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*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Strathbridge Asset Management Inc., the manager of the issuer, at 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9 or info@strathbridge.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedar.com.*

## PRELIMINARY SHORT FORM PROSPECTUS

New Issue

October 22, 2014

# PREMIUM INCOME CORPORATION

\$● (Maximum)

Up to ● Preferred Shares and ● Class A Shares

This short form prospectus qualifies for distribution up to ● preferred shares (“Preferred Shares”) and up to ● class A shares (“Class A Shares”) of Premium Income Corporation (the “Fund”) at a price of \$● per Preferred Share and \$● 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 Fund invests in a portfolio (the “Portfolio”) consisting principally of common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank (collectively, the “Banks”).

The Preferred Shares and Class A Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbols PIC.PR.A and PIC.A, respectively. On October 21, 2014, the closing price on the TSX of the Preferred Shares was \$15.47 per Preferred Share and of the Class A Shares was \$8.30 per Class A Share.

### Prices: \$● per Preferred Share \$● per Class A Share

	Price to the Public <sup>(1)</sup>	Agents' Fee	Net Proceeds to the Fund <sup>(2)</sup>
Per Preferred Share	\$●	\$●	\$●
Total Maximum Offering <sup>(3)(4)</sup>	\$●	\$●	\$●
Per Class A Share	\$●	\$●	\$●
Total Maximum Offering <sup>(3)(4)</sup>	\$●	\$●	\$●

#### Notes:

- <sup>(1)</sup> The offering prices were established by negotiation between the Fund and the Agents (as defined below). The offering price per Unit (as defined herein) exceeds the most recently calculated net asset value per Unit as at ●, 2014 (as adjusted for dividends payable to holders of record on October 15, 2014 which will not be received by purchasers under the Offering and certain expenses accrued prior to or upon closing of the Offering), plus the per Unit Agents' fee and the expenses of the Offering.
- <sup>(2)</sup> Before deducting the expenses of issue which are estimated to be \$●. 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 Fund shall not exceed 1.5% of the gross proceeds of the Offering. Any such excess expenses will be paid for by Strathbridge Asset Management Inc., the manager of the Fund.
- <sup>(3)</sup> There is no minimum amount of funds that must be raised under this Offering. This means that the Fund could complete this Offering after raising only a small portion of the Offering amount set out above.

<sup>(4)</sup> The Fund has granted the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the Offering, to purchase up to an additional 15% of the number of Preferred Shares and Class A Shares issued at the closing of the Offering on the same terms as set forth above, which additional Preferred Shares and Class A Shares are qualified for sale under this short form prospectus. 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 Fund, before expenses of the Offering, will be \$●. A purchaser who acquires Preferred Shares or Class A Shares forming part of the Agents’ over-allocation position acquires such shares under this short form 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 Preferred Shares or Class A Shares either by: (i) a cash payment; or (ii) an exchange (the “Exchange Option”) of freely-tradable listed common shares of any of the Banks or National Bank of Canada (the “Exchange Eligible Issuers”) by no later than 5:00 p.m. (EST) on October 28, 2014 through CDS Clearing and Depository Services Inc. A prospective purchaser’s CDS Participant (defined herein) 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.** Purchasers who subscribe for at least \$1 million of Preferred Shares or Class A Shares using the Exchange Option may defer paying tax on all or a portion of any accrued capital gain on the Exchange Eligible Shares by making a joint election with the Fund under the *Income Tax Act* (Canada). See “Canadian Federal Income Tax Considerations” and “Purchases of Shares”.

The following table sets forth certain terms of the Over-Allotment Option, including the maximum size, the exercise period and the exercise price:

Agents’ Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	● Preferred Shares	Within 30 days of Closing	\$● per Preferred Share
Over-Allotment Option	● Class A Shares	Within 30 days of Closing	\$● per Class A Share

Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., TD Securities Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Mackie Research Capital Corporation (collectively, the “Agents”) conditionally offer the Preferred Shares and the Class A Shares, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement and subject to the approval of certain legal matters by Osler, Hoskin & Harcourt LLP, on behalf of the Fund, and Stikeman Elliott LLP, on behalf of the Agents. Subject to applicable laws, in connection with the distribution of the Preferred Shares and the Class A Shares, the Agents may over-allot or effect transactions as described under “*Plan of Distribution*”.

An investment in the Preferred Shares or the Class A Shares involves a degree of risk. It is important for prospective purchasers to consider the risk factors described in this short form prospectus. See “*Risk Factors*”.

Closing of this Offering is expected to take place on ●, 2014 but in any event no later than 90 days after a receipt for the final prospectus has been issued. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A purchaser of Preferred Shares or Class A Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares or Class A Shares are purchased.

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## GLOSSARY

<b>1933 Act</b>	the U.S. <i>Securities Act of 1933</i> , as may be amended from time to time.
<b>Agents</b>	means Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., TD Securities Inc., Raymond James Ltd., Canaccord Genuity Corp., Desjardins Securities Inc., Dundee Securities Ltd. and Mackie Research Capital Corporation.
<b>AIF</b>	annual information form of the Fund dated January 24, 2014.
<b>Banks</b>	means the Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank.
<b>Bank Shares</b>	means common shares of the Banks.
<b>business day</b>	any day on which the Toronto Stock Exchange is open for business.
<b>CDS</b>	means CDS Clearing and Depository Services Inc.
<b>CDS Participant</b>	means a participant in CDS.
<b>Class A Market Price</b>	means the weighted average trading price of the Class A Shares on the principal stock exchange on which the Class A Shares are listed (or, if the Class A Shares are not listed on any stock exchange, on the principal market on which the Class A Shares are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date.
<b>Class A Share</b>	a transferable, redeemable class A share of the Fund.
<b>Class B Share</b>	a transferable class B share of the Fund.
<b>CRA</b>	means the Canada Revenue Agency.
<b>Diluted NAV per Unit</b>	has the meaning given to such term in the AIF.
<b>Dilution Threshold</b>	has the meaning given to such term in the AIF.
<b>Dividend Payment Date</b>	means the last day of January, April, July and October in each year on which the Fund will pay a cumulative preferential quarterly distribution per Preferred Share to holders of Preferred Shares.
<b>Escrow Agreement</b>	means the escrow agreement dated October 17, 1996 between Strathbridge, RBC Investor Services Trust and the Fund.
<b>Exchange Eligible Issuers</b>	means any of the Banks and National Bank of Canada.
<b>Exchange Eligible Shares</b>	means the common shares of the Exchange Eligible Issuers.
<b>Fund</b>	means Premium Income Corporation.
<b>Investment Objectives</b>	means the investment objectives of the Fund described under “The Fund” in this short form prospectus.
<b>Investment Strategies</b>	means the investment strategies of the Fund described under “The Fund” in this short form prospectus.
<b>Investment Restrictions</b>	means the investment restrictions of the Fund described under “Investment Restrictions” in this short form prospectus.
<b>Manager</b>	means Strathbridge as manager and investment manager of the Fund.
<b>NAV or NAV of the Fund</b>	the net asset value of the Fund which, on any date, will be equal to (a) the aggregate value of the assets of the Fund, less (b) the aggregate value of the liabilities of the Fund, including any distributions declared and not paid that are payable to shareholders on or before such date, less (c) the stated capital of the Class B Shares

	of the Fund, being \$1,000.
<b>NAV per Unit</b>	the net asset value of the Fund divided by the number of Units then outstanding.
<b>NI 81-102</b>	means National Instrument 81-102 – <i>Investment Funds</i> .
<b>NI 81-107</b>	means National Instrument 81-107 – <i>Independent Review Committee for Investment Funds</i>
<b>October Valuation Date</b>	means the last business day of October.
<b>Offering</b>	means the offering of up to ● Preferred Shares and ● Class A Shares pursuant to this short form prospectus.
<b>Portfolio</b>	means the portfolio of securities in which the Fund invests.
<b>Preferred Market Price</b>	means the weighted average trading price of the Preferred Shares on the principal stock exchange on which the Preferred Shares are listed (or, if the Preferred Shares are not listed on any stock exchange, on the principal market on which the Preferred Shares are quoted for trading) for the 10 trading days immediately preceding the applicable Valuation Date.
<b>Preferred Share</b>	a transferable, redeemable Preferred Share of the Fund.
<b>Recirculation Agreement</b>	means the recirculation agreement between the Fund and RBC Dominion Securities Inc. dated September 29, 2003.
<b>Retraction Notice</b>	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.
<b>Retraction Payment Date</b>	means the tenth business day following a Valuation Date.
<b>Shareholder</b>	means a holder of Class A Shares or Preferred Shares of the Fund.
<b>Strathbridge</b>	means Strathbridge Asset Management Inc.
<b>Tax Act</b>	means the current provisions of the <i>Income Tax Act</i> (Canada), including current published administrative policies and assessing practices of the CRA made publicly available prior to the date hereof, and the regulations thereunder.
<b>Termination Date</b>	means the date on which the Board of Directors of the Fund determine to redeem the Class A Shares and Preferred Shares.
<b>Unit</b>	a notional unit consisting of one Class A Share and one Preferred Share. The number of Units outstanding at any time is equal to the sum of the number of Class A Shares and Preferred Shares then outstanding divided by two.
<b>Unit Market Price</b>	is the sum of the Class A Market Price and the Preferred Market Price.
<b>United States</b>	the United States of America, its territories and possessions.
<b>U.S. person</b>	has the meaning given to such term in Regulation S under the 1933 Act.
<b>Valuation Date</b>	means the last day of a month in any year, on which Class A Shares or Preferred Shares surrendered for retraction will be retracted.
<b>\$</b>	means Canadian dollars unless otherwise indicated.

