

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

**PROSPECTUS**

Initial Public Offering

October 27, 2017



**\$100,000,000 (Maximum)**  
**Up to 4,000,000 Preferred Shares and 4,000,000 Class A Shares**  
**\$10.00 per Preferred Share and \$15.00 per Class A Share**

Big Pharma Split Corp. (the “**Company**”) is a mutual fund corporation incorporated under the laws of the Province of Ontario. The Company proposes to offer preferred shares (“**Preferred Shares**”) and class A shares (“**Class A Shares**”) at a price of \$10.00 per Preferred Share and \$15.00 per Class A Share (the “**Offering**”). Preferred Shares and Class A Shares are issued only on the basis that an equal number of Preferred Shares and Class A Shares will be outstanding at Closing (as defined herein) and at all material times.

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.125 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until December 31, 2022 (the “**Maturity Date**”) and to return the original issue price of \$10.00 to holders on the Maturity Date. See “Investment Objectives”.

The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.1031 per Class A Share representing a yield on the issue price of the Class A Shares of 8.25% per annum on the issue price of \$15.00 per Class A Share and to provide holders with the opportunity for growth in the net asset value per Class A Share. See “Investment Objectives”.

The Company will invest in an initially equally-weighted portfolio (the “**Portfolio**”) comprised of Equity Securities (as defined herein) of ten issuers, selected by the Portfolio Manager (as defined herein) from the Investable Universe (as defined herein), that at the time of investment and immediately following each semi-annual reconstitution and rebalancing: (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities. The Portfolio will be comprised primarily of the largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe. See “Investment Strategies”.

The Preferred Shares have been provisionally rated Pfd-3 (high) by DBRS Limited. See “Description of the Securities - Rating of the Preferred Shares”.

Harvest Portfolios Group Inc. (“**Harvest**”) will act as the manager, portfolio manager and promoter of the Company and will provide all administrative services required by the Company. See “Organization and Management Details of the Manager”.

**Price: \$10.00 per Preferred Share and \$15.00 per Class A Share**

	<b>Price to the Public<sup>(1)</sup></b>	<b>Agents’ Fee</b>	<b>Net Proceeds to the Company<sup>(2)</sup></b>
Per Preferred Share .....	\$10.00	\$0.30	\$9.70
Total Minimum Preferred Share Offering <sup>(3)(4)</sup> .....	\$10,000,000	\$300,000	\$9,700,000
Total Maximum Preferred Share Offering <sup>(4)</sup> .....	\$40,000,000	\$1,200,000	\$38,800,000
Per Class A Share .....	\$15.00	\$0.75	\$14.25
Total Minimum Class A Share Offering <sup>(3)(4)</sup> .....	\$15,000,000	\$750,000	\$14,250,000
Total Maximum Class A Share Offering <sup>(4)</sup> .....	\$60,000,000	\$3,000,000	\$57,000,000

Notes:

(1) The terms of the Offering were established through negotiation between the Agents (as defined below) and the Manager on behalf of the Company.

- (2) Before deducting the expenses of the Offering (estimated at \$600,000) which, subject to a maximum of 1.2% of the gross proceeds of the Offering, will, together with the Agents' fees, be paid out of the proceeds of the Offering. As a result of the priority of the Preferred Shares, the expenses of the Offering will effectively be borne by holders of the Class A Shares (for so long as the net asset value per Unit exceeds the Offering price per Preferred Share plus accrued and unpaid distributions thereon) and the net asset value per Class A Share will reflect the expenses of the Offering of both the Preferred Shares and Class A Shares.
- (3) There will be no Closing unless a minimum of 1,000,000 Preferred Shares and 1,000,000 Class A Shares are sold. If subscriptions for a minimum of 1,000,000 Preferred Shares and 1,000,000 Class A Shares have not been received within 90 days following the date of issuance of a receipt for this prospectus, the Offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for Preferred Shares and Class A Shares on or before such date.
- (4) The Company has granted to the Agents an over-allotment option, exercisable for a period of 30 days from the Closing Date (as defined herein), to purchase up to an additional 15% of the aggregate number of Preferred Shares and Class A Shares issued on the Closing Date on the same terms as set forth above solely to cover over-allocations, if any (the "**Over-Allotment Option**"). If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Company will be \$115,000,000, \$4,830,000 and \$110,170,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and the Class A Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Preferred Shares and Class A Shares forming part of the Agents' over-allocation position acquires such Preferred Shares and Class A Shares under this prospectus, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

