

Annual Information Form
OF



For the year ended December 31, 2012

Dated: March 28, 2013

No securities regulatory authority has expressed an opinion about these units and it is an offense to claim otherwise.

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BRAND LEADERS INCOME FUND

FORWARD LOOKING STATEMENTS

Certain statements included in this annual information form (“**Annual Information Form**” or “**AIF**”) constitute forward looking statements or information including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund, the Manager or the Investment Manager. The forward looking statements and information are not historical facts but reflect the Fund’s, the Manager’s and/or the Investment Manager’s current expectations regarding future results or events. The AIF includes, forward looking statements and although the Fund, the Manager and/or Investment Manager believes such statements or information to be reliable, no assurance can be given that such forward looking statements or information will be accurate. These forward looking statements and information are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this AIF. Accordingly readers should not place undue reliance on forward looking statements and information. All forward looking statements and information is qualified by this cautionary statement.

INTRODUCTION

This AIF contains information in connection with the offering of the securities of Brand Leaders Income Fund (the “**Fund**”). Information contained in this AIF is given as of December 31, 2012 except as otherwise noted herein. Each summary of the terms of an agreement described herein is qualified in its entirety by the actual terms of such agreement, a copy of which is available under the Fund’s profile on SEDAR at www.sedar.com.

Glossary of Terms

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Alternative Proposal**” has the meaning ascribed to in “*Risk Factors – Taxation of the Fund*”;

“**Annual Compound Earnings per Share**” means net income available to a company’s common shareholders divided by the basic weighted shares outstanding;

“**at-the-money**” means a call option with a price equal to the current market price of the underlying security at the time of writing the call option as determined by the Investment Manager, provided that the determination by the Investment Manager that a call option is “at-the-money” shall be conclusive for all purposes herein;

“**Brand Leaders**” means the world’s top 100 rated brand companies, as recognized by Interbrand in its annual study of the best global brands or, if such study is not available to the Fund, by a similarly recognized entity selected by the Manager that rates global brands, provided that the determination by the Investment Manager and the Manager that a company is a Brand Leader shall be conclusive for all purposes herein. “**Brand Leaders Investable Universe**” means those Brand Leaders that are eligible to have options written on their Equity Securities and where such Equity Securities and options are traded on a North American stock exchange;

“**Business Day**” means any day on which the TSX is open for trading;

“**call option**” means the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period or at expiry;

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

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

“**covered call option**” means a call option entered into in circumstances where the seller of the call option owns the underlying security for the term of the option;

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

“**Custodian**” means State Street Trust Company Canada, in its capacity as custodian under the Custodian Agreement;

“**Declaration of Trust**” means the declaration of trust dated June 29, 2011, as it may be amended from time to time;

“**Distribution Payment Date**” means the date that is on or before the 15th day of the month following the applicable distribution date;

“**Earnings per Share**” means the sum of the most recently reported four fiscal quarter earnings from continuing operations, divided by the average number of shares outstanding during the quarter, as reported by Bloomberg or by another widely available source;

“**Equity Securities**” means any securities that represent an interest in an issuer which includes common shares, and securities convertible into or exchangeable for common shares including ADRs, provided that the determination by the Investment Manager and the Manager that a security is an Equity Security shall be conclusive for all purposes herein;

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution;

“**Fund**” means Brand Leaders Income Fund, a closed-end investment fund established under the laws of Ontario pursuant to the Declaration of Trust;

“**Indicative Distribution Amount**” means the indicative distribution amount of the Fund as determined by the Manager annually;

“**in-the-money**” means a call option with a strike price less than the current market price of the underlying security;

“**Investment Management Agreement**” means the investment management agreement dated June 29, 2011;

“**Investment Manager**” or “**Highstreet**” means the investment manager of the Fund, Highstreet Asset Management Inc.;

“**Manager**” or “**Harvest**” means the manager of the Fund, Harvest Portfolios Group Inc.;

“**Monthly Redemption**” means the monthly redemption of Units as described under “*Redemptions - Monthly Redemptions*”;

“**Monthly Redemption Date**” means the last Business Day of each month in which Units are surrendered for a Monthly Redemption;

“**NAV per Unit**” means the NAV of the Fund divided by the number of Units outstanding at the time the calculation is made;

“**Net Asset Value**” or “**NAV**” means the net asset value of the Fund on a particular date, equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund as more particularly set forth in the Declaration of Trust;

“**NI 81-102**” means National Instrument 81-102 Mutual Funds of the Canadian Securities Administrators, as it may be amended from time to time;

“**NI 81-106**” means National Instrument 81-106 Investment Fund Continuous Disclosure of the Canadian Securities Administrators, as it may be amended from time to time;

“**NI 81-107**” means National Instrument 81-107 Independent Review Committee for Investment Funds of the Canadian Securities Administrators, as it may be amended from time to time;

“**October 2003 Proposals**” has the meaning ascribed thereto in “*Risk Factors - Taxation of the Fund*”;

“**Option Premium**” means the purchase price of an option;

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution;

“**Portfolio**” means the assets held by the Fund from time to time;

“**Price-to-Earnings ratio**” means the ratio of a stock’s current market price to the company’s Earnings per Share, calculated by dividing the current market price, at the time of the calculation of the ratio, by the Earnings per Share, as reported by Bloomberg or by another widely available source;

“**Prospectus**” means the final prospectus dated June 29, 2011;

“**Redemption Payment Date**” means the date that is on or before the 15th Business Day in the following month after the Monthly Redemption Date or Annual Redemption Date, as applicable;

“**Registrar and Transfer Agent**” means Equity Financial Trust Company;

“**September 2004 Proposals**” has the meaning ascribed thereto in “*Risk Factors – Taxation of the Fund*”;

“**SIFT Rules**” mean the provisions of the Tax Act providing for a tax on certain income earned by a specified investment flow through trust or partnership which became law on June 22, 2007;

“**strike price**” means, in relation to a call option, the price specified in the option that must be paid by the option holder to acquire the underlying security;

“**Tax Act**” means the Income Tax Act (Canada) as amended and the regulations thereunder;

“**Trustee**” means initially Harvest, in its capacity as trustee under the Declaration of Trust, and thereafter such successor as may be appointed trustee in accordance with the provisions of the Declaration of Trust;

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

“**Unit**” means a unit of the Fund;

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia;

“**Unitholders**” means holders of Units;

“**Valuation Time**” means 4:15 p.m. (Toronto time) on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time;

“**Yield**” means the sum of the gross cash dividend per share amounts of an Equity Security that have gone ex-dividend over the prior 12 months, divided by the current stock price; and

“**\$**” means Canadian dollars unless otherwise indicated.

NAME, FORMATION AND HISTORY OF THE FUND

The Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated July 29, 2011, as amended on July 18, 2011 (the “**Declaration of Trust**”). Harvest Portfolios Group Inc. is the manager (in such capacity, the “**Manager**”) and trustee (in such capacity, the “**Trustee**”) of the Fund. The registered office of the Fund is the head office of the Manager located at Suite 209, 710 Dorval Drive, Oakville, Ontario, L6K 3V7.

Pursuant to a final prospectus dated June 29, 2011 (the “**Prospectus**”) the Fund has issued 2,601,378 units (the “**Units**”). The Units of the Fund trade on the Toronto Stock Exchange (the “**TSX**”) under the symbol HBL.UN. Each holder of a Unit is referred to in this document as a “**Unitholder**” and collectively as the “**Unitholders**”.

INVESTMENT OBJECTIVES, STRATEGIES AND RESTRICTIONS

Investment Objectives

The Fund’s investment objectives are to provide Unitholders with:

- (i) monthly cash distributions;
- (ii) the opportunity for capital appreciation; and
- (iii) lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity Securities of the Brand Leaders directly.