## FORWARD-LOOKING STATEMENTS

Certain statements in this short form prospectus are 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 Fund or Strathbridge. Forward-looking statements are not historical facts but reflect the current expectations of the Fund and Strathbridge regarding future results or events. Such forward-looking statements reflect the Fund’s and Strathbridge’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this short form prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this short form prospectus are based upon assumptions that the Fund and Strathbridge believe to be reasonable, neither the Fund nor Strathbridge can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor Strathbridge assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the annual information form of the Fund dated January 24, 2014;
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditors, for the year ended October 31, 2013;
- (c) the management report of fund performance related to the annual financial statements of the Fund for the year ended October 31, 2013;
- (d) the interim financial statements of the Fund for the six months ended April 30, 2014; and
- (e) the management report of fund performance related to the interim financial statements of the Fund for the six months ended April 30, 2014.

Any of the documents of the type referred to above, including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the Offering, will be deemed to be incorporated by reference in this short form prospectus.

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

## THE FUND

Premium Income Corporation is a mutual fund corporation incorporated under the laws of the Province of Ontario on August 27, 1996. The principal office of the Fund is located at 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9.

On October 18, 1996, the articles of incorporation of the Fund were amended to create the Preferred Shares and the Class A Shares. The Fund's articles were amended on July 30, 1999 to permit the Fund to write cash-covered put options and on May 16, 2003 to extend the mandatory redemption date of the Preferred Shares and the Class A Shares to November 1, 2010. On September 29, 2010, the articles of incorporation of the Fund were amended to further extend the redemption date of the Preferred Shares and the Class A Shares to November 1, 2017 and, thereafter, to allow for the automatic extension of the Fund for an additional seven years, as well as to provide a special retraction right, to allow shareholders who do not wish to continue their investment upon any such automatic extension to redeem their shares, to change the monthly retraction prices so that such prices are calculated by reference to market price in addition to NAV, to allow the Fund to calculate a Diluted NAV per Unit and to calculate and pay retraction prices based on the Diluted NAV per Unit while warrants of the Fund remain outstanding, to permit the issuance of additional classes of shares of the Fund issuable in series, and to permit the Fund to make return of capital distributions on the Preferred Shares and the Class A Shares.

On October 30, 1996, the Fund completed its initial public offering of 4,000,000 Preferred Shares at a price of \$15.00 per Preferred Share and 4,000,000 Class A Shares at a price of \$10.00 per Class A Share. On September 29, 2003, the Fund completed a follow-on offering of 8,500,000 Preferred Shares at a price of \$15.65 per Preferred Share and 8,500,000 Class A Shares at a price of \$11.00 per Class A Share. On October 7, 2003, the over-allotment option in respect of that offering closed, resulting in the issuance of 160,000 Preferred Shares and 160,000 Class A Shares on the same terms. On September 30, 2004, the Fund completed an additional follow-on offering of 6,487,846 Preferred Shares at a price of \$15.65 per Preferred Share and 6,487,846 Class A Shares at a price of \$11.23 per Class A Share. In connection with the special redemption right approved by shareholders at a special meeting on September 29, 2010, the Class A Shares were consolidated on November 1, 2010 on the basis of 0.738208641 new shares for each old share resulting in a higher Class A net asset value per share. This was done in order to maintain an equal number of Preferred Shares and Class A Shares outstanding subsequent to the special redemption.

On May 6, 2011, the Fund completed an offering (the "Warrant Offering") of warrants (the "Warrants") to holders of its Class A Shares (the "Class A Shareholders"). The Fund issued 9,523,493 Warrants to subscribe for and purchase an aggregate of approximately 4,761,746 Units. Each Class A Shareholder received one transferable Warrant for each Class A Share held. The warrants expired on December 15, 2011 and no warrants were exercised.

On November 5, 2012, the Fund filed a short form prospectus relating to an offering of rights ("Rights") to holders of its Class A Shares and Preferred Shares. Each Shareholder of record on November 13, 2012 received one Right for each Class A Share or Preferred Share. Two Rights entitled the holder to acquire one Class A Share and one Preferred Share upon payment of the subscription price of \$20.88. The Rights expired on December 11, 2012 and 463,724 Rights were exercised.

The manager and investment manager of the Fund is Strathbridge Asset Management Inc. ("Strathbridge", or the "Manager"). Strathbridge became the manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services Inc. Subsequently, on October 3, 2011, Mulvihill Capital Management Inc. announced a name change to Strathbridge.

While the Fund is technically considered to be a mutual fund under the securities legislation of certain provinces of Canada, the Fund is not a conventional mutual fund and has obtained exemptions from certain requirements of NI 81-102.

This short form prospectus qualifies for distribution up to ● Preferred Shares and up to ● Class A Shares of the Fund at a price of \$● per Preferred Share and \$● per Class A Share (the "Offering"). The offering price per Unit (i.e. of a matched Preferred Share and Class A Share) was established so as to be non-dilutive to the most recently calculated NAV per Unit of the Fund as at ●, 2014 (as adjusted for dividends payable to holders of record on

October 15, 2014 which will not be received by purchasers under the Offering and certain expenses accrued prior to or upon closing of the Offering). The Preferred Shares and Class A Shares are listed on the TSX under the symbols PIC.PR.A and PIC.A, respectively. The attributes of the Preferred Shares and the Class A Shares are described under “*Description of the Shares of the Fund*”.

### **Investment Objectives**

The Fund’s investment objectives are:

- (a) to provide holders of Preferred Shares with cumulative preferential quarterly cash distributions in the amount of \$0.215625 per share (resulting in distributions on the initial public offering price of 5.75% per annum); and
- (b) to provide holders of Class A Shares with quarterly cash distributions equal to the amount, if any, by which the net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year-end) earned on the Fund’s portfolio in any year, net of expenses and loss carry-forwards, exceed the amount of the distributions paid on the Preferred Shares;
- (c) to return the issue price on the initial public offering of the shares to holders of both Preferred Shares and Class A Shares at the time of redemption of such shares.

### **Investment Strategies**

To achieve its investment objectives, the Fund invests in a Portfolio consisting of Canada’s leading Banks, being Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank. To generate additional returns above the dividend income earned on the Portfolio, the Fund may, from time to time, write covered call options in respect of some or all of the common shares in the Portfolio. The Fund may also from time to time hold short-term debt instruments issued by the Government of Canada or a province of Canada or by one or more of the Banks. The Fund may hold a portion of its assets in cash equivalents, which may be used to provide cover in respect of the writing of cash-covered put options in respect of securities in which the Fund is permitted to invest. The composition of the Portfolio, the common shares that are subject to call options and put options and the terms of such options will vary, from time to time, based on Strathbridge’s assessment of market conditions.

### **Current Portfolio**

The following table presents unaudited information relating to the allocation of the Fund’s Portfolio as of October 16, 2014:

Bank of Montreal	22.3%
The Bank of Nova Scotia	17.4%
Canadian Imperial Bank of Commerce	19.3%
Royal Bank of Canada	22.5%
The Toronto-Dominion Bank	17.9%
Portfolio in Cash & Short Term Investments	0.60%

### **Distribution History**

The Fund has declared aggregate dividends on the Preferred Shares of \$15.74 per share since the commencement of investment operations in October 1996. During the same period, the Fund has declared aggregate distributions on the Class A Shares of \$21.35.



## Return on the Preferred Shares and Class A Shares

The following table illustrates the annualized total return for both the Preferred Shares and Class A Shares for the periods ending September 30, 2014 set forth below as compared to the S&P/TSX Diversified Banks Index.

	Annualized Total Return <sup>(1)</sup>				
	1 Year	3 Year	5 Year	10 Year	Since Inception
Preferred Shares	5.9%	5.9%	5.9%	5.9%	5.9%
Class A Shares	60.2%	30.2%	22.9%	11.6%	14.2%
S&P/TSX Diversified Banks Index	24.2%	18.3%	12.6%	11.8%	14.3%

**Note:**

(1) Total return is calculated as annualized growth in net asset value per Unit plus reinvested distributions, since inception to September 30, 2014.