**There is currently no market through which the Preferred Shares and Class A Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Preferred Shares and Class A Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "Risk Factors".**

**There is no guarantee that an investment in the Company will earn any positive return in the short or long term nor is there any guarantee that the investment objectives will be achieved or that the Net Asset Value per Preferred Share or Class A Share will appreciate or be preserved. An investment in the Company involves a degree of risk and is appropriate only for investors who have the capacity to absorb investment losses. See "Risk Factors" for a discussion of certain factors that should be considered by prospective purchasers of Preferred Shares and Class A Shares.**

The TSX has conditionally approved the listing of the Preferred Shares and Class A Shares. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before January 17, 2018, including distribution of the Preferred Shares and Class A Shares to a minimum number of public securityholders.

Prospective purchasers may purchase Preferred Shares or Class A Shares by a cash payment. The Preferred Shares and Class A Shares are offered separately but will be issued only on the basis that an equal number of each class of shares will be issued and outstanding at Closing.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Echelon Wealth Partners Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and PI Financial Corp. (collectively, the "**Agents**"), as agents, conditionally offer the Preferred Shares and Class A Shares for sale, on a best efforts basis, if, as and when issued by the Company in accordance with the conditions contained in an agency agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Blake, Cassels & Graydon LLP and on behalf of the Agents by McCarthy Tétrault LLP. The Agents may over-allot or effect transactions as described under "Plan of Distribution".

Subscriptions for Preferred Shares and Class A Shares will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about November 24, 2017, but no later than 90 days after a receipt for this prospectus has been issued (the "**Closing Date**"). Registrations and transfers of Preferred Shares and Class A Shares will be effected only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership. See "Plan of Distribution" and "Description of the Securities - Book-Entry-Only and Book-Based Systems".

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms used but not defined herein shall have the meanings given to such terms in the “Glossary of Terms”.*

### The Offering

**Issuer:** Big Pharma Split Corp. (the “**Company**”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 15, 2017. See “Overview of the Company”.

**Offering:** The Company is offering preferred shares (“**Preferred Shares**”) and class A shares (“**Class A Shares**”) of the Company. The Preferred Shares and Class A Shares are offered separately but will be issued only on the basis that an equal number of each class of shares will be issued and outstanding at Closing and at all material times.

**Maximum Issue:** Maximum: \$40,000,000 (4,000,000 Preferred Shares)

Maximum: \$60,000,000 (4,000,000 Class A Shares)

**Minimum Issue:** Minimum: \$10,000,000 (1,000,000 Preferred Shares)

Minimum: \$15,000,000 (1,000,000 Class A Shares)

**Price:** \$10.00 per Preferred Share

\$15.00 per Class A Share

**Investment Objectives:** The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.125 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until December 31, 2022 (the “**Maturity Date**”) and to return the original issue price of \$10.00 to holders on the Maturity Date.

The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.1031 per Class A Share representing a yield on the issue price of the Class A Shares of 8.25% per annum on the issue price of \$15.00 per Class A Share and to provide holders with the opportunity for growth in the net asset value per Class A Share.

The Company will invest in an initially equally-weighted portfolio (the “**Portfolio**”) comprised of Equity Securities of ten issuers, selected by the Portfolio Manager from the Investable Universe, that at the time of investment and immediately following each semi-annual reconstitution and rebalancing: (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities. The Portfolio will be comprised primarily of the largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe.

The Manager will hedge substantially all of the Portfolio’s U.S dollar exposure back to the Canadian dollar.

See “Investment Objectives”.

**Investment Strategies:** To seek to achieve its investment objectives, the Company will invest in an initially equally-weighted Portfolio comprised of Equity Securities of ten issuers from the Investable Universe, eight of which will be selected by the Portfolio Manager from the ten largest (as determined by

market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe and the remaining two issuers will be selected by the Portfolio Manager from the Investable Universe.

