12 years of experience in the investment business. He was appointed as director of Brompton Funds in July 2014. He joined the Brompton Group of companies in 2004 and participates in the direction of activities of the group. From 1989 to 2004, Mr. Hoffmann was a partner at McCarthy Tétrault, (a national Canadian law firm). From 1987 to 1989, Mr. Hoffmann was Executive Vice President and Chief Operating Officer of a private investment and holding company. From 1980 to 1987, Mr. Hoffmann was a partner at Burnet, Duckworth & Palmer (a Calgary law firm). Mr. Hoffmann is a member of the Law Society of Ontario and received a Bachelor of Laws and a Bachelor of Civil Law from McGill University, and a Master of Science from University of California, Berkeley.

**Craig T. Kikuchi (Chief Financial Officer, Corporate Secretary and Director):** Mr. Kikuchi has over 18 years of financial experience with public and private companies. Mr. Kikuchi joined the Brompton Group in 2002 as Controller, served as Vice-President and became Chief Financial Officer of Brompton Funds in October 2006 and Corporate Secretary in July 2013. Mr. Kikuchi worked for PricewaterhouseCoopers LLP from September 1996 to January 2002, where he held progressively senior roles, including the role of manager in both the assurance and business advisory services practice and the taxation and legal services practice. Mr. Kikuchi is a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Ontario. He is also a CFA charterholder and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree in Economics from the University of Western Ontario.

**Christopher Cullen (Senior Vice-President):** Mr. Cullen has over 15 years of professional experience in banking, securities, and engineering. Mr. Cullen joined the Brompton Group in March of 2006 and is Senior Vice-President of Brompton Funds. Previously Mr. Cullen was a Commercial Banking Manager at Canadian Imperial Bank of Commerce, and prior to this he was a Research Associate with UBS Securities (Canada). From 1997 to 1999, Mr. Cullen was a Process Engineer with an international engineering consultant. Mr. Cullen is a CFA charterholder and is a member of the Toronto CFA Society. Mr. Cullen graduated with a Bachelor of Applied Science in Chemical Engineering and Applied Chemistry from the University of Toronto and a Master of Business Administration from the Rotman School of Management, also at the University of Toronto.

**Laura Lau (Senior Vice-President and Senior Portfolio Manager):** Ms. Lau has over 20 years of experience in financial services and is Senior Vice President and Senior Portfolio Manager with Brompton Group. Ms. Lau leads Brompton's portfolio management team that oversees assets of over \$1 billion. Prior to joining Brompton, she was a Senior Portfolio Manager and Chief Derivatives officer at a major Canadian fund manager from 2004 to 2011 where she co-managed over \$500 million in resource portfolios including the NCE flow-through funds. In 2011, Ms. Lau received the Brendan Wood TopGun Investment Mind Award which is awarded to portfolio managers for their depth of inquiry, insight and knowledge of the Canadian market and sectors they invest in based on votes from sell-side analysts. She was also the co-manager of a resource fund which won the 2011 Canadian Lipper Fund Award for best fund over one year in the natural resources equity category. She was lead manager for a five-star Morningstar rated fund. Ms. Lau is a CFA charterholder and is a member of the Toronto CFA Society and also holds the Derivatives Market Specialist designation. Ms. Lau graduated with a Bachelor of Applied Science in Industrial Engineering from the University of Toronto.

**Michael D. Clare (Vice-President and Portfolio Manager):** Mr. Clare has over 11 years of experience in financial services and is a Vice President and Portfolio Manager with Brompton Group. Mr. Clare is a member of Brompton's portfolio management team that oversees assets of over \$1 billion. He specializes in equity security selection with a focus on the energy sector as well as the analysis of crude oil and natural gas markets and is the portfolio manager for the Brompton Energy Opportunities Fund. Prior to joining Brompton in 2012, Mr. Clare was a portfolio manager at Creststreet Asset Management Limited ("Creststreet") where he was the lead portfolio manager.