Source: Bloomberg as at September 30, 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 annualized total returns.**

## INVESTMENT OVERVIEW

The Manager believes that current markets offer an attractive opportunity for investors to gain exposure to the Fund and its portfolio of five Canadian banks for the following reasons:

- **Strong Balance Sheets and Capital Adequacy** - for the 7th consecutive year, Canadian banks were ranked #1 by the Geneva based World Economic Forum in the “Soundness of Banks” category.
- **Dividend Growth and Share Repurchase** - with an average Basel III Common Equity Tier 1 capital ratio of 9.8% for the group, the Manager expects dividend and share buybacks to increase going forward.
- **Attractive Dividend Yields Relative to the Market and Bonds** - average indicated yield on the 5 Banks is currently 3.9% as at October 16, 2014 versus the S&P/TSX dividend yield of 2.9% and 10 year Canadian bonds at 1.9%. (Source: Bloomberg)
- **Valuations Reasonable** – as at October 16, 2014 the 5 Banks traded at an average of 11.3x 2015 estimated earnings per share versus 13.5x 2015 estimated earnings for the S&P/TSX Composite Index. (Source: Bloomberg)
- **Levered to Improving Economy** – the Manager believes that the steepening yield curve will result in improved net interest margins and stronger capital markets will result in higher wealth management and capital market revenues.

The Banks have increased dividends by an average of more than 553% on a cumulative basis since 1996, with an annualized average dividend growth rate over the same period of 10.4% per annum. The chart below illustrates the average dividend growth on a cumulative basis since 1996 for the Banks.

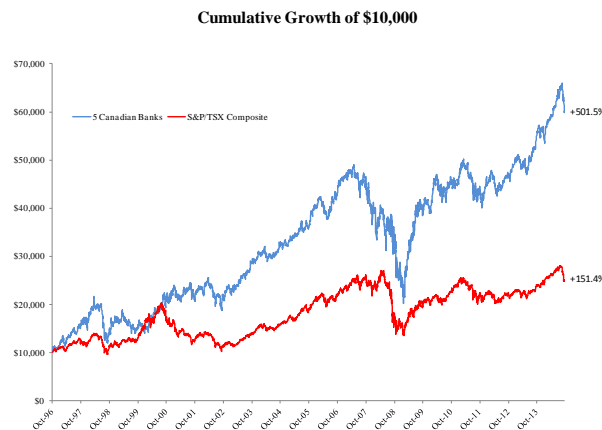


**Note:**

(1) Reflects average growth rate of dividends paid in calendar year by the Banks, assuming an equal weighting based on a \$100 portfolio on January 2, 1996.

Source: Bloomberg as at October 16, 2014.

The Banks have generated an average price return of more than 501% on a cumulative basis since 1996 versus 151% for the S&P/TSX Composite Index over the same period. The following chart shows the cumulative price return of the Banks on an equal weight basis as if an investment was made on October 31, 1996.



Source: Bloomberg as at October 16, 2014.

**INVESTMENT RESTRICTIONS**

The Fund is subject to certain investment criteria that, among other things, limit the common shares and other securities the Fund may acquire for the Portfolio. The Fund’s investment criteria may not be changed without the separate approval of the holders of the Preferred Shares and the Class A Shares by a two-thirds majority vote of such holders who attend and vote at a meeting called for such purpose. The Fund’s investment criteria provide that the Fund may not:

- (a) except as provided in paragraphs (c) and (f), purchase securities other than common shares of the Banks (“Bank Shares”);
- (b) at any time invest in the common shares of fewer than four Banks provided that not more than 33 1/3% or less than 10% of the NAV may at any time be invested in the common shares of each of such four Banks;

- (c) purchase debt securities unless such securities have a remaining term to maturity of less than one year and are issued or guaranteed by the Government of Canada or a province or are short-term commercial paper issued by one or more of the Banks;
- (d) write a call option in respect of any common share unless such common share is actually held by the Fund at the time the option is written;
- (e) dispose of a common share included in the Portfolio that is subject to a call option written by the Fund unless such option has either terminated or expired;
- (f) write put options in respect of any security unless (i) the Fund is permitted to invest in such security, and (ii) so long as the options are exercisable, the Fund continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (g) purchase call options or put options except as specifically permitted under NI 81-102;
- (h) make or retain investments that render the Preferred Shares or Class A Shares “foreign property” under Part XI of the *Income Tax Act (Canada)* (the “Tax Act”) or, if the Fund is a registered investment within the meaning of the Tax Act, that render it liable to tax under Part XI of the Tax Act; or
- (i) enter into any arrangement (including the acquisition of common shares for the Portfolio and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Fund to receive a dividend on such shares in circumstances where, under the arrangement, someone other than the Fund bears the risk of loss or enjoys the opportunity for gain or profit with respect to such shares in any material respect.

#### **USE OF PROCEEDS**

The estimated net proceeds to be received by the Fund from this Offering will be \$● after deducting the Agents’ fee and the expenses of the Offering, estimated to be \$●. The Fund intends to use the net proceeds of the Offering in accordance with the Investment Objectives, Investment Strategies and Investment Restrictions described under “The Fund” and “Investment Restrictions”.

#### **DESCRIPTION OF THE SHARES OF THE FUND**

The Fund is authorized to issue an unlimited number of Preferred Shares, an unlimited number of Class A Shares and 1,000 Class B Shares. In addition, the Fund is authorized to issue an unlimited number of class C shares, class D shares, class E shares, class C preferred shares, class D preferred shares and class E preferred shares, each such class of shares issuable in series.

The Preferred Shares and the Class A Shares have been issued on the basis that an equal number of shares of each class will be issued and outstanding at all times. As at October 21, 2014 there were 9,749,268 Preferred Shares and 9,749,268 Class A Shares outstanding.

#### **Preferred Shares**

##### ***Distributions***

One of the Fund’s investment objectives is to pay a cumulative preferential quarterly distribution of \$0.215625 per share to holders of Preferred Shares on the last day of January, April, July and October in each year (a “Dividend Payment Date”). In the event that dividends earned by the Fund on the Portfolio are not sufficient on any Dividend Payment Date to cover the total amount of the distributions payable to holders of Preferred Shares on that date, the balance of the distributions payable will be paid as capital gains dividends out of net realized capital gains and

option premiums (other than option premiums in respect of options outstanding at year end) earned by the Fund on the Portfolio. Commencing with each seven-year period starting November 1, 2017, the Board of Directors of the Fund shall determine the dividend rate in respect of the Preferred Shares for such period, provided that any such new rate is announced by way of press release. The new dividend amount will accrue from November 1 and the first dividend payment shall become payable commencing on January 31 of the following year. Dividends payable on the Preferred Shares may take the form of ordinary dividends, capital gains dividends or distributions representing a return of capital or any combination thereof.

### ***Redemptions***

All Preferred Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The “Redemption Date” of the Fund is the Potential Redemption Date that is determined by the Board of Directors of the Corporation as the date on which all of the then outstanding shares of any class or series of shares of the Corporation shall be redeemed. A “Potential Redemption Date” is November 1, 2017 and, thereafter, the day that is the seventh year anniversary date of the immediately preceding potential date of redemption. The redemption price payable by the Fund for a Preferred Share on the Redemption Date will be equal to the lesser of (a) \$15.00 and (b) the NAV on that date divided by the total number of Preferred Shares then outstanding. The redemption price will be calculated on the basis of the Diluted NAV per Unit in the event that warrants of the Fund are outstanding. Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

### ***Retraction Privileges***

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Fund’s registrar and transfer agent, but will be retracted only on a monthly Valuation Date. Preferred Shares surrendered for retraction by a shareholder at least ten business days prior to the last day of a month (a “Valuation Date”) will be retracted on such Valuation Date and the Shareholder will receive payment on or before the tenth business day following such Valuation Date (the “Retraction Payment Date”). Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the “Preferred Share Retraction Price”) equal to the lesser of:

- (a) the sum of (i) 96% of the lesser of (A) NAV per Unit as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (B) \$15.00 and (ii) any accrued and unpaid dividends thereon; and
- (b) the sum of (i) 96% of the lesser of (A) the Unit Market Price as of the applicable Valuation Date less the cost to the Fund of purchasing a Class A Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (B) \$15.00 and (ii) any accrued and unpaid dividends thereon.

For purposes of the calculation noted above, the cost to the Fund of purchasing a Class A Share in the market for cancellation may include the purchase price of such Class A Share, commissions and such other costs, if any, related to the liquidation of any part of the Portfolio to fund such purchase; and the NAV per Unit shall be the NAV per Unit unless warrants of the Fund are outstanding on the applicable Valuation Date and the NAV per Unit as of the applicable Valuation Date exceeds the Dilution Threshold, in which case the NAV per Unit shall be the Diluted NAV per Unit as of the applicable Valuation Date.

Holders of Preferred Shares also have an annual retraction right under which they may concurrently retract an equal number of Class A Shares and Preferred Shares on the last business day of October (the “October Valuation Date”). The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date.

