

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly within the United States (as defined in Regulation S under the U.S. Securities Act) or to, or for the account or benefit of U.S. Persons (as defined under Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of those laws. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Canadian General Investments, Limited at 10 Toronto Street, Toronto, Ontario M5C 2B7, telephone (416) 366-2931, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## Short Form Prospectus

New Issue

May 9, 2013



**\$75,000,000**  
**(3,000,000 shares)**

### 3.75% Cumulative Redeemable Class A Preference Shares, Series 4

This short form prospectus qualifies for distribution an offering (the "Offering") of 3,000,000 3.75% Cumulative Redeemable Class A Preference Shares, Series 4 (the "Series 4 Shares") of Canadian General Investments, Limited ("CGI" or the "Corporation"). CGI is a closed-end equity investment fund focussed on medium to long-term investments in Canadian corporations. It strives, through prudent security selection, timely recognition of capital gains and losses and appropriate income-generating instruments, to provide better than average returns to investors. CGI was established in 1930 and has been managed since 1956 by Morgan Meighen & Associates Limited (the "Manager"). The head office of the Corporation and the Manager is at 10 Toronto Street, Toronto, Ontario, M5C 2B7.

The Series 4 Shares will be entitled to fixed cumulative preferential cash dividends at a rate equal to \$0.93750 per share per annum, as and when declared by the Board of Directors of the Corporation, which will accrue from the date of issue and will be payable quarterly on the 15<sup>th</sup> day of March, June, September and December in each year, with the initial dividend, if declared, payable on September 15, 2013 in the amount of \$0.27740, based upon an anticipated issue date of May 30, 2013. Thereafter, dividends will be payable quarterly at a rate of \$0.23438 per share.

On and after June 15, 2018, the Corporation may, on not less than 30 nor more than 60 days' notice, redeem for cash the Series 4 Shares in whole or in part, at the Corporation's option, at a price per share equal to \$26.00 if redeemed on or after June 15, 2018, but before June 15, 2019; \$25.75 if redeemed on or after June 15, 2019, but before June 15, 2020; \$25.50 if redeemed on or after June 15, 2020, but before June 15, 2021; \$25.25 if redeemed on or after June 15, 2021, but before June 15, 2022; and \$25.00 thereafter, together, in each case, with all accrued and unpaid dividends to the date fixed for redemption. On or after June 15, 2023, the Series 4 Shares will be retractable for cash, at the option of the holder, for \$25.00 per share, together with any accrued and unpaid dividends to but excluding the date of retraction, by deposit by the holder of the Series 4 Shares to be retracted not less than 30 days before the retraction date. Certain other provisions relating to the Series 4 Shares are summarized under "Description of the Series 4 Shares".

### Price: \$25.00 per Share

	Price to the Public <sup>(1)</sup>	Underwriters' Fee <sup>(2)</sup>	Net Proceeds to the Corporation <sup>(3)</sup>
Per Share.....	\$25.00	\$0.75	\$24.25
Total .....	\$75,000,000	\$2,250,000	\$72,750,000

(1) The Offering price was established by negotiation between the Corporation and the Underwriters (as defined herein).

(2) The Underwriters' fee is 1% on sales to certain institutional investors and 3% on all other sales.

(3) Before deducting the estimated expenses of the Offering of approximately \$200,000. The expenses of the Offering will be paid from the general funds of the Corporation.

The Toronto Stock Exchange (“TSX”) has conditionally approved the listing of the Series 4 Shares offered by this short form prospectus. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX on or before July 30, 2013.

**Investing in the Series 4 Shares involves certain risks. See “Risk Factors” and “Caution Regarding Forward-Looking Information”.**

Scotia Capital Inc., BMO Nesbitt Burns Inc., Desjardins Securities Inc. and TD Securities Inc. (the “Underwriters”), as principals, conditionally offer the Series 4 Shares, subject to prior sale, if, as and when issued and delivered by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*”, and subject to the approval of certain legal matters relating to Canadian law on behalf of the Corporation by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

The Corporation has been advised by the Underwriters that, subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Series 4 Shares at levels other than those which might otherwise prevail on the open market. **The Underwriters may offer the Series 4 Shares at a price lower than the Offering price.** See “*Plan of Distribution*”.

**The Corporation intends to borrow, on a short-term basis, sufficient funds to permit it to redeem its outstanding 4.65% cumulative, redeemable Class A preference shares, Series 2 prior to the Closing of the Offering, and then to use the net proceeds of the Offering and available cash to repay such short-term loan. Such loan will be provided by a Canadian chartered bank that is an affiliate of one of the Underwriters. Accordingly, the Corporation may be considered to be a “connected issuer” to such Underwriter within the meaning of such term in National Instrument 33-105 Underwriting Conflicts.** See “*Plan of Distribution*”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on May 30, 2013, or on such later date as may be agreed, but in any event not later than 90 days from the date of the receipt issued for this short form prospectus (the “Closing Date”). Book-entry only certificates representing the Series 4 Shares will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on the Closing Date. A purchaser of Series 4 Shares will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Series 4 Shares are purchased.

