



**BIG BANC SPLIT CORP.**

**ANNUAL INFORMATION FORM**

**For the year ended December 31, 2023**

**Preferred Shares and Class A Shares**

**March 28, 2024**

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## FORWARD-LOOKING STATEMENTS

Certain statements included in this Annual Information Form constitute forward looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words or expressions such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target” or negative versions thereof and other similar expressions or future or conditional verbs such as “may”, “will”, “should”, “would” and “could” and similar expressions to the extent they relate to Big Banc Split Corp. (the “**Company**”) or the Manager (as defined below). The forward-looking statements are not historical facts but reflect the expectations of the Company or the Manager regarding future results or events as at the date of this Annual Information Form. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to distributions on the Shares (as defined below) of the Company.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this Annual Information Form. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

## THE COMPANY

Big Banc Split Corp. (the “**Company**”) is a mutual fund corporation incorporated under the laws of the Province of Ontario pursuant to articles of incorporation dated May 15, 2020, as amended by the articles of amendment dated June 16, 2020. See “Description of The Securities”. The manager of the Company is Purpose Investments Inc. (in such capacity, the “**Manager**”) and it provides all administrative services required by the Company.

The principal office of the Company and the Manager is located at 130 Adelaide St. West, Suite 3100, P.O. Box 109, Toronto, Ontario M5H 3P5.

On September 29, 2023, the Company announced that the board of directors approved (a) an extension of the term of the class A shares (“**Class A Shares**”) and the preferred shares (“**Preferred Shares**”) of the Company for an additional 3-year period to November 30, 2026 (the “**New Term**”), (b) the distribution rate for the Preferred Shares for the New Term to be \$0.84 per annum and (c) the distribution rate for the Class A Shares for the New Term to be \$1.44 per annum.

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

## INVESTMENT OBJECTIVES

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential monthly cash distributions in the amount of \$0.07 per Preferred Share (\$0.84 per annum or 8.4% per annum on the issue price of \$10.00 per Preferred Share) until November 30, 2026 (the “**Maturity Date**”) and to return the original issue price of \$10.00 to holders on the Maturity Date.

The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions initially in the amount of \$0.12 per Class A Share (\$1.44 per annum) and to provide holders with the opportunity for growth in the net asset value (the “**NAV**”) per Class A Share.

The Company invests on an approximately equally weighted basis in a portfolio (the “**Portfolio**”) of equity securities (the “**Portfolio Shares**”) of the following publicly traded Canadian banks: Bank of Montreal; Canadian Imperial Bank of Commerce; National Bank of Canada; Royal Bank of Canada; The Bank of Nova Scotia; and The Toronto-Dominion Bank. In order to seek to generate additional returns and enhance the Portfolio’s income, the Manager may write covered call options and cash covered put options in respect of some or all of the Portfolio Shares held in the Portfolio.

## INVESTMENT STRATEGY

The Company invests on an approximately equally weighted basis in Portfolio Shares of the following publicly traded Canadian banks: Bank of Montreal; Canadian Imperial Bank of Commerce; National Bank of Canada; Royal Bank of Canada; The Bank of Nova Scotia; and The Toronto-Dominion Bank. The Portfolio is rebalanced on a quarterly basis.

**The Manager may determine the appropriate composition of the Portfolio in the event of mergers or other transactions involving such banks in the Manager’s sole discretion.**

### Covered Option Writing

In order to seek to generate additional returns and enhance the Portfolio’s income, the Manager may write covered call options and cash covered put options in respect of some or all of the Portfolio Shares held in the Portfolio.

The Manager believes that option writing may have potential to add value and is an effective way to help lower the level of volatility for an investor and potentially improve returns. All other things being equal, higher volatility in the price of a security results in higher purchase price of an option (“**Option Premium**”) in respect of such

security. The Manager believes the Portfolio Shares are suited for a covered call writing strategy. Covered call options and cash covered put options can be written at a strike price that is at-the-money or out-of-the-money as determined by the Manager at its discretion. The Manager may write covered call options and cash covered put options in respect of some or all of the Portfolio Shares held in the Portfolio. The proportion of the Portfolio Shares of each issuer in respect of which the Manager may write options may differ between issuers. The extent to which any of the individual Portfolio Shares in the Portfolio are subject to option writing and the terms of such options varies from time to time based on the Manager's assessment of the market.

The decision as to which of the issuers' securities options is written on, and the number of options to be written on such securities, is based upon the Manager's assessment of the best value offered by the Option Premiums available on the securities held in the Portfolio at the time such options are written. Accordingly, in making such determination, the Manager does not have regard for the capital appreciation that may be foregone on a security during the term of a call option, except to the extent that it may affect Option Premiums.

If a cash covered put option is written on a security that the Manager desires to hold in the Portfolio, the amounts that the Company is able to realize on the cash used to secure the put option during the term of the option is limited to any interest earned on the underlying cash position and the Option Premiums received from writing the option. If the price of the security underlying the put option declines below the strike price, the Company would be obligated to purchase the security at a price above the then current market price. As the Company does not hold the security underlying the put option, the Company forgoes potential returns resulting from any dividends or distributions paid on such security, as well as any price appreciation of such security above the strike price during the term of the option. Writing a cash covered put option is most advantageous when it is written on a security where the price of the security remains above the strike price over the period of the contract as the option writer retains the full option premium.

In circumstances where the Manager determines that it is in the best interest of the Company to do so, it may write covered call options and cash covered put options in respect of more securities held in the Portfolio than it believes are necessary to fund the monthly distributions on the Class A Shares and Preferred Shares, as applicable, from time to time. This may require the Company to pay Capital Gains Dividends (as defined below) in a particular taxation year to ensure that the Company will not be liable for income tax on its net realized capital gains under the *Income Tax Act* (Canada) (the "**Tax Act**"). In addition, depending upon, among other things, the Company's cash position and prevailing market conditions, the Manager may also elect to write options on fewer securities than would be necessary to fund distributions at the then current indicative distribution amounts in any particular month or months. This may have the effect of reducing amounts available for distribution and consequently, the amount of distributions paid.

While the writing of options may have the effect of lowering overall volatility of returns associated with the Portfolio, the Manager does not execute its option writing strategy with a primary view to minimizing volatility.

The Manager may, in its discretion, close out outstanding options that are in-the-money prior to their expiry date or permit securities subject to a call option to be called away. In circumstances where securities are called away, the Manager uses the proceeds realized by the Company on the exercise of the call options to acquire securities of the issuers whose securities were called away in the market as soon as practicable following the exercise of such options. This may result in securities being acquired at prices exceeding the price received for them pursuant to exercised options, even after taking into account the premium realized by the Company on the writing of the option.

The holder of a call option purchased from the Company has the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Company at the strike price per security. By selling call options, the Company receives Option Premiums, which are generally paid within one "**Business Day**", being any day on which the Toronto Stock Exchange is open for business, of the writing of the option. If at any time during the term of a call option or at expiry of a call option the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Company is obligated to sell the securities to the holder at the strike price per security. Alternatively, the Company may repurchase a call option it has written that is "in-the-money" by paying the market value of the call option. If, however, the option is "out-of-the-money" at expiration of the call option, the holder of the option will likely not exercise the option, the

option expires and the Company retains the underlying security. In each case, the Company retains the Option Premium.