**Jason Goletz (Vice-President, Sales & Marketing):** Mr. Goletz has over 20 years of experience in the investment and financial services industry. Mr. Goletz joined Brompton in 2012 and is Vice-President, Sales & Marketing. Prior to his role at Brompton, Mr. Goletz held various senior sales and marketing positions with private and public fund companies and investment dealers including Qwest Investment Management Corporation, Integral Wealth Securities Limited, and Sentry Select Capital Inc. Mr. Goletz received a Bachelor of Arts degree in Economics from the University of Toronto.

**Michelle Tiraborelli (Vice-President):** Ms. Tiraborelli has been working in the financial industry since 2006 and joined Brompton Funds in 2010. Prior to joining the Brompton Group, Ms. Tiraborelli was an Investment Advisor with BMO Nesbitt Burns. She has also worked as an Analyst with a Toronto based corporate development consulting firm focused on private company mergers & acquisitions, and business expansion. Ms. Tiraborelli received a Bachelor of Science, Honours degree from Queen's University. She also holds a Master of Business Administration degree from the Hong Kong University of Science and Technology, having studied jointly at the HKUST Business School in Hong Kong and New York University's Stern School of Business.

**Ann Wong (Vice-President and Controller):** Ms. Wong has over ten years of financial experience with public and private companies and is Vice-President and Controller of Brompton Funds. Prior to joining the Brompton Group, Ms. Wong was a Senior Manager in the Treasury Finance group of Canadian Imperial Bank of Commerce, and also worked for PricewaterhouseCoopers LLP as a manager in the assurance and business advisory services practice. Ms. Wong is a Chartered Professional Accountant, a member of the Chartered Professional Accountants of Ontario and a Certified Public Accountant from the State of Delaware. She is also a CFA charterholder and a member of the Toronto CFA Society. She received a Bachelor of Arts degree and a Master of Accounting degree from the University of Waterloo.

**Kathryn Banner (Assistant Vice-President and Assistant Corporate Secretary):** Ms. Banner has been involved in the financial industry for over 16 years. Since joining the Brompton Group in 2000, Ms. Banner has held progressively senior roles and is currently Assistant Vice-President and Assistant Corporate Secretary of Brompton Funds with a focus on regulatory, compliance and corporate services. From 1996 to 2000, Ms. Banner was employed by a financial services company. She has been involved with investment funds, a public energy services income trust and both international and domestic oil and gas companies. She received a Bachelor of Arts degree and a Master of Arts degree from the University of Waterloo.

## CALCULATION OF NET ASSET VALUE

For reporting purposes other than financial statements, the NAV of the Company on a particular date will be equal to (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date.

The NAV per Unit on any day will be obtained by dividing the NAV of the Company attributable to the class on such day by the number of such class then outstanding. In general, the NAV per Unit of each class will be calculated as of 4:00 p.m. (Toronto time) each day. If a Valuation Date is not a Business Day, then the securities comprising the Company's property will be valued as if such Valuation Date were the preceding Business Day.

The NAV per Unit and NAV will be calculated in Canadian dollars.

## Reporting of Net Asset Value

The NAV, NAV per Unit, NAV per Class A Share and NAV per Preferred Share are available to the public at no cost by calling 1-866-642-6001 and the NAV per Unit, NAV per Class A Share and NAV per Preferred Share are available on the Manager's website at [www.bromptongroup.com](http://www.bromptongroup.com). The Company also makes the NAV per Class A Share and NAV per Preferred Share available to the financial press for publication on a daily basis.

## Valuation of Portfolio Securities

In determining the NAV of the Company at any time:

- (a) the value of any cash on hand or on deposit, bill, demand note and account receivable, prepaid expense, dividend, Distribution or other amount received (or declared to holders of record of securities owned by the Company on a date before the NAV Valuation Date as of which the NAV of the Company is being determined, and to be received) and interest accrued and not yet received shall 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, dividend, Distribution, or other amount received (or declared to holders of record of securities owned by the Company on a date before the NAV Valuation Date as of which the NAV of the Company is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;
- (b) the value of any security, that is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall 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 shall be used), as at the NAV Valuation Date on which the NAV of the Company is being determined, all as reported by any means in common use. For a retraction or redemption of the Company's shares, the value of the common shares will be equal to the weighted average trading price of such shares over the last three Business Days of the relevant month;
- (c) the value of any security which is traded over-the-counter will be priced at the average of the last bid and ask prices quoted by a major dealer or recognized information provider in such securities;
- (d) where a covered clearing corporation option, option on futures or an over-the counter option is written, the option premium received by the Company will, so long as the option is outstanding, be reflected as a deferred credit which will be valued at an amount equal to the fair market value of an option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;
- (e) the value of a forward contract or swap shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract or swap were to be closed out in accordance with its terms;
- (f) 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 NAV Valuation Date on which the NAV of the Company is being determined as determined by the Manager;
- (g) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Company from the Custodian on the NAV Valuation Date on which NAV of the Company is being determined;
- (h) 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 fair market value as determined by the Manager; and
- (i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The NAV is calculated in Canadian dollars in accordance with the rules and principles of the Canadian regulators, or in accordance with any exemptions therefrom that the Company may obtain.

