



## INDEPENDENT REVIEW COMMITTEE

### Report in Respect of the Fiscal Year Ended November 30, 2016 for:

<i>Canadian Banc Corp.</i>	<i>Canadian Life Companies Split Corp.</i>	<i>Commerce Split Corp. (New Commerce Split Fund)</i>
<i>Dividend 15 Split Corp.</i>	<i>Dividend 15 Split Corp. II</i>	<i>Dividend Select 15 Corp.</i>
<i>Financial 15 Split Corp.</i>	<i>North American Financial 15 Split Corp.</i>	<i>M Split Corp.</i>
<i>Prime Dividend Corp.</i>	<i>TDb Split Corp.</i>	<i>US Financial 15 Split Corp.</i>

### Report in Respect of the Fiscal Year Ended December 31, 2016 for:

#### *Income Financial Trust*

Quadravest Capital Management Inc. (“Quadravest”) is the manager (within the meaning of such term in National Instrument 81-102 *Investment Funds* (“NI 81-102”)) and portfolio adviser (within the meaning of such term in NI 81-102) of 12 investment fund corporations and one investment fund trust (each a “Fund” and collectively the “Funds”), the shares or units of which are listed on the Toronto Stock Exchange (“TSX”). Each of the Funds is subject to National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107”).

As required by NI 81-107, Quadravest has established an independent review committee (“IRC”) for the Funds, to which Quadravest must refer conflict of interest matters for review and recommendation or approval, as NI 81-107 may require. NI 81-107 imposes obligations upon Quadravest to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide assistance to the IRC in carrying out its functions.

The IRC is required to report to securityholders of the Funds in respect of each fiscal year of the Funds. This report of the IRC relates to Canadian Banc Corp., Canadian Life Companies Split Corp., Dividend 15 Split Corp., Dividend 15 Split Corp. II, Dividend Select 15 Corp., Financial 15 Split Corp., North American Financial 15 Split Corp., M Split Corp., (Commerce Split Corp. (New Commerce Split Fund), Prime Dividend Corp., TDb Split Corp. and US Financial 15 Split Corp., each of which has a fiscal year end of November 30 in each year. It also relates to Income Financial Trust, which has a fiscal year end of December 31 in each year. A “Reporting Period” for purposes of this Report is the fiscal year of each Fund commencing on December 1, 2015 and ending on November 30, 2016, or commencing on January 1, 2016 and ending on December 31, 2016, as applicable.

## **Composition of the IRC**

A single IRC has been established in respect of all of the Funds collectively. Gordon A. M. Currie, William C. Thornhill and John D. Steep are currently the members of the IRC. Each of the members of the IRC believes he is, and has received advice of counsel that he is, “independent” of Quadrainvest for purposes of NI 81-107.

Mr. Currie, who acts as the chairman of the IRC, is the Executive Vice President and Chief Legal Officer of George Weston Limited, which he joined in 2005. Prior to that, he was the General Counsel of Direct Energy, the North American subsidiary of Centrica plc. Prior to that, he was a partner at Blake, Cassels & Graydon LLP, specializing in securities law, having joined the firm in 1983.

Mr. Thornhill is currently the President of William C. Thornhill Consulting Inc. Until July 2005, he was the Vice-Chairman of Quadrainvest. Prior to joining Quadrainvest, Mr. Thornhill spent over 30 years in the financial services business and held a number of senior positions at a major Canadian trust company including Executive Vice-President, Products, Senior Vice-President, Finance, and Vice-President, Treasury and Corporate Investments. Mr. Thornhill is a director of each of the Funds other than Income Financial Trust.

Mr. Steep is currently the President of S Factor Consulting Inc. Prior to retiring in 2002, Mr. Steep spent over 30 years in the financial services business and retired as a Senior Vice-President at a major Canadian chartered bank. Mr. Steep is a director of each of the Funds other than Income Financial Trust.

Each of the members of the IRC agreed to so act effective May 1, 2007 in respect of all Funds other than Dividend Select 15 Corp. Upon the initial public offering of securities of Dividend Select 15 Corp. in October 2010, the IRC agreed that it would act as the IRC of this Fund as well.

There have been no changes to the composition of the IRC since its formation. On June 1, 2010, Quadrainvest assumed responsibilities as manager of the Funds from its affiliate, Quadrainvest Inc., pursuant to an assignment of the relevant management contracts, and at such time the composition of the IRC was confirmed by Quadrainvest.

None of the members of the IRC owns any shares or units of any of the Funds as at the date of this report.

## **Compensation**

Members of the IRC each currently receive compensation of \$15,000 per annum (\$25,000 per annum for the chairman of the IRC) plus reimbursement of expenses. The costs of this compensation are apportioned among the Funds in Quadrainvest’s discretion but in accordance with its allocation policies in this regard. The amount of compensation so allocated to a particular Fund in a fiscal year is disclosed in the Fund’s annual information form in respect of that fiscal year.

The initial compensation for IRC members was set by the predecessor manager to Quadrainvest and applied until April 30, 2009. The IRC has been entitled to set its own compensation for periods subsequent to April 30, 2009. Decisions in this regard are based on its assessment of the amount of time and effort involved in acting as the IRC of the Funds and its understanding what other investment funds are then paying for comparable services.