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### Caution Regarding Forward-Looking Information

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements about the Corporation, including its investment operations and strategy. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar expressions or negative versions thereof. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business or investment strategies or prospects, and possible future actions by the Corporation, are also forward-looking statements.

Forward-looking statements are based on expectations and projections about future events that were current at the time of the statements. Material factors or assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the investment and economic conditions affecting the Corporation's operations will continue substantially in their current state, and that there will be no unplanned material changes to the Corporation's investments. The Corporation cautions that the foregoing list of material factors and assumptions is not exhaustive. Many of these assumptions are based on factors and events that are not within the Corporation's control and there is no assurance that they will prove correct.

Forward-looking statements are inherently subject to risks and uncertainties relating to the Corporation, economic factors and the financial markets generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Corporation due to, but not limited to, important factors and assumptions such as market changes, changes in government regulations, changes in accounting policies and the effect of applying future accounting policy changes, and unexpected judicial or regulatory proceedings. The reader is cautioned that the foregoing list of risk factors is not exhaustive. The reader is cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

Other than as specifically required by applicable law, the Corporation has no intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

## Canadian General Investments, Limited

CGI is a closed-end equity investment fund focussed on medium to long-term investments in Canadian corporations. Established under the laws of Ontario in January 1930, the Corporation is one of the oldest closed-end investment companies in North America. It has been managed since 1956 by Morgan Meighen & Associates Limited (the “Manager”). CGI strives, through prudent security selection, timely recognition of capital gains and losses and appropriate income-generating instruments, to provide better than average returns to investors. Income is derived mainly from dividends on shares, from interest on debentures, term deposits and cash balances, and from securities lending revenues. At March 31, 2013, the sector weightings of the investment portfolio were as follows: Financials (21.6%), Energy (21.0%), Materials (18.7%), Industrials (10.1%), Consumer Discretionary (10.1%), and other sectors (18.5%).

The compound average annual net asset value returns attributable to common shareholders of CGI (as measured by net asset value appreciation attributable to CGI’s common shares with dividends reinvested) compared to the total return of the S&P/TSX Composite Index for the comparable periods are as set out below.

	<u>CGI</u>	<u>S&amp;P/TSX Composite Index</u>
January 1, 2013 to March 31, 2013.....	5.0%	3.3%
1 year ended December 31, 2012.....	10.8%	7.2%
3 years ended December 31, 2012 .....	8.4%	4.8%
5 years ended December 31, 2012 .....	-4.1%	0.8%
10 years ended December 31, 2012 .....	10.2%	9.2%

During 2012, CGI paid four regular quarterly taxable dividends to the holders of its common shares that aggregated \$0.24 per common share, as well as a year-end special capital gains dividend of \$0.52 per common share. Based on the year-end market price of the common shares, aggregate dividends paid represent a 4.8% yield to common shareholders.

The head office of the Corporation and of the Manager is located at 10 Toronto Street, Toronto, Ontario M5C 2B7. The Corporation has no subsidiaries.

### Investment Strategies

The Manager utilizes a bottom-up investment strategy in an effort to achieve the Corporation’s investment objectives. With this type of investment strategy, the Manager first seeks individual companies with attractive investment potential, then proceeds to consider the larger industry, economic and global trends affecting those companies. The Manager attempts to mitigate market risk by maintaining a well-diversified portfolio of primarily publicly-listed Canadian equities with individual positions generally not exceeding 5% of the total investment portfolio. Foreign securities are typically not expected to exceed 15%, in aggregate, of the portfolio’s market value. Derivatives may not be used by the Manager to achieve the Corporation’s investment objectives. The investment portfolio is generally near fully invested, except where, in the judgement of the Manager, liquidity is needed or desirable, including as a result of adverse market, economic, political or other considerations, at which times the investment portfolio may hold higher levels of cash or short-term investments.

The Corporation engages in a leveraging strategy in an effort to enhance returns to common shareholders through the issuance of preference shares, including the Series 4 Shares. Although there is no set maximum leverage that may be employed by the Corporation, it is not expected to exceed 35% of net assets. The Board of Directors of the Corporation is continually assessing the Corporation’s overall leverage strategy in relation to its overall portfolio returns relative to the cost of borrowing. This may include increases or decreases in leverage, as well as exploring refinancing alternatives. See also “*Description of the Series 4 Shares – Certain Provisions of the Series 4 Shares – Other Restrictions*” for additional

restrictions on the leverage the Corporation is allowed to use. The same restrictions apply to the Series 2 Shares and Series 3 Shares (each as defined below) currently outstanding.