To achieve its investment objectives, the Fund invests in an equally-weighted portfolio of Equity Securities of fifteen Brand Leaders from the Brand Leaders Investable Universe that:

- (i) have a market capitalization of at least US\$10 billion at the time of investment
- (ii) is currently paying a dividend/distribution;
- (iii) is eligible to have options written on their Equity Securities; and
- (iv) has operations and/or offices in at least two countries.

The Investment Manager and the Manager conclusively determine which companies meet the above characteristics.

In order to seek to generate additional returns, the Investment Manager will sell “at-the-money” call options each month on Equity Securities held in the Portfolio. The Investment Manager will not sell call options on more than 25% of the Equity Securities of each Brand Leader held in the Portfolio.

Investment Strategies

The Investment Manager will select the Equity Securities for the Portfolio and will annually rebalance the Portfolio such that that the Portfolio, at the time of the initial investment and immediately following each annual rebalancing, will have the following investment characteristics:

Growth – An average 5-year Annual Compound Earnings per Share growth rate greater than the average for the Brand Leaders Investable Universe;

Value – An average Price-to-Earnings ratio lower than the average for the Brand Leaders Investable Universe;

Quality – An average 5-year Return on Equity growth greater than the average for the Brand Leaders Investable Universe; and

Yield – An average Yield greater than the average for the Brand Leaders Investable Universe.

Investment Restrictions

The Declaration of Trust contains investment restrictions to the effect that the Fund may not:

- (a) purchase any security issued by any issuer (other than short term debt securities issued or guaranteed by the Government of Canada or any Canadian province or municipality) if as a result more than 10% of the Fund’s total assets would consist of securities issued by such issuer;
- (b) purchase securities other than Equity Securities of Brand Leaders that have a market capitalization of at least US\$10 billion at the time of investment;
- (c) borrow money or employ any other forms of leverage;
- (d) write covered call options on more than 25% of the Equity Securities of each of the Brand Leaders held in Portfolio;
- (e) write call options unless the security underlying the option is held by the Fund;

- (f) make loans or guarantee obligations, except that the Fund may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers' acceptances and fixed time deposits) in accordance with its investment objectives;
- (g) own more than 10% of the equity value of a subject entity for purposes of the SIFT Rules or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;
- (h) invest in any securities of an entity that would be a foreign affiliate of the Fund within the meaning of the Tax Act;
- (i) invest for the purposes of exercising control over management of any issuer in the Portfolio;
- (j) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, or (iii) any interest in a non-resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" for the purposes of proposed section 94 of the Tax Act, each as set forth in the proposed amendments to the Tax Act dated August 27, 2010 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (k) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (l) act as an underwriter except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (m) make any investment or conduct any activity that would result in the Fund failing to qualify as a "unit trust" or a "mutual fund trust" within the meaning of the Tax Act; and
- (n) make or hold any investments that would result in the Fund itself being subject to the tax for SIFT trusts as provided for in the SIFT Rules.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the total assets of the Fund will not be considered a violation of the restriction (except for the restrictions in paragraphs (g) or (n)). Investment restrictions that do not provide for a percentage restriction must be adhered to at all times. If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises such subscription rights at a time when the Fund's Portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The foregoing investment restrictions may not be changed without the approval of the Unitholders, by an Extraordinary Resolution, unless such changes are necessary to ensure compliance with all applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time.

Eligibility under the Income Tax Act

The Fund is expected to qualify as a mutual fund trust as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”) at all times. The Fund will not engage in any undertaking other than the investment of its funds in property for the purposes of the Tax Act. Provided the Fund qualifies as a mutual fund trust, or that the Trust Units are listed on a designated stock exchange under the Tax Act (which includes the TSX) Units of the Fund will be qualified investments within the meaning of the Tax Act for registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), deferred profit sharing plans (DPSPs), registered education savings plans (RESPs), registered disability savings plans (RDSPs) and tax-free savings accounts (TFSA) (“**Registered Plans**”).

Generally, Units should not be “**prohibited investments**” under the Tax Act for the purposes of RRSPs, RRIFs and TFSAs provided that you, as the annuitant of the RRSP or RRIF, or the holder of the TFSA, deal at arm's length with the Fund and together with persons that do not deal at arm's length with you, own Units having a fair market value that is less than 10% of all of the Units of the Fund. You should consult with your own tax advisor with respect to whether Units would be a prohibited investment under the Tax Act in your particular circumstances.

Non-Resident Unitholders

The Fund was not established and shall not be maintained for the benefit of one or more non-resident persons within the meaning of the Tax Act. At no time may non-residents of Canada and partnerships (other than “Canadian partnerships” as defined in the Tax Act) be the beneficial owners of more than 50% of the Units of the Fund and the Trustee shall inform the Registrar and Transfer Agent of this restriction. The Trustee may require a declaration as to the jurisdiction in which a beneficial owner of Units is resident and, if a partnership, as to its status as a “Canadian partnership”. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% or more of the Units then outstanding are, or may be, non-residents and/or partnerships (other than “Canadian partnerships”), or that such a situation is imminent, the Trustee may make a public announcement thereof and the Trustee may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents or partnerships (other than “Canadian partnerships”) within such period, the Trustee may redeem or, on behalf of such Unitholders, dispose of such Units. Upon such redemption or sale, the affected Unitholders shall cease to be beneficial Unitholders of Units and their rights shall be limited to receiving the redemption price or the net proceeds of sale of such Units.

DESCRIPTION OF UNITS

The Fund is divided into an unlimited number of Units of each series.

Except as provided under “*Investment Objectives Strategies and Restrictions – Non-Resident Unitholders*”, all Units have equal rights and privileges. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. Units will only be issued through the book-entry only system administered by CDS as described below.

The Declaration of Trust provides that the Fund may not issue additional Units, except: (i) for net proceeds per Unit not less than the net asset value (the “NAV”) per Unit calculated on the date immediately prior to the pricing of the offering found in the Prospectus; (ii) by way of a distribution paid in additional Units; or (iii) with the approval of Unitholders.

Immediately after a pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

Distribution Policy

The Fund intends to make monthly cash distributions to Unitholders of record on the last Business Day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in July 2012, the Fund will annually determine and announce the Indicative Distribution Amount for the following 12 months based upon the prevailing market conditions. The Indicative Distribution Amount will be \$0.065 per Unit per month (\$0.78 per annum representing an annual cash distribution of 6.5% based on the \$12.00 per Unit issue price). The initial cash distribution was paid on September 15, 2011 to Unitholders on record as of August 31, 2011.

If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, NAV per Unit will be reduced. See “*Risk Factors*”. The amount of distributions may fluctuate and no assurance can be given that distributions will remain at the initial Indicative Distribution Amount level.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, a special distribution (either in cash or Units) of such portion of the net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Tax Act will be automatically payable on the last day of that taxation year to Unitholders of record on that date. Immediately after a pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution.

There can be no assurance that the Fund will be able to achieve its monthly distribution objective or make payments on any Distribution Payment Date. Amounts distributed on the Units that represent returns of capital are generally non taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “*Income Tax Considerations for Investors*” below.

Market Purchases

The Fund may purchase Units through the facilities of the TSX if the Manager determines that such purchases are in the best interest of the Fund. Purchases of Units by the Fund will be subject to compliance with any applicable regulatory requirements and limitations.

On August 20, 2012, the Manager, on behalf of the Fund announced that the Fund intended to purchase up to 255,097 listed Units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the TSX. The 255,097 Units represented as at the date thereof 10% of the public float of the

Fund. The purchases commenced August 23, 2012 and will terminate on August 22, 2013 or on such earlier date as the Fund may complete its purchases or provide notice of termination. Any such purchases will be made by the Fund at the prevailing market price at the time of such purchases in accordance with the requirements of the TSX. The Fund will not purchase in any 30-day period in the aggregate more than 51,185 Units (2% of the issued and outstanding Units, as at the date of acceptance of the notice of the normal course issuer bid by the TSX).