## DESCRIPTION OF THE SECURITIES

### **The Securities**

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares. The holders of Class J Shares are not entitled to receive dividends and are entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. There are 100 Class J Shares issued and outstanding.

### **Principal Shareholder**

All of the issued and outstanding class J shares ("Class J Shares") of the Company are owned by Brompton Oil Split Trust, a trust established for the benefit of the holders of the Class A Shares and Preferred Shares from time to time. Until all the Class A Shares and Preferred Shares have been retracted, redeemed, or purchased for cancellation, no additional Class J Shares shall be issued.

### **Priority**

#### ***Preferred Shares***

The Preferred Shares rank in priority to the Class A Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Company.

#### ***Class A Shares***

The Class A Shares rank subsequent to the Preferred Shares with respect to the payment of distributions and the repayment of capital out of the portfolio on the dissolution, liquidation or winding up of the Company. The Company may sub-divide the Class A Shares into a greater number of Class A Shares in its discretion from time to time.

#### ***Class J Shares***

The Class J Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Company.

### **Book-Entry-Only and Book-Based Systems**

Registrations of interests in, and transfers of, the Preferred Shares and Class A Shares will be made only through the book-entry-only system or the book-based system of CDS. Preferred Shares and Class A Shares may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Preferred Shares and/or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares and/or Class A Shares. Upon purchase of any Preferred Shares or Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Preferred Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The Company, the Manager or the Agents will not have any liability for (i) the records maintained by CDS or CDS Participants relating to the beneficial interests in the Preferred Shares and Class A Shares or the book-entry or book-based accounts maintained by CDS in respect thereof; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS or CDS Participants, including with respect to the rules and regulations of CDS or any action taken by CDS, its participants or at the direction of those participants.

The ability of a beneficial owner of Preferred Shares and/or Class A Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Company has the option to terminate registration of the Preferred Shares and Class A Shares through the book-entry-only or book-based systems in which case certificates in fully-registered form for the Preferred Shares and Class A Shares, as the case may be, will be issued to beneficial owners of such Preferred Shares and Class A Shares or to their nominees.



## **Purchase for Cancellation**

Subject to applicable law, the Company may at any time or times purchase Preferred Shares and Class A Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the Business Day immediately prior to such purchase up to a maximum in any twelve month period of 10% of the outstanding public float of Preferred Shares and Class A Shares.

## **SHAREHOLDER MATTERS**

### **Meetings of Shareholders**

Except as required by law or set out below, holders of Preferred Shares and Class A Shares will not be entitled to receive notice of, to attend or to vote at any meeting of Shareholders of the Company.

### **Matters Requiring Shareholder Approval**

The following may only be undertaken with the approval of the holders of Preferred Shares and Class A Shares, each voting separately as a class, by an Ordinary Resolution, unless a greater majority is required by law, passed at a meeting called for the purpose of considering such Ordinary Resolution, provided that holders of Preferred Shares and Class A Shares holding at least 10% of the shares outstanding on the record date of the meeting are present in person or by proxy:

- (a) a reorganization with, or transfer of assets to, another mutual fund corporation, if
  - (i) the Company ceases to continue after the reorganization or transfer of assets; and
  - (ii) the transaction results in Shareholders becoming securityholders in the other mutual fund corporation; and
- (b) a reorganization with, or acquisition of assets of, another mutual fund corporation, if
  - (i) the Company continues after the reorganization or acquisition of assets;
  - (ii) the transaction results in the securityholders of the other mutual fund corporation becoming Shareholders of the Company; and
  - (iii) the transaction would be a significant change to the Company; and
- (c) except as described herein, a change of the Manager to the Company, other than a change resulting in an affiliate of the Manager assuming such position.