No direct expenses were reimbursed to IRC members during the Reporting Periods of the Funds. While each member of the IRC has been indemnified out of the assets of each Fund, no claim was made under any such indemnity in respect of a Fund during the Reporting Period for that Fund.

## **Activities of the IRC During the Reporting Period**

### *Meeting of February 17, 2016*

Present at the meeting were each of the members of the IRC, Peter Cruickshank of Quadrainvest and Michael Sharp of Blake, Cassels & Graydon LLP, counsel to Quadrainvest.

### Approval of the Minutes of 2015 IRC Meeting

Minutes of the meeting of the IRC held on February 18, 2015, being the sole meeting of the IRC held in 2015, had previously been provided to and approved in an email exchange by members of the IRC, and Mr. Cruickshank noted a copy was in the meeting materials. Members of the IRC indicated that such minutes had been reviewed by the IRC in advance of the meeting and on motion duly made and seconded, confirmed that such minutes were duly approved.

### Report of Quadrainvest to the IRC

Mr. Cruickshank next tabled a report from Quadrainvest to the IRC relating to the Funds during 2015, which had been sent out to IRC members prior to the meeting. The members of the IRC indicated that they had read such report.

Mr. Cruickshank then reviewed the IRC report, which included updates on the (i) the use of soft dollars; (ii) inter-Fund trading; (iii) purchases of securities of related and connect issuers; (iv) the allocation of investment opportunities; (v) the allocation of common expenses; (vi) personal trading; (vii) the correction of pricing errors; (viii) referral fee arrangements and payments; and (viii) future Fund offerings. In general, Mr. Cruickshank noted that the IRC report was very consistent with prior years and that there had been no changes with how the policies, procedures and standing instructions previously approved by the IRC were being implemented by Quadrainvest. Mr. Cruickshank noted that there had been no changes made to the conflict of interest policies and procedures in 2015 from those previously approved, no exceptions or deviations from the approved conflict of interest policies and procedures and no breaches of the related standing instructions during the period covered by the report.

Mr. Cruickshank stated, in response to questions from the IRC, that (i) the value to Quadrainvest of the soft dollars was approximately \$80,000 a year, (ii) that the trades generating the soft dollars represented best execution for the Funds, and (iii) that such trades resulted in no breaches of applicable securities laws. Mr. Cruickshank agreed to amend Quadrainvest's report to include such confirmations.

After discussion, and on motion made by Mr. Thornhill and seconded by Mr. Steep, the report of Quadrainvest to the IRC was accepted unanimously, with the changes discussed above, and such report was directed to be attached to the minutes of the meeting.

### Updating of Conflicts of Interest Policies

Mr. Sharp indicated that the existing conflicts of interest policies needed to be updated, not for any substantive changes but to reflect the existing Funds to which they pertain and the current names of those Funds, and to reflect such non-material matters as changes in the names of the securities law instruments referred to in those policies. In response to a question from the IRC, Mr. Sharp confirmed that there were no legislative changes in 2015 of which he was aware impacting the terms of such conflict of interest policies.

Mr. Cruickshank noted copies of the revised policies on (i) the use of soft dollars, (ii) inter-Fund trading, (iii) purchases of securities of related and connect issuers, (iv) the allocation of investment opportunities and (v) referral fee arrangements had previously been provided to the IRC for review in advance of the meeting.

Following a discussion regard the policy on the allocation of expenses, it was determined that certain wording amendments could be made to such policy, and Mr. Cruickshank and Mr. Sharp agreed to make the applicable changes. After further discussion, the IRC unanimously confirmed its approval of these revised conflicts of interest policies, with the amendments agreed to as discussed above.

#### Confirmation of Existing Standing Instructions

Mr. Cruickshank next requested that the IRC confirm each of the four existing standing instructions, relating to (i) the use of soft dollars, (ii) inter-Fund trading, (iii) purchases of securities of related and connect issuers and (iv) future fund offerings. Copies of the existing standing instructions had been provided to members of the IRC in advance of the meeting.

In response to a question from the IRC, Mr. Sharp and Mr. Cruickshank confirmed that they were not aware of any legislative or regulatory changes that would impact the existing standing instructions. After further discussion, the existing standing instructions were approved and confirmed for the then-current fiscal year of the Funds.

#### Review and Approval of the IRC Report to Securityholders of the Funds

The next item of business before the meeting was to review and approve the draft IRC report (“IRC report”) for the Funds, in respect of their fiscal year ended November 30, 2015 (December 31, 2015 in the case of Income Financial Trust). This draft IRC report had been sent to all members of the IRC prior to the meeting.

Mr. Sharp reviewed the draft IRC report and noted that this report was consistent in format with the previous year. After some general discussion, the draft IRC report was unanimously approved, and Mr. Cruickshank and Mr. Sharp were instructed to date the report February 17, 2016, file the same on SEDAR on behalf of the IRC and post the same to the Funds’ websites.