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

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

### **Call Option Pricing**

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

Under the Black Scholes Model (modified to include dividends), the primary factors which affect the Option Premium received by the seller of a call option are the following:

#### **Utilization of Cash Equivalents**

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

<i>Price volatility of the underlying security</i>	The volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the Option Premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or trailing the date of calculation.
<i>The difference between the strike price and the market price of the underlying security at the time the option is written</i>	The smaller the positive difference (or the larger the negative difference), the greater the Option Premium.
<i>The term of the option</i>	The longer the term, the greater the call Option Premium.
<i>The “risk-free” or benchmark interest rate in the market in which the option is issued</i>	The higher the risk-free interest rate, the greater the call Option Premium.
<i>The distributions expected to be paid on the underlying security during the relevant term</i>	The greater the distributions, the lower the call Option Premium.

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

### **Use of Derivative Instruments**

In addition to writing covered call options and cash covered put options, the Company may use derivatives provided that the use of such derivative instruments is in compliance with NI 81-102 or the appropriate regulatory exemptions have been obtained. The Company may use derivatives to, among other things, reduce transaction costs and increase the liquidity and efficiency of trading, purchase call options and put options with the effect of closing out existing call options and put options written by the Company and enter into trades to close out positions in such permitted derivatives. The Company may also purchase put options in order to protect the Company from declines in the market prices of the individual securities in the Portfolio or in the value of the Portfolio as a whole.

### **Credit Facility**

The Company does not intend to borrow money or employ other forms of leverage other than for working capital purposes. The Company may establish a credit facility that may be used by the Company for working capital purposes and expects that the maximum amount it borrows thereunder is limited 5% of the NAV of the Company. The Company may pledge Portfolio Shares as collateral for amounts borrowed thereunder. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Company could obtain is 1:05:1.

### **Securities Lending**

In order to generate additional returns, the Company may lend Portfolio Shares to securities borrowers acceptable to the Company pursuant to the terms of a securities lending agreement (the “**Securities Lending Agreement**”). Under the Securities Lending Agreement (i) The Bank of New York Mellon (the “**Securities Lending Agent**”) pays to the Company a negotiated securities lending fee and makes compensation payments to the Company equal to any distributions received by the Securities Lending Agent on the securities borrowed, (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act, and (iii) the Company receives collateral security. Any securities lending by the Company complies with the requirements of NI 81-102, including the obligation to mark-to-market the collateral on a daily basis.

## **INVESTMENT RESTRICTIONS**

The Company is subject to certain investment restrictions and practices contained in Canadian securities legislation, including NI 81-102 (subject to any exemptions), and the additional investment restrictions set out below that, among other things, limit the equity securities and other securities that the Company may acquire for the Portfolio. The Company’s investment restrictions may not be changed without the approval of the holders of the Preferred Shares and Class A Shares (the “**Shareholders**”) by the affirmative vote of at least 66 2/3% of the votes cast (“**Extraordinary Resolution**”) at a meeting called for such purpose, each voting separately as a class. See “Shareholder Matters – Matters Requiring Shareholder Approval”. The Company’s investment restrictions provide that the Company may not:

- (a) except for securities of its own issue in connection with the retraction of Shares, purchase or hold equity securities other than the Portfolio Shares and the securities acquired pursuant to the exchange option;
- (b) borrow money or employ any other forms of leverage other than for working capital purposes;

- (c) use derivative instruments except as specifically permitted under NI 81-102 or the appropriate regulatory exemptions;
- (d) write a covered call option in respect of any security unless such security is actually held by the Company at the time the option is written;
- (e) write a cash covered put option in respect of any security unless (i) the Company is permitted to invest in such security, and (ii) so long as the options are exercisable, the Company continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (f) dispose of a security that is subject to a call option written by the Company unless such option has either terminated or expired;
- (g) engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (h) invest in any securities of an entity that would be a “foreign affiliate” of the Company within the meaning of the Tax Act;
- (i) invest for the purposes of exercising control over management of any issuer in the Portfolio;
- (j) invest in or hold (i) a share of, an interest in, or a debt of a non-resident entity, an interest in or a right or option to acquire such a share, interest or debt or an interest in a partnership which holds such a share, option or right, interest or debt that would cause the Company (or partnership) to include amounts in income under section 94.1 of the Tax Act, (ii) securities of a non-resident trust other than an “exempt foreign trust” as defined in subsection 94(1) of the Tax Act, or (iii) an interest in a trust (or an interest in a partnership which holds such an interest) that would require the Company to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act;
- (k) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (l) act as an underwriter except to the extent that the Company may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (m) make any investment or conduct any activity that would result in the Company failing to qualify as a “mutual fund corporation” within the meaning of the Tax Act; or
- (n) invest in or hold any “taxable Canadian property” as defined in subsection 248(1) of the Tax Act, read without reference to paragraph (b) of such definition, if the fair market value of all such property would exceed 10% of the fair market value of all property of the Company.

## **MANAGEMENT OF THE COMPANY**

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

The Board of Directors of the Company currently consists of four members. Directors are appointed to serve on the Board of Directors of the Company until such time as they retire or are removed, and their successors are appointed. The name, municipality of residence, position with the Company and principal occupation of each director and certain officers are set out below:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Company</u></b>	<b><u>Principal Occupation and Positions Held During the Last 5 Years</u></b>
SOM SEIF TORONTO, ONTARIO	Director, Chairman, President and Chief Executive Officer	President, Chief Executive Officer and Chairman of the Board of Directors, Purpose Investments Inc.
TYLER MEYRICK TORONTO, ONTARIO	Chief Financial Officer	Chief Financial Officer, Purpose Investments Inc.
VLADIMIR TASEVSKI TORONTO, ONTARIO	Head of Asset Management, Institutions and Investors	Head of Asset Management, Institutions and Investors and Chief

		Operating Officer of Purpose Investments Inc.
JEAN M. FRASER <sup>(1)</sup> TORONTO, ONTARIO	Director	Corporate Director
DOUGLAS G. HALL HALIFAX, NOVA SCOTIA	Director	Corporate Director
RANDALL C. BARNES WHEATON, ILLINOIS	Director	Corporate Director

Note:

(1) Member of the Audit Committee.

A description of the experience and background relevant to the business of the Company of each of the directors and officers of the Company is set out below.

***Som Seif***

Som Seif is the founder and Chief Executive Officer of Purpose which he formed following the sale of Claymore Investments, Inc. (“**Claymore**”) to BlackRock Inc. in March 2012. Mr. Seif started Claymore in Canada in January 2005 and was the former President and Chief Executive Officer leading the implementation of the company’s business development and corporate strategies. Over the seven years of its operation, Claymore organically grew to \$8 billion in assets and established itself as a Canadian leader in bringing intelligent, low-cost exchange-traded funds to investors through its family of thirty-four exchange-traded funds across broad asset classes.

Prior to joining Claymore, Mr. Seif was an investment banker with RBC Capital Markets, where he worked since 1999. He played a key role in developing the structured products group at RBC Capital Markets in both Canada and the U.S., where he structured and raised capital for both Canadian and U.S. asset managers.

Mr. Seif is a CFA charterholder and has a Bachelor of Applied Science with an emphasis on Industrial and Systems Engineering from the University of Toronto.

***Tyler Meyrick***

Tyler Meyrick is the Chief Financial Officer of Purpose Investments. He has over 11 years’ experience in the financial services industry, including most recently as the Head of Corporate Strategy and Private Assets at Purpose Investments. Since joining Purpose Investments in 2017, he has been involved in several key initiatives including the acquisition of mutual fund assets from LOGIQ Asset Management, the purchase of Thinking Capital – Canada’s largest non-bank small business lender and the successful launch of Purpose Investments’ private assets platform. Prior to joining Purpose Investments, Mr. Meyrick was an investment banking analyst at RBC Capital Markets and an analyst at RBC Royal Bank. Mr. Meyrick graduated with a Bachelor of Commerce from Queen’s University.