Where the holder of Preferred Shares tendered for retraction has not withheld his consent in the manner provided in the Retraction Notice delivered to CDS Clearing and Depository Services Inc. (“CDS”) through a participant in the CDS book-entry only system (a “CDS Participant”), the Fund may, but is not obligated to, require the Recirculation

Agent to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of the Preferred Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price. Holders of Preferred Shares are free to withhold their consent to such treatment and to require the Fund to retract their Preferred Shares in accordance with their terms.

Subject to the Fund's right to require the Recirculation Agent to use its best efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Preferred Shares that have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted thereon, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under "Book-Entry Only System". Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

If any Preferred Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Class A Shares which equals the number of Preferred Shares so retracted. Any Class A Shares so purchased for cancellation will be purchased in the market.

### ***Special Retraction Privileges***

Holders of Preferred Shares may retract such shares (the "Special Retraction Right") on each Special Retraction Date. The "Special Retraction Date" is each Potential Redemption Date, other than the Redemption Date.

Retraction payments for Preferred Shares tendered pursuant to the Special Retraction Right will be made no later than ten business days after the Special Retraction Date, provided that such shares were surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year in which there is a Special Retraction Date. Preferred Shares were irrevocably surrendered for such retraction upon delivery of written notice to CDS through a CDS Participant.

The retraction price per share to be received by a holder of Preferred Shares under the Special Retraction Right will be equal to the lesser of: (a) \$15.00; and (b) the NAV of the Fund divided by the number of Preferred Shares outstanding on the Special Retraction Date. Any declared and unpaid distributions payable on or before the Special Retraction Date in respect of Preferred Shares tendered for retraction on the Special Retraction Date will also be paid on the retraction payment date.

To the extent that the number of Class A Shares retracted on the Special Retraction Date exceeds the number of Preferred Shares retracted on the Special Retraction Date, the Preferred Shares shall be redeemable at the option of the Fund on each Special Retraction Date. Any such Preferred Shares shall be redeemed by the Fund on the Special Retraction Date on the payment by the Fund of the Preferred Share Redemption Price as of the Special Retraction Date, calculated as set out above, in respect of each Preferred Share to be redeemed. If less than all of the outstanding Preferred Shares are to be redeemed, the Preferred Shares to be so redeemed shall be redeemed pro rata or in such other manner as the Board of Directors of the Fund in its sole discretion shall by resolution determine.

On or prior to the special retraction payment date, the Fund shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares an amount per Preferred Share being redeemed equal to the Preferred Share Redemption Price as of the Special Retraction Date. For purposes of calculating such Preferred Share Redemption Price, the NAV per Unit shall be the NAV per Unit unless warrants of the Fund are outstanding on the applicable Special Retraction Date and the NAV per Unit as of the applicable Special Retraction Date exceeds the Dilution Threshold, in which case the NAV per Unit shall be the Diluted NAV per Unit as of the applicable Special Retraction Date.

The Special Retraction Right will replace the annual concurrent retraction right for each year in which a Special Retraction Date occurs, pursuant to which a holder would have been permitted to retract both a Class A Share and Preferred Share together in a Unit for the NAV per Unit. As a result of the availability of the Special Retraction Right, the Fund will not, for the October Valuation Date in each such year only, provide shareholders with the annual concurrent retraction right. However, this right will continue to be available in October of each year, but will be replaced with an additional, special retraction right granted to holders of Preferred Shares in connection with each additional extension of the term of the Fund.

### ***Priority***

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

### **Class A Shares**

#### ***Distributions***

Currently, the Fund is paying quarterly cash distributions on the Class A Shares of \$0.20319 per Class A Share (\$0.81276 per year) subject to the prior rights of holders of Preferred Shares to receive cumulative, fixed, preferential dividends. The Fund intends to continue to pay distributions at this rate until the NAV per Unit reaches \$25.00 at which point the distribution yield will be equivalent to 8.0% per annum. At such time, quarterly distributions paid by the Fund will vary and will be calculated as approximately 8.0% per annum of the NAV of a Class A Share. The Fund has determined to base the distributions it pays in such circumstances on the NAV of a Class A Share in order to better facilitate the preservation and enhancement of the Fund's NAV and to enable holders of Class A Shares to benefit from any increases in the NAV of the Class A Shares through the resulting increased distributions. The quarterly distributions will be determined using the last published NAV prior to the declaration date for the distribution.

The amount of distributions in any particular calendar quarter will be determined by the Board of Directors of the Fund on the advice of Strathbridge, as Manager, having regard to the Investment Objectives, the net income and net realized capital gains of the Fund during the calendar quarter and in the year to date, the net income and net realized capital gains of the Fund anticipated in the balance of the year and distributions made in previous calendar quarters.

#### ***Redemptions***

All Class A Shares outstanding on the Redemption Date will be redeemed by the Fund on such date. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (a) the NAV per Unit on that date minus \$15.00, and (b) nil. Notice of redemption will be given to CDS Participants holding Class A Shares on behalf of the beneficial owners thereof at least 60 days prior to the Redemption Date.

#### ***Retraction Privileges***

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., but will be retracted only on a monthly Valuation Date. Class A Shares surrendered for retraction by a shareholder at least ten business days prior to a monthly Valuation Date will be retracted on such Valuation Date and the shareholder will receive payment on or before the tenth business day following such Valuation Date. Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the "Class A Share Retraction Price") equal to the lesser of:

- (a) the sum of (i) 96% of the difference between (A) the NAV per Unit as of the applicable Valuation Date and (B) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) any accrued and unpaid dividends thereon; and

- (b) the sum of (i) 96% of the difference between (A) the Unit Market Price as of the applicable Valuation Date and (B) the cost to the Fund of purchasing a Preferred Share in the market for cancellation at any time after the applicable Valuation Date and prior to the applicable Retraction Payment Date and (ii) any accrued and unpaid dividends thereon.

For purposes of the calculation noted above, the cost to the Fund of purchasing a Preferred Share in the market for cancellation may include the purchase price of such Preferred Share, commissions and such other costs, if any, related to the liquidation of any part of the Portfolio to fund such purchase; and the NAV per Unit shall be the NAV per Unit unless warrants of the Fund are outstanding on the applicable Valuation Date and the NAV per Unit as of the applicable Valuation Date exceeds the Dilution Threshold, in which case the NAV per Unit shall be the Diluted NAV per Unit as of the applicable Valuation Date.

Holders of Class A Shares also have an annual retraction right under which they may concurrently retract an equal number of Preferred Shares and Class A Shares on the October Valuation Date. The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date.

Where the holder of Class A Shares tendered for retraction has not withheld his consent in the manner provided in the Retraction Notice delivered to CDS through a CDS Participant, the Fund may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of the Class A Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the monthly Class A Share Retraction Price described above. Holders of Class A Shares are free to withhold their consent to such treatment and to require the Fund to retract their Class A Shares in accordance with their terms.

Subject to the Fund's right to require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Class A Shares that have been surrendered to the Fund for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by providing written notice within the notice periods and in the manner described under "Book-Entry Only System". Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares that are not retracted by the Fund on the relevant Retraction Payment Date.

If any Class A Shares are tendered for retraction and are not resold, the Fund has directed the Recirculation Agent to purchase for cancellation on behalf of the Fund that number of Preferred Shares which equals the number of Class A Shares so retracted. Any Preferred Shares so purchased for cancellation will be purchased in the market.

### ***Special Retraction Privileges***

Holders of Class A Shares may retract such shares (the "Special Retraction Right") on each Special Retraction Date. The "Special Retraction Date" is each Potential Redemption Date, other than the Redemption Date.

Retraction payments for Class A Shares tendered pursuant to the Special Retraction Right will be made no later than ten business days after the Special Retraction Date, provided that such shares were surrendered for retraction on or prior to 5:00 p.m. (EST) on October 15 in each year in which there is a Special Retraction Date. Class A Shares were irrevocably surrendered for such retraction upon delivery of written notice to CDS through a CDS Participant.

The retraction price per share to be received by a holder of Class A Shares under the Special Retraction Right will be equal to the greater of: (a) the NAV per Unit on the Special Retraction Date less \$15.00; and (b) nil. Any declared and unpaid distributions payable on or before the Special Retraction Date in respect of Class A Shares tendered for retraction on the Special Retraction Date will also be paid on the retraction payment date.

To the extent that the number of Preferred Shares retracted on a Special Retraction Date exceeds the number of Class A Shares retracted on the Special Retraction Date, the Class A Shares will be automatically consolidated on the Special Retraction Date or as soon as practicable thereafter such that the number of Class A Shares outstanding will be equal to the number of Preferred Shares outstanding after giving effect to the redemption of Preferred Shares.

The Special Retraction Right will replace the annual concurrent retraction right for each year in which a Special Retraction Date occurs, pursuant to which a holder would have been permitted to retract both a Class A Share and Preferred Share together in a Unit for the NAV per Unit. As a result of the availability of the Special Retraction Right, the Fund will not, for the October Valuation Date in each such year only, provide shareholders with the annual concurrent retraction right. However, this right will continue to be available in October of each year, but will be replaced with an additional, special retraction right granted to holders of Preferred Shares in connection with each additional extension of the term of the Fund.

