

DEANS KNIGHT INCOME CORPORATION

ANNUAL INFORMATION FORM

Voting Common Shares



March 29, 2016

No securities regulatory authority has expressed an opinion about the Voting Common Shares or the Non-Voting Common Shares and it is an offence to claim otherwise.

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1. NAME, FORMATION AND HISTORY OF THE COMPANY

1.1 Legal Structure of the Company

Deans Knight Income Corporation (the "**Company**") is a closed-end, non-redeemable investment company. The Company is a corporation continued under the *Canada Business Corporations Act*. The head and registered office of the Company is currently located at 1500 – 999 West Hastings Street, Vancouver, British Columbia V6C 2W2. Deans Knight Capital Management Ltd. (the "**Investment Advisor**") acts as the investment advisor and the investment fund manager to the Company. The fiscal year-end of the Company is December 31.

1.2 Initial Public Offering

The Company completed its initial public offering ("**Initial Public Offering**") of voting common shares (the "**Voting Common Shares**") on March 18, 2009 (the "**Closing Date**") for gross proceeds of \$100,368,900. On the Closing Date, Matco Capital Ltd. ("**Matco**") also converted the Convertible Debenture (as defined herein) into 345,671 non-voting common shares ("**Non-Voting Common Shares**" and together with the Voting Common Shares, the "**Shares**" and the holders of such Shares being referred to herein as "**Shareholders**") of the Company (after giving effect to the Consolidation (as defined herein)). 10,036,890 Voting Common Shares were originally issued in connection with the Company's initial public offering and as of the date of this Annual Information Form, 10,191,592 Voting Common Shares and 345,671 Non-Voting Common Shares are issued and outstanding.

References in this Annual Information Form to a Shareholder means, unless the context otherwise requires, the owner of a beneficial interest in Shares.

1.3 Status of the Company

The Company is not considered to be a mutual fund under the securities legislation of the provinces of Canada. Consequently, the Company is not subject to the various policies and regulations that apply to mutual funds, including those that are applicable to mutual funds as set forth in National Instrument 81-102 – *Investment Funds* ("**NI 81-102**").

The Shares are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

1.4 Prior Business of the Company

Incorporation and Early History

The Company was incorporated on September 17, 1985 under the *Companies Act* (British Columbia) as "Amber Resources Ltd." On October 1, 1985, the Company changed its name to "Forbes Resources Ltd." In 1992, the Company changed its business from mining exploration to pharmaceutical pursuits and accordingly, on July 8, 1992, it changed its name to "Forbes Medi-Tech Inc." While a pharmaceutical company, the Company was involved in the research, development and commercialization of innovative products for the prevention and treatment of life-threatening diseases. The Company's infrastructure supported a portfolio of discovery and development stage pharmaceutical compounds and nutraceutical products. On April 11, 2001, the Company was continued under the *Canada Business Corporations Act*.

Arrangement and Reorganization

On February 27, 2008, the Company reorganized its corporate structure pursuant to a plan of arrangement under the *Canada Business Corporations Act* (the "**Arrangement**"). Pursuant to the Arrangement, the Company changed its name from "Forbes Medi-Tech Inc." to "Forbes Medi-Tech Operations Inc." and all of the Company's then outstanding common shares, options and warrants were exchanged for common shares, options and warrants of Forbes Medi-Tech Inc. ("**Forbes**"), a newly formed entity. As a result of the exchange of shares, the Company became a wholly-owned subsidiary of Forbes and the common shares of Forbes began to trade on the Toronto Stock Exchange (the "**TSX**") and NASDAQ in substitution for the common shares of the Company. On March 19, 2008, Matco, Forbes and the

Company entered into an investment agreement pursuant to which Matco agreed to purchase a secured convertible debenture of the Company in the original principal amount of \$2,960,000 (the "**Convertible Debenture**") and the Company and Forbes agreed to reorganize the business of the Company (the "**Reorganization**"). On May 9, 2008, the Company changed its name to "3887685 Canada Inc."

On May 9, 2008, in connection with the Reorganization, the Company transferred all of its assets and operations to, and their related liabilities were assumed by, Forbes. As part of the Reorganization, Matco subscribed for the Convertible Debenture.

In accordance with the asset purchase agreement between the Company and Forbes providing for the Reorganization, Forbes provided an indemnity to the Company with respect to liabilities relating to the Company's assets transferred to Forbes and the Company's prior business. In addition, Forbes obtained, on behalf of the Company, product liability insurance for certain claims that may arise in the future in connection with the Company's prior business. See "Risk Factors – Liabilities from Prior Operations".

Reorganization into an Investment Company

On February 6, 2009, the Company amended its Articles of Incorporation ("**Articles**") to change its name to "Deans Knight Income Corporation". In connection with the reorganization of the Company into an investment company, the Company amended its Articles to, among other things, consolidate the issued and outstanding Voting Common Shares and Non-Voting Common Shares on the basis of one share for each 382 outstanding shares (the "**Consolidation**"), provide for the Initial Investment Objectives (as defined herein) and Initial Investment Restrictions (as defined herein) of the Company and amend the terms of the Voting Common Shares to provide for the redemption by the Company of the Voting Common Shares as set forth under "Termination of the Company – Former Termination Provisions of the Company". The Company then completed the Initial Public Offering as described under "Name, Formation and History of the Company – Initial Public Offering".

CRA Matter, 2014 Special Meeting and Cash Distribution

In May 2013, the Company responded to a letter from the Canada Revenue Agency ("**CRA**") advising the Company that it was under audit for the taxation years 2008 to 2012, being those taxation years that ended after the Reorganization. The CRA's audit included an examination of whether the Company was entitled to deduct non-capital losses and other tax attributes in the years under audit, which the Company had carried forward from previous taxation years.

On January 27, 2014, the Company announced that it had received a proposal letter ("**Proposal Letter**") from the CRA wherein the CRA stated that it intended to reassess the Company and deny the deduction of certain non-capital losses and other tax attributes in the Company's taxation years ending in 2009 to and including 2012 on the basis that an acquisition of control of the Company occurred and on the basis of the General Anti-Avoidance Rule in the *Income Tax Act* (Canada) (the "**Tax Act**").

As a result of the ongoing CRA audit and receipt of the Proposal Letter, the Company held a special meeting of Voting Shareholders on April 3, 2014 (the "**2014 Special Meeting**"). At the 2014 Special Meeting, holders of Voting Shares considered and approved: (i) a special resolution authorizing a reduction in the stated capital of the Voting Shares (the "**Capital Reduction Resolution**"); (ii) a special resolution authorizing the extension of the termination date of the Company as described under "Description of the Securities of the Company – Termination of the Company"; and (iii) a special resolution authorizing the removal of the Initial Investment Objectives and the Initial Investment Restrictions from the Articles (the "**Article Amendment Resolution**"). See "Investment Restrictions and Strategies". The sole holder of the Non-Voting Common Shares approved the same special resolutions by way of a written consent resolution.

On April 15, 2014, the Voting Shares were delisted from the Toronto Stock Exchange. As a result, the Company's shares are no longer traded in a public market.

With the approval by shareholders of the Capital Reduction Resolution, on April 30, 2014, the Company paid a special distribution (the "**Cash Distribution**") of \$9.75 per Share to Shareholders of record as of April 22, 2014 in the amount of \$9.75 per Share.

Immediately following the Cash Distribution, the Company's assets consisted solely of: (i) its prepaid tax asset (as described below); (ii) the Remaining Securities (as defined herein – see "Other Material Information – Net Asset Value and Remaining Securities"); and (iii) approximately \$2.2 million in cash and cash equivalents (the "**G&A Withheld Amount**") which was withheld by the Company for the purposes of ongoing general and administrative expenses that it may incur in attending to the CRA Matter (as defined herein – see "Other Material Information – Net Asset value and Remaining Securities"). The Company also ceased all investing and portfolio activities and began the Modified Business Objectives (as defined herein – see "Investment Restrictions and Strategies"). As a result of the change in business from an active investment company to the Modified Business Objectives, the Company terminated the Former Investment Advisor Agreement (as defined herein) and entered into the Current Services Agreement (as defined herein). See "Responsibility for Company Operations – Current Services Agreement".

On July 16, 2014, the Company received notices of reassessment ("**NORAs**") from the CRA for the taxation years 2009 to 2012, inclusive. In the NORAs, the CRA: (i) denied the use of certain tax attributes by the Company on the basis that an acquisition of control of the Company occurred and on the basis of the General Anti-Avoidance Rule in the Tax Act; and (ii) indicated the Company's tax liability for the 2009 to 2012 taxation years to be approximately \$22.7 million (the "**CRA Disputed Amount**") or, as of the date of this Annual Information Form, approximately \$2.15 per Share, including arrears interest and penalties (collectively, the "**CRA Matter**"). The Company prepaid the CRA Disputed Amount to the CRA to limit any future interest from being incurred. A refund of the prepaid amount was received from the CRA by the Company in respect of its 2013 tax return filing in the amount of \$1.1 million. Given the Company's financial results for 2013, 2014 and 2015, the Company estimates its overall potential net tax liability to be approximately \$21.5 million, or, as of the date of this Annual Information Form, \$2.04 per Share (the "**Potential Tax Liability Amount**"). See "Other Material Information – Net Asset Value and Remaining Securities". If the CRA's position were to be followed by the Company in future years, the overall tax liability will continue to fluctuate depending on the profitability of the Company.