The purpose of the normal course issuer bid for Units is to provide the Fund with a mechanism to decrease the potential spread between the Net Asset Value per Unit and the market price of the Units and to provide enhanced liquidity for the Units.

In the 12 months preceding the date of the announcement on August 20, 2012 of the normal course issuer bid, the Fund purchased for cancellation 42,100 Units pursuant to an expiring normal course issuer bid at a weighted average price of \$10.92 per Unit.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager at any time and must be convened if requisitioned by the holders of not less than 25% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Unitholders may request to change the Manager only if the Manager is in breach under the Declaration of Trust. Not less than 21 days and not more than 50 days notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy except for the purpose of any meeting called by Unitholders to consider item (c) under “*Unitholder Matters – Matters Requiring Unitholder Approval*” in which case the quorum shall be Unitholders holding 25% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder’s name.

The Fund does not intend to hold annual meetings of Unitholders.

Matters Requiring Unitholder Approval

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval by Extraordinary Resolution (other than item (g) which requires approval by Ordinary Resolution) as set out below, require the approval of Unitholders by Ordinary Resolution. Pursuant to the Declaration of Trust, the following matters require approval by Extraordinary Resolution:

- (a) a change in the investment objectives of the Fund, unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Fund that could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund and for which Unitholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (c) a change of the manager of the Fund, other than to an affiliate of the Manager;

- (d) the issuance of additional Units other than (i) for net proceeds per Unit not less than the NAV per Unit calculated on the date immediately prior to the pricing of the offering, or (ii) by way of a distribution paid in additional Units;
- (e) a reorganization (other than a Permitted Merger) with, or transfer of assets to, another entity if the Fund ceases to continue after the reorganization or transfer of assets;
- (f) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, another entity if the Fund continues after the reorganization or acquisition of assets and the transaction would be a material change to the Fund; or
- (g) a termination of the Fund, other than as described under “Termination of the Fund”.

In addition, the Manager may, without obtaining Unitholder approval, merge the Fund (a “**Permitted Merger**”) with another fund or funds, provided that:

- i. the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager;
- ii. Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- iii. the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- iv. the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- v. the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and
- vi. the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders of the Fund.

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least 30 Business Days prior to the proposed effective date thereof disclosing details of the proposed merger. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Declaration of Trust which would have the effect of reducing the expenses reimbursable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

Amendments to the Declaration of Trust

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation thereof;
- (e) change the name of the Fund;
- (f) provide added protection or benefit to Unitholders;
- (g) divide the capital of the Fund into one or more series of Units and to establish the attributes of each series, provided that the rights of existing Unitholders are not changed in an adverse manner; or
- (h) make any changes to effect a Permitted Merger.

Except for changes to the Declaration of Trust that require the approval of Unitholders or changes described above that do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee, at the request of the Manager, upon not less than 30 days’ prior written notice to Unitholders.

Reporting to Unitholders

The Fund will prepare, file and send to Unitholders unaudited semi-annual and audited annual financial statements of the Fund and other documents in accordance with NI 81-106.

Termination of the Fund

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time upon not less than 90 days’ written notice by the Trustee provided that the prior approval of Unitholders has been obtained by a majority vote at a meeting of Unitholders called for that purpose (the “**Termination Date**”); provided, however, that the Trustee may, in its discretion, on 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of the Fund and the Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as

practicable after the date of termination or any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions.

CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES

Net Asset Value Calculation

The NAV of the Fund is valued at the close of business each day that the TSX is open for trading (a “**Business Day**”) and will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV will be calculated using the fair value of the Fund’s assets and liabilities.

The NAV per Unit of the Fund, as applicable, on any day will be obtained by dividing the NAV of the Fund, as applicable, on such day by the number of Units of the Fund, as the case may be, then outstanding.

The NAV and the NAV per Unit will be calculated on each Thursday (or if a Thursday is not a Business Day, the Business Day following such Thursday) (each a “**Valuation Date**”). Such information will be provided by the Manager to the Unitholders on request by calling toll-free 1-866-998-8298, daily via the internet at www.harvestportfolios.com or by sending an email to info@harvestportfolios.com or by mailing Harvest Portfolios Group Inc. at 710 Dorval Drive, Suite 209, Oakville, ON, L6K 3V7.

Valuation Policies and Procedures of the Fund

Unless otherwise required by law, the value of the assets held by the Fund is determined as follows:

- (a) the value of any cash on hand or on deposit, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date before the date as of which the net asset value is being determined), and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at the Valuation Time;
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded, or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted closing price;
- (d) the value of any security, the resale of which is restricted or limited by reason of a representation, undertaking or agreement by the Fund or by the predecessor in title of the Fund shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost

of the Fund was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;

- (e) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Fund;
- (f) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (g) if any date on which the NAV is determined is not a Business Day, then the securities comprising the Portfolio and other property of the Fund will be valued as if such date were the preceding Business Day;
- (h) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Manager shall make such valuation as it considers fair and reasonable;
- (i) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current as quoted by customary banking sources at, or as nearly as practicable to, the applicable date on which the NAV is determined; and
- (j) the estimated operating expenses of the Fund shall be accrued to the date as of which the NAV is being determined.

The liabilities of the Fund include:

- (a) all bills and accounts payable;
- (b) all administrative expenses payable and/or accrued;
- (c) the fees and reasonable expenses of the IRC established pursuant to NI 81-107;
- (d) all obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- (e) all allowances authorized or approved by the Manager for taxes or contingencies; and
- (f) all other liabilities of the Fund of whatever kind and nature, except liabilities represented by outstanding Units.

Harvest may suspend the calculation of the NAV of the Fund when the right to redeem Units of the Fund is suspended. See "*Suspending your right to redeem Units*" on page 18 of this document. During any period of suspension there will be no calculation of the NAV and the Fund will not be permitted to issue or redeem any Units. The calculation of the NAV will resume when trading in the Fund's securities resumes. In the event of a suspension of the calculation of NAV per Unit, a Unitholder may either

withdraw his, her or its redemption request prior to the end of the suspension period or receive payment based on the NAV per Unit next calculated after the termination of the suspension.

The NAV of the Fund, for all purposes other than financial statements, is calculated using the valuation principles described above. Pursuant to National Instrument 81-106 – Investment Fund Continuous Disclosure, an investment fund is required to calculate the NAV for the purposes of its financial statements in accordance with the method required for financial reporting under Section 3855 of the Canadian Institute of Chartered Accountants Handbook (“**CICA Handbook**”).

The valuation principles and practices of the Fund outlined above differ from those contained in the CICA Handbook in the following ways:

- for investments that are traded in an active market where quoted prices are readily and regularly available, the CICA Handbook requires the use of final bid prices for long positions and final ask prices for short positions in the fair valuation of investments, rather than the use of closing or last traded prices for the purpose of determining NAV; and
- for investments that are not traded in an active market, fair valuation techniques are used.

PURCHASE OF UNITS

The Units are listed for trading on the TSX under the symbol “HBL.UN”, and are traded through the facilities of the TSX. Investors may purchase or sell the Units in the market through the facilities of the TSX by contacting their financial advisor.

While the Manager calculates the NAV per Unit at each Valuation Date and publishes it, investors are not able to purchase Units at these amounts and must purchase Units through the facilities of the TSX or by purchasing Units from existing holders of Units, subject to compliance with applicable regulatory requirements.

A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any such losses suffered by the dealer in connection with a failed settlement of a purchase of Units by such investor.

Book-Based System

Registration of interests in and transfers of the Units will be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for retraction only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Units.

Upon purchase of any Units, the owner will receive only the customary confirmation. References in this AIF to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units. The Fund expects that each purchaser of Units under the initial offering of the Fund received a confirmation of the number of Units issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS is responsible for establishing and maintaining book-entry only accounts for its participants holding Units. Certificates evidencing Units were not issued.