### **Investment Corporation Status**

The Corporation currently manages its investments so as to qualify as an “investment corporation” for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). The primary benefits of such status may be summarized as follows:

- (a) the Corporation is entitled to obtain a refund of any tax paid by it on its realized capital gains by distributing its capital gains to shareholders by way of dividend. The Corporation must file an election with the Canada Revenue Agency (“CRA”) with respect to the dividend. The dividend is then regarded as a “capital gains dividend”. A capital gains dividend is treated as a capital gain from the disposition of capital property in the hands of the shareholder. The effect of this mechanism is to treat the shareholders as if they had directly realized the capital gain realized by the investment corporation. In effect, therefore, there is no corporate level tax on such capital gains realized by the Corporation; and
- (b) generally, the Corporation is entitled to relief from tax under Part VI.1 of the Tax Act in respect of dividends paid by the Corporation on taxable preferred shares, other than dividends paid to a “controlling corporation” or to a “specified person” in relation to such a “controlling corporation” under the Tax Act.

There are certain limiting aspects of maintaining such status, including that not more than 25% of the Corporation’s gross revenues may be from interest income and that at least 85% of the Corporation’s gross revenues must be from Canadian sources. CGI regularly reviews the benefits and limitations of continuing to maintain such “investment corporation” status.

### **Description of Share Capital**

The Corporation is authorized to issue an unlimited number of common shares of which 20,861,141 are outstanding at the date hereof. Each holder of common shares is entitled to one vote for each common share registered in his or her name. The Company is also authorized to issue, in series, a class of preference shares (the “Class A Preference Shares”) of which 3,000,000, 4.65% cumulative, redeemable Class A preference shares, Series 2 (the “Series 2 Shares”) and 3,000,000, 3.90% cumulative, redeemable Class A preference shares, Series 3 (the “Series 3 Shares”) are outstanding at the date hereof. The common shares are listed on the TSX (symbol: CGI) and the London Stock Exchange (symbol: CGI). The Series 2 Shares and the Series 3 Shares are also listed on the TSX (symbols: CGI.PR.B and CGI.PR.C, respectively).

There have been no changes to the Corporation’s outstanding share capital since December 31, 2012. On April 29, 2013, the Corporation gave notice to the holders of the Series 2 Shares that it would be redeeming such shares in accordance with their terms at \$25.00 per share on May 29, 2013 (the “Series 2 Redemption”).

Pursuant to the Underwriting Agreement (as defined below), the Corporation has agreed not to sell or grant any option for the sale of, or otherwise dispose of, any additional Class A Preference Shares or securities convertible into or exchangeable for Class A Preference Shares of any series for a period commencing with the execution of such agreement and ending 90 days thereafter, without the prior written consent of Scotia Capital Inc. on behalf of the Underwriters.

### **Use of Proceeds**

The estimated net proceeds to be received by the Corporation from the Offering will be \$72,550,000, after deducting the Underwriters’ fees and the expenses of the Offering, estimated at \$2,450,000 (and assuming no sales to certain institutional investors). In order to pay the redemption proceeds owing to holders of the Series 2 Shares on May 29, 2013 under the Series 2 Redemption, the Corporation will effect a short-term borrowing from a Canadian financial institution related to one of the Underwriters, and the Corporation intends to use the net proceeds from the Offering and available cash to retire such short-term borrowing. See “*Plan of Distribution*”.

## Plan of Distribution

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated May 1, 2013 between the Corporation and the Underwriters, the Corporation has agreed to sell and the Underwriters have severally agreed to purchase, as principals, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on May 30, 2013 or such other date, not later than 90 days from the date of the receipt issued for this short form prospectus, as may be agreed upon by the parties (the "Closing Date"), all but not less than all of the Series 4 Shares offered hereby at an aggregate price of \$75,000,000, payable in cash to the Corporation against delivery on such Closing Date. The price at which the Series 4 Shares are being offered hereunder was determined by negotiation between the Corporation and the Underwriters.

In consideration for their services in connection with this Offering, the Corporation has agreed to pay the Underwriters a fee equal to \$0.25 per Series 4 Share sold to certain institutions and \$0.75 per share with respect to all other sales of Series 4 Shares. Assuming that no Series 4 Shares are sold to such institutions, the Underwriters' fee will be \$2,250,000. All fees payable to the Underwriters will be paid on account of services rendered in connection with this Offering and will be paid out of the general funds of the Corporation.