The following may only be undertaken with the approval of holders of Preferred Shares and Class A Shares, each voting separately as a class, by an Extraordinary Resolution:

- (a) a change in the investment objectives or investment restrictions of the Company as described above, 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 change in the basis of calculating fees or other expenses that are charged to the Company that could result in an increase in charges to the Company;
- (c) any issue of Units for net proceeds per Unit less than the most recently calculated NAV per Unit prior to the date of the setting of the subscription price by the Company; and
- (d) any amendment, modification or variation in the provisions or rights attaching to the Preferred Shares or Class A Shares.

Each Preferred Share and each Class A Share will have one vote at such a meeting.

The auditor of the Company may be changed without the prior approval of the Shareholders of the Company provided that the independent review committee approves the change and Shareholders are sent written notice at least 60 days before the effective date of the change.

Notwithstanding the foregoing, in certain circumstances, the Company's reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of Shareholders provided that the independent review committee approves the transaction pursuant to NI 81-107, the reorganization or transfer

complies with certain requirements of NI 81-102 and NI 81-107, as applicable, and Shareholders are sent written notice at least 60 days before the effective date of the change.

### Reporting to Shareholders

The Company will deliver to Shareholders annual and interim financial statements of the Company as may be required by applicable law.

### REDEMPTION OF THE SHARES BY THE COMPANY

All Preferred Shares and Class A Shares of the Company outstanding on the Maturity Date will be redeemed by the Company on such date provided that the term of the Company may be extended after the Maturity Date for a further period of five years and thereafter for additional successive periods of five years as determined by the Company's Board of Directors on such date. See "Description of The Securities – Preferred Shares" and "Description of The Securities – Class A Shares".

### USE OF PROCEEDS

The Company will use the proceeds from the sale of Preferred Shares and Class A Shares as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
<b>Preferred Shares</b>		
Gross proceeds to the Company .....	\$●	\$14,000,000.00
Agents' fees .....	\$●	\$420,000.00
Expenses of issue.....	\$●	\$●
Net proceeds to the Company.....	\$●	\$●
<u><b>Maximum Offering</b></u>		
<b>Class A Shares</b>		
Gross proceeds to the Company .....	\$●	\$21,000,000.00
Agents' fees .....	\$●	\$1,260,000.00
Expenses of issue.....	\$●	\$●
Net proceeds to the Company.....	\$●	\$●

The net proceeds from the issue of Preferred Shares and Class A Shares offered hereby assuming the maximum offering of Preferred Shares and Class A Shares (after payment of the Agents' fees and expenses of the issue) are estimated to be \$● and will be used to purchase securities for the Portfolio following the Closing Date.

### PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to offer the Preferred Shares and the Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The offering prices for the Preferred Shares and the Class A Shares were established by negotiation between the Company and the Agents. The Agents will receive a fee equal to \$0.30 (3%) for each Preferred Share sold and \$0.90 (6%) for each Class A Share sold, and will be reimbursed for out of pocket expenses incurred. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fee. While the Agents have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered under this prospectus, the Agents will not be obligated to purchase Preferred Shares or Class A Shares which are not sold.

The Company has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the closing to purchase up to 15% of the aggregate number of Preferred Shares and Class A Shares issued on date of closing on the same terms as set out above. To the extent the Over-Allotment Option is exercised, the additional Preferred Shares and Class A Shares will be sold at \$10.00 per Preferred Share and \$15.00 per Class A

Share and the Agents will be paid a fee of \$0.30 per Preferred Share sold and \$0.90 per Class A Share sold. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$●, the Agents' fee will be \$● and the net proceeds to the Company, before expenses of the Offering, will be \$●. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and Class A Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Preferred Shares or Class A Shares forming part of the Agents' over-allocation position acquires such shares under this prospectus, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Preferred Shares and Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to occur on ●, 2015, but in any event no later than 90 days after a receipt for the final prospectus has been issued (the "Closing Date").