Neither the Fund, the Trustee, the Custodian, the Manager or the Investment Manager will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-entry only accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

The Fund has the option to terminate registration of the Units through the book-entry only system in which case certificates for Units in fully registered form would be issued to beneficial owners of such securities or to their nominees.

REDEMPTIONS

Annual Redemption

Commencing in 2013, Units may be surrendered for redemption ("**Annual Redemption**") during the period from the first Business Day of January to 5:00 p.m. (Toronto time) on the tenth Business Day prior to the second last Business Day in January (the "**Annual Redemption Notice Period**"), subject to the Fund's right to suspend redemptions in certain circumstances. Units surrendered for redemption during the applicable Annual Redemption Notice Period will be redeemed on the second last Business Day of January (the "**Annual Redemption Date**") and the Unitholder will receive payment on the applicable Redemption Payment Date equal to the NAV per Unit on the Annual Redemption Date less any costs and expenses associated with the redemption (the "**Annual Redemption Price**").

Monthly Redemption

Units may be surrendered prior to 5:00 p.m. (Toronto time) on the 10th Business Day before the last Business Day of the applicable month (the "**Monthly Redemption Notice Period**") by Unitholders thereof for redemption ("**Monthly Redemption**"). Upon receipt by the Fund of the redemption notice, in the manner described below, the Unitholder shall be entitled to receive a price per Unit (the "**Monthly Redemption Price**") equal to the lesser of:

- (i) 95% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 20 trading day period ending immediately before the Monthly Redemption Date; and
- (ii) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Monthly Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than 10 of the 20 trading days, the "market price" shall be the average of the following prices established for each of the 20 trading days: the average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market

provides a closing price; and the average of the highest and lowest prices of the Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day. The “closing market price” shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the average of the last bid and last asking prices of the Units if there was no trading on that date.

The Monthly Redemption Price payable by the Fund in respect of any Units surrendered for redemption shall be satisfied by way of a cash payment on the Redemption Payment Date, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units may be suspended if: (i) at the time such Units are tendered for redemption, the outstanding Units are not listed for trading on a stock exchange or traded or quoted on another market which provides representative fair market value prices for the Units; or (ii) the normal trading of Units is suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Monthly Redemption Date or for more than 10 trading days during the 20 day trading period ending immediately before the Monthly Redemption Date.

Exercise of Redemption Privilege

The Monthly Redemption privilege or the Annual Redemption privilege must be exercised by causing written notice (the “**Redemption Notice**”) to be given within the Monthly Redemption Notice Period or Annual Redemption Notice Period, as applicable, in the manner described below. Such surrender will be irrevocable upon the delivery of the Redemption Notice to CDS through a CDS Participant, except with respect to those Units which are not paid for by the Fund on the relevant Redemption Payment Date.

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the Unitholder, the Redemption Notice. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with the Redemption Notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver the Redemption Notice to CDS and so as to permit CDS to deliver notice to the Registrar and Transfer Agent, in advance of the required time. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

Except as provided under “*Suspending your right to redeem Units*” below, by causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice delivered by a CDS Participant regarding a Unitholder’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund to the CDS Participant or to the Unitholder.

Suspending your right to redeem Units

Under extraordinary circumstances, the rights of Unitholders to redeem Units of the Fund may be suspended. This would most likely occur: (i) during any period when normal trading is suspended on a

stock exchange or other market within or outside Canada on which securities owned by the Fund are listed and posted for trading, if those securities represent more than 50% by value or underlying market exposure of the total assets of the Fund (without allowance for liabilities) and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the applicable securities regulatory authorities.

The suspension will apply to all requests for redemption received prior to the suspension in respect of which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

RESPONSIBILITY FOR FUND OPERATIONS

Manager

Pursuant to the Declaration of Trust, Harvest is the manager of the Fund. The Manager carries on business at 710 Dorval Drive, Suite 209, Oakville, ON, L6K 3V7. The Manager can be reached at 416-649-4541 or toll free at 1-866-998-8298 or by email at info@harvestportfolios.com, and information about the Manager and the Portfolio Manager (defined below) may also be obtained at www.harvestportfolios.com.

Pursuant to the Declaration of Trust, the Manager is responsible for delegating all investment decisions of the Fund in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions, and for managing and administering the day-to-day business and affairs of the Fund.

Additionally, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Declaration of Trust provides that that the Manager will not be liable in any way for any default, failure or defect in the portfolio held by the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as Manager of the Fund until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager: (i) becomes bankrupt or insolvent; (ii) in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act; or (iii) no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations and is unable to obtain them within a reasonable period after their loss. The Manager may resign as manager of the Fund upon 60 days notice to the Unitholders. The Manager may not be removed other than by a meeting of the Unitholders, as described under the heading "*Unitholder Matters*". In the event that the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, any such breach or default has

not been cured within 30 days notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor manager of the Fund.

The Manager may not be removed as manager of the Fund other than by resolution of the Unitholders of the Fund. In the event that the Manager is in material breach or default of the provisions of the Master Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall convene a meeting of Unitholders to vote on the removal of the Manager and appoint a successor manager.

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

Directors and Officers of the Manager

The name and municipality of residence of each of the directors, applicable officers and senior management of the Manager and their principal occupation during the past 5 years are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
Michael Kovacs Oakville, Ontario	President, Chief Executive Officer, Chairman, Director and Chief Compliance Officer	President, Chief Executive Officer and Chief Compliance Officer, Harvest Portfolios Group Inc.
Townsend Haines Toronto, Ontario	Chief Financial Officer, Director	Chief Financial Officer, Harvest Portfolios Group Inc.
Mary Medeiros Oakville, Ontario	Vice-President, Operations, Director	Vice President, Operations, Harvest Portfolios Group Inc.
Nick Bontis Ancaster, Ontario	Director	Associate Professor, Strategic Director Management & Director, Undergraduate Programs DeGroot School of Business, McMaster University

During the past five years, all the officers and directors of the Manager listed above have held their present principal occupations except for prior to forming Harvest, Michael Kovacs was Managing Director of Sentry Select Mutual Funds and Senior Vice President of Sentry Select Capital Inc. from

2002–2009, and Townsend Haines was a Registered Representative at Brant Securities from May 2008 to October 2009.

The Investment Manager

The Manager has retained Highstreet Asset Management. (the “**Investment Manager**”) to provide portfolio advisory services to the Fund pursuant to an Investment Management Agreement dated June 29, 2011 (the “**Investment Management Agreement**”). The Portfolio Manager is located at 244 Pall Mall Street, Suite 350, London Ontario, Canada N6A 5P6. Highstreet is owned approximately 80% by AGF Management Limited with Highstreet’s employees owning the remaining shares.

The Investment Manager was formed in 1998 and investment decisions relating to the portfolio of the Fund are made by senior level individuals. The name, title and business experience, for the last five years, of the individuals responsible for the day-to-day management of a material portion of the portfolio of the Fund is as follows:

<u>Name and Title</u>	<u>Length of Service with Portfolio Manager</u>	<u>Principal Occupation</u>
Ben Legge	Since 2010	President and CIO
Shawn Arnold	Since 1998	Head of Canadian Equities
Robert Jackson	Since 1998	Chief Risk Officer

Investment decisions made by these individuals are not subject to the oversight, approval or ratification of a committee.

Details of the Investment Management Agreement

The Investment Manager provides investment advisory and portfolio management services to the Fund with respect to the Portfolio pursuant to the Investment Management Agreement. Decisions regarding the purchase and sale of securities and the execution of transactions for the Portfolio are made by the Investment Manager, in accordance with and subject to the terms of the Investment Management Agreement. Subject to the terms of the Investment Management Agreement, the Investment Manager will implement the investment strategy for the Portfolio on an ongoing basis.