Tax Appeal

In late October 2014, the Company filed its Notice of Appeal to the Tax Court of Canada (the "**Tax Appeal**") and is now attending to normal pre-trial processes, including discovery of documents and examinations for discovery with the Crown. Should the Company be successful in defending its tax filing position, the Potential Tax Liability Amount will be refunded to the Company with interest. However, if the Company is unsuccessful, the Potential Tax Liability Amount will be forfeited to the CRA and there would be no further amount to distribute to Shareholders. As of the date hereof, the Company, in consultation with its legal advisors, remains of the view that its tax filing position is appropriate, and does not believe any additional assessment of income tax by the CRA is appropriate. The Company anticipates that legal proceedings through the Tax Court of Canada to resolve the CRA Matter will take considerable time.

2. INVESTMENT RESTRICTIONS & STRATEGIES

The Company is a non-redeemable investment fund for the purposes of NI 81-102 and is subject to the restrictions and practices contained in securities legislation, including NI 81-102, that are applicable to non-redeemable investment funds. The Company is not a mutual fund for the purposes of NI 81-102 or other applicable securities law and is therefore not subject to the restrictions and practices contained in securities legislation, including NI 81-102, that are applicable to mutual funds. The Company is managed in accordance with the applicable restrictions and practices.

The investment objectives (the "**Initial Investment Objectives**") and restrictions (the "**Initial Investment Restrictions**") that were inserted into the Articles in connection on February 6, 2009 (see "Name, Formation and History of the Company – Prior Business of the Company – Reorganization into an Investment Company") were removed from the Articles in connection with the approvals obtained from Shareholders at the 2014 Special Meeting (See "Name, Formation and History of the Company – Prior Business of the Company – CRA Matter, 2014 Special

Meeting and Special Distribution"). The Company currently has no restrictions on the investments it may pursue, other than the restrictions to which it is subject under applicable securities legislation, including NI 81-102.

See "Description of the Securities of the Company – Meetings and Acts Requiring Shareholder Approval" for a description of certain matters that require the approval of Shareholders. Additionally, the Company is subject to the security holder approval requirements set forth in Part 5 of 81-102 that are applicable to non-redeemable investment funds.

The Company's business operations and investment strategy following the 2014 Special Meeting are focused solely on: (i) divesting the Remaining Securities and distributing the proceeds thereof to Shareholders; (ii) attending to, and as necessary, litigating, the CRA Matter and Tax Appeal in a manner that is beneficial to Shareholders; (iii) attending to the distribution to Shareholders of all or any part of the Potential Tax Liability Amount that is refunded to the Company, if any, and the eventual wind-up and termination of the Company thereafter; (iv) distributing any remaining G&A Withheld Amount, if any, to Shareholders in connection with the eventual wind-up and termination of the Company; and (v) assisting with any ancillary matters related to the foregoing (collectively, the "**Modified Business Objectives**").

3. DESCRIPTION OF THE SECURITIES OF THE COMPANY

3.1 Description of Voting Common Shares

The Company is authorized to issue an unlimited number of Voting Common Shares. The holders of Voting Common Shares are entitled to one vote for each Voting Common Share held and are entitled to receive dividends, in the amounts and if and when declared by the Directors out of monies of the Company lawfully available for the payment of dividends, in such amounts as determined in the absolute discretion of the Directors from time to time. All dividends on the Voting Common Shares and the Non-Voting Common Shares must be declared and paid in an equal amount per share and at the same time on the Voting Common Shares and the Non-Voting Common Shares without preference or distinction. The Company's dividend policy is described under "Company Governance – Dividend Policy".

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its Shareholders for the purpose of winding up its affairs, the holders of Voting Common Shares and the holders of Non-Voting Common Shares shall rank equally and shall be entitled to share and receive the remaining property of the Company.

The Voting Common Shares may be redeemed by the Company as described under "Description of the Securities of the Company – Termination of the Company".

3.2 Description of Non-Voting Common Shares

Subject to the provisions of the *Canada Business Corporations Act*, the holders of Non-Voting Common Shares are not entitled to receive notice of or to attend any meetings of the shareholders of the Company and do not have any voting rights for any purpose. The holders of Non-Voting Common Shares are entitled to receive dividends, in the amounts and if and when declared by the Board of Directors out of monies of the Company lawfully available for the payment of dividends, in such amounts as determined in the absolute discretion of the Board of Directors from time to time. All dividends on the Voting Common Shares and the Non-Voting Common Shares must be declared and paid in an equal amount per share and at the same time on the Voting Common Shares and the Non-Voting Common Shares without preference or distinction.

In the event of the liquidation, dissolution or winding-up of the Company whether voluntary or involuntary, or any other distribution of the assets of the Company among its Shareholders for the purpose of winding up its affairs, the holders of Voting Common Shares and the holders of Non-Voting Common Shares shall rank equally and shall be entitled to share and receive the remaining property of the Company.

The Non-Voting Common Shares may be redeemed by the Company as described under "Description of the Securities of the Company – Termination of the Company".

3.3 Meetings and Acts Requiring Shareholder Approval

Meetings of Shareholders

Holders of Voting Common Shares are entitled to one vote for each Voting Common Share held. The quorum for any meeting of holders of Voting Common Shares is two or more shareholders or proxyholders holding not less than 5% of the issued and outstanding Voting Common Shares. If no quorum is present at such meeting when called, the meeting, if convened upon the requisition of the shareholders, shall be dissolved, but in any other case shall stand adjourned until the same day in the next week, at the same time and place but may not transact any other business. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the person or persons present and being, or represented by proxy, at the meeting shall be a quorum. At any such meetings, each holder will be entitled to one vote for each Voting Common Share held.

In addition to any other matters requiring approval of the holders of Voting Common Shares in accordance with the *Canada Business Corporations Act*, any: (i) change in the investment objectives or investment restrictions; (ii) change in the basis of calculating fees or other expenses that are charged to the Company which could result in an increase in charges to the Company other than a fee or expense charged by a person or company that is at arm's length to the Company; or (iii) issuance of additional Voting Common Shares, other than for net proceeds equal to or greater than 100% of the most recently calculated Net Asset Value per Share calculated prior to the pricing of such issuance or by way of a Voting Common Share distribution will require the approval of Shareholders by a resolution passed by at least 66⅔% of the votes cast at a meeting called and held for such purpose with holders of Voting Common Shares and Non-Voting Common Shares voting together as a single class.

Reporting to Shareholders

The Company will make available to Shareholders and the Board of Directors such financial statements and other continuous disclosure documents as are required by applicable law, including unaudited interim and audited annual financial statements, prepared in accordance with International Financial Reporting Standards. The Company shall make available to each Shareholder annually within the time periods prescribed by applicable law information necessary to enable such Shareholder to complete an income tax return with respect to the amounts payable by the Company.

3.4 Termination of the Company

The "**Termination Date**" of the Company is the date, as the Company may in its discretion determine, that is reasonably practicable following the resolution of the CRA Dispute (as defined in the Articles), whether by withdrawal by the Company, adjudication by the courts, settlement or otherwise, or such other date as the Company deems appropriate on not less than 30 days' notice to holders of the Voting Common Shares and Non-Voting Common Shares.

The current Articles require that the Shares be redeemed by the Company for a cash amount equal to 100% of Net Asset Value per Share (as defined herein) on the Termination Date. Upon redemption, the Company will distribute to Shareholders their pro rata portions of the remaining assets of the Company (if any) after all liabilities of the Company have been satisfied or appropriately provided for, which will include cash and, to the extent liquidation of certain assets is not practicable or the Company considers such liquidation not to be appropriate prior to the redemption date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Company will be dissolved.