The Agents may not, throughout the period of distribution, bid for or purchase the Preferred Shares or the Class A Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares or the Class A Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The Preferred Shares and the Class A Shares have not been and will not be registered under the 1933 Act or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The Agents have agreed that they will not offer for sale or sell or deliver the Preferred Shares or the Class A Shares within the United States or to U.S. persons.

## **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

### **Policies and Procedures**

Subject to compliance with the provisions of applicable securities law, the Manager, in its capacity as manager, acting on the Company's behalf, has the right to vote proxies relating to the Portfolio securities. Proxies must be voted in a manner consistent with the best interests of the Company and its Shareholders.

The Manager has engaged the services of ISS to vote the proxies related to the securities held by the Company in accordance with ISS' 2014 Canadian Proxy Voting Guidelines for TSX-listed companies (the "Policy").

In the case of routine matters, which include ratification of auditors, the Policy generally allows for voting in favour of management's recommendations unless non-audit related fees are paid to the auditor exceed audit-related fees. The Policy outlines the fundamental principles applied when determining votes on director nominees and generally withholds votes from all directors nominated by slate ballot.

In respect of non-routine matters, including confidential voting, shareholder rights plans, mergers and corporate restructurings, capital restructuring, increases in authorized capital, executive compensation and equity compensation plans, matters are dealt with on a case-by-case basis with the best interests of the Unitholders in mind at all times.

### **Proxy Voting Conflicts of Interest**

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Company in voting proxies with the desire to avoid the perception of a conflict of interest, the Manager has instituted procedures to help ensure that the Company's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Company, uninfluenced by considerations other than the best interests of the Company.

The procedures for voting proxies where there may be a conflict of interest include escalation of the issue to members of the IRC for their consideration and advice, although the responsibility for deciding how to vote the

Company's proxies and for exercising the vote remains with the Manager. The primary responsibility of the IRC is to represent the interests of the investors in the funds managed by the Manager, including the Company, and for this purpose to act in an advisory capacity to the Manager.

#### **Disclosure of Proxy Voting Guidelines and Record**

The Manager will post the proxy record on [www.bromptongroup.com](http://www.bromptongroup.com) no later than August 31<sup>st</sup> of each year unless exemptive relief is obtained from such requirement. The Company will send the most recent proxy voting policies and procedures and proxy voting record, without charge, to any Shareholder upon request.

#### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Preferred Shares and Class A Shares:

- (a) the Management Agreement described under "The Manager – Management Agreement"; and
- (b) the Agency Agreement described under "Plan of Distribution"; and
- (c) the Custodian Agreement described under "Organization and Management Details of the Company – Custodian."

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Company during the course of distribution of the Preferred Shares and Class A Shares offered hereby.

#### **EXPERTS**

The matters referred to under "Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon by Osler, Hoskin & Harcourt LLP, on behalf of the Company, and Stikeman Elliott LLP, on behalf of the Agents.

The auditor of the Company are PricewaterhouseCoopers LLP, Toronto, Ontario. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

#### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder of Brompton Oil Split Corp. (the "Company")

We have audited the accompanying statement of financial position (the financial statement) of the Company as at ●, 2015 and the related notes which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as at ●, 2015 in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement.

Toronto, Ontario  
●, 2015

(Signed) ●  
Chartered Professional Accountants, Licensed Public Accountants

**BROMPTON OIL SPLIT CORP.  
STATEMENT OF FINANCIAL POSITION**

As at ●, 2015

**Current Assets**

Cash ..... \$100

**Liabilities**

Net assets attributable to holders of class J shares (Note 3)..... \$100

Approved on behalf of Brompton Oil Split Corp. by Brompton Funds Limited, as manager

(Signed) ●  
Director

(Signed) ●  
Director

*The accompanying notes are an integral part of this statement of financial position.*

**BROMPTON OIL SPLIT CORP.  
NOTES TO THE STATEMENT OF FINANCIAL POSITION**

**As at ●, 2015**

**1. ORGANIZATION OF THE COMPANY**

Brompton Oil Split Corp. (the “Company”) is a closed-end investment fund established under the laws of the Province of Ontario on December 30, 2014. The Company has been inactive between the date of establishment and the date of the statement of financial position, other than the issuance of 100 class J shares for cash. The address of the Company’s registered office is Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

The investment objectives for the preferred shares (“Preferred Shares”) are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.1250 per Preferred Share (\$0.50 per annum or 5.00% per annum on the issue price of \$10.00 per Preferred Share) until March 31, 2020.