### ***Priority***

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

### **Suspension of Retractions or Redemptions**

The Fund may suspend the retraction or redemption of Preferred Shares and Class A Shares or payment of retraction or redemption proceeds (a) during any period when normal trading is suspended on the TSX; or (b) with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Fund determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Fund to determine the value of the assets of the Fund. 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 Preferred Shares and Class A Shares making such requests shall be advised by the Fund of the suspension and that the retraction will be effected at a price determined on the first Valuation 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 Fund, any declaration of suspension made by the Fund shall be conclusive.

### **Book-Entry Only System**

An owner of Preferred Shares or Class A Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to retract such shares, no later than 5:00 p.m. (EST) on the relevant notice date. An owner who desires to retract Preferred Shares or Class A Shares should ensure that the CDS Participant is provided with a Retraction Notice sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The form of Retraction Notice will be available from a CDS Participant or Computershare Investor Services Inc., the registrar and transfer agent of the Fund. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to retract Preferred Shares or Class A Shares, an owner shall be deemed to have irrevocably surrendered such shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.



## **Meeting of Shareholders and Acts Requiring Shareholder Approval**

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 Fund.

### ***Acts Requiring Shareholder Approval***

The following matters require the approval of the holders of Preferred Shares and Class A Shares, each voting separately as a class, by a two-thirds majority vote (other than items (c) and (f) which require approval of a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental Investment Objectives and Investment Strategies of the Fund;
- (b) a change in the investment criteria of the Fund;
- (c) the entering into by the Fund of transactions involving derivatives other than the writing of covered call options, cash-covered put options, the purchase of call options or put options and the entering into of trades by the Fund to close out positions in such permitted derivatives;
- (d) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund;
- (e) a change of the manager of the Fund, other than a change resulting in any affiliate of such person assuming such position or, except as described herein, a change in the investment manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (f) a decrease in the frequency of calculating the NAV;
- (g) certain material reorganizations with, or transfers of assets to or from, another mutual fund;
- (h) a termination of the Investment Management Agreement (except as described in the AIF) ; and
- (i) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares, Class A Shares or Class B Shares.

Each Preferred Share and each Class A Share will have one vote at such a meeting. Ten percent of the outstanding Preferred Shares and Class A Shares, respectively, represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the holders of Preferred Shares and Class A Shares then present will constitute a quorum at an adjourned meeting.

The Fund may change the auditors of the Fund without obtaining the prior approval of shareholders. In such circumstances, the independent review committee of the Fund would be required to approve the change and shareholders will be sent a written notice at least 60 days before the effective date of the change.

The Fund may undertake a reorganization with, or transfer its assets to, another mutual fund, without the prior approval of shareholders. Pre-approval of shareholders would not be required under applicable securities law if: (a) the Fund ceases to continue after the reorganization or transfer of assets; and (b) the transaction results in shareholders of the Fund becoming securityholders of the other mutual fund, provided that the independent review committee of the Fund approves the transaction pursuant to NI 81-107, the reorganization or transfer complies with certain requirements of NI 81-107 and NI 81-102, shareholders are sent a written notice at least 60 days before the effective date of the change and shareholders have the ability to retract their shares at the NAV of such shares prior to such transaction.

## ***Reporting to Shareholders***

The Fund will deliver to each shareholder annual and semi-annual financial statements of the Fund.

## **PURCHASES OF SHARES**

### **Method to Purchase Shares**

Prospective purchasers may purchase Preferred Shares and Class A Shares either by: (i) a cash payment or (ii) an exchange (the “Exchange Option”) of freely-tradable listed common shares of any of the Banks and National Bank of Canada (the “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 Fund 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”).

The Fund will sell the securities of Exchange Eligible Issuers that the Manager determines will not be included in its portfolio and will incur transaction costs at institutional rates in connection therewith.

### **Procedure**

A prospective purchaser of Preferred Shares or Class A Shares who elects to pay for such shares by using the Exchange Option (the “Exchange Option Election”) must have done 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 have deposited their securities of Exchange Eligible Issuers with Computershare Investor Services Inc. (the “Exchange Agent”) through CDS prior to 5:00 p.m. (Toronto time) on October 28, 2014. Such book-entry deposits must have been made by a participant in CDS, which may have had 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 Fund 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 Fund’s interpretation of the terms and conditions of the Exchange Option will be final and binding. The Fund reserves the right to reject any securities of Exchange Eligible Issuers tendered under the Exchange Option or 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 Fund, 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 Fund, 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.

Purchasers who subscribe for at least \$1 million of Preferred Shares or Class A Shares using the Exchange Option may defer paying tax on all or a portion of any accrued capital gain on the Exchange Eligible Shares by making a joint election with the Fund under the Tax Act.

### **Determination of Exchange Ratio**

The number of Preferred Shares and 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, during the three consecutive trading days ending on

October 28, 2014 (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 date of the closing of the Offering (the “Closing Date”) by the offering price of a Preferred Shares or Class A Shares hereunder as the case may be. 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 Fund 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 Fund will issue to CDS cash in lieu thereof. Allocation by CDS of cash in lieu of fractional shares to participants in CDS 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 participants in the CDS depository system.

### **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 receipt or deemed receipt of this prospectus and any amendment. 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 (as defined below)), 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 Fund 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 Fund will accept cash subscriptions first and will then accept securities of Exchange Eligible Issuers on a *pro rata* basis or 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 Fund pursuant to the Exchange Option, the adjusted weighted average trading price of the securities of each Exchange Eligible Issuer during the Pricing Period and the Exchange Ratio of each Exchange Eligible Issuer.

	<u>Adjusted Weighted Average Trading Price</u>	<u>Exchange Ratio</u>
Bank of Montreal	\$●	●
The Bank of Nova Scotia	\$●	●
Canadian Imperial Bank of Commerce	\$●	●
National Bank of Canada	\$●	●
Royal Bank of Canada	\$●	●
The Toronto-Dominion Bank	\$●	●

## **FEES AND EXPENSES**

### **Expenses of the Offering**

The expenses of the offering (including the costs of printing and preparing this short form prospectus, legal expenses of the Fund, 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 Fund from the gross proceeds of the offering. The offering expenses are estimated to be \$●, but will not exceed 1.5% of the gross proceeds of the offering. Any such excess expenses will be paid for by the Manager.

### **Management Fees**

The Manager receives an annual management fee (the "Management Fee") from the Fund equal to 0.10% per annum of NAV, calculated and payable monthly in arrears, plus any applicable taxes for providing management, administrative and investment management services to the Fund.

### **Investment Management Fees**

The Fund pays the Manager an investment management fee equal to 0.80% per annum of the NAV, calculated and payable monthly, plus any applicable taxes.

### **Ongoing Expenses**

The Fund pays for all fees and expenses incurred in connection with its operation and administration as described in the AIF.

## **CONSOLIDATED CAPITALIZATION**

The Fund is authorized to issue an unlimited number of Preferred Shares, an unlimited number of Class A Shares and 1,000 Class B Shares. In addition, the Fund is authorized to issue an unlimited number of class C shares, class D shares, class E shares, class C preferred shares, class D preferred shares and class E preferred shares, each such class of shares issuable in series. The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares are entitled to one vote per share. The Class B Shares are retractable at a price of \$1.00 per share. The Class B 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 Fund. Strathbridge is the owner of record of all of the 1,000 outstanding Class B Shares. The Class B Shares have been escrowed with RBC Investor Services Trust, as successor to The Royal Trust Company, pursuant to an escrow agreement dated October 17, 1996, as amended on September 29, 2003.

The following table sets forth the unaudited capitalization of the Fund before and after giving effect to the Offering:

	Authorized	Outstanding as at September 30, 2014 <sup>1</sup>	Outstanding as at September 30, 2014 after giving effect to the maximum Offering <sup>1</sup>
Preferred Shares	Unlimited	\$146,239,020 (9,749,268 Preferred Shares)	\$● (● Preferred Shares)
Class A Shares	Unlimited	\$86,164,818 (9,749,268 Class A Shares)	\$● <sup>2</sup> (● Class A Shares)
Class B Shares	Unlimited	\$1,000 (1,000 Class B Shares)	\$1,000 (1,000 Class B Shares)
Total Capitalization		\$232,404,838	\$●

**Notes:**

- (1) NAV based on closing prices.  
(2) After deducting expenses of this Offering.

### EARNINGS COVERAGE RATIOS

The Fund's dividend requirements on all of its Preferred Shares, after giving effect to the maximum issue of the Preferred Shares in this Offering amounted to \$● for the 12-month period ended September 30, 2014. The Fund's net income available for the payment of dividends on the Preferred Shares for such period was \$● which represents ● times the aggregate dividend requirements on the Preferred Shares for such period, after giving effect to the maximum issue.