***Vladimir Tasevski***

Vladimir Tasevski is Head of Asset Management, Institutions and Investors of the Company and Head of Asset Management, Institutions and Investors and Chief Operating Officer of Purpose. He has over 16 years of experience in the investment management industry. Mr. Tasevski was a Vice President at BlackRock Asset Management Canada Limited in Toronto, which he joined following the acquisition of Claymore. At Claymore, Mr. Tasevski spent 5 years in a generalist role where he gained broad experience in the areas of product development, marketing, sales and operations. He is a CFA charterholder and has a Bachelor of Commerce degree from the University of Toronto and was a recipient of the U of T Arbor Award in 2012.

***Jean M. Fraser***

Jean M. Fraser is a retired Partner of Osler, Hoskin & Harcourt LLP where she was the managing partner and served on the Executive Committee. During her long career as a corporate lawyer she advised numerous public and private companies on M&A, capital markets, restructuring and governance matters, including in respect of some of the most high profile transactions in Canada. Her experience also included many advisory assignments providing governance advice to the boards of directors and board committees of public companies on sensitive or contested matters. Ms. Fraser has written and lectured on securities and corporate law matters in various forums and was a

member of the Senior Securities Advisory Group to the Chairman of the Ontario Securities Commission and a member of the Ontario Securities Commission Policy Advisory Committee. Currently, Ms. Fraser is an independent corporate director at Maple Leaf Foods and Aviva Canada and is on the independent review committee of Purpose Investments. She is also a trustee of Trinity College at the University of Toronto.

### ***Douglas G. Hall***

Douglas G. Hall was a Managing Director at RBC Capital Markets covering public and private capital raising, mergers and acquisitions support and strategic advisory assignments for diversified industry groups from 1979 until his retirement in 2005. Mr. Hall is currently a director of Stanfield's Ltd., an advisor to Millar Western Forest Products Ltd., as well as a member of the Advisory Board of Southwest Properties Ltd.

### ***Randall C. Barnes***

Prior to his retirement in 1997, Mr. Barnes spent four years as Senior Vice President and Treasurer of PepsiCo, Inc., where he was employed since 1987. He was President of the Pizza Hut International division from 1991 to 1993, and prior to that time Senior Vice President, Strategic Planning and New Business Development. Mr. Barnes is a trustee of over 100 NYSE-listed closed-end funds, exchange-traded funds and open-end funds advised, administered or serviced by Guggenheim Funds in the United States.

### **Remuneration of the Board of Directors**

The members of the Board of Directors (other than the independent directors) are not currently remunerated for their services as members of the Board of Directors. Each independent director is paid \$2,000 per annum. The Company reimburses all members of the Board of Directors for out-of-pocket expenses for attending meetings of the Board of Directors and committees of the Board of Directors. The aggregate compensation paid to independent directors for the year ended December 31, 2023 was \$6,000.

### **The Manager**

Purpose, a corporation amalgamated under the laws of the Province of Ontario on March 31, 2018, is the manager and portfolio manager of the Company. The equity securities of the Manager are owned by Purpose Unlimited Inc. The municipal address of the Manager where it principally provides services to the Company is 130 Adelaide Street West, Suite 3100, P.O. Box 109, Toronto, Ontario, M5H 3P5, 1-877-789-1517 and info@purposeinvest.com. The Manager's website is www.purposeinvest.com. The Manager manages the Company pursuant to the terms of a management agreement dated June 16, 2020 between the Company and the Manager (the "**Management Agreement**").

Greg Taylor is the Chief Investment Officer of the Manager and is principally responsible for the day-to-day management of the Portfolio and implementing the Company's investment strategies. He spent more than 15 years managing pension and mutual fund assets at Aurion Capital Management. He also held the role of senior portfolio manager at Front Street Capital and LOGiQ Asset Management before joining the Manager. Mr. Taylor is a CFA charterholder and has a BBA in Finance from Bishop's University.

### **Duties and Services to be Provided to the Manager**

Pursuant to the Management Agreement, the Manager is the manager of the Company and is responsible for all investment decisions of the Company in accordance with its investment objectives, strategies and restrictions and for arranging for the execution of all Portfolio transactions including writing covered call options and cash covered put options and for managing and administering the day-to-day business and affairs of the Company. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Company to do so. The Manager's duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial statements and financial and accounting information as required by the Company; ensuring that Shareholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing or causing to be prepared the reports of the Company to Shareholders and the

Canadian securities regulatory authorities; as applicable, determining the timing and amount of distributions to be made by the Company; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Company and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The Management Agreement provides that the Manager is not liable in any way for any default, failure or defect in the Portfolio held by the Company if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager incurs liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or by any material breach or default by it of its obligations under the Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager of the Company until the redemption of the outstanding Shares of the Company. The Manager may resign if the Company is in material breach or default of the provisions of the Management Agreement and if capable of being cured, any such breach or default has not been cured within 30 days’ notice of such material breach or default to the Company. The Manager shall be deemed to have resigned if the Manager: (i) becomes bankrupt or insolvent; or (ii) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. The Manager may resign as manager of the Company upon 60 days’ notice to the Shareholders. The Manager may not be removed other than by a meeting of the Shareholders, as described under the heading “Shareholder Matters” and only if the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days’ notice of such breach or default to the Manager. The Company shall give notice thereof to the Shareholders and the Shareholders may direct the Company to remove the Manager and appoint a successor manager of the Company.

The Manager is reimbursed by the Company for all reasonable costs and expenses incurred by the Manager on behalf of the Company as described under “Fees and Expenses”. In addition, the Manager and each of its directors, officers and employees are indemnified by the Company for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its directors, officers or employees, in the exercise of its duties as Manager, except those resulting from the Manager’s wilful misconduct, bad faith, negligence, disregard of the Manager’s standard of care or material breach or default by the Manager of its obligations under the Management Agreement.

**Directors and Executive Officers of the Manager**

The name and municipality of residence of each of the directors and officers of the Manager and their principal occupations are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with Manager</u></b>	<b><u>Principal Occupation and Positions Held During the Last 5 Years</u></b>
SOM SEIF Toronto, Ontario	President, Chief Executive Officer, Chairman of the Board of Directors, Ultimate Designated Person and Director	President, Chief Executive Officer and Chairman of the Board of Directors, Purpose Investments Inc.
TYLER MEYRICK Toronto, Ontario	Chief Financial Officer and Director	Chief Financial Officer, Purpose Investments Inc.
VLADIMIR TASEVSKI Toronto, Ontario	Chief Operating Officer, Interim Chief Compliance Officer and Director	Chief Operating Officer, Purpose Investments Inc.

A description of the experience and background relevant to the business of the Company of Mr. Seif, Mr. Meyrick and Mr. Tasevski are set out above under “Management of the Company – Directors and Officers of the Company”.

**INDEPENDENT REVIEW COMMITTEE**

In accordance with NI 81-107, the Manager has appointed an Independent Review Committee (“IRC”) for the Company and the investment funds managed by the Manager. The IRC is composed of three individuals, each of

whom is independent of the Manager, the Company and entities related to the Manager. The members of the IRC are Douglas G. Hall, Randall Barnes and Jean M. Fraser. The Manager is required to identify conflict of interest matters inherent in its management of the Company and request input from the IRC in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The IRC has adopted a written charter that it follows when performing its functions and is subject to requirements to conduct regular assessments. The mandate and responsibilities of the IRC are to consider and make a recommendation or approval, as applicable, with respect to any conflict of interest matter referred to it by the Manager. The IRC prepares annually a report of its activities for Shareholders. This report is available on the Manager's website at [www.purposeinvest.com](http://www.purposeinvest.com). Information contained on the Manager's website is not part of this Annual Information Form and is not incorporated by reference.