The investment objectives for the class A shares (“Class A Shares”) are to provide their holders with regular monthly cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders with the opportunity for growth in the net asset value per Class A Share. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears or (ii) in respect of a cash distribution by the Company, the net asset value of the Company divided by the number that is the sum of the number of Preferred Shares and Class A Shares then outstanding divided by two (the “NAV per Unit”) would be less than \$15.00. In addition, the Company will not pay distributions in excess of \$0.10 per month on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$23.50 unless the Company has to make such distribution to fully recover refundable taxes.

The statement of financial position was authorized for issuance by Brompton Funds Limited (the “Manager”) on ●, 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES**

This financial statement has been prepared in compliance with those requirements of International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) relevant to preparing such a statement of financial position. In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statement.

*Cash:* Cash is comprised of deposits with financial institutions.

*Valuation for Transaction Purposes:* NAV per Unit on any day is obtained by dividing the NAV attributable to the Units on such day by the number of Units then outstanding.

*Functional and Presentation Currency:* The Canadian dollar is the functional and presentation currency for the Company.

*Classifications of Redeemable Shares:* The Company’s outstanding redeemable share entitlements include a contractual obligation to deliver cash or another financial asset on the March 31, 2020, and therefore the ongoing redemption feature is not the Company’s only contractual obligation. Consequently the Company’s outstanding redeemable shares are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 *Financial Instruments Presentation*.

### 3. REDEEMABLE SHARES

The Company is authorized to issue an unlimited number of class J shares, Preferred Shares and Class A Shares. On December 30, 2014, the Company issued 100 class J shares for cash consideration of \$100.00 to Brompton Oil Split Trust.

#### **Preferred Shares**

*Monthly:* Preferred Shares may be surrendered at any time for retraction to ● (the “Registrar and Transfer Agent”), the Company’s registrar and transfer agent, but will be retracted only on the second last Business Day of a month (the “Retraction Date”). Preferred Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Retraction Date will be retracted on such Retraction Date and the holder will be paid on or before the tenth Business Day of the following month (the “Retraction Payment Date”). If a shareholder surrenders its Preferred Shares after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the Net Asset Value per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Class A Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on the Preferred Shares, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. On any monthly retraction of Preferred Shares the Company will purchase for cancellation an equal number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all times.

*Annual Concurrent Retraction:* A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of March of each year commencing in 2016 (the “Annual Retraction Date”) at a retraction price equal to the Net Asset Value per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the tenth Business Day of the following month.

*Non-Concurrent Retraction Right:* On March 31, 2020 and upon any subsequent maturity date as determined by the Company’s Board of Directors, a holder of Preferred Shares may retract such Preferred Shares. The Company will provide at least 60 days’ notice to holders of Preferred Shares of such right. The redemption price payable by the Company for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon and (ii) the Net Asset Value of the Company on that date divided by the total number of Preferred Shares then outstanding.

If more Class A Shares than Preferred Shares have been redeemed pursuant to the non-concurrent retraction right, the Company will be authorized to redeem Preferred Shares on a pro rata basis in a number to be determined by the Company reflecting the extent to which the number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction. Conversely, if more Preferred Shares than Class A Shares have been redeemed pursuant to the non-concurrent retraction right, the Company may issue Preferred Shares to the extent that the number of Class A Shares outstanding following the non-concurrent retraction exceeds the number of Preferred Shares outstanding following the non-concurrent retraction.



## **Class A Shares**

*Monthly:* Class A Shares may be surrendered at any time for retraction to the Registrar and Transfer Agent, but will be retracted only on the monthly Retraction Date. Class A Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the monthly Retraction Date will be retracted on such Retraction Date and the shareholder will be paid on or before the Retraction Payment Date. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the Class A Shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted Shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the Net Asset Value per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Preferred Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid Distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

*Annual Concurrent Retraction:* A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, at a retraction price equal to the Net Asset Value per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must both be surrendered at least 10 Business Days prior to the Annual Retraction Date. Payment of the proceeds will be made on or before the tenth Business Day of the following month subject to the Manager's right to suspend retractions in certain circumstances.