The Portfolio, if invested on September 7, 2017, would be invested, on an approximately equally-weighted basis, in Equity Securities of the following issuers (the “**Indicative Portfolio**”):

Name	Market Cap (USD) Billions	Indicated Yield	5 Year Average ROE	P/E Next Year
Johnson & Johnson	\$351.8	2.57%	23.7%	16.95
Pfizer Inc.	\$203.2	3.78%	15.8%	12.40
Merck & Co., Inc.	\$175.3	2.94%	15.2%	15.30
AbbVie Inc.	\$135.9	3.25%	152.9%	13.17
Amgen Inc.	\$131.9	2.57%	25.7%	14.10
Novo Nordisk A/S	\$120.0	1.97%	68.0%	17.91
Bristol-Myers Squibb Company	\$102.5	2.53%	22.7%	19.72
GlaxoSmithKline plc	\$98.6	4.95%	91.4%	13.39
Eli Lilly and Company	\$91.2	2.57%	23.1%	18.13
AstraZeneca PLC	\$81.9	2.78%	22.4%	16.88
<b>Indicative Portfolio Average</b>	<b>\$149.2</b>	<b>2.99%</b>	<b>46.1%</b>	<b>15.79</b>

Source: Bloomberg, September 7, 2017.

Note: Past performance is not an indication or guarantee of future performance.

Commencing in February, 2018, the Portfolio will be reconstituted and rebalanced semi-annually (within 30 days following the last day of January and July) by the Portfolio Manager but may be reconstituted and rebalanced more frequently if: (i) a Pharmaceutical Issuer or a Healthcare Issuer in the Portfolio is the subject of a merger or other fundamental corporate action that in the opinion of the Portfolio Manager requires the Pharmaceutical Issuer or the Healthcare Issuer to be removed from the Portfolio; or (ii) a Pharmaceutical Issuer’s or a Healthcare Issuer’s options are no longer sufficiently liquid to permit the Portfolio Manager to write options in respect of such issuer’s Equity Securities. In such circumstances, the Pharmaceutical Issuer or Healthcare Issuer that is removed from the Portfolio will be replaced with an issuer selected by the Portfolio Manager that satisfies the investment objectives and investments strategies of the Company.

It is the Portfolio Manager’s intention to purchase only ADRs for those Pharmaceutical Issuers and Healthcare Issuers that are considered to be “foreign issuers” in the U.S. and that are not listed on a Canadian stock exchange. The Portfolio Manager intends to purchase common shares for all other Pharmaceutical Issuers and Healthcare Issuers selected for the Portfolio.

In order to seek to generate additional returns, the Portfolio Manager may write call options each month in respect of some or all of the Equity Securities held in the Portfolio. The Portfolio Manager expects that initially options will be written on approximately 26.8% of the Equity Securities in the Portfolio.

In order to facilitate distributions and/or pay expenses, the Company may sell Equity Securities at its discretion in which case the weighting of the Portfolio will be affected. To the extent that the Company has excess cash at any time, at the Portfolio Manager's discretion, such excess cash may be invested by the Company in Equity Securities of Pharmaceutical Issuers or Healthcare Issuers in the Portfolio, generally targeting investment in Equity Securities of Pharmaceutical Issuers and Healthcare Issuers in the Portfolio which have less than average weight in the Portfolio at the time.

The Company may close out options in advance of year-end to reduce the likelihood that gains realized in any year are reversed in a subsequent year. The Company may also sell Portfolio Securities that are in a loss position to reduce the Capital Gains Dividends that would otherwise be payable by the Company in a particular year where the Portfolio Manager determines that it is in the best interests of the Company to do so. See "Investment Strategies".

**Currency Hedging:**

All of the securities expected to make up the Portfolio will be denominated in U.S. dollars and expected dividends and premiums from call options received will be in U.S. dollars. The Manager will hedge substantially all of the Portfolio's U.S dollar exposure back to the Canadian dollar. It is not intended that the dividends on Portfolio Securities or Option Premiums realized on the call options written by the Company will be hedged back to the Canadian dollar.

See "Investment Strategies – Currency Hedging".

**Credit Facility:**

The Company does not intend to borrow money or employ other forms of leverage other than for working capital purposes. The Company may establish a credit facility that may be used by the Company for working capital purposes and expects that the maximum amount it borrows thereunder will be limited to 5% of the Net Asset Value of the Company. The Company may pledge Portfolio Securities as collateral for amounts borrowed thereunder. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Company could obtain is 1.05:1.