The members of the IRC are indemnified by the Manager and the Company in accordance with NI 81-107. The IRC members are not responsible for the investments made by the Company or for the performance of the Company. The members of the IRC may serve in a similar capacity in respect of other funds managed by the Manager.

Compensation for each member of the IRC is \$5,000 per member per annum, plus a per meeting fee of \$400, subject to a maximum of \$70,000 per member per annum over all of the funds managed by the Manager. The Company's share of the aggregate compensation paid to the members of the IRC for the year ended December 31, 2023 was \$3,346.08.

## **DESCRIPTION OF SHARE CAPITAL**

### **The Securities**

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares.

**The Preferred Shares are not rated by any rating organization.**

### **Principal Shareholder**

All of the issued and outstanding Class J Shares of the Company are owned by Big Banc Split Trust, a trust whose beneficiaries include the holders of Class A Shares and Preferred Shares from time to time. Until all the Class A Shares and Preferred Shares have been retracted, redeemed, or purchased for cancellation, no additional Class J Shares shall be issued.

### **Priority**

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

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

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

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

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

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J Shares are entitled to one vote per Class J Share. The Class J Shares are retractable at a price of \$1.00 per share and have a nominal liquidation entitlement of \$1.00 per share. The Class J Shares rank subsequent to the Preferred Shares and prior to the Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Company. There are 100 Class J Shares issued and outstanding.

### **Book-Based Systems**

Registrations of interests in, and transfers of, the Preferred Shares and the Class A Shares are made only through the book-based system of CDS. Preferred Shares and Class A Shares may be purchased, transferred or

surrendered for redemption only through a CDS Participant. All rights of an owner of Preferred Shares and/or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled is made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares and/or Class A Shares. Upon purchase of any Preferred Shares or Class A Shares, the owner receives only the customary confirmation. References in this Annual Information Form to a holder of Preferred Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

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

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

#### **Purchase for Cancellation**

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

#### **Redemptions**

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

The Preferred Shares will be redeemed by the Company on the Maturity Date provided that the term of the Shares may be extended beyond the initial Maturity Date for successive periods of 3 years as determined by the Company's Board of Directors. The redemption price payable by the Company for a Preferred Share on the Maturity Date is equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the NAV of the Company on the Maturity Date divided by the total number of Preferred Shares then outstanding.

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

The Class A Shares will be redeemed by the Company on the Maturity Date provided that the term of the Shares may be extended beyond the initial Maturity Date for successive periods of 3 years as determined by the Company's Board of Directors. The redemption price payable by the Company for a Class A Share on the Maturity Date is equal to the greater of (i) the NAV per Share on the Maturity Date minus the sum of \$10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

#### **Retractions**

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

*Monthly:* Preferred Shares may be surrendered at any time for retraction to TSX Trust Company (the "**Registrar and Transfer Agent**"), the Company's registrar and transfer agent, but will be retracted only on the second last Business Day of a month (the "**Retraction Date**"). Preferred Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Retraction Date will be retracted on such Retraction Date and the holder will be paid on or before the 15th day following the applicable Retraction Date (the "**Retraction Payment Date**"). If a Shareholder surrenders its Preferred Shares after 5:00 p.m. (Toronto time) on the tenth Business Day immediately preceding a Retraction Date, the Preferred Shares will be retracted on the Retraction Date in the following month and the Shareholder will receive payment for the retracted Preferred Shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to the lesser of (i) 95% of the NAV per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00 (the “**Preferred Share Retraction Price**”). For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commissions and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share and the payment of the Preferred Share Retraction Price. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. With respect to any monthly retraction of Preferred Shares, the Company will purchase for cancellation such number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all material times.

*Annual Concurrent Retraction:* A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of November of each year, other than in a year when the last Business Day of November is a Maturity Date (the “**Annual Retraction Date**”) at a retraction price equal to the NAV per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the 15th day following the applicable Annual Retraction Date.

*Non-Concurrent Retraction Right:* On a Maturity Date, a holder of Preferred Shares may retract such Preferred Shares. The Company will provide at least 60 days’ notice by way of a press release to holders of Preferred Shares of such right, the manner in which the Preferred Shares may be retracted on such date and any new dividend rate on the Preferred Shares for the period until the next Maturity Date, if applicable. The redemption price payable by the Company for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the NAV of the Company on the applicable Maturity Date divided by the total number of Preferred Shares then outstanding.

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

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

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to the difference between (i) 95% of the NAV per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation (the “**Class A Share Retraction Price**”). For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commissions and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred Share and the payment of the Class A Share Retraction Price. If the NAV per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

*Annual Concurrent Retraction:* A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year at a retraction price equal to the NAV per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the 15th day following the applicable Annual Retraction Date.

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

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

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

The Class J Shares are retractable at a price of \$1.00 per share and have a nominal liquidation entitlement of \$1.00 per share. The Class J Shares rank subsequent to the Preferred Shares and prior to the Class A Shares with respect to such distributions on the dissolution, liquidation or winding-up of the Company. There are 100 Class J Shares issued and outstanding.

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

The Company or the Manager may suspend the redemption and/or retraction of Class A Shares or Preferred Shares or payment of redemption or retraction proceeds (i) during any period when normal trading in securities owned by the Company is suspended on the TSX and if those securities represent more than 50% by value, or underlying market exposure, of the total assets of the Company without allowance for liabilities and if those securities are not traded on any other exchange that represents a reasonable practical alternative for the Company, or (ii) with the prior permission of the securities regulatory authorities for any period not exceeding 120 days. The suspension may apply to all requests for retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Class A Shares and Preferred Shares making such requests shall be advised by the Manager of the suspension and that the retraction is effected at a price determined on the first Retraction Date following the termination of the suspension. All such Shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Company, any declaration of suspension made by the Company or the Manager shall be conclusive.

### **Principal Holders of Securities**

Except as stated below, as at March 28, 2024, no person or company owns of record or, to the knowledge of the relevant fund or the manager, beneficially, directly or indirectly, more than 10% of a class or series, of the issued and outstanding mutual fund shares or mutual fund units of the funds.

All of the voting shares of the Manager are owned by Purpose Unlimited Inc.

### **Calculation of Net Asset Value**

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

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

Generally, the NAV per Preferred Share is equal to the lesser of (i) the NAV per Unit and (ii) \$10.00 plus accrued and unpaid distributions thereon and the NAV per Class A Share is equal to the NAV per Unit minus the NAV per Preferred Share. The NAV, NAV per Unit, NAV per Preferred Share and NAV per Class A Share are calculated in Canadian dollars.

### **Reporting of Net Asset Value**

The NAV, NAV per Unit, NAV per Class A Share and NAV per Preferred Share are calculated on each Business Day based on valuations as of 4:00 p.m. (Toronto time) and any other time as determined by the Manager from time to time (the “**Valuation Time**”). The calculated NAV per Unit, NAV per Class A Share and NAV per Preferred Share are made available on the Manager’s website at [www.purposeinvest.com](http://www.purposeinvest.com) at no cost to securityholders.