*Non-Concurrent Retraction Right:* On March 31, 2020 and upon any subsequent maturity date as determined by the Company's Board of Directors, a holder of Class A Shares may retract such Class A Shares. The Company will provide at least 60 days' notice to holders of Class A Shares of such right. The redemption price payable by the Company for a Class A Share pursuant to the non-concurrent retraction right will be equal to the greater of (i) the Net Asset Value per Unit determined on that date minus \$10.00 plus any accrued and unpaid distributions on the Preferred Share, and (ii) nil.

If more Preferred Shares than Class A Shares have been redeemed pursuant to the non-concurrent retraction right, the Company will be authorized to redeem Class A Shares on a pro rata basis in a number to be determined by the Company reflecting the extent to which the number of Class A Shares outstanding following the non-concurrent retraction exceeds the number of Preferred Shares outstanding following the non-concurrent retraction. Conversely, if more Class A Shares than Preferred Shares have been redeemed pursuant to the non-concurrent retraction right, the Company may issue Class A Shares to the extent the number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction.

For the purpose of calculating the Net Asset Value per Unit for a retraction or redemption of the Company's shares, the value of securities comprising the Portfolio will be equal to the weighted average trading price of such securities over the last three Business Days of the relevant month.

## **4. MANAGEMENT FEE**

The Manager will receive an annual management fee equal to 0.70% per annum of the net asset value of the Company, calculated and payable monthly in arrears, plus any applicable taxes.

## **5. INITIAL OFFERING**

The Company and the Manager have entered into an agency agreement with Scotia Capital Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Ltd., Industrial Alliance Securities Inc. and Mackie Research Capital Corporation (collectively, the “**Agents**”) dated as of ●, 2015 pursuant to which the Company has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public a minimum of 1.4 million Preferred Shares at \$10.00 per share and 1.4 million Class A Shares at \$15.00 per share. In consideration for their services in connection with the Offering, the Agents are entitled to be paid a fee of \$0.30 per Preferred Share and \$0.90 per Class A Share out of the proceeds of the Offering.

## **CERTIFICATE OF THE COMPANY AND THE MANAGER**

Dated: December 30, 2014

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

### **Brompton Oil Split Corp.**

(signed) Mark A. Caranci  
President and Chief Executive Officer

(signed) Craig T. Kikuchi  
Chief Financial Officer

### **On behalf of the Board of Directors**

(signed) Christopher S.L. Hoffmann  
Director

(signed) Raymond R. Pether  
Director

### **Brompton Funds Limited (as Manager)**

(signed) Mark A. Caranci  
President and Chief Executive Officer

(signed) Craig T. Kikuchi  
Chief Financial Officer

### **On behalf of the Board of Directors**

(signed) Christopher S.L. Hoffmann  
Director

(signed) Raymond R. Pether  
Director

## CERTIFICATE OF THE AGENTS

Dated: December 30, 2014

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**SCOTIA CAPITAL INC.**

**CIBC WORLD  
MARKETS INC.**

**RBC DOMINION  
SECURITIES INC.**

(signed) Rajiv Bahl

(signed) Michael D. Shuh

(signed) Edward Jackson

**TD SECURITIES INC.**

(signed) Cameron Goodnough

**BMO NESBITT BURNS INC.**

**NATIONAL BANK FINANCIAL INC.**

(signed) Robin G. Tessier

(signed) Timothy Evans

**GMP SECURITIES L.P.**

**RAYMOND JAMES LTD.**

(signed) Andrew Kiguel

(signed) J. Graham Fell

**DESJARDINS SECURITIES  
INC.**

**DUNDEE SECURITIES LTD.**

**INDUSTRIAL ALLIANCE  
SECURITIES INC.**

**MACKIE RESEARCH CAPITAL  
CORPORATION**

(signed) Beth A. Shaw

(signed) Aaron Unger

(signed) James Andrews

(signed) David Keating