See "Investment Strategies – Credit Facility".

**Distribution Policy:**

Holders of record of Preferred Shares on the last Business Day of each of March, June, September and December will be entitled to receive fixed, cumulative preferential quarterly cash distributions equal to \$0.125 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of 5.0%. Such quarterly distributions are expected to be paid by the Company before the 15<sup>th</sup> day of the month following the period in respect of which the distribution was declared payable. The first distribution will be pro-rated to reflect the period from the Closing Date to December 31, 2017.

The policy of the Board of Directors of the Company will be to pay monthly non-cumulative distributions to the holders of Class A Shares in the amount of \$0.1031 per Class A Share. Such distributions will be paid on or before the 15<sup>th</sup> day of the month following the month in respect of which the distribution is declared payable. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears, or (ii) in respect of a cash distribution by the Company, the NAV per Unit would be less than \$15.00. In addition, the Company will not pay distributions in excess of \$0.1031 per month on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$23.50 unless the Company has to make such distribution to fully recover refundable taxes.

Assuming that the gross proceeds of the Offering are \$50 million and fees and expenses are as described in this prospectus, in order to achieve the Company's targeted annual distributions for the Class A Shares and the Preferred Shares while maintaining a stable NAV per Unit, the Company will be required to generate an average annual total return (comprised of net realized capital gains, Option Premiums and dividends) on the Portfolio of approximately 8.72 % (net of applicable withholding tax). The Portfolio currently generates dividend income of 2.99%

(2.54% net of withholding tax) per annum and would be required to generate an additional 6.18% per annum from other sources, including from the Company's covered call options strategy, to return and distribute such amounts. Such distributions may consist of Ordinary Dividends, Capital Gains Dividends or returns of capital. There can be no assurance that the Company will be able to pay distributions to the holders of Preferred Shares or Class A Shares.

See "Distribution Policy" and "Risk Factors".

**Redemptions:**

All Preferred Shares and Class A Shares of the Company outstanding on the Maturity Date will be redeemed by the Company on such date provided that the term of the Shares may be extended beyond the initial Maturity Date for a further period of five years and thereafter for additional successive periods of five years as determined by the Company's Board of Directors on such date.

The redemption price payable by the Company for a Preferred Share on the Maturity Date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the NAV of the Company on the Maturity Date divided by the total number of Preferred Shares then outstanding.

The redemption price payable by the Company for a Class A Share on the Maturity Date will be equal to the greater of (i) the NAV per Unit on the Maturity Date minus the sum of \$10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

See "Redemptions and Retractions – Redemptions".

**Retraction  
Privileges:**

**Preferred Shares**

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

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the NAV per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commissions and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. With respect to any monthly retraction of Preferred Shares, the Company will purchase for cancellation such number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at Closing and at all material times.

*Annual Concurrent Retraction:* A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of June of each year, other than in a year when the last Business Day of December is a Maturity Date, commencing in 2019 (the “**Annual Retraction Date**”) at a retraction price equal to the NAV per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the 15<sup>th</sup> Business Day following the applicable Annual Retraction Date.

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

See “Redemption and Retractions – Retraction Privileges – Preferred Shares”.

#### **Class A Shares**

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

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the NAV per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commissions and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred Share. If the NAV per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

*Annual Concurrent Retraction:* A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in 2019 at a retraction price equal to the NAV per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the 15<sup>th</sup> Business Day following the applicable Annual Retraction Date.

*Non-Concurrent Retraction Right:* On a Maturity Date, a holder of Class A Shares may retract

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

See "Redemption and Retractions – Retraction Privileges – Class A Shares".

**Use of Proceeds:** The net proceeds of the Offering (including the proceeds from the exercise, if any, by the Agents of the Over-Allotment Option) will be used to purchase the securities for the Portfolio following the Closing Date.

See "Use of Proceeds".