4. VALUATION OF PORTFOLIO SECURITIES

4.1 Valuation Policies and Procedures

Unless otherwise required by law, for the purpose of calculating net asset value of the Company, which will be equal to: (i) the total assets of the Company, less (ii) the aggregate value of the liabilities of the Company, and as more particularly described below (the "**Net Asset Value**") on a valuation date (which is the second last business day of each week or the last business day of a month end (the "**Valuation Date**")), the value of the Company's assets on such Valuation Date is determined as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, distributions, dividends or other amounts received (or declared to holders of record of securities owned by the Company on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) and interest accrued and not yet received is deemed to be the full amount thereof provided that if the person who has been appointed by the Company to calculate the Net Asset Value per Share and the Net Asset Value of the Company (which is currently the Company) (the "**Valuation Agent**") has determined that any such deposit, bill, demand note, accounts receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Company on a date before the Valuation Date as of which the Net Asset Value is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- (b) the value of any security, index future or index option which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) is determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price is used), as at the Valuation Date on which the Net Asset Value is being determined, all as reported by any means in common use;
- (c) the value of any security which is traded over-the-counter is priced by the Valuation Agent and is within the range of the latest available offer price and the latest available bid price quoted by a third party pricing provider (which may be the counterparty) in such securities or as the Valuation Agent determines to be the fair market value;
- (d) the value of any purchased or written clearing corporation options, options on futures or over-the-counter options, debt like securities and listed warrants is the current market value thereof;
- (e) the value of any security or other asset for which a market quotation is not readily available is its fair market value on the Valuation Date on which the Net Asset Value is being determined as determined by the Valuation Agent (generally the Valuation Agent values such asset at cost until there is a clear indication of an increase or decrease in value);
- (f) any market price reported in currency other than Canadian dollars is converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates; and
- (g) listed securities subject to a hold period are valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists are valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent.

The value of any security or property to which, in the opinion of the Valuation Agent, in consultation with the Company, the above principles should not be applied or are inappropriate (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Valuation Agent, in consultation with the Company, from time to time adopts.

The Net Asset Value per Share is equal to the Net Asset Value divided by the sum of the number of Voting Common Shares and Non-Voting Common Shares then outstanding (the "**Net Asset Value per Share**") and will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Company may rely upon (which rules and policies may differ from International Financial Reporting Standards). The Net Asset Value per Share is calculated in Canadian dollars.

5. CALCULATION OF NET ASSET VALUE

The Valuation Agent calculates the Net Asset Value per Share as at the close of business on each Valuation Date. The Company makes the Net Asset Value per Share available at www.dkincomecorp.com. The Company may suspend the calculation of Net Asset Value for: (i) the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Total Assets are listed and traded; or (ii) any period during which the Board of Directors determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of the assets of the Company. The suspension of the calculation of Net Asset Value shall terminate in any event on the first business day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Company, any declaration of suspension made by the Board of Directors shall be conclusive.

6. PURCHASES OF VOTING COMMON SHARES AND NON-VOTING COMMON SHARES

The issued and outstanding Voting Common Shares were initially issued to holders in connection with the Initial Public Offering and were listed for trading on the TSX under the symbol DNC. Following the Cash Distribution, the Company no longer met the continued listing requirements of the TSX. As a result, the Voting Common Shares were delisted from the TSX on April 15, 2014. Accordingly, there is no active market through which the Voting Common Shares may be purchased or sold.

The issued and outstanding Non-Voting Common Shares were initially issued to holders on a private placement basis. The Non-Voting Common Shares are not listed on any stock exchange. Accordingly, there is no market through which the Non-Voting Common Shares may be sold.

7. REDEMPTION OF SECURITIES

The Shares are not redeemable by the Shareholders. The Shares may be redeemed by the Company in connection with the termination of the Company in accordance with the terms of the current Articles. See "Description of the Securities of the Company – Termination of the Company".

8. RESPONSIBILITY FOR COMPANY OPERATIONS

8.1 The Company

The Executive Officers and the Board of Directors together with the Investment Advisor are responsible for the management and stewardship of the Company. The Board of Directors is currently composed of 3 directors. Directors are appointed to serve on the Board of Directors by the holders of Voting Common Shares until the time that they retire or are removed and successors are appointed. The name, municipality of residence, office and principal occupation of each of the Directors and officers of the Company are as follows:

Name, Municipality of Residence and Position with the Company	Number of Voting Common Shares Beneficially Owned or Controlled	Date First Appointed	Principal Occupation with the Past 5 Years
Wayne Deans ⁽¹⁾ Vancouver, British Columbia	400,000	March 16, 2009	Chief Executive Officer and a Director of the Investment Advisor, a respected British Columbia-based investment firm focused on high income and growth mandates.
Craig Langdon ⁽¹⁾ Vancouver, British Columbia	40,000	February 5, 2009	President, Co-Chief Investment Officer and director of the Investment Advisor.
Dillon Cameron ⁽¹⁾ Vancouver, British Columbia	18,540	June 25, 2014	Co-Chief Investment Officer of the Investment Advisor.
Kelsey Dunwoodie ⁽¹⁾ Vancouver, British Columbia	-	January 15, 2016	Chief Financial Officer

Note:

(1) Member of the Audit Committee

8.2 The Manager

The Investment Advisor acts as the investment fund manager of the Company. See "Responsibility for Company Operations – The Company" and "Responsibility for Company Operations – Investment Advisor".

8.3 Investment Advisor

Deans Knight Capital Management Ltd., the Investment Advisor and a company incorporated on September 28, 1992 pursuant to the *Canada Business Corporations Act*, was retained by the Company in connection with its Initial Public Offering to provide investment advisory and portfolio management services to the Company pursuant to an advisory agreement (the "**Former Investment Advisor Agreement**") between the Investment Advisor and the Company. Following the 2014 Special Meeting and the shifting of the focus of the Company to the Modified Business Objectives, the Company and the Investment Advisor terminated the Former Investment Advisor Agreement and on May 20, 2014, entered into a services agreement (the "**Current Services Agreement**"). The principal office of the Investment Advisor is 1500 – 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2.

The Investment Advisor is a respected British Columbia-based investment firm focused on high income and growth mandates. Formed in 1992, the Investment Advisor is also the manager of several other specialized funds and has total assets under management of approximately \$779 million. The Investment Advisor has an experienced management team and a long history of successful investing in corporate debt securities. Affiliated Managers Group, an asset management holding company based in Boston, Massachusetts, which had in excess of US\$611 billion of assets under management as at December 31, 2015 in affiliated firms, owns a minority stake in the Investment Advisor.

The Investment Advisor has focused exclusively on two investment strategies since it was established in 1992: managing specialized portfolios that maximize income and specialized portfolios that maximize growth. The Investment Advisor has considerable experience generating a high level of income through investing in corporate bonds and income trusts and other debt-like securities. It is also recognized for generating capital growth through investing in the equity of undervalued companies. The table below sets out information in respect of the Investment Advisor's assets under management.

FUNDS MANAGED BY DEANS KNIGHT ⁽¹⁾

	Total (\$MM)
Income Mandates ⁽²⁾	\$220
Equity Mandates ⁽³⁾	\$559
	\$779

*Source: Deans Knight Capital Management Ltd.

Notes:

- (1) As of February 29, 2016.
- (2) Includes Deans Knight Income Fund, the Company's portfolio and segregated income mandates.
- (3) Includes various Deans Knight Growth Funds and segregated growth mandates.

Portfolio Management Team

The portfolio managers who are responsible for the management of the Company's investment portfolio (as necessary in connection with the Modified Business Objectives) are Wayne Deans, Craig Langdon and Dillon Cameron. A description of the experience and background relevant to the business of the Company for each of the relevant members of the Investment Advisor's team follows:

Wayne Deans co-founded the Investment Advisor in 1992 and leads the investment process for all equity portfolios. Wayne was formerly President and Equity Portfolio Manager at MK Wong & Associates of Vancouver. Prior to MK Wong & Associates, Wayne was a Vice-President and Director with Wood Gundy after spending 10 years with the Bank of Canada. Wayne earned a Bachelor of Commerce degree at Sir George Williams University in 1968 and an MBA from McMaster University in 1970. In 1996, he was named Canadian Mutual Fund Manager of the Year at the Analysts Choice Awards. Wayne has been the Chairman, Chief Executive Officer and Director of the Manager and Advisor for the last 5 years and resides in Vancouver, BC.

Craig Langdon, CA, CFA joined the Investment Advisor in January 2000. Prior to joining Deans Knight, Craig was a Manager with PricewaterhouseCoopers LLP. Craig graduated from Wilfrid Laurier University in 1996 with a Bachelor of Business Administration Degree and received his Chartered Accountant Designation in 1998 and his Chartered Financial Analyst Designation in 2001. Craig has been the President, Co-Chief Investment Officer and Director of the Manager for the last 5 years and resides in North Vancouver, BC.

Dillon Cameron, CFA joined the Investment Advisor in September 2000. Prior to joining Deans Knight, Dillon worked on the trading floor at Scotia Capital Inc. in Toronto. Dillon graduated from Bishop's University in 1999 with a Bachelor of Business Administration degree majoring in Finance and received his Chartered Financial Analyst designation in 2002. Dillon is the Co-Chief Investment Officer of the Manager and resides in Vancouver, BC.