### **Valuation Policies and Procedures**

In determining the NAV of the Company at any time:

- (a) the value of any cash on hand, on deposit or on call, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to Shareholders of record on a date before the date as of which the NAV is being determined), and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (c) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Company or by the predecessor in title of the Company shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Company was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (d) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers’ commissions and other expenses, shall be treated as a liability of the Company;
- (e) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (f) if any date on which the NAV is determined is not a Business Day, then the securities comprising the Portfolio and other property of the Company is valued as if such date were the preceding Business Day;
- (g) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable; and
- (h) the estimated operating expenses of the Company shall be accrued to the date as of which the NAV is being determined.

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

The Manager may suspend the calculation of the NAV when the right to redeem a Class A Share or a Preferred Share is suspended. See “Redemption and Retractions – Suspension of Redemptions and Retractions”. During any period of suspension, there is no calculation of the NAV, and the Company is not permitted to issue or redeem securities.

### **Meetings of Shareholders**

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

### **Matters Requiring Shareholder Approval**

The Company is required to obtain Shareholder approval for certain matters as set out in Part 5 of NI 81-102 that are applicable to an investment fund. In addition, the following matters require approval of the holders of Preferred Shares and Class A Shares, each voting separately as a class, by an Extraordinary Resolution:

- (a) a change of the manager of the Company, other than to an affiliate of the Manager;
- (b) a redemption of the outstanding Preferred Shares and Class A Shares of the Company, other than as described under “Redemption of the Shares by the Company”;
- (c) a change in the fundamental investment objectives or investment restrictions of the Company as described above, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (d) any change in the basis of calculating fees or other expenses that are charged to the Company that could result in an increase in charges to the Company; and
- (e) any amendment, modification or variation in the provisions or rights attaching to the Preferred Shares or Class A Shares, as applicable.

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

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

Notwithstanding the foregoing, in certain circumstances, the Company’s reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of Shareholders provided that the reorganization or transfer complies with certain requirements of NI 81-102 and NI 81-107, as applicable, including that although approval of Shareholders may not be obtained, Shareholders are sent written notice at least 60 days before the effective date of the reorganization or transfer.

### **Reporting to Shareholders**

The Company delivers to Shareholders annual and interim financial statements of the Company as required by applicable law. Each Shareholder is mailed annually, no later than February 28, information necessary to enable such Shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year.

## **FEES AND EXPENSES**

### **Management Fee**

The Manager receives an annual management fee equal to 0.75% of the NAV of the Company plus applicable taxes (including HST) (the “**Management Fee**”). The Management Fee is calculated and payable monthly in arrears based on the average NAV of the Company calculated at each Valuation Time during that month.

### **Operating Expenses**

The Company pays for all expenses incurred in connection with the operation and management of the Company. These expenses include, without limitation: (a) financial reporting costs, mailing and printing expenses for periodic reports to Shareholders and other Shareholder communications; (b) any taxes payable by the Company;

(c) fees payable to the Custodian; (d) fees payable to the Registrar and Transfer Agent for the Shares of the Company and for performing certain financial, record-keeping, Shareholder reporting and general administrative services; (e) costs and fees payable to any agent, legal counsel, valuation agent, technical consultant, accountant and auditor of the Company; (f) ongoing regulatory filing fees, stock exchange fees, listing fees and other fees; (g) any expenses incurred by the Company in connection with any legal proceedings in which the Manager participates on behalf of the Company or any other acts of the Manager in connection with the protection of the Company or of any investment included in the Portfolio; (h) fees and expenses of the independent directors of the Company and members of the IRC, which fees and expenses are paid on a pro rata basis by the Company and other applicable investment funds managed by the Manager and, in the case of the IRC, of which the same individuals form the independent review committee; (i) expenses related to compliance with NI 81-107 – Independent Review Committee for Investment Funds; (j) premiums for insurance coverage for the officers and directors of the Company and members of the IRC; (k) any expenditures which may be incurred upon the termination of the Company; (l) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; (m) other administrative expenses, including the expenses of Purpose in its capacity as portfolio manager of the Company; and (n) the costs of complying with any new governmental or regulatory requirement introduced after the Company was established and any extraordinary expenses which the Company may incur from time to time, including any costs associated with the printing and distribution of any documents that the securities regulatory authorities require be sent or delivered to investors in the Company. The Company is also responsible for all commissions and other costs of securities transactions, debt service and costs relating to borrowings by the Company, including under any credit facility.

## **RISK FACTORS**

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

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

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

### **Industry Concentration Risk**

In seeking to achieve its investment objectives, the Company invests in the Portfolio Shares and accordingly, its Portfolio holdings are limited to securities of six issuers within the same sector. As a result, the Company faces more risks than if its Portfolio holdings were diversified broadly over numerous industries or sectors and the NAV per Share may be more volatile than that of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Class A Shares and the Preferred Shares.

### **Banking Sector Risk**

The NAV of the Company fluctuates with interest rate changes and the corresponding changes in the value of the Portfolio Shares in the Portfolio. The value of securities of banking issuers is also affected by such factors as general economic conditions and the customers of such banking issuers' creditworthiness. Losses resulting from financial difficulties of borrowers can negatively impact banking issuers. Customers of banking issuers may default

on their obligations to pay interest and/or principal amounts. The extensive governmental regulation to which banking issuers are subject may also affect their profitability.

### **Risks Related to Investments**

Because the Company's investment objective is to invest in the issuers, the Portfolio is not actively managed by traditional methods and, accordingly, will not be repositioned to attempt to take defensive positions in declining markets. The adverse financial condition of an issuer will not necessarily result in the removal of its securities from the Portfolio.

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

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

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

- (a) operational risks related to specific business activities of the respective issuers;
- (b) quality of underlying assets;
- (c) financial performance of the respective issuers and their competitors;
- (d) product liability risks;
- (e) political risks;
- (f) fluctuations in exchange rates;
- (g) fluctuations in interest rates; and
- (h) changes in government regulations.

### **Volatile Markets and Recent and Future Global Financial and Economic Developments**

The market price of investments held by the Company may go up or down. Such market prices, and how rapidly those prices change, are impacted by general economic and market conditions. Investment markets can be volatile and the price of investments can change substantially due to a number of factors, including, but not limited to: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs; governmental policies; as well as national and international political and economic events. In addition, unexpected and unpredictable events such as war and occupation, a widespread health crisis (epidemic) or global pandemic, terrorism and related geopolitical risks, may lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Further, uncertainty over how the economy will be affected by war or hostilities between countries, including the war between Russia and Ukraine and the Israeli-Palestinian conflict, could contribute to increased market volatility and negatively impact consumer confidence.

### **Sensitivity to Interest Rates**

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

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

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

### **Preferred Shares are not Rated**

The Preferred Shares are not rated by any rating organization. Security ratings by rating organizations are forward-looking opinions about credit risk that are meant to reflect the creditworthiness of an entity or security. While a security rating is not a recommendation to buy, sell or hold securities, investors in the Preferred Shares do not have the benefit of any forward-looking opinions in respect of creditworthiness issued by rating organizations.

### **Reliance on the Manager**

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

The Manager manages the Portfolio in a manner consistent with the Company's investment objectives, investment strategies and investment restrictions. The employees of the Manager who are primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios including writing covered call options and cash covered put options. There is no certainty that the employees of the Manager who are primarily responsible for the management of the Portfolio will continue to be employees of the Manager.

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

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

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

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

### **Sensitivity to Volatility Levels**

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

### **Conflicts of Interest**

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

necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Company and the Manager, as applicable.

### **Taxation**

If the Company fails to qualify or ceases to qualify as a mutual fund corporation under the Tax Act, the income tax considerations described under “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) respecting the treatment of mutual fund corporations will not be changed in a manner which adversely affects the Shareholders.