This short form prospectus qualifies the distribution of the Series 4 Shares offered hereunder in each of the provinces of Canada, except the provinces of Quebec and Newfoundland and Labrador.

The TSX has conditionally approved the listing of the Series 4 Shares offered by this short form prospectus. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX on or before July 30, 2013.

The obligations of the Underwriters to purchase the Series 4 Shares are several and not joint, and the Underwriting Agreement provides that the Underwriters may, at their discretion, terminate their obligations thereunder on the basis of their reasonable assessment of the state of the financial markets and upon the occurrence of certain stated events. The Company is not obligated to sell less than, and the Underwriters do not have the right to take up and pay for less than, all the Series 4 Shares if any Series 4 Shares are purchased under the Underwriting Agreement.

The Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase any Series 4 Shares. The foregoing restriction is subject to certain exceptions, including (i) a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. In connection with this offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Series 4 Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Series 4 Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The offering and sale of the Series 4 Shares are also subject to certain restrictions under the laws of certain jurisdictions outside of Canada. Each Underwriter has agreed that it will not offer for sale or sell or deliver the Series 4 Shares in any such jurisdiction except in accordance with the laws thereof.

The Underwriters propose to offer the Series 4 Shares initially at the Offering price specified on the cover page of this short form prospectus. After the Underwriters have made reasonable efforts to sell all of the Series 4 Shares at such price, the price per Series 4 Share may be decreased and may be further changed from time to time to an amount not greater than the Offering price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 4 Shares is less than the price paid by the Underwriters to the Corporation. Any such reduction will not affect the proceeds realized by the Corporation from the Offering.

The Corporation intends to borrow, on a short-term basis, sufficient funds (anticipated to be \$75,000,000) to permit it to redeem its outstanding Series 2 Shares prior to the Closing of the Offering, and then to use the net proceeds of the Offering, together with available cash, to repay such short-term loan. Such loan will be provided by a Canadian

chartered bank that is an affiliate of one of the Underwriters. Accordingly, the Corporation may be considered to be a “connected issuer” to such Underwriter within the meaning of such term in National Instrument 33-105 Underwriting Conflicts. No security will be provided for such indebtedness.

### **Earnings Coverage Ratios**

The Corporation’s dividend requirements on all its Class A Preference Shares, after giving effect to the issue of the Series 4 Shares but assuming the completion of the Series 2 Redemption, amounted to \$5,738,000 for the 12 months ended December 31, 2012. Given that growth is one of the primary investment objectives of the Corporation, the Corporation is of the view that the total of the Corporation’s net investment income and realized gain on investments provides the best indication of the Corporation’s ability to pay the dividends on its Class A Preference Shares, including the Series 4 Shares. As at December 31, 2012, the Corporation also had approximately \$224,922,000 in unrealized gains which may be available for this purpose if required.

The total of the Corporation’s net investment income and realized gain on investments before dividends on Class A Preference Shares and income taxes for the 12 months ended December 31, 2012 was \$23,011,000, which is approximately 4.0 times the aggregate dividend requirements for this period, after giving effect to the issue of the Series 4 Shares and assuming the completion of the Series 2 Redemption.

Excluding realized gain on investments, the net investment income before dividends on Class A Preference Shares and income taxes for the 12 months ended December 31, 2012 was \$6,605,000, which is 1.15 times the aggregate dividend requirements for this period, after giving effect to the issue of the Series 4 Shares and assuming the completion of the Series 2 Redemption.

### **Description of the Series 4 Shares**

The following is a summary of certain provisions of the Class A Preference Shares as a class and of the Series 4 Shares.

#### **Certain Provisions of the Class A Preference Shares as a Class**

##### ***Issuable in Series***

The Board of Directors may, without further approval of the shareholders, issue the Class A Preference Shares at any time and from time to time in one or more series and shall at such time determine the number of shares of such series and the attributes thereof, including, without limitation, dividend rights, redemption and retraction rights, voting rights, conversion or exchange rights or other provisions attaching thereto. Each series of Class A Preference Shares must be evidenced by Articles of Amendment in prescribed form.

##### ***Ranking***

The Class A Preference Shares shall be entitled to priority over the common shares with respect to the payment of dividends and the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

##### ***Restriction on Dividends and Purchase for Cancellation***

No dividends shall be declared or paid on the common shares nor shall any common shares be purchased for cancellation unless all dividends are current on all series of Class A Preference Shares.

## ***Voting Rights***

Except in the case of the creation of shares ranking prior to or on a parity with the Class A Preference Shares or as otherwise provided in the case of a particular series or provided by law, the holders of the Class A Preference Shares shall not be entitled to receive notice of, or to vote at, any meeting of shareholders of the Corporation.