Additional Directors and Officers

The above mentioned members of the Investment Advisor's portfolio management team are also Directors of the Company. Additionally, the following individuals are also either directors or officers of the Company or Investment Advisor, as noted below:

Kelsey Dunwoodie, CA joined the Investment Advisor in 2010. Prior to joining the Investment Advisor, Kelsey was an Audit & Assurance Manager with PricewaterhouseCoopers LLP. Kelsey obtained her Bachelor of Commerce (Honour Roll) from the University of British Columbia and her Chartered Accountancy from the Canadian Institute of Chartered Accountants. Kelsey resides in Coquitlam, BC. Kelsey was appointed as the Chief Financial Officer of the Company on January 15, 2016, the title previously held by Mark Myles who ceased to be the Chief Financial Officer of the Company also effective on January 15, 2016.

Benjamin M. Scott is Vice President of AMG Wealth Partners, LP ("**AMG WP**"), a division of Affiliated Managers Group, Inc. ("**AMG**"). AMG (NYSE: AMG) is an institutional partner of the Investment Advisor. AMG is a global asset management company with investments in leading boutique investment management firms. Ben joined AMG WP in 2011 after 7 years as a senior manager in AMG's Affiliate Development group. Ben joined AMG in 2004 and became Vice President in 2006. Prior to joining AMG, Ben was an Associate with UBS Investment Bank. Ben holds a B.S. from the University of Massachusetts Amherst where he was elected to Phi Beta Kappa. Ben resides in Palm Beach Gardens, FL, USA and is a director of the Investment Advisor.

Umesh Vallipuram is Vice President for Affiliated Development at AMG Canada Corp. AMG Canada Corp. is a wholly owned subsidiary of AMG. Prior to joining AMG Canada Corp. in April 1998, Umesh was a Senior Associate with PricewaterhouseCoopers LLP. Umesh graduated from University of Waterloo in 1995 with a Bachelor of Arts degree, and received his Chartered Accountant designation in 1997. Umesh currently resides in Toronto, ON and is a director of the Investment Advisor.

Current Services Agreement

Pursuant to the Current Services Agreement, the Investment Advisor assists the Company with the Modified Business Objectives. A copy of the Current Services Agreement is available for review under the Company's SEDAR profile at www.sedar.com. Other than a nominal fee in the amount of \$10.00 per month, the Investment Advisor does not receive any fees from the Company under the Services Agreement however the Investment Advisor is reimbursed for any expenses or disbursements incurred by it on behalf of the Company.

The Company can terminate the Current Services Agreement: (i) in the event that the Investment Advisor is in default in any material respect in the performance of any duties or obligations under the Current Services Agreement which default is not cured within 30 days' written notice of such default by the Company; (ii) immediately upon the insolvency or liquidation of the Investment Advisor or if the Investment Advisor becomes bankrupt or passes a resolution approving its liquidation, winding-up or dissolution or in the case of its deemed dissolution or in the case it makes a general assignment for the benefit of its creditors; (iii) immediately if the Investment Advisor loses its registration as an investment counsel/portfolio manager with the Ontario Securities Commission or the British Columbia Securities Commission, unless the Investment Advisor can continue to fulfil its requirements under the Current Services Agreement in accordance with all applicable legislation and policies; or (iv) upon the provisions of not less than 90 days' written notice to the Investment Advisor.

The Current Services Agreement may be terminated by the Investment Advisor: (i) in the event that the Company is in default in any material respect in the performance of any duties or obligations under the Current Services Agreement which default is not cured within 30 days' written notice of such default by the Investment Advisor; (ii) immediately upon the insolvency or liquidation of the Company, or if the Company becomes bankrupt or passes a resolution approving its winding-up or dissolution or in the case of its deemed dissolution or makes a general assignment for the benefit of its creditors; (iii) upon the provision of 90 days' written notice to the Company; or (iv) on the effective date of any Change of Control (as defined in the Current Services Agreement).

Under the Current Services Agreement, the Investment Advisor is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Company and its Shareholders and must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Under the terms of the Current Services Agreement, the Investment Advisor shall not be liable in carrying out its duties under the Current Services Agreement, including for any loss or diminution in value of the Company's assets or any loss or damage caused to the Company or any Shareholder relating to permitted loans or indebtedness of the Company or for any insufficiency of income from or any depreciation in the value of any investments in or upon which any of the moneys of or belonging to the Company shall be invested or by virtue of the acquisition or disposition of any such investments or for any other loss or damage to the Company's assets which may occur during or in the course of the performance by the Investment Advisor of its rights, duties, powers, discretions, authorities, obligations and responsibilities under the Current Services Agreement, except to the extent that the loss or damage results from the wilful misconduct, bad faith, gross negligence or reckless disregard by the Investment Advisor of its duties, obligations and responsibilities, or the Investment Advisor has failed to meet its standard of care.

The Investment Advisor and each of its Directors, Officers, employees and agents (collectively, the "**Investment Advisor Indemnified Parties**") shall be indemnified and saved harmless by the Company for all liabilities, costs and expenses incurred in connection with any claim, action, suit or proceeding that is proposed or commenced or any other claim that is made against any Investment Advisor Indemnified Party in the exercise of its duties as Investment Advisor or a Director, Officer, employee or agent thereof if they do not result from the wilful misconduct, bad faith, gross negligence or reckless disregard by the Investment Advisor Indemnified Party of its duties, obligations and responsibilities, or the Investment Advisor Indemnified Party has failed to meet its standard of care.

The Company and its Directors, officers, employees and agents (collectively, the "**Company Indemnified Parties**"), shall be indemnified and reimbursed by the Investment Advisor against all losses, claims, judgments, fines, penalties, interest, liabilities and expenses reasonably incurred in connection with any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted, in or about or in relation to the Investment Advisor's duties under the Current Services Agreement, except for losses, claims, judgments, fines, penalties, interest, liabilities and expenses resulting from the Company Indemnified Party's wilful misconduct, bad faith, gross negligence, or material breach or material default of the Company's obligations under the Current Services Agreement.

The services of the Investment Advisor under the Current Services Agreement are not exclusive to the Company and nothing in the Current Services Agreement prevents the Investment Advisor from providing similar portfolio advisory services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities. The Directors and Officers of the Company are also Directors, Officers and/or employees of the Investment Advisor.

Code of Ethics and Standards of Professional Responsibility

The Investment Advisor has a Code of Ethics and Standards of Professional Conduct (the "**Code of Ethics**") which applies to all of its employees. The Code of Ethics is in place to protect the interest of all of the Investment Advisor's clients. The Code of Ethics provides policies governing the conduct of business including conflicts of interest, privacy issues and confidentiality.

Policies and Practices

The Investment Advisor has policies and practices in place in order to comply with applicable securities laws, regulations and rules, including risk management policies and procedures.

The Company may use derivatives from time to time. Any use of derivatives by the Company is governed by the Investment Advisor's policies and procedures relating to derivatives trading. These policies and procedures are prepared and reviewed at least annually by senior management of the Investment Advisor. The decision as to the use of derivatives is made by senior portfolio managers of the Investment Advisor in accordance with the compliance procedures and risk control measures of the Investment Advisor.

8.4 Conflicts of Interest

The Investment Advisor is engaged in a variety of investment management, investment advisory and other business activities. The services of the Investment Advisor under the Current Services Agreement are not exclusive and nothing in the Current Services Agreement prevents the Investment Advisor or any of its affiliates from providing similar or other services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. The Investment Advisor's investment decisions in respect of the Company are made independently of those made for its other clients and independently of its own investments.

8.5 Voting Rights in the Portfolio Securities

Shareholders do not have any voting rights in respect of the securities held in the Company's investment portfolio. The Company has delegated to the Investment Advisor the responsibility for voting on matters for which the Company receives, in its capacity as a security holder, proxy materials for a meeting of security holders of an issuer included in

the Company's investment portfolio. In addition, the Investment Advisor has implemented proxy voting conflict guidelines to address conflicts of interests that may arise in connection with the Investment Advisor's exercise of voting rights on behalf of others.

8.6 Allocation of Brokerage Commissions

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 Company 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 Investment Advisor 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 issues, industries, securities, economic factors and trends. This allows the Company to supplement its own investment research activities and obtain the views and information of others prior to making investment decisions. The Company 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 Company's research. Brokerage transactions may also be allocated to dealers affiliated with the Investment Advisor, on terms, including fees and commissions, not less favourable than would be offered to other similar clients of such affiliated dealers.

As of the date hereof, no brokerage commissions have been directed by the Company or the Investment Advisor to third parties for soft dollar arrangements.

8.7 Audit Committee

The audit committee's mandate includes reviewing the semi-annual and annual reports that are sent to Shareholders, providing the independent auditors of the Company with a means to raise any unresolved issues with management and with the vehicle to maintain their independence. Prior to the 2014 Special Meeting, the fees and expenses of the Audit Committee were paid by the Company which consisted of \$1,500 per member per meeting, with an additional \$7,500 for the chair. Following the 2014 Special Meeting and the subsequent annual meeting of holders of Voting Common Shares on June 25, 2014, the Audit Committee was reconstituted and no fees are paid to the current members of the Audit Committee.