Under the Investment Management Agreement, the Investment Manager covenants to act at all times on a basis which is fair and reasonable to the Manager and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. Provided Highstreet has acted in accordance with the standard of care, diligence and skill set forth above, Highstreet and its directors, officers, employees, agents or affiliate shall not be held liable for any act, omission or mistake of judgment in the course of, or connected with, the performance of its obligations under the Investment Management Agreement, nor for the making, retention or sale of any investment under the Investment Management Agreement, nor for any resultant or other loss to or diminution of the assets of the Fund, except as is caused by the negligence, lack of good faith or wilful misconduct of Highstreet.

Pursuant to the Investment Management Agreement, the Investment Manager and its officers, directors, employees, agents and affiliate shall not be held liable to the Fund, Harvest, Unitholders or any other party for any loss or damage relating to the Fund and shall be indemnified from the assets of the Fund

against all actions, proceedings, claims, costs, losses (other than loss of profits), damages or expenses, including legal costs, in connection herewith brought, commenced or prosecuted against such party for or in respect of any act, deed, matter or thing whatsoever, made, done, acquiesced in or omitted in or about or in relation to the execution of Highstreet's duties as investment manager and also from and against all other costs, including legal costs, charges and expenses which it sustains or incurs in or about or in relation to the business and affairs of the Fund unless any such indemnified person is finally adjudicated to have committed a material breach or default of its obligations under the Investment Management Agreement or an act or omission involving bad faith, negligence, fraud, wilful misconduct or reckless disregard of such person's duties under the Investment Management Agreement.

The Investment Manager or Manager may terminate the Investment Management Agreement in the following circumstances: (i) upon not less than 90 days written notice to the other party; or (ii) by written notice taking immediate effect if the other party is in breach of any of the terms of the Investment Management Agreement and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied.

The Investment Management Agreement may be terminated immediately if any of the following events take place: (i) in the event Highstreet or Harvest is subject to a material regulatory issue that would affect the ability of Highstreet or Harvest to fulfill its obligations under the Investment Management Agreement or if Highstreet is unable to provide the investment management services contemplated in the Investment Management Agreement; (ii) in the event that Highstreet or Harvest becomes bankrupt, or a petition for bankruptcy is filed against either party and such petition is not dismissed within 60 days; or (iii) in the event that Highstreet or Harvest makes any assignment for the benefit of its creditors, files any notice under or takes any other benefits of any insolvency law, or if a receiver is appointed for Highstreet or Harvest.

Any termination of either the Investment Management Agreement shall not affect the liability of the parties in respect of any action undertaken before such notice was given. During the time period between the date of notice of termination is given and the effective date of termination, Highstreet agrees to continue to provide investment advisory or management services to the Fund to the best of its ability in accordance with the standard of care set out above.

The Manager is responsible for payment of the investment management fees of the Investment Manager out of its management fee.

Brokerage Arrangements

Pursuant to the Investment Management Agreement, the Investment Manager will make all appropriate brokerage arrangements to implement the purchase and sale of portfolio investments on the best terms available to the Investment Manager acting reasonably, having regard to such factors as the Investment Manager, in good faith, considers relevant to the Fund's interest, including, without limitation, commissions and other costs payable, efficiency of execution and timeliness of delivery, all consistent with requirements of Canadian securities legislation and with acting in the best interests of the Fund.

The Manager has adopted a conservative interpretation of what constitutes "**order execution goods and services**" and "**research goods and services**" which is to adopt the definition set out in NI 23-102 whether the products and services are provided by a dealer directly or by a third party. The Manager may use "**order execution goods and services**" and "**research goods and services**" to benefit clients other than those whose trades generated the brokerage. However, with the Manager's model portfolio approach to investment management, over a reasonable period of time all clients will receive the benefit of investment decision making products and services purchased with other clients' brokerage. The goods

and services that may be received by the Manager through broker-related or third party arrangements include financial data feeds, on-line quotation and news, economic analysis and investment analysis. The users of these goods and services include portfolio managers as well as analysts, traders and economists. As at the date of this Annual Information Form, no brokerage transactions involving client brokerage commissions of the Fund have been directed to a dealer in return for the provision of any good or service, other than order execution, by the dealer. The Manager does not have any affiliated brokers.

Where brokerage transactions involving client brokerage commissions of the Fund have been or might be directed to a broker in return for the provision of any research goods and services by a broker or a third party, the names of such dealers or third parties will be provided upon request by contacting the Manager at 1-866-998-8298 or via email at info@harvestportfolios.com.

The Trustee

Harvest is the trustee of the Fund under the Declaration of Trust, and is responsible for managing all of the Fund's activities. The Trustee holds the actual title to the property in the Fund on behalf of its Unitholders. The address of the Trustee where it principally provides services to the Fund is at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

The Trustee of the Fund may resign upon 60 days' notice to Unitholders and to the Manager. Any such resignation shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor shall be appointed by the Manager but if the Manager fails to appoint a successor Trustee within 30 days of receipt of the Trustee's resignation then the Manager is required to call a meeting of Unitholders of the Fund within 60 days thereafter for the purpose of appointing a successor Trustee. If a successor Trustee cannot be found within the 60 day period, the Trustee must terminate the Fund and distribute its assets to its Unitholders. The Trustee may be removed by the Manager at any time by notice to the Trustee not less than 90 days before the date that the removal is to take effect, provided that a successor Trustee is appointed or the Fund is terminated in accordance with the provisions of the Declaration of Trust.

The Custodian and Valuation Agent

State Street Trust Company Canada ("**State Street**") is the custodian of the Fund pursuant to a custodian agreement dated September 29, 2009, and amended on July 8 2011 (the "**Custodian Agreement**") between the Fund and State Street. The custodian's principal place of business in respect of the Fund is Toronto, Ontario. In accordance with the terms of the Custodian Agreement, the custodian will be responsible for the safekeeping of all of the investments and other assets of the Fund. In the event that any portfolio assets are acquired by the Fund that cannot be held in Canada, the custodian may appoint sub-custodians who are qualified to act as such. In addition, State Street is responsible for providing fund accounting services to the Fund and will calculate the NAV and NAV per Unit pursuant to the terms of a separate accounting service agreement. State Street will receive fees for custodial and fund accounting services provided to the Fund.

The Custodian Agreement provides that it may be terminated by either party at any time on 60 days' written notice unless a different period is agreed to.

Independent Review Committee

As contemplated by NI 81-107, the IRC, the fund governance agency for the Fund, is composed of three members. The IRC reviews conflict of interest matters referred to it by the Manager, including any related policies and procedures, and makes recommendations to the Manager regarding whether the proposed

action of the Manager in respect of a conflict of interest matter achieves a fair and reasonable result for the Fund. In respect of certain matters the IRC grants approvals. See “*Fund Governance - Independent review committee*” on page 25 of this document for more details.

Recordkeeper and Registrar

Equity Financial Trust Company provides recordkeeper and registrar services to the Fund, from its principal office in Toronto, Ontario.

Auditor

The Fund’s auditors are PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario.

CONFLICTS OF INTEREST

Principal Holders of Securities

To the knowledge of the Manager, as at March 1, 2013, no person owned, beneficially or of record, either directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Units of a series of Units of the Fund.

To the knowledge of the Manager, as at March 1, 2013, the directors and senior officers of the Manager, in aggregate, did not own, beneficially or of record, either directly or indirectly, or exercise control or direction over more than 10% of the outstanding Units of the Fund or more than 10% of the voting securities of any person or company that provides services to the Fund or to the Manager.

To the knowledge of the Manager, as at March 1, 2013, the members of the IRC of the Fund did not own beneficially, directly or indirectly, in aggregate in respect of the Fund: (a) more than 10% of the outstanding Units of any Series of the Fund; (b) any class of voting or equity securities of the Manager; or (c) any class of voting or equity securities of any person or company that provides services to the Fund or to the Manager.