In determining its income for tax purposes, the Company will treat gains and losses on dispositions of Portfolio Shares as capital gains and losses. The Company will treat option premiums received on the writing of covered call options and cash covered put options and any gains and losses sustained on closing out options as capital gains and losses in accordance with CRA’s published administrative policies. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If some or all of the transactions undertaken by the Company were treated on income rather than capital account, after-tax returns to Shareholders could be reduced, the Company may be subject to non-refundable income tax in respect of income from such transactions, and the Company may be subject to penalty taxes in respect of excessive Capital Gains Dividend elections.

The Tax Act contains rules (the “DFA Rules”) that target financial arrangements (referred to as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests). The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain options). If the DFA Rules were to apply in respect of derivatives utilized by the Company, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. However, provided a covered call option or a cash covered put option is written by the Company in the manner described in “Investment Strategy – Covered Option Writing”, the writing of such options will not generally be subject to the DFA Rules.

To the extent that the Company earns net income (other than taxable dividends from taxable Canadian corporations and taxable capital gains) such as interest or dividends from corporations other than taxable Canadian corporations, the Company will be subject to income tax on such income and no refund will be available in respect thereof. The Manager has advised counsel that, based on the investment strategies and investment restrictions of the Company, it does not expect that the Company will be subject to material non-refundable taxes prior to the initial Maturity Date.

### **Significant Retractions**

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

### **Securities Lending**

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

### **Loss of Investment**

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

### **Non-Concurrent Retraction**

Holder of Class A Shares and Preferred Shares are offered a non-concurrent retraction right on a Maturity Date. To the extent that there are unmatched numbers of Class A Shares and Preferred Shares tendered for retraction, the Class A Shares or the Preferred Shares, as the case may be, may be called by the Company for redemption on a pro rata basis in order to maintain the same number of Class A Shares and Preferred Shares outstanding for a redemption price equal to the price that would have been payable on a retraction of such shares by

the holder. The number of retractions by holders of Class A Shares and Preferred Shares may be influenced by the performance of the Company, the management expense ratio, and the trading discount to their NAV, as applicable, among other things.

### **Distributions Subject to Change**

The Board of Directors is entitled to determine the distributions in respect of the Preferred Shares and Class A Shares, and as such the distributions in respect of the Preferred Shares and Class A Shares are subject to change.

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

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

### **Cyber Security Risk**

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. Failures or breaches of the information technology systems (“**Cyber Security Incidents**”) can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

The primary risks to the Company from the occurrence of a Cyber Security Incident include disruption in operations, reputational damage, disclosure of confidential information, the incurrence of regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss. Cyber Security Incidents of the Company’s third-party service providers or issuers that the Company invests in can also subject the Company to many of the same risks associated with direct Cyber Security Incidents.

The Manager has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed. Furthermore, the Company cannot control the cyber security plans and systems put in place by its service providers or any other third party whose operations may affect the Company or its Shareholders. The Company and its Shareholders could be negatively impacted as a result.

## **INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations generally relevant to Shareholders 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 and Class A Shares, as capital property, and deal at arm’s length with and are not affiliated with the Company.

Generally, Preferred Shares and Class A Shares will be considered to be capital property to a Shareholder provided the Shareholder does not hold such Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Shareholders who might not otherwise be considered to hold their Preferred Shares or Class A Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election pursuant to subsection 39(4) of the Tax Act, the effect of which is to deem such Preferred Shares or Class A Shares and any other “Canadian security”, as defined in the Tax Act, owned by such investor in the taxation year in which the election is made and in all subsequent taxation years, to be capital property.

This summary is based upon the facts set out in this annual information form, the current provisions of the Tax Act, and counsel’s understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof and relies as to certain factual matters on certificates of an officer of the Company and the Agents. This summary also takes into account all specific proposals to amend the Tax Act announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (the “**Proposed Amendments**”) and assumes

that all Proposed Amendments will be enacted in the form proposed. No assurances can be given that the Proposed Amendments will be enacted as proposed or at all.

This summary is based on the assumptions that:

- (a) the Preferred Shares or the Class A Shares will, at all times, be listed on a designated stock exchange in Canada for purposes of the Tax Act (which currently includes the TSX);
- (b) the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada; and
- (c) the Company's investment restrictions will at all relevant times be as set out under the heading "Investment Restrictions" and the Company will at all times comply with such investment restrictions.

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 Shares. This summary does not take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, 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 set out herein.

This summary does not apply to a Shareholder (i) that is a "financial institution" as defined in section 142.2 of the Tax Act, (ii) that is a "specified financial institution" as defined in subsection 248(1) of the Tax Act, (iii) an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act, (iv) that has made a functional currency reporting election pursuant to section 261 of the Tax Act, or (v) who has entered or will enter into a "derivative forward agreement" (a "DFA") as defined in subsection 248(1) of the Tax Act with respect to Preferred Shares or Class A Shares.

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.

### **Status of the Company**

The Company intends at all relevant times to qualify as a "mutual fund corporation" as defined in the Tax Act. To qualify as a mutual fund corporation, (i) the Company must be a "Canadian corporation" that is a "public corporation" for purposes of the Tax Act; (ii) the only undertaking of the Company must be (A) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (B) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or an interest in real property) or of any immovable (or real right in immovables) that is capital property to the Company, or (C) any combination of the activities described in (A) and (B); and (iii) at least 95% of the fair market value of all of the issued shares of the capital stock of the Company must be redeemable at the demand of the holders of those shares. The Company has informed counsel that it has filed the necessary election under the Tax Act so that it is deemed to be a "public corporation" effective from the beginning of its first taxation year and, therefore, qualified as a mutual fund corporation throughout its first taxation year.

### **Taxation of the Company**

As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. The amount of the available refund to the Company in any taxation year is determined by a formula, which is based in part on (i) the amount of the Capital Gains Dividends paid by the Company to Shareholders, and (ii) the amount of the Company's "capital gains redemptions" (as defined in the Tax Act) for the year, which amount is determined in part by reference to the amount paid by the Company to Shareholders on the redemption of Shares. As a mutual fund corporation, the Company maintains a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends ("**Capital Gains Dividends**") which are treated as capital gains in the hands of Shareholders (see "Income Tax Considerations - Tax Treatment of Shareholders"). In certain circumstances where the Company has recognized a capital gain in a taxation year on which tax would be payable by the Company, it may choose 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 capital gains redemptions.

The Company will be required to include in computing its income for a taxation year all dividends received in the year. In computing its taxable income, the Company will generally be entitled to deduct all taxable dividends received on shares of taxable Canadian corporations (which include the issuers of the Portfolio Shares). Dividends received by the Company on other shares will, however, be included in computing the income of the Company, and will not be deductible in computing its taxable income.

The Company will be a “financial intermediary corporation” (as defined in the Tax Act) and, as such, will not be subject to tax under Part IV.1 of the Tax Act on dividends received by the Company nor will it generally be liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company 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 Company will generally be subject to a refundable tax of 38 1/3% under Part IV of the Tax Act on taxable dividends received during the year to the extent such dividends are deductible in computing the taxable income of the Company for the taxation year.

The Company will purchase Portfolio Shares with the objective of earning dividends thereon over the life of the Company and intends to treat and report transactions undertaken in respect of such shares on capital account. Generally, the Company will be considered to hold such shares on capital account unless the Company is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Company has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Company has advised counsel that it will elect pursuant to subsection 39(4) of the Tax Act, in prescribed form, in the first taxation year in which it disposes of “Canadian securities” (as defined in subsection 39(6) of the Tax Act) to have each of its Canadian securities treated as capital property.