If the net proceeds of the maximum Offering had been invested for the 12 month period described below, the Fund's net income available for the payment of dividends on the Preferred Shares for the 12-month period ended September 30, 2014 would have been \$●, which represents ● times the aggregate dividend requirements on the Preferred Shares for such period.

### NET ASSET VALUE, TRADING PRICE AND VOLUME

The Preferred Shares and the Class A Shares are listed on the TSX under the symbols PIC.PR.A and PIC.A, respectively. On October 21, 2014, the closing price on the TSX of the Preferred Shares was \$15.47 per Preferred Share and of the Class A Shares was \$8.30 per Class A Share. On October 16, 2014, the last date the NAV was calculated and published, the NAV per Unit was \$22.40.

The following table sets forth the NAV per Unit and the market price range and trading volume of the Preferred Shares and Class A Shares on all Canadian stock exchanges for the twelve-month period prior to the date of this short form prospectus. All such information, other than the NAV per Unit, was obtained from Bloomberg. The Fund and Strathbridge do not assume any responsibility for the accuracy of the information obtained from Bloomberg.

Period	NAV per Unit <sup>(1)</sup>		Preferred Shares			Class A Shares		
	High	Low	Market Price		Volume	Market Price		Volume
			High	Low		High	Low	
<b>2014</b>								
<i>October 1-17</i>	\$23.88	\$22.40	\$15.93	\$15.55	46,627	\$8.74	\$7.20	425,659
<i>September</i>	\$24.87	\$23.84	\$15.99	\$15.69	74,664	\$8.79	\$8.35	344,234
<i>August</i>	\$24.58	\$23.82	\$15.79	\$15.54	55,508	\$8.51	\$8.02	407,704
<i>July</i>	\$24.26	\$23.82	\$15.97	\$15.45	96,298	\$8.40	\$7.98	390,821
<i>June</i>	\$23.62	\$23.24	\$15.67	\$15.42	125,138	\$8.23	\$7.40	442,168
<i>May</i>	\$23.09	\$22.73	\$15.69	\$15.37	85,493	\$7.55	\$6.98	315,190
<i>April</i>	\$22.81	\$22.51	\$15.64	\$15.37	87,260	\$7.20	\$6.74	542,751

Period	NAV per Unit <sup>(1)</sup>		Preferred Shares			Class A Shares		
	High	Low	Market Price		Volume	Market Price		
			High	Low		High	Low	Volume
March	\$22.65	\$22.21	\$15.79	\$15.32	97,553	\$7.00	\$6.52	423,740
February	\$22.15	\$21.36	\$15.40	\$15.28	88,974	\$6.67	\$5.90	237,774
January	\$22.19	\$21.12	\$15.42	\$15.15	275,751	\$6.91	\$6.00	520,495
December	\$22.46	\$21.57	\$15.42	\$15.19	141,369	\$6.80	\$6.07	359,100
November	\$22.50	\$21.95	\$15.43	\$15.18	135,697	\$6.81	\$6.35	408,265
October	\$21.95	\$20.93	\$15.37	\$15.06	128,132	\$6.60	\$5.88	506,039

**Note:**

(1) The NAV per Unit is calculated and published on a weekly basis.

## PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of ●, 2014 (the “Agency Agreement”) among the Manager, the Fund and the Agents, the Agents have agreed to offer the Preferred Shares and the Class A Shares for sale, as agents of the Fund, on a best efforts basis, if, as and when issued by the Fund. The offering prices for the Preferred Shares and the Class A Shares were established by negotiation between the Fund and the Agents. The Agents will receive a fee equal to \$● (●%) for each Preferred Share sold and \$● (●%) for each Class A Share sold (either in cash or for shares of Exchange Eligible Issuers), 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 short form prospectus, the Agents will not be obligated to purchase Preferred Shares or Class A Shares which are not sold.

The Fund 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 \$● per Preferred Share and \$● per Class A Share and the Agents will be paid a fee of \$● per Preferred Share sold and \$● 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 Fund, before expenses of the Offering, will be \$●. This short form 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 short form 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 ●, 2014, but in any event no later than 90 days after a receipt for the final prospectus has been issued.

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.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, 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 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 tendered under the Exchange Option as capital property, and deal at arm's length with and are not affiliated with the Fund. This summary is based upon the facts set out in this short form prospectus, the current provisions of the Tax Act and the regulations thereunder (the "Regulations"), and counsel's understanding of the current published administrative policies and practices of the Canada Revenue Agency (the "CRA") and relies, as to certain factual matters, on certificates of officers of the Fund and lead Agent. This summary is based on the assumption that the Class A Shares or the Preferred Shares will at all times be listed on the TSX. This summary is based on the assumption that the Fund complies at all times with the conditions prescribed in the Tax Act and the Regulations to qualify as a "mutual fund corporation" as defined in the Tax Act. This summary is based upon the assumption that the investment restrictions and permitted investments will at all relevant times be as set out under the heading "*Investments Objectives*" and "*Investment Restrictions*" and that the Fund will at all times comply with such investment restrictions and hold only permitted investments.

This summary takes into account proposed amendments to the Tax Act and the Regulations released by the Minister of Finance (Canada) prior to the date hereof (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 Preferred Shares and Class A 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 described herein. This summary does not apply to (i) a Shareholder that is a "financial institution" as defined in section 142.2 of the Tax Act, (ii) to a Shareholder an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act, (iii) to a Shareholder that has elected to have the "functional currency" reporting rules in section 261 of the Tax Act apply, or (iv) to a Shareholder who has entered or will enter into a "derivative forward agreement" as defined in subsection 248(1) of the Tax Act with respect to Class A Shares, Preferred Shares or any Exchange Eligible Shares tendered under the Exchange Option.

**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 Fund**

The Fund has advised counsel that it qualifies and intends to qualify at all relevant times as a mutual fund corporation for purposes of the Tax Act. As a mutual fund corporation, the Fund is 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 Fund is 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 (see "*Tax Treatment of Shareholders*" below). In certain circumstances where the Fund has realized 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 Fund will be required to include in income all dividends received by the Fund in the year. In computing taxable income, the Fund will generally be permitted to deduct all dividends

received by it from taxable Canadian corporations. The Fund will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations.

The Fund has elected in accordance with the 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 Fund on Canadian securities are treated as capital gains or capital losses.

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

Premiums received on covered call options and cash covered put options written by the Fund that are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business of buying and selling securities or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund purchases the Portfolio with the objective of earning dividends thereon over the life of the Fund, 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 Fund in respect of shares comprising the Portfolio and options on such shares are treated and reported by the Fund as arising on capital account.

Premiums received by the Fund 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 Fund of the securities disposed of (or acquired) by the Fund 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 Fund in the previous year, such capital gain may be reversed.

With respect to other income of the Fund, such as interest, the Fund will generally be subject to tax at corporate rates subject to permitted deductions for expenses of the Fund.

## **Distributions**

The policy of the Fund is to pay quarterly distributions on the Preferred Shares and quarterly distributions on the Class A Shares and, in addition, to pay special year-end distributions to holders of Class A Shares where the Fund 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 Fund needs to pay a dividend in order to recover refundable tax not otherwise recoverable upon payment of quarterly dividends. While the principal sources of income of the Fund are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Fund earns net income, after expenses, from other sources, including dividends from non-Canadian sources and interest income upon interim investment of its reserves, the Fund 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 Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund 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 Fund. 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 Fund as eligible dividends. For corporate Shareholders, other than “specified financial institutions” (as defined in the 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 the Preferred Shares or Class A Shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire such shares in the ordinary course of its business, or (b) at the time of the receipt of the dividends by the specified financial institution, such shares 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 Preferred Shares or Class A Shares, as the case may be, 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 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 Tax Act) on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the 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 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the Preferred Shares and Class A 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 23 $\frac{1}{3}$ %.

The amount of any Capital Gains Dividend received by a Shareholder from the Fund 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 Fund as a return of capital on a Preferred Share or Class 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.

Having regard to the dividend policy of the Fund, the tax-deferred contribution to the Fund of securities in the Portfolio by certain Shareholders and the adjusted cost base of other securities currently held by the Fund, a person acquiring Preferred Shares or Class A Shares may become taxable on income or capital gains accrued or realized before such person acquired such shares.

## **Disposition of Shares**

Upon the redemption, retraction or other disposition of a Preferred Share or Class 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 Preferred Share or Class 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 Preferred Share or Class A Share will generally be the weighted average of the cost of such share acquired by a Shareholder at a particular time and the aggregate adjusted cost base of any other share 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 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 Tax Act.

Generally the Preferred Shares and Class A Shares will qualify as “Canadian securities” for purposes of making an irrevocable election under the Tax Act to deem Canadian securities held by the investor to be capital property and to deem all dispositions of Canadian securities held by the investor to be dispositions of capital property for the purposes of the 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 - No Tax Election**

A purchaser who exchanges Exchange Eligible Shares for Preferred Shares or Class A Shares and does not enter into a joint Tax Election with the Fund 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 or Class A Shares acquired on the exchange. The cost to a purchaser of Preferred Shares or 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 lieu of fractional shares. In computing the adjusted cost base of the Preferred Shares or Class A Shares acquired by a shareholder pursuant to an exchange for Exchange Eligible Shares, the cost of such Preferred Shares or 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.