8.8 Auditors

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Vancouver, British Columbia.

8.9 Custodian

RBC Investor & Treasury Services Trust (the "**Custodian**") acts as the custodian of the Company's assets pursuant to a custodian agreement entered into between the Company and the Custodian, as it may be amended from time to time (the "**Custodian Agreement**"). The address of the Custodian is 1055 West Georgia Street, Vancouver, British Columbia V6E 3S5. The Custodian may employ sub-custodians as considered appropriate by the Company in the circumstances.

8.10 Registrar and Transfer Agent

Computershare Trust Company of Canada is the registrar, transfer agent and distribution agent for the Voting Common Shares. The register and transfer ledger is kept by the registrar at its principal stock and bond transfer offices located in Vancouver, British Columbia and in Toronto, Ontario.

9. CONFLICTS OF INTEREST

9.1 Principal Holders of Securities

As of March 29, 2016, there are 10,191,592 Voting Common Shares issued and outstanding and to the knowledge of the directors and executive officers of the Company and based on information as at the date hereof, there are no persons who own, control or direct, directly or indirectly, more than 10% of the outstanding Voting Common Shares.

As of March 29, 2016, there are 345,671 Non-Voting Common Shares issued and outstanding and to the knowledge of the Directors and Executive Officers of the Company, all such Non-Voting Common Shares are held by Matco.

The Investment Advisor is owned by the employees of the Investment Advisor and Affiliated Managers Group Inc. ("AMG"). AMG currently owns 20.3% of the shares of the Investment Advisor, Wayne Deans owns 23.0% of the Investment Advisor, Craig Langdon owns 15.2% of the Investment Advisor, and Dillon Cameron owns 11.7% of the Investment Advisor.

As at February 29, 2016, in aggregate, Directors and Senior Officers of the Company own 4.4% of the issued and outstanding Voting Common Shares.

9.2 Securities Held by Members of the Independent Review Committee

Other than as disclosed in this Annual Information Form, the current members of the Company's independent review committee (the "**Independent Review Committee**") do not beneficially own, directly or indirectly, in the aggregate: (i) in excess of ten percent of the securities of the Company; (ii) any securities of the Investment Advisor; or (iii) any securities in any person or company that provides services to the Company or the Investment Advisor.

Mr. Ross, a member of the Independent Review Committee, holds 25,555 Voting Common Shares. Mr. Ross is also a Managing Director of Matco, which holds 129,146 Voting Common Shares and 345,671 Non-Voting Common Shares.

Mr. Hampson, a member of the Independent Review Committee, does not hold any shares of the Company. Mr. Hampson is an Independent Businessman. He is also a client of the Investment Advisor and has personally invested in other funds managed by the Investment Advisor.

Mr. Robert Rothstein is a Partner at Farris, Vaughan, Wills & Murphy LLP ("**Farris**"), which law firm provides legal services to the Investment Advisor. Mr. Rothstein does not hold any shares of the Company or the Investment Advisory.

The Company, the Investment Advisor and the IRC have each determined that Messrs. Ross, Hampson and Rothstein are independent for the purposes of National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("**NI 81-107**"). See also the report of the Independent Review Committee dated March 24, 2016 and available for review under the Company's SEDAR profile at www.sedar.com.

9.3 Affiliated Entities

The Company is not an "affiliated entity" of any other person or company.

10. COMPANY GOVERNANCE

10.1 Introduction

The Company has its own Board of Directors and Audit Committee which are responsible for the overall stewardship of the business and affairs of the Company. Details regarding the names, principal occupations, recent relevant experience and background of the individual members of the Board of Directors are set out in Section 8.1 of this Annual Information Form.

The Audit Committee consists of three (3) members. The membership of the Audit Committee complies with requirements of Section 171 of the *Canada Business Corporations Act*. The responsibilities of the Audit Committee include, but are not limited to, review of the Company's financial statements and the annual audit performed by PricewaterhouseCoopers LLP ("**PwC**"), the auditors of the Company; oversight of internal controls and of the Compliance with tax laws and regulations. PwC reports to the Board of Directors and the Audit Committee and PwC have direct communication channels to discuss and review specific issues as appropriate.

The Board of Directors, in consultation with the Investment Advisor, is responsible for developing the Company's approach to governance issues. To ensure the proper management of the Company and compliance with regulatory requirements, the Board of Directors and the Investment Advisor have adopted policies, procedures and guidelines relating to business practices, risk management control and internal conflicts of interest.

10.2 Dividend Policy

The holders of the Shares are entitled to receive dividends, in the amounts and if and when declared by the directors out of monies of the Company lawfully available for the payment of dividends, in such amounts as determined in the absolute discretion of the Directors from time to time.

Until December 31, 2013, the Company declared and paid a monthly cash dividend to Shareholders, which targeted to pay out a minimum of 75% of the Company's net earnings annually (which excluded any realized capital gains and losses from debt securities in the Company's investment portfolio and any income or loss not derived from debt securities in the Company's investment portfolio). On December 9, 2013 in connection with the announcement of the proposed Cash Distribution, the Company announced it would cease paying its monthly dividend in January 2014. In 2015, the Company declared and paid a dividend of \$0.20 per share after the liquidation of one of its Remaining Securities. Other than in respect of the distributions, if any, to be made to Shareholders in connection with the Modified Business Objectives, the Company has no intentions of declaring a dividend or other distribution to Shareholders at this time. See "Investment Restrictions & Strategies".

10.3 Independent Review Committee

Pursuant to NI 81-107, the Company has established the Independent Review Committee to review conflicts of interest.

The Independent Review Committee functions in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Company on conflict of interest matters that the Company has referred to the Independent Review Committee for review. The Company is required to identify conflict of interest matters inherent in its management of the Company and request input from the Independent Review Committee 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 Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Company and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee reports annually to Shareholders of the Company which report is available free of charge upon request to the Company and is also posted on the Company's website at www.deansknight.com.

Fees and expenses of the Independent Review Committee are paid by the Company. Compensation for each member of the Independent Review Committee, in their capacity as a member of such committee, is \$1,500 per member per meeting attended and an annual retainer of \$3,000 per member, with an additional \$1,500 for the chair.

The Company has appointed the following members to the Independent Review Committee: Philip Hampson, Alan Ross and Robert Rothstein.

10.4 Use of Derivatives

While the Investment Advisor does not anticipate the use of derivatives in connection with the pursuit of the Modified Business Objectives, the Investment Advisor may choose to use derivatives such as forward contracts and other permitted derivatives as long as the use of these derivatives is permitted by applicable law. It may use derivatives: (i) to hedge against losses from movements in stock markets, currency exchange rates or interest rates; or (ii) to gain indirect exposure to individual securities or markets instead of buying the securities directly; or (iii) to seek to generate additional income; or (iv) to profit from declines in financial markets. It is not anticipated that if and when used, derivatives will comprise a material portion of the Company's investment portfolio.

10.5 Securities Lending

The Company does not anticipate that it will lend securities. However, in order to assist with the orderly facilitation of the Modified Business Objectives, the Company may, subject to applicable law, lend securities to borrowers acceptable to the Company pursuant to the terms of a securities lending agreement between the Company and such borrower (a "**Securities Lending Agreement**"). Under a Securities Lending Agreement: (i) the borrower will pay to the Company a negotiated securities lending fee and will make compensation payments to the Company equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Company will receive collateral security consisting of cash in Canadian dollars, Canadian or U.S. dollar debt obligations of, or guaranteed by, the Government of Canada, a province of Canada, the U.S. or one of the states of the U.S., or such other collateral as shall be agreed upon and which is prescribed by NI 81-102.

10.6 Proxy Voting

The proxies associated with securities held by the Company are voted in accordance with the best interests of Shareholders determined at the time the vote is cast. The Company has delegated to the Investment Advisor the responsibility for voting on matters for which the Company receives, in its capacity as a security holder, proxy materials for a meeting of security holders of an issuer included in the Company's investment portfolio. The Investment Advisor 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 Investment Advisor's proxy voting policies and procedures set out various considerations that the Investment Advisor will address when voting, or refraining from voting, proxies, including that:

- (a) it 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 Shareholders;
- (b) it 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 Company's Net Asset Value; and
- (c) it has the discretion whether or not to vote on routine or non-routine matters. In cases where it determines that it is not in the best interests of Shareholders to vote, or in cases where no value is added by voting, it will not be required to vote.

The Company posts the proxy voting record on www.deansknight.com no later than August 31 of each year. The Company also sends the most recent copy of the proxy voting policies and procedures and proxy voting record, without charge, to any Shareholder upon a request made by the Shareholder after August 31.

10.7 Short-Term Trading Policy

The Voting Common Shares are not currently traded on any stock exchange. The Company does not have policies and procedures in place to monitor, detect and deter short-term trading.