## **Certain Provisions of the Series 4 Shares**

### ***Dividends***

The holders of the Series 4 Shares will be entitled to receive quarterly cumulative preferential cash dividends on the 15<sup>th</sup> day of March, June, September and December in each year at a rate equal to \$0.93750 per share per annum (0.23438 per share per quarter), less any tax required by law to be deducted therefrom. The initial dividend, if declared, will be payable on September 15, 2013 and will be \$0.27740 per share, assuming an issue date of May 30, 2013.

### ***Redemption by the Corporation***

Prior to June 15, 2018, the Corporation may not redeem any Series 4 Shares. Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series 4 Shares, and to the provisions described under “– *Restrictions on Dividends and Retirement of Shares*”, on and after June 15, 2018, the Corporation may on not less than 30 nor more than 60 days’ notice, redeem for cash the Series 4 Shares in whole or in part, at the Corporation’s option, at a price per share equal to \$26.00 if redeemed on or after June 15, 2018, but before June 15, 2019; \$25.75 if redeemed on or after June 15, 2019, but before June 15, 2020; \$25.50 if redeemed on or after June 15, 2020, but before June 15, 2021; \$25.25 if redeemed on or after June 15, 2021, but before June 15, 2022; and \$25.00 thereafter, together, in each case, with all accrued and unpaid dividends to but excluding the date fixed for redemption and less any tax required by law to be deducted therefrom.

If less than all outstanding Series 4 Shares are at any time to be redeemed, the shares to be redeemed will be selected pro rata (disregarding fractions) or in such other manner as the Corporation may determine, but in no event will there be a partial redemption by lot.

### ***Retraction by the Holder***

Prior to June 15, 2023, a holder of Series 4 Shares may not require the Corporation to retract any Series 4 Shares. Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series 4 Shares, and to the provisions described under “– *Restrictions on Dividends and Retirement of Shares*”, a holder of Series 4 Shares may require the Corporation to retract such shares (by deposit by the holder of the Series 4 Shares to be retracted not less than 30 days before the retraction date) on or after June 15, 2023 for a cash price of \$25.00, together with any accrued and unpaid dividends to but excluding the date of retraction and less any tax required by law to be deducted therefrom. The Corporation will provide not less than 60 days’ notice of the retraction privilege to registered shareholders.

### ***Purchase for Cancellation***

Subject to the provisions of any shares of the Corporation ranking prior to or *pari passu* with the Series 4 Shares, and to the provisions described under “– *Restrictions on Dividends and Retirement of Shares*”, the Corporation may at any time or times purchase for cancellation all or any part of the Series 4 Shares on the open market, by private agreement, pursuant to tenders received by the Corporation upon an invitation for tenders addressed to all holders of the Series 4 Shares, or otherwise at the lowest price or prices at which in the opinion of the Board of Directors of the Corporation such shares are obtainable.

### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Series 4 Shares are outstanding, the Corporation shall not, without the approval of the holders of the outstanding Series 4 Shares given as described under “– *Modification of Series*”:



- (i) declare or pay any dividend on the common shares or any other shares of the Corporation ranking junior to the Series 4 Shares;
- (ii) redeem, purchase for cancellation or otherwise retire any common shares or other shares ranking junior to the Series 4 Shares;
- (iii) except in connection with the exercise of any purchase obligation, sinking fund, retraction privilege or mandatory redemption privilege attaching thereto, redeem, purchase for cancellation or otherwise retire any shares ranking *pari passu* with the Series 4 Shares;
- (iv) except in connection with the exercise of any purchase obligation, sinking fund, retraction privilege or mandatory redemption privilege attaching thereto or out of the net cash proceeds of an issue of shares ranking junior to the Series 4 Shares, redeem, purchase for cancellation or otherwise retire any shares ranking in priority to the Series 4 Shares; or
- (v) redeem, purchase or otherwise retire less than all of the Series 4 Shares then outstanding;

unless, in each case, all cumulative dividends then accrued and unpaid up to and including the immediately preceding dividend payment date in respect of the Series 4 Shares and all other shares ranking prior to or *pari passu* with the Series 4 Shares shall have been declared and paid or monies set aside for payment.

#### ***Other Restrictions***

So long as any of the Series 4 Shares are outstanding, the Corporation shall not, without the approval of the holders of the Series 4 Shares given as described under “– *Modification of Series*”: (i) incur any Obligations (as defined below) ranking *pari passu* with or senior to the Series 4 Shares; or (ii) declare, make or pay any Distribution (as defined below) to holders of securities ranking junior to the Series 4 Shares, unless, after giving effect thereto, the ratio of Assets (as defined below) to Obligations (as defined below) exceeds 2.5 times.