#### **Tax Election under Section 85 of the Tax Act in Respect of Exchange Eligible Shares**

A purchaser who subscribes for at least \$1 million of Preferred Shares or Class A Shares using the Exchange Option and who is a resident of Canada for purposes of the Tax Act, holds Exchange Eligible Shares as capital property, and who is not exempt from tax under the Tax Act or, in the case of a holder of Exchange Eligible Shares that is a partnership, where one or more of its members is resident in Canada and not exempt from such tax, (an “Eligible Holder”) may make a joint Tax Election (as defined under the heading “Procedure for Tax Election”) with the Fund pursuant to section 85 of the Tax Act and thereby obtain a full or partial tax-deferred “rollover” for Canadian income tax purposes. So long as, immediately before the time of redemption, the adjusted cost base to an Eligible Holder of its Exchange Eligible Shares equals or exceeds the amount of any cash received on the subscription for Preferred Shares or Class A Shares by such Eligible Holder, the Eligible Holder may select an “Elected Amount” so as to not realize a capital gain for the purposes of the Tax Act on the exchange. The “Elected Amount” means the amount selected by an Eligible Holder and agreed to by the Fund as described below under the heading “Procedures for Tax Election”, subject to the limitations described below, in the election made pursuant to section 85 of the Tax Act to be treated as the proceeds of disposition of the Exchange Eligible Shares.

In general, the Elected Amount applicable on the exchange of Exchange Eligible Shares for Preferred Shares or Class A Shares must comply with the following rules:

- (a) the Elected Amount may not be less than the amount of any cash received by the Eligible Holder on the exchange;

- (b) the Elected Amount may not be less than the lesser of the adjusted cost base to the Eligible Holder of the Exchange Eligible Shares and the fair market value of the Exchange Eligible Shares at the time of the exchange;
- (c) the Elected Amount may not exceed the fair market value of the Exchange Eligible Shares at the time of the exchange.

Elected Amounts that do not otherwise comply with the foregoing limitations will automatically be adjusted under the Tax Act so that they are in compliance.

Where an Eligible Holder and the Fund make an election at an Elected Amount that complies with the above rules, the tax treatment to the Eligible Holder generally will be as follows:

- (a) the Exchange Eligible Shares will be deemed to have been disposed of by the Eligible Holder for proceeds of disposition equal to the Elected Amount;
- (b) if such proceeds of disposition of the Exchange Eligible Shares are equal to the aggregate of the adjusted cost base thereof to the Eligible Holder of the Exchange Eligible Shares, determined immediately before the exchange, and any reasonable costs of disposition, no capital gain or capital loss will be realized by the Eligible Holder;
- (c) to the extent that such proceeds of disposition of the Exchange Eligible Shares exceed (or are less than) the aggregate of the adjusted cost base thereof to the Eligible Holder and any reasonable costs of disposition, the Eligible Holder will in general realize a capital gain (or capital loss);
- (d) the cost to the Eligible Holder of the Preferred Shares or Class A Shares received on the exchange will be equal to the amount by which the Elected Amount exceeds the amount of any cash received by the Eligible Holder.

The cost of Preferred Shares or Class A Shares so acquired will be averaged with the adjusted cost base of all other such shares held by the Eligible Holder as capital property for the purpose of determining thereafter the adjusted cost base of each share of the class held by such Eligible Holder.

### **Procedure for Tax Election**

The Fund will make a joint election with a purchaser of at least \$1 million of Preferred Shares or Class A Shares who exchanges Exchange Eligible Shares under subsection 85(1) or 85(2) of the Tax Act (and, in either case, the corresponding provision of any applicable provincial income tax legislation) (a “Tax Election”) only if the purchaser is an Eligible Holder at all relevant times and the purchaser has duly completed and forwarded to the Fund a package of documents described below (the “Tax Election Documents”) in the manner and within the time set out below. No Tax Election will be made with any holder who is not an Eligible Holder who has not subscribed for at least \$1 million of Preferred Shares or Class A Shares. A holder who completes the Tax Election Documents and forwards such documents to the Fund will be considered to have represented to the Fund that the holder is such an Eligible Holder.

In order to make a Tax Election, a purchaser may either obtain the Tax Election Documents from the Fund, his or her tax advisor or obtain the election forms directly from the Canada Revenue Agency (“CRA”) and the relevant provincial tax authority.

An Eligible Holder wishing to obtain the Tax Election Documents from the Fund may visit the Fund’s website at [www.strathbridge.com](http://www.strathbridge.com) and follow the instructions therein. The Tax Election Documents consist of:

- (a) two copies of CRA Form T2057 or, if the Eligible Holder is a partnership, two copies of CRA Form T2058;

- (b) if the Eligible Holder is required to file income tax returns in Québec, then two copies of the Québec Tax Election Form TP-518-V, or if the Eligible Holder is required to file in Québec and is a partnership, then two copies of Québec Tax Election Form TP-529-V; and
- (c) a set of general instructions.

The duly completed Tax Election Documents, together with any required supporting schedules and a self-addressed, stamped envelope, must be signed and forwarded by an Eligible Holder to the Fund no later than November 30, 2014 (the “Election Deadline”). The Fund will not execute any Tax Election received by the Fund after the Election Deadline. Any Eligible Holder who does not ensure that the Fund has received duly completed Tax Election Documents on or before the Election Deadline will not be able to benefit from the “rollover” provisions in subsections 85(1) and 85(2) of the Tax Act or their provincial equivalents.

The Fund will agree to execute any properly completed Tax Election contained in Tax Election Documents received by the Fund from an Eligible Holder on or prior to the Election Deadline and to send such Tax Election Documents by mail for filing with the appropriate tax authorities. The Fund will provide an Eligible Holder with a copy of such Tax Election Documents as executed by the Fund. In order for the CRA (and where applicable the Ministère du Revenu du Québec) to accept the Tax Election Documents without a late filing penalty being paid by an Eligible Holder, the Tax Election Documents, duly completed and executed by both the Eligible Holder and the Fund, must be received by such taxation authorities on or before the day that is the earliest date on or before which either the Fund or the Eligible Holder is required to file an income tax return for the taxation year in which such Eligible Holder’s Exchange Eligible Shares are disposed of pursuant to the rollover option.

The Fund has a October 31 taxation year-end and is required to file income tax returns by six months following such year end. Eligible Holders may have an earlier deadline for filing the Tax Election Documents with the CRA. In such a case the Eligible Holder must file the Tax Election on or prior to such earlier deadline in order to avoid late filing penalties.

If Exchange Eligible Shares are held in joint ownership and two or more of the co-owners wish to elect, one of the co-owners designated for such purpose should file the designation and a copy of CRA Form T2057 (and where applicable, the corresponding provincial form) for each co-owner along with a list of all co-owners electing, which list should contain the address and social insurance number or business number of each co-owner.

If the Exchange Eligible Shares are held as partnership property, a partner designated by the partnership must file one copy of CRA Form T2058 on behalf of each member of the partnership (and where applicable, the corresponding form in duplicate with the provincial taxation authorities). Such CRA Form T2058 (and provincial form, if applicable) must be accompanied by a list containing the name, address, social insurance number or business number of each partner as well as written authorization signed by each partner authorizing the designated partner to complete and file the form.

Compliance with the requirements to ensure the validity of a Tax Election, including any new or different requirements in effect after the date hereof, will be the sole responsibility of the Eligible Holder making the election.

The Fund will not be responsible for the proper completion of any Tax Election and, except for the Fund’s obligation to execute and mail the Tax Election Documents received on or before the Election Deadline, the Eligible Holder will be solely responsible for the payment of any late filing penalty. The Fund will not be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete any Tax Election, nor will the Fund be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly file any Tax Election form in the prescribed form and manner and within the time prescribed in the Tax Act and the corresponding provisions of any applicable provincial income tax legislation (except any failure of the Fund to execute and mail the Tax Election Documents provided such duly completed Tax Election Documents were received by the Fund by the Election Deadline).

The Fund reserves the right, in its sole discretion, to reject a purchaser’s Tax Election if the Fund determines in its sole discretion that the Tax Election Documents are improperly completed. Purchasers are referred to Information

Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for information respecting the Tax Election (and, where applicable, Interpretation Bulletin IMP 521.2-1 issued by the Ministère du Revenu du Québec).

The comments herein concerning the Tax Elections are provided for general assistance only. The rules in this area are complex and the law contains limitations and numerous technical requirements. Purchasers wishing to avail themselves of the Tax Election should consult their tax advisors.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, provided that the Fund qualifies as a mutual fund corporation within the meaning of the Tax Act or if the Preferred Shares or the Class A Shares are listed on a designated stock exchange (which currently includes the TSX), such shares would be a qualified investment under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (“TFSA”). Trusts governed by registered education savings plans should consult their own tax advisors as to eligibility.