A loss realized by the Company on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the Company, or a person “affiliated” with the Company (within the meaning of the Tax Act), acquires a property (a “**substituted property**”) that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Company, or a person affiliated with the Company, owns the substituted property 30 days after the original disposition. If a loss is suspended, the Company cannot deduct the loss from the Company’s capital gains until the substituted property is sold and is not reacquired by the Company, or a person affiliated with the Company, within 30 days before and after the sale.

Premiums received on covered call options and cash covered put options written by the Company which are not exercised prior to the end of the year will constitute capital gains of the Company in the year received, unless such premiums were received by the Company as income from a business or the Company has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Company has advised counsel that it will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio Shares and will write cash covered put options to increase returns and reduce the net cost of purchasing securities on the exercise of such cash covered put options. In accordance with CRA’s published administrative practice, a transaction undertaken by the Company in respect of such options will be treated and reported for purposes of the Tax Act on capital account, unless such transaction is considered to be a DFA, as discussed in further detail below.

Where a call option is exercised, the premium received by the Company for the call option will be included in the proceeds of disposition of the securities sold pursuant to the option and such premium will not give rise to a capital gain at the time the option is written. Where a cash covered put option is exercised, the premium will be deducted in computing the adjusted cost base of the security acquired and such premium will not give rise to a capital gain at the time the option is written.

The DFA Rules target financial arrangements (referred to as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests). The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain options). If the DFA Rules were to apply in respect of derivatives utilized by the Company, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. Provided a covered call option or cash covered put option is written by the Company in the manner described in “Investment Strategies – Covered Option Writing”, the writing of such option will not generally be subject to the DFA Rules.

Generally, the Company will include gains and deduct losses on income account in connection with investments made through derivative securities (except where such derivatives are used to hedge Portfolio Shares held on capital account and provided there is sufficient linkage), and will recognize such gains or losses for tax purposes at the time they are realized by the Company. If the Company uses derivative instruments for hedging purposes, gains or losses realized on such derivatives hedging Portfolio Shares held on capital account will be treated and reported for tax purposes on capital account (subject to the application of the DFA Rules), provided there is sufficient linkage.

To the extent that the Company earns net income (other than taxable dividends from taxable Canadian corporations and taxable capital gains) such as interest or dividends from corporations other than taxable Canadian corporations, the Company will be subject to income tax on such income and no refund will be available in respect thereof. Based on the investment strategies and investment restrictions of the Company, the Company does not expect that it will be subject to material non-refundable taxes prior to the initial Maturity Date.

### **Tax Treatment of Shareholders**

Shareholders must include in income dividends other than Capital Gains Dividends (“**Ordinary Dividends**”) received from the Company. For individual Shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act. An enhanced gross-up and dividend tax credit is available on “eligible dividends” received or deemed to be received from a taxable Canadian corporation which are so designated by the corporation. Ordinary Dividends received by a corporation will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Shareholder that is a corporation as a capital gain. Shareholders that are corporations should consult their own tax advisors having regard to their own circumstances.

Ordinary Dividends on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Tax Act when such dividends are received by a corporation (other than a “private corporation” or a “financial intermediary corporation”, as defined in the Tax Act) to the extent that such dividends are deductible in computing the corporation’s taxable income. Such corporations should consult their own tax advisors with respect to whether Ordinary Dividends on the Class A Shares are subject to Part IV.1 tax when received by such corporations.

A Shareholder which is a private corporation for purposes of the Tax Act, 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) may be liable to pay a 38 1/3% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Class A Shares or Preferred Shares, to the extent that such dividends are deductible in computing the corporation’s taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation, the Part IV tax payable by such corporation on such dividend is reduced by 10% of the dividend.

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

Certain year-end dividends on the Class A Shares may be paid by issuing additional Class A Shares. Where a Capital Gains Dividend is paid in Class A Shares, the cost of such Class A Shares will be equal to the amount of the dividend. Where an Ordinary Dividend is paid in Class A Shares, the cost of such Class A Shares acquired by a Class A Shareholder who is an individual will be equal to the amount of such dividend. A Shareholder that is a corporation and that receives an Ordinary Dividend that is paid in Class A Shares should consult with its own tax advisor regarding the cost of such Class A Shares because such cost may be less than the amount of the dividend if such dividend is deductible by such corporation and to the extent that such dividend exceeds the “safe income” in respect of the Class A Shares held by such corporation. A consolidation of Class A Shares following a special year-end dividend paid in the form of additional Class A Shares generally will not be considered to result in a disposition of such Class A Shares. The Class A Shares resulting from the consolidation will have an aggregate adjusted cost base to the Shareholder equal to the aggregate adjusted cost base to the Shareholder of the Class A Shares held immediately before the consolidation.

The amount of any payment received by a Shareholder from the Company 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.

Upon the redemption, retraction or other disposition of a Share, a capital gain (or a capital loss) will be realized by the Shareholder to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. If the Shareholder is a corporation, any capital loss arising on the disposition of a Share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. For purposes of computing the adjusted cost base of each Share of a particular class, a Shareholder must average the cost of such Share with the adjusted cost base of any Shares of that class already held as capital property.

One-half of a capital gain is included in computing income as a taxable capital gain and one-half of a capital loss must generally be deducted against taxable capital gains to the extent and under the circumstances prescribed in the Tax Act. A Shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act), which includes an amount in respect of taxable capital gains.

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

### **Taxation of Registered Plans**

Trusts governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan ("DPSP"), registered disability savings plan ("RDSP"), registered education savings plan ("RESP"), first home savings account ("FHSA") or tax-free savings account ("TFSA") (each, a "Registered Plan"), as holders of Shares, generally will be exempt from tax on any dividend or other income derived from such Shares and on any capital gain realized upon the sale, redemption or other disposition of such Shares. If and when cash or securities are withdrawn from a Registered Plan, other than from a TFSA (or in certain circumstances from an RDSP, RESP or FHSA), the holder of the Registered Plan generally will be liable to pay income tax based on the amount of cash or the fair market value of the securities withdrawn, unless the cash or securities are transferred to another Registered Plan in accordance with the Tax Act.

### **Tax Implications of the Company's Distribution Policy**

The current policy of the Company is to pay monthly distributions on the Preferred Shares and monthly distributions on the Class A Shares. In addition, the Company may pay a special year-end dividend to holders of Class A Shares (payable in cash or in Class A Shares) in situations where the Company has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains in respect of options that are outstanding at year end) or would not otherwise obtain a refund of refundable tax in respect of dividend income. Therefore, a person acquiring Shares may become taxable on distributions derived from income and capital gains of the Company that accrued before such person acquired such Shares and on realized capital gains that have not been distributed before such time.

### **ELIGIBILITY FOR INVESTMENT**

Provided that the Company qualifies as a "mutual fund corporation" for the purposes of the Tax Act, or the Preferred Shares and Class A Shares are listed on a "designated stock exchange" within the meaning of the Tax Act, the Preferred Shares and Class A Shares, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, DPSPs, RDSPs, RESPs, FHSAs, and TFSAs.