For the purposes of the foregoing:

“Obligations” means all indebtedness for borrowed money (other than short-term borrowings for settlement purposes, not to exceed \$10 million and for periods not to exceed five trading days) and all amounts payable on the redemption of any share capital of the Corporation which, by the terms thereof, are capable of being required to be redeemed, purchased or retired by the Corporation at the request of the holders thereof;

“Distribution” means (i) any dividend (other than in shares of the Corporation’s capital stock which rank junior to the Series 4 Shares) on, or any other distribution to the Corporation’s shareholders in respect of, a class or series of shares; (ii) any purchase, redemption, retirement, or other acquisition of a class or series of shares of the Corporation’s capital stock or of warrants, rights or options to purchase or acquire a class or series of shares of the Corporation’s capital stock, whether directly or indirectly; and (iii) any other cash distribution, either directly or indirectly, in respect of the Corporation’s capital stock; and

“Assets” means (i) investments, cash, receivables on securities sold, accrued interest and dividends, less (ii) payables on securities purchased, accounts payable and accrued liabilities.

#### ***Voting Rights***

The holders of the Series 4 Shares will not be entitled as such to receive notice of, or to attend or to vote at, any meeting of the shareholders of the Corporation unless and until the Corporation shall have failed to declare and pay the whole amount of eight quarterly dividends on the Series 4 Shares. In that event, until such time as the Corporation pays the whole amount of such eight quarterly dividends on the Series 4 Shares, the holders of such shares will be entitled to receive notice of and to attend meetings of the shareholders of the Corporation at which directors are to be elected and will be entitled to vote for the election of two directors to be elected in conjunction with the holders of any other series of

Class A Preference Shares which may have a similar right. On any such vote, holders of Series 4 Shares will be entitled to one vote per share, provided that if the shares of any other series of Class A Preference Shares have a retraction, redemption or issue price of less than \$25.00 per share, the number of votes per Series 4 Share will be adjusted pro rata.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Corporation and of holders of shares of the Corporation ranking prior to the Series 4 Shares, the holders of the Series 4 Shares shall be entitled to be paid and to receive an amount equal to \$25.00 per Series 4 Share, together with all accrued and unpaid dividends up to and including the date of distribution before any amount shall be paid or any assets of the Corporation shall be distributed to the holders of common shares or of shares of any other class of the Corporation ranking junior to the Series 4 Shares. After payment to the holders of the Series 4 Shares of the amount so payable to them, such holders shall not be entitled to share in any further distribution of the assets of the Corporation.

### ***Modification of Series***

Approval of variations to the provisions of the Series 4 Shares as a series and any other authorization required to be given by the holders of such shares may be given by a resolution passed by an affirmative vote of not less than two-thirds of the votes cast at a meeting of the holders of Series 4 Shares duly called for such purpose and held upon at least 21 days' notice at which the holders of at least 25% of the outstanding shares of such series are present in person or represented by duly qualified proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 4 Shares then present in person or represented by duly qualified proxy will form the necessary quorum. On any vote held in respect of such a resolution, holders of Series 4 Shares will be entitled to one vote per share.

### ***Tax Election***

The terms of the Series 4 Shares will require the Corporation to make an election under subsection 191.2(1) of the Tax Act by filing the applicable prescribed form with CRA.

### ***Rating***

The Series 4 Shares are provisionally rated Pfd-1(low) by Dominion Bond Rating Service Limited ("DBRS"). A Pfd-1 rating is the highest of five ratings categories used by DBRS for preferred shares. According to DBRS, preferred shares with a Pfd-1 rating are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. The "high" and "low" designations used by DBRS indicate relative strength with the rating category.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. A security rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Prospective purchasers of the Series 4 Shares may wish to consult DBRS with respect to the interpretation and implication of the foregoing provisional rating.

## **Canadian Federal Income Tax Considerations**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires Series 4 Shares pursuant to this short form prospectus who, for purposes of the Tax Act and at all relevant times is, or is deemed to be, resident in Canada, deals at arm's length with and is not affiliated with the Corporation, deals at arm's length with the Underwriters, and holds such Series 4 Shares as capital property (a "Holder"). Generally, the Series 4 Shares will be capital property to a holder provided the holder does not acquire or hold those Series 4 Shares in the course of carrying on a business or as part of an adventure or concern in the

nature of trade. Certain holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Series 4 Shares (and all other “Canadian securities” as defined in the Tax Act) owned by such holder to be capital property.