11. FEES AND EXPENSES PAYABLE BY THE COMPANY

11.1 Fee Payable to the Investment Advisor

Pursuant to the terms of the Current Services Agreement (as defined herein), other than a nominal fee in the amount of \$10.00 per month, the Investment Advisor does not receive any fees under the Current Services Agreement however the Investment Advisor is reimbursed for any expenses or disbursements incurred on behalf of the Company.

11.2 Operating Expenses of the Company

The Company pays all of its own expenses and the Investment Advisor's expenses incurred in connection with its duties under the Current Services Agreement. Such fees and expenses borne by the Company include, without limitation:

- (a) fees and expenses payable to any external Directors of the Company;
- (b) fees and expenses payable to the Independent Review Committee;
- (c) brokerage and trading commissions and other expenses associated with the execution of transactions in respect of the Company's investment portfolio;
- (d) the Investment Advisor's expenses incurred in connection with its duties as the Investment Advisor;
- (e) fees payable to the Registrar and Transfer Agent of the Shares or other securities of the Company;
- (f) fees payable to any custodians and/or sub-custodians of the portfolio securities and other assets of the Company as well as the fees of the fund valuation agent and other service providers;
- (g) legal, audit, and valuation fees and expenses;
- (h) costs and expenses relating to the offering and issue of securities of the Company (including the costs of printing and preparing offering documents, legal expenses, auditing expenses, and other reasonable out-of-pocket expenses);
- (i) fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the securities of the Company are listed or quoted;
- (j) securities regulatory authorities' participation fees;
- (k) expenses and costs incurred in connection with the Company's continuous disclosure public filing requirements and investor relations; the preparation and supervision costs relating to the calculation and publication of the Net Asset Value;
- (l) the provision of office supplies and clerical services;
- (m) costs and expenses of preparing, printing, and mailing financial and other reports to holders of Shares, material for shareholders' meetings and securities regulatory filings;
- (n) costs and expenses of communication;

- (o) costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; and
- (p) all taxes (including income, capital, federal goods and services tax, provincial/territorial sales taxes and harmonized sales tax); the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Company.

12. CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Voting Common Shares who, within the meaning of the Tax Act is or is deemed to be resident in Canada for the purposes of the Tax Act, deals at arm's length with the Company, is not affiliated with the Company and holds the Voting Common Shares as capital property.

Generally, the Voting Common Shares will be capital property to a holder provided the holder does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of a trade. Certain holders who might not otherwise be considered to hold Voting Common Shares as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a holder who is a "financial institution" for the purposes of the "mark-to-market rules", to a holder an interest in which would be a "tax shelter investment", to a holder who has elected to determine its Canadian tax results in a "functional currency" (which does not include Canadian currency), or to a holder that is a "specified financial institution" or a "restricted financial institution", each as defined in the Tax Act. Such holders should consult their own tax advisors. This summary also assumes that the Corporation will continue to qualify as a "public corporation" for purposes of the Tax Act at all times.

For the purposes of this summary, it is assumed that the Voting Common Shares will not be "taxable preferred shares" or "short-term preferred shares" as defined in the Tax Act.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder. Accordingly, prospective holders are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance prior to the date hereof (the "**Proposals**"), counsel's understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the "**CRA**"). This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

Additional considerations, not discussed herein, may be applicable to a shareholder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of Voting Common Shares, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such shareholders should consult their tax advisors with respect to the consequences of acquiring Voting Common Shares.

12.1 Taxation of the Company

The Company will not be a "mutual fund corporation" and will therefore be subject to tax under the Tax Act in respect of its income and gains under the rules generally applicable to "taxable Canadian corporations" under the Tax Act.

Furthermore, the Company may be a "restricted financial institution" for purposes of the Tax Act and may, therefore, be subject to the "mark-to-market rules" under the Tax Act.

12.2 Taxation of Shareholders

Dividends

Dividends (including deemed dividends) received on the Voting Common Shares by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Company as "eligible dividends" in accordance with the Tax Act.

Dividends (including deemed dividends) on the Voting Common Shares received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Voting Common Shares to the extent such dividends are deductible in computing its taxable income.

Redemption

If the Company redeems or otherwise acquires the Voting Common Shares, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any by which the amount paid by the Company or the fair market value of the property received, as the case may be, exceeds the paid-up capital of such shares at such time (as computed for purposes of the Tax Act). See "Dividends" above.

The difference between the amount paid by the Company or the fair market value of the property received, as the case may be, and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "Dispositions" below.

In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

Dispositions

A holder who disposes of or is deemed to dispose of the Voting Common Shares (other than on redemption of the shares or other acquisition by the Company unless purchased on a tax-deferred exchange or by the Corporation in the open market in the manner in which shares are normally purchased by any member of the public in the open market) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption or acquisition by the Company of Voting Common Shares will generally not be included in computing the proceeds of disposition of a holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such capital loss must be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Any such capital gain realized by an individual may give rise to a liability for

minimum tax. Taxable capital gains of a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

12.3 Eligibility for Investment

Provided that the Corporation continues to qualify as a "public corporation" (as defined in the Tax Act) at the particular time the Voting Common Shares will be qualified investments under the Tax Act at such time for trusts governed by registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("TFSA") (each a "**Registered Plan**").

Notwithstanding that the Voting Common Shares may be qualified investments for an RRSP, an RRIF or a TFSA, the annuitant or holder ("annuitant") of the RRSP, RRIF or TFSA, as the case may be, will be subject to adverse tax consequences on Voting Common Shares held in the RRSP, RRIF or TFSA if such Voting Common Shares are "prohibited investments" for the purposes of the Tax Act. The Voting Common Shares will generally be "prohibited investments" if the annuitant (i) does not deal at arm's length with the Company for the purposes of the Tax Act, or (ii) has a "significant interest" (within the meaning of the Tax Act) in the Company. Prospective investors who intend to hold Voting Common Shares in their RRSPs, RRIFs or TFSAs should consult their own tax advisers with respect to their individual circumstances.

13. REMUNERATION OF DIRECTORS AND OFFICERS

The current executive officers and other employees which provide services to the Company from time to time are all executive officers and employees of the Investment Advisor.

Other than the payment of fees to the members of the Independent Review Committee, the Company pays no compensation to its directors, executive officers or other employees. See "Directors Summary Compensation Table" below. The current directors, executive officers and other employees which provide services to the Company from time to time are all, other than the members of the Independent Review Committee, currently executive officers and/or employees of the Investment Advisor. As such, the Company pays no additional compensation to its current directors or officers and the information provided in the "Summary Compensation Table" below is in respect of fees paid to members of the Independent Review Committee during 2015.

Summary Compensation Table

The following table sets forth for the year ended December 31, 2015, information concerning the compensation paid to the members of the Independent Review Committee. The current directors of the Company, being Messrs. Deans, Langdon and Cameron, are also employees of the Investment Advisor and did not receive any compensation for acting as directors (or officers) of the Company:

Name	Independent Review Committee Fees Earned	Share-based awards (\$)	Option-based awards (\$)	Non-equity Incentive plan Compensation (\$)	Pension Value (\$)	All other Compensation (\$)	Total (\$)
Robert Rothstein ⁽¹⁾	4,500	-	-	-	-	-	4,500
Philip Hampson ⁽¹⁾²	4,725	-	-	-	-	-	4,725
D. Alan Ross ⁽¹⁾³	6,000	-	-	-	-	-	6,000

Notes:

- Each member of the Independent Review Committee received \$1,500 for each committee meeting attended and an annual retainer of \$3,000, with the Chair of the Independent Review Committee receiving an additional \$1,500.
- A payment of \$4,725 to Philip Hampson is inclusive of \$225 (5%) GST.
- Chair of the Independent Review Committee.

14. MATERIAL CONTRACTS

The only current material contracts entered into by the Company or the Investment Advisor are as follows:

- (a) the Current Services Agreement; and
- (b) the Custodian Agreement.

Copies of the foregoing documents are available for review under the Company's SEDAR profile at www.sedar.com and may also be examined during normal business hours at the principal office of the Company. For a description of the rights, privileges, restrictions and conditions of the Voting Shares and Non-Voting Shares, see "Description of the Securities of the Company". The Articles are also available for review under the Company's SEDAR profile at www.sedar.com.

15. LEGAL AND ADMINISTRATIVE PROCEEDINGS

Other than as set forth in this Annual Information Form, there are no ongoing legal or administrative proceedings material to the Company, pursuant to which the Company is a party. See "Name, Formation and History of the Company – Prior Business of the Company" for information in respect of the CRA Matter.

16. OTHER MATERIAL INFORMATION

16.1 Risk Factors

An investment in the Voting Common Shares involves a number of risk factors that should be considered by a prospective investor, including the risk factors set out below.