As at March 1, 2013, Michael Kovacs owned of record and beneficially, 2,822,882 common A voting shares of the Manager, representing 71% of the issued and outstanding common A voting shares of the Manager, and directors and senior officers of the Manager beneficially owned, directly or indirectly, in aggregate, 29% of the outstanding common voting shares of the Manager.

Conflicts of Interest

The management services of Harvest under the Declaration of Trust are not exclusive and nothing in the Declaration of Trust prevents Harvest from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. The investment management services of Highstreet under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents Highstreet from providing similar investment management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investments in securities purchased by the Investment Manager on behalf of the Fund and other investment funds or trusts managed by the Investment Manager, will be allocated to the Fund and such other investment funds or trusts on a pro-rata basis according to the size of the order and the applicable investment restrictions and policies of the Fund and the other investment funds or trusts.

The Declaration of Trust acknowledge that the Trustee and the Manager may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, issuers of securities, including issuers of securities in which the Fund has invested or may invest.

Associated and Affiliated Entities

As Manager and Trustee of the Fund, Harvest is associated with the Fund. The provision of these administrative and management services to the Fund may indirectly benefit the directors and officers of the Manager. No person or company providing services to the Fund or the Manager is an affiliated entity of the Manager.

FUND GOVERNANCE

Policies and Practices

The Manager has policies and practices in place in order to comply with applicable securities laws, regulations and rules, including rules on sales practices and relating to conflicts of interest as well as risk management policies and procedures. The Manager also has policies and procedures in place to deal with conflict of interest matters to ensure the Manager manages the Fund in the best interests of the Fund and in compliance with the requirements of NI 81-107.

The Fund is managed in accordance with the investment objectives, guidelines, strategy and restrictions described above and which are monitored regularly by appropriate personnel to ensure compliance therewith.

Code of Ethics and Standards of Professional Responsibility

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

The Manager is under a statutory duty imposed by the *Securities Act* (Ontario) to act honestly and in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Declaration of Trust provides that the Trustee shall exercise its powers and discharge its duties as the Trustee honestly, in good faith and in the best interests of the Fund and shall perform the duties of the Trustee to the standard of care, diligence and skill a reasonably prudent person would exercise in the circumstances.

Independent Review Committee

The IRC is comprised of three individuals, each of whom is independent from the Manager and its affiliates. The current members of the IRC are E.M. Jane Davis; James Adam Conyers and Donald Hathaway. See “*Remuneration*” on page 31 of this document for details of the compensation payable to IRC members.

The role of the IRC is to review and to provide approval, or in certain circumstances its recommendation, in respect of conflicts of interest that arise between the Manager's own interests and those of the Fund.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The Manager is responsible for referring to the IRC any matters in which a reasonable person could view the Manager as having an interest that may conflict with its ability to act in the best interest of the Fund. The IRC reviews each matter and provides its approval or recommendation, as applicable, as to whether the proposed course of action will achieve a fair and reasonable result for the Fund. The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

The compensation and other reasonable expenses of the IRC are paid *pro rata* out of the assets of the Fund, as well as out of the assets of the other investment funds managed by the Manager.

Proxy Voting Procedures

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

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

- (a) the Investment Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management's position would not be in the best interests of Unitholders;
- (b) the Investment Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by shareholders of the issuer with a focus on the potential impact of the vote on the Fund's NAV; and
- (c) the Investment Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Investment Manager determines that it is not in the best interests of Unitholders to vote, the Investment Manager will not be required to vote.

The Manager will post the proxy voting record annually at www.harvestportfolios.com. The Fund will send the most recent proxy voting policies and procedures and proxy voting record, without charge, to any Unitholder upon a request made by the Unitholder.

Short-Term Trading

As the Fund is a closed-end investment fund, the Fund has no policies and procedures relating to the monitoring, detection and deterrence of short-term trades of securities by Unitholders.

FEES AND EXPENSES

Management Fee

Pursuant to the Declaration of Trust, the Manager is entitled to a fee at an annual rate of 0.90% of NAV, plus an amount equal to the Servicing Fee (as defined below) plus applicable taxes. Fees payable to Harvest are calculated and payable monthly based on the average NAV of the Fund calculated at each Valuation Time during that month. The Management Fee will be paid in cash.

Ongoing Fees and Expenses

The Fund pays for all ordinary expenses incurred in connection with the operation and administration of the Fund. All fees and expenses of the Fund are paid in cash. Expenses include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders; (b) fees payable to the Trustee for acting as trustee (except when the Manager is the Trustee); (c) fees payable to the registrar and transfer agent; (d) fees payable to the Custodian for acting as custodian of the assets of the Fund; (e) Independent Review Committee member fees and expenses in connection with the Independent Review Committee; (f) fees payable to the auditors and legal advisors of the Fund; (g) regulatory filing, stock exchange and licensing fees; (h) any reasonable out of pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; (i) banking fees and interest with respect to any borrowing; and (j) expenditures incurred upon the termination of the Fund. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which Harvest, or the Trustee, is entitled to indemnity by the Fund. The aggregate annual amount of these fees and expenses is estimated to be \$230,000, excluding any banking fees and interest which will increase with the Fund's utilization of any borrowing. The Fund is also responsible for all commissions and other costs of Portfolio transactions and any extraordinary expenses of the Fund which may be incurred.

Servicing Fee

The Manager pays to registered dealers a servicing fee (the “**Servicing Fee**”) equal to 0.40% annually of the NAV per Unit for each Unit held by clients of the registered dealers (calculated and paid at the end of each calendar quarter, plus applicable taxes).

INCOME TAX CONSIDERATIONS FOR INVESTORS

The following is a summary, as of the date of this annual information form, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the Fund and to a person who is an individual (other than a trust), who acquires Units and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds the Units as capital property.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof (the “**Tax Proposals**”), and an understanding of the current published administrative policies and assessing practices of the CRA. This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account

provincial, territorial or foreign tax legislation or considerations, which may differ from those under the Tax Act. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the investor, the provincial or territorial jurisdiction(s) in which the investor resides or carries on business and, generally, the investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute legal or tax advice to any particular investor. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon the investor's particular circumstances.

This summary is based on the assumption that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. In order to so qualify, the Fund must comply on a continuous basis with certain minimum distribution requirements relating to the Units, among other things. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund makes distributions to Unitholders and deducts, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

The Fund is also be required to include in its income for each taxation year, any dividends received (or deemed to be received) by it in such year on a Portfolio security. Premiums received on covered call options written by the Fund that are not exercised prior to the end of the year will constitute capital gains of the Fund in the year received, unless such premiums are received by the Fund as income from a business of buying and selling securities or the Fund has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Fund has purchased the Portfolio with the objective of earning dividends thereon over the life of the Fund and writes covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio. Thus, having regard to the foregoing and in accordance with the CRA's published administrative practices, transactions undertaken by the Fund in respect of shares comprising the Portfolio and options on such shares will be treated and reported by the Fund as arising on capital account.

Premiums received by the Fund on covered call options that are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Fund of the securities disposed of (or acquired) by the Fund upon the exercise of such call options, unless the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Fund in the previous year in which case, if such exercise results in the Fund disposing of securities, such capital gain will be reversed.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest payable by the Fund on borrowed funds used to

purchase securities to be included in the Portfolio subject to the October 2003 Proposals discussed below. The Fund may generally deduct the costs and expenses of an initial public offering or costs incurred with any subsequent offering of its Units paid by the Fund and not reimbursed at a rate of 20% per year, prorated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act (including the October 2003 Proposals).

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure in the nature of trade. The Fund purchases securities in the Portfolio with the objective of receiving distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Fund has made an election under subsection 39(4) of the Tax Act in the first taxation year it disposes of securities that are "**Canadian securities**" (as defined in the Tax Act) so that all Canadian securities included in the Portfolio will be deemed to be capital property to the Fund.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the "**Capital Gains Refund**").