This summary is not applicable to a Holder (i) that is a “financial institution” for purposes of the “mark to market property” rules in the Tax Act or a “specified financial institution” (as defined in the Tax Act), (ii) an interest in which is a “tax shelter investment” (as defined in the Tax Act), (iii) that reports its “Canadian tax results” (as defined in the Tax Act) in a currency other than Canadian currency, (iv) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Series 4 Shares, controlled by a non-resident corporation for purposes of section 212.3 of the Tax Act, or (v) that enters into, with respect to its Series 4 Shares, a “derivative forward agreement” as that term is defined in proposed amendments to the Tax Act contained in the Notice of Ways and Means Motion that accompanied the federal budget tabled in the House of Commons by the Minister of Finance (Canada) on March 21, 2013. Such Holders are advised to consult with their own tax advisors.

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

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof, and counsel’s understanding of the administrative policies and assessing practices of CRA publicly available prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of CRA, whether by legislative, governmental or judicial action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations which may differ from those discussed herein. No assurance can be given that the proposed amendments will be enacted in the form proposed, or at all.

## **Dividends**

Dividends (other than capital gains dividends) (“Ordinary Dividends”) received or deemed to be received on the Series 4 Shares by an individual will be included in the individual’s income and will generally be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit for dividends designated by the Corporation as “eligible dividends”. In general, the Corporation expects that any dividends paid on its shares will be designated as eligible dividends and will therefore be subject to the increased gross-up and dividend tax credit.

Ordinary Dividends received or deemed to be received on Series 4 Shares by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the corporation’s taxable income.

The Series 4 Shares are “taxable preferred shares” as defined in the Tax Act. The terms of the Series 4 Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that Holders that are corporations will not be subject to tax under Part IV.1 of the Tax Act on Ordinary Dividends received (or deemed to be received) on the Series 4 Shares. The Corporation has advised counsel that it will be eligible to make such election at closing, and that, in accordance with the terms of the Underwriting Agreement, it will make such election on the date of the closing.

A “private corporation”, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on Ordinary Dividends received (or deemed to be received) on the Series 4 Shares to the extent such dividends are deductible in computing its taxable income.

Counsel understands that the Corporation does not currently intend to pay capital gains dividends on the Series 4 Shares, and accordingly the tax considerations related to the receipt of capital gains dividends are not discussed herein.

## **Dispositions**

A Holder who disposes of or is deemed to dispose of Series 4 Shares (including on a redemption, retraction, purchase for cancellation, or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption or acquisition by the Corporation of Series 4 Shares (as discussed below) will generally not be included in computing the Holder's proceeds of disposition for purposes of computing the capital gain or loss arising on disposition of such Series 4 Shares. If the Holder is a corporation, any capital loss arising on a disposition of a Series 4 Share may in certain circumstances be reduced by the amount of any Ordinary Dividends which have been received or deemed to be received on such Series 4 Share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

One-half of a capital gain (a "taxable capital gain") realized in a taxation year is required to be included in income for that year. One-half of a capital loss (an "allowable capital loss") realized in a taxation year generally must be deducted against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains for a taxation year 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 net taxable capital gains, subject to the detailed rules in the Tax Act.

A Holder that is an individual (including certain trusts) realizing net capital gains may be subject to an alternative minimum tax under the Tax Act.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for a year, which is defined to include taxable capital gains.

## **Redemption**

If the Corporation redeems Series 4 Shares, or otherwise acquires or cancels Series 4 Shares (other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. Generally, the difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares (as discussed above). In the case of a Holder that is a corporation, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

## **Eligibility for Investment**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof and proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Series 4 Shares if issued on the date hereof would be qualified investments for the purposes of the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("TFSA"), each as defined in the Tax Act.

The Series 4 Shares will not be a "prohibited investment" for a trust governed by a TFSA, RRSP or RRIF unless the holder of such TFSA or the annuitant of such RRSP or RRIF (i) does not deal at arm's length with the Corporation for purposes of the Tax Act, (ii) has a "significant interest" as defined in the Tax Act in the Corporation, or (iii) has a "significant interest" as defined in the Tax Act in a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 (the "December 2012 Proposals") propose to delete the condition in (iii) above. Holders of TFSA or annuitants of RRSPs or RRIFs should consult their own tax advisors with respect to whether the Series 4 Shares would be prohibited investments in their particular circumstances.

## Documents Incorporated by Reference

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

- (a) the Annual Information Form of the Corporation dated March 15, 2013, including documents incorporated by reference therein;
- (b) the audited annual financial statements of the Corporation as at and for the years ended December 31, 2012 and December 31, 2011 and the report of the auditor thereon and the related annual Management Report of Fund Performance; and
- (c) the Management Proxy Circular dated February 13, 2013 with respect to the annual meeting of shareholders of the Corporation held on April 17, 2013.