#### Reappointment of IRC members – Initial Discussion

It was noted that pursuant to the requirements of National Instrument 81-107, members of the IRC could not continue beyond the expiration of their current term on April 30, 2016 without the approval of QuadraVest. Mr. Cruickshank indicated that he had spoken to Wayne Finch, the President of QuadraVest, and confirmed that QuadraVest did so approve each member of the IRC continuing to so act. He also noted that it was QuadraVest’s recommendation that the compensation levels remain unchanged.

In response to a question regarding whether each member of the IRC remains independent in accordance with the applicable legislation requirements. Mr. Sharp confirmed no changes to National Instrument 81-107 in this regard and that, to the best of his knowledge and belief, each member of the IRC was independent of QuadraVest and the Funds in accordance with the applicable requirements. Each member of the IRC then confirmed his independence.

The IRC raised the issue of whether the members of the IRC should continue to act, given their continuous appointment and reappointment from the inception of the IRC in 2007, particularly in light of certain commentary in this regard by the securities regulators. Mr. Sharp noted that such commentary

was not consistent with the requirements of National Instrument 81-107. Mr. Currie requested that the issue of the reappointment of the IRC members be specifically raised again with members of the management team at Quadravest not present at the meeting, and Mr. Cruickshank indicated that he would do so.

Mr. Cruickshank and Mr. Sharp left the meeting.

#### Annual IRC Assessment

The next item of business was a review and assessment by the IRC of its effectiveness as a committee and the contribution made by each member, including a review of the IRC charter, a consideration of the competence and knowledge each member is expected to bring, including their collective experiences and background, a consideration of the level of complexity of the issues reasonably expected to be raised by members in respect of matters under review, the ability of each member to contribute the time necessary for the IRC to function effectively, in light of the frequency of meetings and number and type of funds, the substance of meeting agendas and the quality/usefulness of the materials Quadravest provides to the IRC, and Quadravest's policies regarding when matters are to be referred to the IRC.

After discussion, which included confirmation of the continued independence of each member of the IRC and their ability to contribute the necessary time to serve effectively on the IRC, the IRC unanimously concluded that its effectiveness as a committee was satisfactory.

As each member of the IRC was able and willing to continue, it was unanimously determined that no changes would be made to the composition of the IRC for the period commencing May 1, 2016, provided that Mr. Cruickshank confirmed that this was consistent with the desires of Quadravest in this regard.

#### Review of Compensation

The next item of business was a review by the IRC of its compensation, with a view to setting its compensation for the 12 month period commencing May 1, 2016. Such review included the IRC's own assessment of what its compensation ought to be, in light of (i) the number, nature and complexity of the Funds for which it acted, (ii) the nature and extent of its workload and required time commitment, (iii) industry best practices, and (iv) the best interests of the Funds, as well as Quadravest's recommendation as to the appropriate compensation to be paid. After discussion, the IRC unanimously determined that its compensation for the 12 month period commencing May 1, 2016 would remain unchanged, consistent with the recommendation of Quadravest in this regard, subject to the reappointment of the members of the IRC as discussed above.

Mr. Cruickshank and Mr. Sharp rejoined the meeting.

#### Reappointment of IRC Members – Final Discussion

Mr. Cruickshank confirmed that after further discussion with Wayne Finch and Laura Johnson, the other principals of Quadravest, that it was the desire of Quadravest to have each member of the IRC to serve for an additional term commencing May 1, 2016. The IRC then confirmed such reappointment.

#### Personal Trading

Mr. Sharp confirmed that usual statutory declarations of the executive officers of Quadravest regarding their compliance with Quadravest's personal trading policies during 2015 had been prepared and signed.

Termination

There being no further business before the meeting, the IRC unanimously agreed that the meeting be terminated.

*Reliance upon IRC Standing Instructions*

During the Reporting Period, QuadraVest relied upon standing instructions of the IRC in connection with with respect to the additional issuances by the Funds of shares or units to the public and confirms to the IRC that, for the reporting period, the following offerings were made by the following Funds in reliance on and in compliance with the terms of its conflicts of interest policy regarding future fund offerings:

<u>Name of Fund</u>	<u>Gross Proceeds Raised</u>	<u>Number and Class of Shares Issued</u>	<u>Date of Final Short Form Prospectus</u>	<u>Closing Date</u>
Dividend 15 Split Corp.	\$47,724,000	2,328,000 Preferred Shares and 2,328,000 Class A Shares	June 8, 2016	June 16, 2016
Financial 15 Split Corp.	\$38,250,000	2,040,000 Preferred Shares and 2,040,000 Class A Shares	November 25, 2016	December 2, 2016

QuadraVest also relied upon standing instructions from the IRC with respect to its soft dollar arrangements.

**Availability of this Report**

This Report is required to be filed on SEDAR (the System for Electronic Document Analysis and Retrieval, found at [www.sedar.com](http://www.sedar.com)) and on each Fund's website. A copy was delivered to QuadraVest on the date hereof. A Fund is required to provide a copy of this report to securityholders of the Fund free of charge upon request to the Fund at Investor Relations, TD North Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario M5K 1K7.

February 16, 2017