Notwithstanding that the Preferred Shares or the Class A Shares may be qualified investments for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax in respect of the Preferred Shares or the Class A Shares, as the case may be, held in the TFSA, RRSP or RRIF if such shares are a “prohibited investment” within the meaning of the prohibited investment rules in the Tax Act. The Preferred Shares or the Class A Shares will not be a “prohibited investment” under the Tax Act for a TFSA, RRSP or RRIF provided the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, deals at arm’s length with the Fund and does not have a “significant interest” (within the meaning of the prohibited investment rules in the Tax Act) in the Fund. Prospective purchasers of the Preferred Shares or the Class A Shares should consult with their own tax advisors with respect to the prohibited investment rules.

### **RISK FACTORS**

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

#### **Concentration Risk**

The Fund was created to hold only Bank Shares and is not expected to have significant exposure to any other investments or assets. The Fund’s holdings are concentrated in Bank Shares and they are not diversified.

#### **Risks Associated with an Investment in Bank Shares**

Investors should review carefully the continuous disclosure documentation of the Banks for a discussion of the risk factors that the Banks consider applicable to themselves and their shares.

At any time, the Banks may decide to decrease or discontinue the payment of dividends on Bank Shares. Any decrease in the dividends received by the Fund on its Bank Shares will decrease the distribution coverage ratio for the Preferred Shares. Such a decrease could reduce or result in the cessation of the distributions payable to holders of Preferred Shares or Class A Shares.

An investment in the Preferred Shares or the Class A Shares does not constitute an investment in Bank Shares. Holders of the Fund’s Preferred Shares or Class A Shares will not own the Bank Shares held by the Fund and will not have any voting or other rights with respect to such shares.

### **Performance of the Fund's Portfolio**

NAV per Unit will vary primarily as the value of Bank Shares varies. The Fund has no control over the factors that affect the value of Bank Shares, such as fluctuations in interest rates, changes in Bank management or strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in Bank dividend policies and other events that may affect the value of Bank Shares.

### **No Assurances of Achieving Investment Objectives**

There is no assurance that the Fund will be able to achieve its distribution objectives or the Fund's investment objective of returning the issue price to holders of Preferred Shares and Class A Shares on the Redemption Date.

There is no assurance that the Fund will be able to pay distributions. The funds available for distribution to holders of Preferred Shares and Class A Shares will vary according to, among other things, the dividends paid on Bank Shares, the level of option premiums received and the value of the securities in the Portfolio. As the dividends received by the Fund will not be sufficient to meet the objectives of the Fund in respect of the payment of distributions, the Fund will 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 a pricing model can be attained.

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

An investment in the Class A Shares is a leveraged investment because the Preferred Shares have priority in payment of any distributions or any proceeds from the winding-up of the Fund. This leverage amplifies the potential return to Class A Share investors in so far as returns in excess of the amounts payable to holders of Preferred Shares accrue first to the benefit of holders of Class A Shares. Conversely, any losses incurred on the Portfolio accrue to the detriment of holders of 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 Fund.

### **Interest Rate Fluctuations**

It is anticipated that the market price of the Preferred Shares and the Class A Shares will be affected by the prevailing level of interest rates. A rise in interest rates may have a negative effect on the market price of the Preferred Shares and the Class A Shares.

### **Trading at a Discount**

The Fund cannot predict whether the Preferred Shares and the Class A Shares will trade above, at or below their NAV per share.

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

The Fund is subject to the full risk of its investment position in the securities in its portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on 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 Fund to write covered call options or cash-covered put options on desired terms or to close out option positions should it desire to do so. The ability of the Fund 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 Fund is unable to repurchase a call option that 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 Fund will be obligated to acquire a security at the strike price that may exceed the then current market value of such security.

In purchasing call or put options or entering into forward or future contracts, the Fund 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.

### **Reliance on the Manager**

Strathbridge will manage the Portfolio in a manner consistent with the Investment Objectives, Investment Strategies, Investment Restrictions and criteria of the Fund. The officers of Strathbridge who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, but there is no certainty that they will continue to be employees of Strathbridge over the entire life of the Fund.

### **Significant Retractions**

The Preferred Shares and the Class A Shares are retractable annually and monthly for a price based on NAV per Unit (which represents the value that the Fund is able to obtain in the market when it sells portfolio securities to fund the retraction). The purpose of the retraction right is to prevent the Preferred Shares and the Class A Shares from trading at a substantial discount to their NAV per share and to provide shareholders with the right to realize their investment without any trading discount to such value. While the retraction right provides shareholders the option of liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Preferred Shares and Class A Shares are retracted, the trading liquidity of the Preferred Shares and the Class A Shares could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Preferred Shares and Class A Shares, potentially resulting in lower NAV per Unit.

### **Tax Changes**

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

### **Tax Treatment of Proceeds of Disposition and Option Premiums**

In determining its income for tax purposes, the Fund will treat gains and losses realized on the disposition of securities in the Portfolio, 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 in accordance with its understanding of CRA's published administrative and assessing practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA's published administrative practice or as a result of a change of law, some or all of the transactions undertaken by the Fund in respect of covered options and securities in the Portfolio were treated on income rather than capital account, after-tax returns to holders of Preferred Shares and Class A Shares could be reduced and the Fund may be subject to non-refundable income tax in respect of income from such transactions, and the Fund may be subject to penalty taxes in respect of excessive capital gains dividends elections.

### **Tax Consequences of Exchange Option**

The capital gain (or capital loss) realized by the Fund on the disposition of Exchange Eligible Shares on which the Fund has made a tax election with an Eligible Holder may be larger (or smaller) than would otherwise be the case if no tax election was made. This may result in larger Capital Gains Dividends being paid to shareholders than would be the case if no such tax election were filed.

### **Recent and Future Market Conditions**

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 US 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 Fund and the value of the Portfolio. A substantial decline in equities markets could be expected to have a negative effect on the Fund and the market prices of the Preferred Shares and/or Class A Shares.

#### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager receive the fees described under "Fees and Expenses" for their services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with their roles in the operation and administration of the Fund.

#### **INTEREST OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon by Osler, Hoskin & Harcourt LLP on behalf of the Fund and Stikeman Elliott LLP on behalf of the Agents. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP as a group, and the partners and associates of Stikeman Elliott LLP as a group, each own less than one percent of the outstanding Class A Shares or Preferred Shares of the Fund.

The auditor of the Fund are Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, who have prepared an independent auditor's report dated December 4, 2013 in respect of the financial statements of the Fund as at and for the years ended October 31, 2013 and 2012. Deloitte LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

#### **REGISTRAR AND TRANSFER AGENT**

Computershare Investor Services Inc. provides the Fund with registrar, transfer and distribution agency services in respect of the Class A Shares and the Preferred Shares from its principal offices in Toronto, Ontario.

#### **AUDITORS**

The auditors of the Fund are Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, located at Bay Wellington Tower – Brookfield Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

#### **CUSTODIAN**

RBC Investor Services Trust is the Fund's custodian and is responsible for certain aspects of the day-to-day administration of the Fund and provides safekeeping and custodial services in respect of the Fund's assets. The address of the Custodian is 155 Wellington Street West, Toronto, Ontario, M5V 3L3.

#### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. 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 the 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 any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF THE FUND AND THE MANAGER**

Dated: October 22, 2014

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

**PREMIUM INCOME CORPORATION**

(Signed) JOHN P. MULVIHILL  
Chief Executive Officer

(Signed) JOHN D. GERMAIN  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) MICHAEL M. KOERNER  
Director

(Signed) ROBERT W. KORTHALS  
Director

**STRATHBRIDGE ASSET MANAGEMENT INC.**  
(as manager of Premium Income Corporation)

(Signed) JOHN P. MULVIHILL  
Chief Executive Officer

(Signed) JOHN D. GERMAIN  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN P. MULVIHILL  
Director

(Signed) JOHN D. GERMAIN  
Director

(Signed) DAVID E. ROODE  
Director

**CERTIFICATE OF THE AGENTS**

Dated: October 22, 2014

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

**SCOTIA CAPITAL INC.**

**RBC DOMINION SECURITIES INC.**

(signed) Rajiv Bahl

(signed) Christopher Bean

**BMO NESBITT BURNS INC.**

**CIBC WORLD MARKETS INC.**

**NATIONAL BANK FINANCIAL  
INC.**

**TD SECURITIES INC.**

(signed) Robin G. Tessier

(signed) Michael D. Shuh

(signed) Timothy Evans

(signed) Cameron Goodnough

**RAYMOND JAMES LTD.**

(signed) J. Graham Fell

**CANACCORD GENUITY CORP.**

**DESJARDINS SECURITIES INC.**

**DUNDEE SECURITIES LTD.**

**MACKIE RESEARCH CAPITAL  
CORPORATION**

(signed) Ron Sedran

(signed) Beth A. Shaw

(signed) Aaron Unger

(signed) David Keating