All documents of the Corporation of the type described in Section 11.1 of Form 44-101F1 *Short Form Prospectus* to National Instrument 44-101 *Short Form Prospectus Distributions*, if filed by the Corporation with the provincial securities commissions or similar authorities in Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

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

## Experts and Auditor

Certain legal matters in connection with this offering will be passed upon by Blake, Cassels & Graydon LLP for the Corporation and by Osler, Hoskin & Harcourt LLP for the Underwriters. As of May 9, 2013, the partners and associates of Blake, Cassels & Graydon LLP as a group and the partners and associates of Osler, Hoskin & Harcourt LLP as a group, beneficially owned, directly or indirectly, less than 1% of any class of securities of the Corporation.

The Corporation's auditor is PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditor's report dated February 13, 2013 in respect of the Corporation's financial statements as at December 31, 2012 and December 31, 2011 and for each of the years ended December 31, 2012 and December 31, 2011. PricewaterhouseCoopers LLP has advised that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## Risk Factors

Reference is made to the discussion under "*Risk Factors*" in the Corporation's Annual Information Form dated March 15, 2013 (incorporated by reference into this short form prospectus) for a discussion of the risk factors that an investor should consider before making an investment in the Corporation generally. Set out below are additional risk factors relevant to an investment in the Series 4 Shares.

The value of Series 4 Shares will be affected by the general creditworthiness of the Corporation. The Corporation's Management Report of Fund Performance for the year ended December 31, 2012 is incorporated by reference in this short form prospectus, and contains information relating to the Corporation's business, financial condition and/or results of operations. See also the discussion under "*Earnings Coverage Ratios*", which is relevant to an assessment of the risk that the Corporation will be unable to pay dividends on the Series 4 Shares.

The market value of the Series 4 Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates and in the credit rating assigned to such shares. Real or anticipated changes in credit ratings on the Series 4 Shares may also affect the cost at which the Corporation can transact or obtain funding, and thereby affect its liquidity, business, financial condition or results of operations.

The Series 4 Shares rank equally with other Class A Preference Shares of the Corporation in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound-up, the Corporation's assets must be used to pay debt, including any subordinated debt, before payments may be made on Series 4 Shares and other Class A Preference Shares.

Prevailing yields on similar securities will affect the market value of the Series 4 Shares. Assuming all other factors remain unchanged, the market value of the Series 4 Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline.

Stock market volatility may affect the market price of the Series 4 Shares for reasons unrelated to the Corporation's performance.

There can be no assurance that an active trading market will develop for the Series 4 Shares after the completion of the Offering, or if developed, that such a market will be sustained at the Offering price of the Series 4 Shares.

Ms. Vanessa Morgan, the Chairman and a director of the Corporation and the President, Chief Executive Officer and a director of the Manager, was a director of Innovium Media Properties Corp. ("Innovium") at the time it became subject to a cease trade order by the Autorite des Marches Financiers (the "AMF"), and remains a director of Innovium. Mr. Neil Raymond, a director of the Corporation, was a director and the chairman and chief executive officer of Innovium at the time of such cease trade order and continues to act in these capacities. The cease trade order was issued by the AMF in May 2011 as a result of Innovium failing to file its 2010 financial statements in a timely fashion. The AMF also commenced a continuous disclosure review of Innovium at that time, and until such review is complete Innovium cannot file its 2010 financial statements (which have been prepared and audited).

### **Purchasers' Statutory Rights**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## **Certificate of Corporation**

Dated: May 9, 2013

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

By: (signed) Jonathan A. Morgan  
President and Chief Executive Officer

By: (signed) Frank Fuernkranz  
Secretary-Treasurer and  
Chief Financial Officer

On behalf of the Board of Directors

By: (signed) James G. Cook  
Director

By: (signed) James F Billett  
Director

## Certificate of Manager

Dated: May 9, 2013

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

By: (signed) Vanessa L. Morgan  
President and Chief Executive Officer

By: (signed) Frank Fuernkranz  
Vice-President Finance and  
Secretary, as chief financial officer

On behalf of the Board of Directors

By: (signed) Jonathan A. Morgan  
Director

By: (signed) Michael A. Smedley  
Director



## **Certificate of Underwriters**

Dated: May 9, 2013

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

SCOTIA CAPITAL INC.

By: (signed) Dharammintera (David) Garg

BMO NESBITT BURNS INC.

By: (signed) Bradley J. Hardie

DESJARDINS SECURITIES INC.

By: (signed) A. Thomas Little

TD SECURITIES INC.

By: (signed) Cameron Goodnough