Notwithstanding the foregoing, if the Preferred Shares or Class A Shares are a "prohibited investment" for the purposes of a TFSA, RRSP, RRIF, RDSP or RESP, the holder of such TFSA, FHSA or RDSP, the annuitant of such RRSP or RRIF or the subscriber of such RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Preferred Shares and the Class A Shares will not be a prohibited investment for a TFSA, FHSA, RRSP, RRIF, RDSP or RESP provided the holder, annuitant or subscriber thereof, as the case may be, (i) deals at arm's length with the Company for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Company. Generally, a holder, annuitant or subscriber will have a significant interest

in the Company if the holder, annuitant or subscriber and/or persons or partnerships not dealing at arm's length with the holder, annuitant or subscriber own directly or indirectly 10% or more of the issued shares of any class of the capital stock of the Company or any corporation related to the Company within the meaning of the Tax Act. In addition, Preferred Shares and Class A Shares, as the case may be, will not be a "prohibited investment" if such Shares are "excluded property" (as defined in the Tax Act) for trusts governed by a TFSA, FHSA, RRSP, RRIF, RDSP or RESP. Prospective purchasers who intend to hold Preferred Shares or Class A Shares in a TFSA, FHSA, RRSP, RRIF, RDSP or RESP are advised to consult their personal tax advisors.

### **EXCHANGE OF INFORMATION**

The Tax Act includes provisions which implement the Organization for Economic Co-operation and Development Common Reporting Standard and the Canada-United States Enhanced Tax Information Exchange Agreement (the "**International Information Exchange Legislation**"). Pursuant to the International Information Exchange Legislation, certain "Canadian financial institutions" (as defined in the International Information Exchange Legislation) are required to have procedures in place, in general terms, to identify accounts held by residents of foreign countries or by certain entities organized in, or the "controlling persons" of which are resident in, a foreign country (and also, in the case of the U.S., of which the holder or any such controlling person is a citizen) and to report required information to the CRA. Such information would be exchanged by the CRA on a reciprocal, bilateral basis with the countries in which the account holder or any such controlling person is resident (or of which such holder or person is a citizen, where applicable), where such countries (including the U.S.) have agreed to a bilateral information exchange with Canada to which the International Information Exchange Legislation applies. Under the International Information Exchange Legislation, Shareholders may be required to provide certain information regarding their tax status for the purpose of such information exchange unless the investment is held within a Registered Plan (other than, for purposes of the due diligence and reporting obligations under Part XIX of the Tax Act, which implement the Canada-United States Enhanced Information Exchange Agreement, a FHSA). The Department of Finance has released certain proposed amendments which would exempt FHSAs from due diligence and reporting obligations imposed under Part XIX of the Tax Act; however, there can be no assurance that such proposed amendments will be enacted as proposed.

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

The Manager and the Custodian (defined below at "**Custodian and Securities Lending Agent**") receive the fees described under "Fees and Expenses" for their respective services to the Company and are reimbursed by the Company for all expenses incurred in connection with the operation and administration of the Company.

### **BROKERAGE ARRANGEMENTS**

The Manager has been delegated authority to determine the brokerage arrangements of the Company. The primary consideration in Portfolio transactions is generally the prompt execution of orders in an efficient manner at the most favourable price.

In selecting and monitoring dealers and negotiating commissions, the Manager considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Company or to the Manager or its affiliates. Such services include advice, both directly and in writing, as to the value of the securities; the availability of securities, or purchasers or sellers of securities; as well as analysis and reports concerning issuers, industries, securities, economic factors and trends. This allows the Manager to supplement its own investment research activities and obtain the views and information of others prior to making investment decisions. The Manager is of the opinion that, because this material may be analyzed and reviewed by its staff, its receipt and use does not tend to reduce expenses but may benefit the Company by supplementing the Manager's research. Brokerage transactions may also be allocated to dealers affiliated with the Manager on terms, including fees and commissions, not less favourable than would be offered to other similar clients of such affiliated dealers.

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

The Manager has established policies and procedures with respect to the voting of proxies (the "**Proxy Voting Guidelines**") received from issuers of securities held in the Company's Portfolio. The Proxy Voting Guidelines provide that the Manager will vote (or refrain from voting) proxies for which it has voting power in the best

economic interests of the Company. The Proxy Voting Guidelines are not exhaustive and due to the variety of proxy voting issues that the Manager may be required to consider, are intended only to provide guidance and are not intended to dictate how proxies are to be voted in each instance. The Manager may depart from the Proxy Voting Guidelines in order to avoid voting decisions that may be contrary to the best interests of the Company.

The proxies associated with securities held by the Company will be voted in accordance with the best interests of the Company determined at the time the vote is cast. The Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis taking into consideration the relevant facts and circumstances at the time of the vote.

The Manager's proxy voting policies and procedures set out various considerations that the Manager will address when voting, or refraining from voting, proxies, including that:

- (a) the Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management's position would not be in the best interests of the Shareholders;
- (b) the Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by Shareholders of the issuer with a focus on the potential impact of the vote on the NAV of the Company; and
- (c) the Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Manager determines that it is not in the best interests of the Shareholders to vote, or in cases where no value is added by voting, the Manager will not be required to vote.

The Manager will post the proxy voting record on [www.purposeinvest.com](http://www.purposeinvest.com) no later than August 31 of each year. The proxy voting policies and procedures and proxy voting record are available to Shareholders, at no cost, by calling the Manager toll-free at 1-877-789-1517 or by emailing the Manager at [info@purpose.com](mailto:info@purpose.com).

#### **AUDITORS**

The auditors of the Company are Ernst & Young LLP, at its principal office located in Toronto, Ontario.

#### **CUSTODIAN AND SECURITIES LENDING AGENT**

CIBC Mellon Trust Company, at its office located in Toronto, Ontario, acts as the custodian (the "Custodian") of the assets of the Company pursuant to the custodial services agreement dated August 1, 2013, as amended (the "Custodian Agreement"). The Custodian is responsible for the safekeeping of all of the investments and other assets of the Company delivered to it (but not those assets of the Company not directly controlled or held by the Custodian, as the case may be) in accordance with the terms of the Custodian Agreement. The Custodian Agreement may be terminated by either party at any time on 60 days' written notice or immediately in the event of certain circumstances. The Custodian is entitled to receive fees from the Company and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Company.

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

TSX Trust Company, at its principal offices in Toronto, is the registrar and transfer agent for the Shares. The register and transfer ledger are kept by the registrar at its principal offices located in Toronto, Ontario.

#### **MATERIAL CONTRACTS**

The following agreements can reasonably be regarded as material to the Company's shareholders:

- (a) the Company's articles of incorporation dated May 15, 2020, as amended by the articles of amendment dated June 16, 2020;
- (b) the Management Agreement; and
- (c) the Custodian Agreement.

Copies of the foregoing agreements, together with the articles of incorporation and by-laws of the Company are publicly available at [www.sedarplus.ca](http://www.sedarplus.ca) and may also be examined during normal business hours at the principal office of the Company.

#### **LEGAL PROCEEDINGS**

We are not aware of any material legal proceedings, either pending or ongoing, to which the Company or Purpose is a party.

#### **DESIGNATED WEBSITE**

A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the mutual fund this document pertains to can be found at the following location: [www.purposeinvest.com](http://www.purposeinvest.com).

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# **BIG BANC SPLIT** CORP.

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## **BIG BANC SPLIT CORP.**

Additional information about the Company is available in the Company's management reports of fund performance and financial statements.

You can get a copy of these documents, at no charge by contacting the Manager at:

<b>Telephone</b>	(416) 583-3850
<b>Fax</b>	(416) 583-3851
<b>Email</b>	info@purposeinvest.com
<b>Mail</b>	130 Adelaide Street West Suite 3100 P.O. Box 109 Toronto, Ontario M5H 3P5

These documents and other information about the Company, such as information circulars and material contracts, are also available at [www.sedarplus.ca](http://www.sedarplus.ca).