Risk Factors Related to an Investment in the Company

Availability of Tax Attributes

There can be no assurance that the tax attributes of the Company will be available in the amount expected or at all to offset income or gains generated by the Company's investment portfolio, or tax otherwise payable in respect thereof. While the Company is confident that such tax attributes will be available, there is a possibility that the CRA could successfully challenge the amount of such tax attributes or their availability to the Company or that legislation could be enacted or amended with a similar effect, thereby adversely affecting the ability of the Company to fund dividends or other distributions to Shareholders in the expected manner or amount.

Ongoing Tax Audit and Reassessment

The Company has received the NORAs from the CRA wherein the CRA has indicated in the that it is denying the use of certain tax attributes by the Company on the basis that an acquisition of control of the Company occurred and on the basis of the General Anti-Avoidance Rule in the Tax Act. The Company, in consultation with its advisors, remains of the view as of the date hereof that its tax filing position is appropriate, and does not believe any additional assessment of income tax by the CRA is appropriate. **However, there can be and there is no guarantee that the Company will be successful in defending its tax filing position. If the Company is unsuccessful in defending its tax filing position, then any tax assessed to the Company by the CRA, plus any applicable interest and penalties, will have to be paid to the CRA, and there would be no further amount, relating to the Potential Tax Liability, to distribute to Shareholders. This may have a material adverse effect on the Company and the net asset value of the Company.** See "Name, Formation and History of the Company – Prior Business of the Company".

Going Concern

At the 2014 Special Meeting, the Company received approval from Shareholders for the Capital Reduction Resolution and the Article Amendment Resolution. On April 30, 2014, the Company paid the Cash Distribution to Shareholders

and shortly thereafter, the Articles were amended to extend the Termination Date and remove the Initial Investment Restrictions and the Initial Investment Objectives. See "Name, Formation and History of the Company – Prior Business of the Company". Therefore, the audited financial statements for the Company's fiscal years ended December 31, 2014 and 2015 have been prepared on a "going concern basis", which is described more fully in such financial statements. The principal factor in extending the termination date of the Company was to allow the Company to attend to the CRA Matter. **The Company does not anticipate that there will be a resolution to the CRA Matter in the next twelve months.** In accordance with Canadian generally applied accounting principles and based upon key factors listed herein, the Company believes a going concern note in the Company's financial statements is appropriate. The application of a "going concern" depends upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's financial statements for the fiscal year ended December 31, 2014 and 2015 do not contain any adjustments to the amounts, recoverability or classification of assets and liabilities that may be necessary should the Company be unable to continue operating as a going concern. Such adjustments could be material and could have a material adverse effect on the Company and the value and/or market price of its Shares.

No Assurances of Meeting Business Objectives

As of December 31, 2013, the Company terminated its monthly dividend program in anticipation of the Modified Business Objectives. There can be no assurance that the Company will be successful in earning a positive return in the short or long term. The Net Asset Value of the Company will vary with factors beyond the control of the Company or the Investment Advisor, including the ability of the issuers of the corporate debt securities in the Company's investment portfolio from time to time to pay the interest on or repay the principal of such securities. An investment in the Voting Common Shares is therefore appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of some or all of the targeted dividends not being paid in any given month.

Reliance on the Investment Advisor

The Company relies on the ability of the Investment Advisor to manage the Company's assets pursuant to the Current Services Agreement. The Investment Advisor will make the investment decisions in respect of the Company's investment portfolio upon which the success of the Company will depend significantly. No assurance can be given that the approach utilized by the Investment Advisor in respect of the Company's investment portfolio and in connection with the Modified Business Objectives will prove successful.

The portfolio managers of the Investment Advisor who are primarily responsible for the management of the Company's investment portfolio have extensive experience in managing investment portfolios. However, there is no certainty that the Investment Advisor will continue to be engaged to provide services to the Company for the entire life of the Company, and there is no certainty that portfolio managers of the Investment Advisor responsible for providing such services will continue to be employees of the Investment Advisor throughout the entire life of the Company.

Reliance on Key Personnel

The Company and Investment Advisor depend, to a great extent, on the services of a limited number of individuals in connection with the services provided to the Company. The loss of such services or the loss of some key individuals could impair the ability of the Company and Investment Advisor to perform its management activities and services.

The Lack of a Redemption Feature

The Voting Common Shares may, in the event that a market develops for the Voting Common Shares (for which there is no guarantee), trade at a discount to Net Asset Value per Voting Common Share because the Voting Common Shares do not have a redemption feature in favour of the holders thereof.

Trading Price of the Voting Common Shares Relative to Net Asset Value

Securities of certain exchange listed investment funds in Canada have traded at a discount from their net asset values. This risk associated with securities of a listed corporation is a risk separate and distinct from the risk that the Company's Net Asset Value may decrease. The Company cannot predict whether the Voting Common Shares will, if listed, trade at a discount from, a premium to, or at the Company's Net Asset Value.

The market price of the Voting Common Shares will likely be affected by macroeconomic developments around the world and market perceptions of the attractiveness of various economies, industries or companies.

The market price of the Voting Common Shares at any given point in time may not accurately reflect the Company's long-term value. The market price of the Voting Common Shares will be determined by, among other things, the relative demand and supply of the Voting Common Shares in the market, the Company's investment performance and investor perception of the Company's overall attractiveness as an investment as compared with other investment alternatives.

Lack of a Market for the Voting Common Shares

There is currently no market through which the Voting Common Shares may be sold and there is no guarantee than an active trading market will develop. Accordingly, holders of Voting Common Shares may not be able to resell Voting Common Shares. This may affect the pricing of the Voting Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Voting Common Shares and the extent of issuer regulation.

No Guaranteed Return

There is no guarantee that an investment in the Voting Common Shares will earn any positive return in the short term or long term.

Loss of Investment

An investment in the Company is appropriate only for investors who have the capacity to absorb a loss of all of their entire investment.

Status of the Company for Securities Law Purposes

The Company is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Voting Common Shares and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Voting Common Shares.

Inability to Obtain or Maintain Required Registrations

The Company may be required to be registered to trade in foreign securities in certain jurisdictions. An inability to obtain or maintain such registrations may adversely affect the Company's investment portfolio if the Investment Advisor is unable to sell securities already in the Company's investment portfolio or purchase securities in certain jurisdictions.

Leverage

While unlikely, the Company may borrow additional capital to assist with the pursuit of the Modified Business Objectives. The risk to Shareholders may increase if securities purchased with borrowed money decline in value. While the use of leverage can increase the rate of return, it can also increase the magnitude of loss in unprofitable positions beyond the loss which would have occurred if there had been no borrowings. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or

carried. Leveraging will thus tend to magnify the losses or gains from investment activities. No assurance can be given that a loan facility will be available on terms acceptable to the Company or at all at the time the Company intends to borrow.

If at any time leverage exceeds 25% of Net Asset Value of the Company or an amount owed is called by a lender, the Company may be required to liquidate securities in the Company's investment portfolio to comply with the restriction or to repay the indebtedness. Such sales may occur at a time when the market for the securities in the Company's investment portfolio is depressed, affecting the value of the Company's investment portfolio and the return to the Company. In addition, the Company may not be able to renew loan facilities on acceptable terms or at all.

There can be no assurance that the borrowing strategy employed by the Company will enhance returns, and it may in fact reduce returns.

Performance of the Company

There can be no assurance that the performance of the Company will be the same as other funds managed by the Investment Advisor, or that the performance of the Company will be similar to the results obtained by the Investment Advisor in the past, as past performance is not a guarantee of future performance.

Conflicts of Interest

The Company, the Investment Advisor and their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of one or more funds or trusts which invest in securities similar to the Company's investment portfolio. The directors and officers of the Company are directors, officers and/or employees of the Investment Advisor.

The Investment Advisor is engaged in a variety of investment management, investment advisory and other business activities. The services of the Investment Advisor under the Current Services Agreement are not exclusive and nothing in the Current Services Agreement prevents the Investment Advisor or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. The Investment Advisor's investment decisions in respect of the Company will be made independently of those made for its other clients and independently of its own investments.

Although none of the directors or officers of the Company or the Investment Advisor will devote his or her full time to the business and affairs of the Company, each will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Company.

Changes in Legislation and Administrative Policy

There can be no assurance that certain laws applicable to the Company, including Canadian and foreign income tax laws and securities laws, will not be changed in a manner which could adversely affect the Net Asset Value of the Company. In addition, there can be no assurance that the administrative policies and assessing practices of the CRA will not be changed in a manner which adversely affects the Shareholders. Any such changes could relate to deductions previously taken, or amounts claimed to date. The Company may also be affected by changes in regulatory requirements, customs, duties or other taxes in Canada or foreign jurisdictions. Such changes could, depending on their nature, benefit or adversely affect the Company.