The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of securities included in the Portfolio in connection with the redemption of Units.

The Fund may have entered into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities in the Portfolio. The cost and proceeds of disposition of securities and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains and capital losses to the Fund if the securities in the Portfolio are capital property to the Fund, and provided that the hedge is sufficiently linked to securities denominated in the foreign currency.

The Fund may have derived income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, net of associated deductions, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate in respect of a Unitholder a portion of its foreign source income which can reasonably be considered to be part of the Fund's income distributed to such Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

Taxation of Unitholders

Holding and Disposition of Units

A Unitholder is generally required to include in income for a particular taxation year of the Unitholder such portion of the net income, including the taxable portion of the net realized capital gains, of the Fund for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year (including Management Fee Distributions), whether received in cash or reinvested in additional Units. Provided that appropriate designations are made by the Fund, to the extent permitted under the Tax Act, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund and foreign income taxes eligible for the foreign tax credit, and (iii) the taxable dividends received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. With respect to such foreign source income and foreign income taxes, so designated, Unitholders will generally be deemed to have paid as tax to the government of a foreign country the Unitholder's share of the taxes paid or considered to be paid by the Fund and accordingly may be able to reduce Canadian taxes otherwise payable. Certain investors, such as investors who are exempt from Canadian tax, may not be able to benefit from the foreign tax credit mechanism and so will indirectly bear their *pro rata* share of foreign taxes paid by the Fund. To the extent that any amounts are designated as taxable dividends from taxable Canadian corporations, the applicable gross-up and dividend tax credit rules will apply.

The non-taxable portion of net realized capital gains of the Fund that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year and will not, provided the appropriate designations are made by the Fund, reduce the adjusted cost base of the Units. Any other amount in excess of a Unitholder's share of the net income and net realized capital gain of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year will not generally be included in computing the Unitholder's income for the year but will reduce the adjusted cost base of Units to the Unitholder. Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize in a taxation year, losses from previous years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amounts. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain. Any losses of the fund for the purposes of the Tax Act cannot be allocated to, and cannot be treated as, a loss of a Unitholder.

The NAV per Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units may become taxable on the Unitholder's share of such income and gains of the Fund, even if the income and capital gains accrued to the Fund or were realized by the Fund before the Unitholder acquired the Units.

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder 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 the Unit to the Unitholder immediately before the disposition. In computing the adjusted cost base of any Units acquired by a Unitholder hereunder or on a reinvestment of distributions from the Fund, the cost of such Units must be averaged with the adjusted cost base of any other Units then held by the Unitholder as capital property.

One-half of any capital gain (a “**taxable capital gain**”) realized by a Unitholder or designated by the Fund in respect of the Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss (an “**allowable capital loss**”) realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder or designated by the Fund in respect of the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in such year, to the extent and under the circumstances provided for in the Tax Act.

Capital gains realized on the disposition of Units or amounts designated by the Fund to a Unitholder as taxable capital gains or taxable dividends from a taxable Canadian corporation may give rise to a liability for alternative minimum tax.

Eligibility for Registered Plans

The Units will be qualified investments within the meaning of the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“**Registered Plans**”).

Notwithstanding the foregoing, if the Units are “**prohibited investments**” for the purposes of a RRSP, RRIF or TFSA, the annuitant or holder, as the case may be, of the RRSP, RRIF or TFSA will be subject to a penalty tax. Provided that the annuitant of the RRSP or RRIF, or the holder of a TFSA together with persons that do not deal at arm’s length with the holder or annuitant, as the case may be, does not hold a “**significant interest**” (as defined in the Tax Act) in the Fund and provided that such annuitant or holder deals at arm’s length with the Fund, the Units will not be prohibited investments for a trust governed by such RRSP, RRIF or TFSA. Unitholders should consult their own tax advisors in this regard.

REMUNERATION

Harvest is entitled to compensation for its services as Trustee of the Fund and for the provisions of services in any other capacity. As of the date of this annual information form, no fees have been paid to Harvest for its services as Trustee of the Fund. No other remuneration, fees or reimbursement of expenses are paid by the Fund to the directors or officers of the Trustee.

For the most recently completed financial year, the IRC members received the following amounts in fees and in reimbursement of expenses (plus HST, as applicable), in aggregate, from the Fund: E.M. Jane Davis \$2,075.87; James Adam Conyers \$1,556.91 and Donald Hathaway \$1,377.79. The remaining IRC fees allocated to the Fund were for secretarial services.

MATERIAL CONTRACTS

The Fund is a party to the following material contracts:

- (a) the Declaration of Trust referred to under “*Name, Formation and History of the Fund*” on page 6 of this document;
- (b) the Investment Management Agreement described under “*Responsibility for Fund Operations – Details of the Investment Management Agreement*” of page 21 of this document; and

- (c) the Custodian Agreement referred to under “*Responsibility for Fund Operations – The Custodian and Valuation Agent*” on page 23 of this document.

Copies of the foregoing documents may be examined during normal business hours at the principal offices of the Manager located at 710 Dorval Drive, Suite 209, Oakville, Ontario, L6K 3V7.

RISK FACTORS

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

No Assurances on Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will appreciate or be preserved. Changes in the weightings of Portfolio Securities held by the Fund resulting from stock price movements can affect the overall yield to Unitholders.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses and who can withstand distributions not being made for any period of time.

No Guaranteed Return

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term. The Fund will be subject to the risks inherent in investments in Equity Securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity Securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. In addition, issuers of equity securities may reduce or eliminate dividends.

Equity Securities Risk

Equity Securities such as common shares or units of income trusts give the holder part ownership in the issuer. The value of an equity security changes with the fortunes of the issuer that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Passive Management Risk

An investment in Units should be made with an understanding that the value of the Portfolio Securities may fluctuate in accordance with the financial condition of the Brand Leaders from time to time, the value of the securities generally and other factors. Because it is the Fund’s intention to invest in the Portfolio Securities on a passive basis, the Portfolio will not be actively managed by traditional methods and, accordingly, will not be repositioned to attempt to take defensive positions in declining markets. The

adverse financial condition of a Brand Leader will not necessarily result in the removal of its securities from the Portfolio. In addition, the performance of the Portfolio Securities will not necessarily reflect changes in the value of the Brand Leaders due to, among other things, the option writing strategy used by the Fund.

Volatility and Distributions

The amount of distributions may fluctuate from month to month and there can be no assurance that the Fund will make any distribution in any particular month. The distributable cash flow and monthly distributions to Unitholders will be substantially based upon the level of premiums realized by the Fund pursuant to the option writing strategy described in the Prospectus as opposed to the level of dividends received on the securities comprising the Portfolio. As the Fund will not write call options on more than 25% of the Equity Securities of each of the Brand Leaders included in the Portfolio, if there is a significant decrease in volatility of the Equity Securities, this could have a significant adverse effect on the distributable cash flow generated by the Fund and, accordingly, the distributions, if any, paid by the Fund to Unitholders from time to time. If the return from writing covered call options is less than the amount necessary to fund the monthly distributions, the Manager may supplement the amounts needed through capital gains from the Portfolio, or may return a portion of the capital of the Fund to Unitholders to ensure that the distribution is paid, in which case the Net Asset Value per Unit would be reduced. In the event it does not do so in such circumstances distributions will be reduced.

Fluctuations in Value of Brand Leaders

The value of the Units will vary according to the value of the securities of the Brand Leaders included in the Portfolio, which will depend, in part, upon the performance of such Brand Leaders. The performance of the Brand Leaders included in the Portfolio will be influenced by a number of factors which are not within the control of the Fund, the Manager or the Investment Manager, including materials and other commodity prices, operational risks relating to the specific business activities of the Brand Leaders, industry competition, uncertainty and costs of funding capital projects, development of new technology, protection of intellectual property, risks relating to infringement of third party intellectual property, interest rates, exchange rates, environmental, health and safety risks, political and economic risks, issues relating to government regulation and risks relating to operating in foreign jurisdictions.

Sensitivity to Interest Rate Fluctuations

It is anticipated that the market price for Units and the value of the Portfolio Securities at any given time will 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 Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

Use of Options and Other Derivative Instruments

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

The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in such securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging

risk, counterparty risk, trading execution risk. Derivatives 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 asset, rate or index.

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

In purchasing call options or entering into forward contracts, the Fund is subject to the credit risk that its counterparty (a clearing corporation, in the case of exchange traded instruments) may be unable to meet its obligations. In addition, there is risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option. The ability of the Fund to close out its positions may also be effected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund’s ability to use derivatives instruments to effectively hedge its Portfolio or implement its Investment Strategy.

The use of options may have the effect of limiting or reducing the total returns of the Fund. In addition, the income associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the securities comprising the Portfolio. In such an event, the Fund would have to increase the percentage of the Portfolio that is subject to covered call options in order to meet its targeted distributions.

Portfolio Concentration Risk

The Fund will invest at all times in securities of Brand Leaders. The Fund’s holdings will not be diversified and the Net Asset Value per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units.

Risks Associated with Brands

The value of a brand is related to consumer perception and can be negatively affected from time to time by consumer spending habits, negative news associated with the brand, increased competition and other economic factors. Devaluation of the brand may affect the revenues of an issuer disproportionately, and thus the returns on its securities.

Reliance on the Manager and the Investment Manager

The Manager is responsible for providing, or arranging for the provision of, management and administrative services including investment and portfolio management services required by the Fund. The Investment Manager is responsible for rebalancing and hedging the Portfolio and executing and maintaining the Fund’s option writing program. Investors who are not willing to rely on the Manager and the Investment Manager should not invest in Units.

Trading at a Discount and Risks Relating to Redemptions

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per Unit on an Annual Redemption Date less any costs and expenses associated with the redemption. The purpose of the annual redemption right is to reduce the discount at which Units trade to the Net Asset Value per Unit and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under “*Suspending your right to redeem Units*” on page 18 of this document.

Nature of the Units

The Units share certain attributes common to both equity securities and debt instruments. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Taxation of the Fund

On October 31, 2003 the Department of Finance released tax proposals (the “**October 2003 Proposals**”) relating to the deductibility of losses under the Tax Act. Under the October 2003 Proposals, a taxpayer is considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 2003 Proposals were to apply to the Fund, certain losses of the Fund may be limited with after-tax returns to Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 2003 Proposals would be released (the “**Alternative Proposal**”). To date, the Alternative Proposal has not been released and no assurance can be given that it will not adversely affect the Fund.

If certain tax proposals released on September 16, 2004 are enacted as proposed (the “**September 2004 Proposals**”), the Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Units held by non-residents, or partnerships that are not Canadian partnerships, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Units unless not more than 10% (based on fair market value) of the Fund’s property is at any time “taxable Canadian property” within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Units are intended to limit the number of Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Units representing more than 50% of the fair market value of all Units. The September 2004 Proposals were not included in Bill C-52, which received Royal Assent on June 22, 2007. Pursuant to an amendment to the Tax Act, the Fund would be deemed not to be a mutual fund trust after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of non-resident persons unless at that time, all or substantially all

of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the September 2004 Proposals.

If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

In determining its income for tax purposes, the Fund generally treats gains or losses on the disposition of securities in the Portfolio, Option Premiums received on covered call options and any loss sustained on closing out options as capital gains and losses. In addition, gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the Portfolio will likely constitute capital gains or capital losses to the Fund if the securities in the Portfolio are capital property to the Fund and there is sufficient linkage to such securities and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis. CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If these dispositions or transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The SIFT Rules apply to a mutual fund trust that is a SIFT trust. The Fund should not be a SIFT trust for the purposes of these rules because, at any time that the Units are listed or traded on a stock exchange or other public market as defined in the Tax Act, the Fund should not hold “non-portfolio property” based on its investment objectives and investment restrictions. If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on the distributions received by Unitholders.

The Foreign Account Tax Compliance provisions of the U.S. Hiring Incentive to Restore Employment Act (“**FATCA**”) generally impose a reporting and 30% withholding tax regime with respect to (a) certain U.S. source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce U.S. source interest or dividends (“**withholdable payments**”) and (b) “**passthru payments**” (generally, withholdable payments and payments that are attributable to withholdable payments) made by non-U.S. financial institutions. Under FATCA, unless the Fund and the Canadian government enters into an agreement with the U.S. Internal Revenue Service (the “**IRS**”) pursuant to which the Fund agrees to report to the CRA information regarding the U.S. holders of, and certain U.S. persons that indirectly hold, interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market), and to comply with other reporting, verification, due diligence and other procedures established by the IRS, the Fund will be subject to 30% withholding tax on withholdable payments made to it after December 31, 2013 and on foreign passthru payments (generally, passthru payments that are not withholdable payments) made to it after December 31, 2016 by non-U.S. financial institutions that have an agreement with the IRS in effect. If the interests in the Fund are not regularly traded on an established securities market, the Fund generally will be required to withhold 30% U.S. tax on a portion of the distributions that it makes to holders that fail to provide information requested by the Fund to comply with FATCA. It is expected that Units will be regularly traded on an established securities market. In addition, regardless of whether Units are regularly traded on an established securities market, the Fund may be required to withhold U.S. tax on a portion of payments made by the Fund after December 31, 2016 to any non-U.S. financial institution (for example, a Unitholder’s Canadian investment dealer) that has not entered into a FATCA agreement with the IRS, including any non-U.S. financial institution through which distributions on the Units are made. Similarly, non-U.S. financial institutions that have entered into a FATCA agreement with the IRS and that hold Units on behalf of a Unitholder may be required to withhold 30% U.S. tax on foreign passthru payments

that they make with respect to the Units after December 31, 2016, to a non-U.S. financial institution that has not entered a FATCA agreement with the IRS or to a Unitholder that fails to provide information requested by such non-U.S. financial institution to comply with FATCA.

This description is based on guidance issued by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to the Units.

Status of the Fund

As the Fund will not be a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds, including without limitation NI 81-102, except insofar as that instrument prescribes a form of annual information form for mutual funds, which form applies with limited exceptions to the Fund.

Potential Conflicts of Interest

The Manager and the Investment Manager, their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund. Although none of the directors and officers of the Manager or Investment Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or Investment Manager 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 Fund, the Manager and the Investment Manager, as applicable.

Global Financial Developments

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the Portfolio Securities. A substantial decline in the equities markets could be expected to have a negative effect on the Fund and the market price of the Units.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. 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.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the Fund or the Unitholders.

Foreign Currency Exposure

As the Portfolio may include securities and options traded in foreign currencies, and because a large proportion of the operating costs, revenue or assets of Brand Leaders may be valued in foreign currencies, the Net Asset Value, when measured in Canadian dollars, will be affected by changes in the value of the foreign currencies relative to the Canadian dollar. The Manager can not hedge against operating costs or revenue of the Brand Leaders included in the Portfolio that are denominated in foreign currencies. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates. As the Portfolio will include securities of issuers exposed to foreign currencies, the Net Asset Value and distributable cash (which will not be hedged in any circumstances), when measured in Canadian dollars, will be affected by changes in the value of these currencies relative to the Canadian dollar.

Substantially all of the non-Canadian priced Portfolio securities will be hedged to Canadian dollars. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. The costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

BRAND LEADERS INCOME FUND

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. You can get a copy of these documents at no cost by calling toll-free 1-866-998-8298, or from your dealer or by e-mail at info@harvestportfolios.com. These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Manager's website at www.harvestportfolios.com or at www.sedar.com.

Manager of the Fund:

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