Short Sale Positions

The Company does not anticipate engaging in short selling of securities in connection with the pursuit of the Modified Business Objectives however the Company is permitted to engage in short selling securities. A short sale of a security may expose the Company to losses if the price of the security sold short increases because the Company may be required to purchase such securities in order to cover its short position at a higher price than the price at which such securities were sold short. The potential loss on the short sale of securities is unlimited, since there is no limit on how

much the price of a security will appreciate before the short position is closed out. In addition, a short sale entails the borrowing of the security in order that the short sale may be transacted. There is no assurance that the lender of the security will not require the security to be repaid before the Company wishes to do so, thereby requiring the Company to borrow the security elsewhere or purchase the security in the market at an unattractive price. If numerous lenders of the security in the market simultaneously recall the same security, a "short-squeeze" may occur, whereby the market price of the borrowed security may increase significantly. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that a borrowing fee will not increase during the borrowing period, adding to the expense of the short sale strategy. In addition, there is no assurance that the security sold short can be purchased due to supply and demand constraints in the marketplace.

Liabilities from Prior Operations

From time to time, there may be legal proceedings pending or threatened against the Company relating to the prior business of the Company. There can be no assurance that any such litigation will be resolved without a material adverse effect on the Company.

Pursuant to the Reorganization, all of the assets of the Company were transferred to, and their related liabilities were assumed by, Forbes. In accordance with the asset purchase agreement between the Company and Forbes providing for the Reorganization, Forbes provided an indemnity to the Company with respect to liabilities relating to the Company's assets transferred to Forbes and the Company's prior business. However, the Company understands from public filings that Forbes has liquidated its operations and as a result, the Company believes that it would therefore be unable to recover from or seek recourse against Forbes in connection with any liability from prior operations of the Company whether in connection with the previously granted indemnity or otherwise. Additionally, the insurance policy that was initially obtained by Forbes, on behalf of the Company, in respect of potential liability from prior operations, has now expired and has not been renewed by the Company. As a result, it is possible that the Company may be found to be liable and wholly-responsible for claims or losses relating to the assets and liabilities transferred from the Company to Forbes. This may have a material adverse effect on the Company and its results of operations.

Risk Factors Relating to the Company's Investment Portfolio

Risks Associated with the Remaining Securities

The assets of the Company include the Remaining Securities, which include various equity instruments, corporate bonds and other debt instruments of issuers with ratings from BBB or below by S&P or another equivalent credit rating organization. Such issuers may default or otherwise be unable to honour a financial obligation, including in respect of the securities held in the Company's investment portfolio. The ratings assigned to these debt securities by the rating organizations may be downgraded to lower ratings categories. Certain of the bonds or other debt instruments may be regarded as predominantly speculative with respect to an issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. They may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated securities. During periods of thin trading in these markets, this spread between bid and ask prices is likely to increase significantly and the Company may have difficulty selling such securities.

The corporate debt securities held in the Company's investment portfolio may experience greater volatility in market value than higher rated debt instruments, and the market's perception of the issuers of these securities including perceptions of creditworthiness may significantly affect the value of their securities. Some securities may be structured in ways that make their reaction to interest rate changes and other market factors difficult to predict, causing their prices to be highly volatile.

Potential for Limited Liquidity in the Remaining Securities

The securities that comprise the Remaining Securities are either thinly traded or have no market at all. It is possible that the Company may not be able to sell portions of such positions without facing substantially adverse prices. If the Company is required to transact in such securities or other assets before their intended investment horizon, the performance and results of the Company could suffer materially.

Interest Rate Fluctuations

It is anticipated that the market price of the Voting Common Shares will, at any time, be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Voting Common Shares. Interest rate fluctuations could also have an adverse effect on the value of the corporate debt securities held by the Company.

Fluctuations in the Canadian - U.S. Dollar Exchange Rates

As certain of the Remaining Securities include U.S. dollar-denominated debt, and as the value of the Company is referable to the value of those assets, the Net Asset Value of the Company will be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The Company may use various other derivative instruments in its hedging activities other than forward purchase and sale agreements. Derivatives are subject to certain risks including liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying exchange rate. Hedging with derivatives may not always work and it could restrict the Company's ability to increase in value and consequently adds to the risk of investing in Voting Common Shares. There is also no guarantee that the Company will be able to obtain or close out a derivative contract when it needs to, which could prevent the Company from making a profit or limiting a loss.

General Economic, Political and Market Conditions

The success of the Company's activities may be affected by general economic, political and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Company's assets. Unexpected volatility or illiquidity could impair the Company's profitability. Recent market conditions may adversely affect global companies and the pricing of their securities.

Investments in Private Issuers

Issuers whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. The Company's investment portfolio may include securities issued by privately held issuers. There is generally little or no publicly available information about such issuers and the Company must rely on the diligence of the Investment Advisor to obtain the information necessary for its decision to invest in them. There can be no assurance that the diligence efforts of the Investment Advisor will uncover all material information about the privately held business necessary for the Company to make a fully informed investment decision.

Concentration Risk

The Company's investment portfolio, comprised of the Remaining Securities, is concentrated in a small number of issuers. The result is that the securities are not diversified across many sectors. A relatively high concentration of assets in a single or small number of investments reduces the diversification of the Company and may subject Shareholders to significant risk of loss.

Regulatory Risk

Some industries, such as financial services, health care and telecommunications, are heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government funding.

Stock Exchange Risk

Stock exchanges have, in the past, experienced problems such as temporary exchange closures, broker defaults, settlement delays and broker strikes that, if they occur again in the future, could affect the market price and liquidity

of the securities in which the Company has invested. In addition, the governing bodies of the various stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Disputes have also occurred from time to time among listed issuers, the stock exchanges and other regulatory bodies, and in some cases, those disputes have had a negative effect on overall market sentiment. In addition, there have been delays and errors in share allotments relating to initial public offerings, which in turn could affect overall market sentiment and lead to fluctuations in the market prices of the securities of those issuers and others in which the Company may invest.

Counterparty Risk

Due to the nature of some of the investments that the Company may undertake, the Company relies on the ability of the counterparty to the transaction to perform its obligations. In the event that a counterparty fails to complete its obligations, the Company bears the risk of loss of the amount expected to be received under options, forward contracts or securities lending agreements or other transactions in the event of the default or bankruptcy of a counterparty.

Use of a Custodian to Hold Assets

Some or all of the Company's assets may be held in one or more margin accounts due to the fact that the Company may use leverage and engage in short selling. The Custodian may also lend, pledge or hypothecate the Company's assets in such accounts, which may result in a potential loss of such assets. As a result, the Company's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the Custodian experiences financial difficulty. In such case, the Company may experience losses due to insufficient assets at the Custodian to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded. In addition, the Custodian is unlikely to be able to provide leverage to the Company, which would affect adversely the Company's returns.

Options and Futures Transactions

The Company may utilize derivatives. The use of derivative instruments involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Risks associated with the use of derivatives include the following: (i) hedging to reduce risk does not guarantee that there will not be a loss or that there will be a gain; (ii) there is no guarantee that a market will exist when the Company wants to settle the derivative contract, which could prevent the Company from reducing a loss or making a profit; (iii) securities exchanges may impose trading limits on options and futures contracts, and these limits may prevent the Company from settling the derivative contract; (iv) the Company could experience a loss if the other party to the derivative contract is unable to fulfill its obligations; and (v) if the Company has an open position in an option, a futures contract or a forward contract with a dealer who goes bankrupt, the Company could experience a loss and, for an open futures or forward contract, a loss of margin deposits with that dealer. In circumstances where there is an interest rate hedge employed, total return on the Company's investment portfolio may be higher with the hedge than without it when interest rates rise significantly, but total return may be lower than it otherwise would be in a stable to falling interest rate environment.

16.2 Net Asset Value and Remaining Securities

For reference, as of February 29, 2016, the Net Asset Value of the Company consisted of the following components:

	\$ (in millions)	\$ per Share
Cash and short term deposits	1.9	0.18
Prepaid tax asset (Potential Tax Liability Amount)	21.6	2.05
Remaining Securities	0.1	0.01
Accrued income	-	-
Accrued liabilities less prepaid expenses	(0.1)	(0.01)
	<u>23.5</u>	<u>2.23</u>

The "**Remaining Securities**" are certain securities held by the Company which the Company was unable to divest prior to the record date for the Cash Distribution. As of February 29, 2016, the Remaining Securities consisted of the

following:

Mirabela Nickel Limited. – Common shares and bonds valued at \$0.1 million.

Skylink Aviation Inc. – Debtor-in-process financing, bonds and common shares; together valued at \$0.008 million.

Deans Knight Income Corporation

1500 – 999 West Hastings Street
Vancouver, British Columbia V6C 2W2

Additional information about the Company is available in the Company's most recently filed management reports of fund performance and financial statements. The management reports of fund performance and financial statements are available on the Company's website at www.dkincomecorp.com. These documents and other information about the Company are also available at www.sedar.com.