**Risk Factors:** An investment in Preferred Shares and Class A Shares is subject to certain risks, including: (i) there is no assurance that the Company will be able to achieve its investment objectives; (ii) risks relating to the pharmaceutical industry; (iii) risks relating to healthcare issuers; (iv) concentration risk; (v) risks relating to passive investments; (vi) risks relating to the performance of the securities in the Portfolio; (vii) risks relating to the volatility of the Class A Shares; (viii) risks relating to recent and future global financial developments; (ix) sensitivity to interest rates; (x) risks relating to changes in credit rating; (xi) risks relating to holding of ADRs; (xii) reliance on Harvest as the Manager and the Portfolio Manager; (xiii) conflicts of interest; (xiv) risks associated with the use of options and other derivative instruments; (xv) sensitivity to volatility levels; (xvi) tax risks; (xvii) significant retractions; (xviii) loss of investment; (xix) risks associated with non-concurrent retraction; (xx) changes in legislation and regulatory risk; (xxi) risks relating to currency exposure; (xxii) risks relating to foreign market exposure; and (xxiii) lack of operating history.

See "Risk Factors".

**Income Tax Considerations:** The Company intends to qualify at all relevant times as a mutual fund corporation under the Tax Act. As a mutual fund corporation, the Company will be entitled to capital gains refunds in respect of: (i) capital gains dividends paid by it in respect of its net realized capital gains and from which it may elect to pay dividends ("**Capital Gains Dividends**") which are treated as capital gains in the hands of the shareholders; and (ii) its capital gains redemptions. As a result thereof and of the deduction of expenses in computing its income, based on the Indicative Portfolio, the Company does not expect to be subject to material non-refundable taxes prior to the initial Maturity Date.

Dividends, other than Capital Gains Dividends, received by individuals on the Preferred Shares and Class A Shares ("**Ordinary Dividends**") will be subject to the usual gross-up and dividend tax credit rules applicable to taxable dividends (including eligible dividends) received on shares of a taxable Canadian corporation.

Ordinary Dividends received by corporations, other than a "specified financial institution" (as defined in the Tax Act), on the Preferred Shares and Class A Shares will generally be deductible in computing taxable income.

Ordinary Dividends received by "specified financial institutions" on the Preferred Shares and Class A Shares will be deductible in computing taxable income, provided that certain conditions applicable to "term preferred shares" under the Tax Act are met, such as the 10% ownership restriction.

Ordinary Dividends received by private corporations (and certain other corporations) on the Preferred Shares and Class A Shares will be subject to a refundable tax under Part IV of the Tax Act, generally at the rate of  $38\frac{1}{3}\%$ .

Ordinary Dividends received by certain corporations other than private corporations on the Preferred Shares will be subject to a 10% tax under Part IV.1 of the Tax Act.

Return of capital payments to a holder of Preferred Shares and Class A Shares will not be subject to tax but will reduce the adjusted cost base of the Preferred Shares and Class A Shares to the holder. To the extent that such adjusted cost base would otherwise be a negative amount, the holder will be deemed to have realized a capital gain at that time and the adjusted cost base will be increased by the amount of such deemed capital gain.

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

See "Income Tax Considerations".

**Eligibility for Investment:**

Provided that the Company qualifies as a "mutual fund corporation" for the purposes of the Tax Act, or the Preferred Shares and Class A Shares are listed on a "designated stock exchange" within the meaning of the Tax Act, the Preferred Shares and Class A Shares, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSA"). Prospective investors should consult their own tax advisors as to the effect of acquiring Shares (and consequently an interest in Harvest Big Pharma Split Trust) in a registered education savings plan ("RESP").

Notwithstanding the foregoing, if the Preferred Shares or Class A Shares are a "prohibited investment" for the purposes of a TFSA, a RRSP or a RRIF, the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Preferred Shares and the Class A Shares will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant thereof, as the case may be, (i) deals at arm's length with the Company, for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Company. In addition, Preferred Shares and Class A Shares, as the case may be, will not be a "prohibited investment" if such Shares are "excluded property" (as defined in the Tax Act) for trusts governed by a TFSA, RRSP or RRIF. Pursuant to legislative proposals to amend the Tax Act originally released on March 22, 2017, the rules in respect of "prohibited investments" are proposed to also apply to (i) RDSPs and the holders thereof and (ii) RESPs and the subscribers thereof. Prospective purchasers who intend to hold Preferred Shares or Class A Shares in a TFSA, RRSP, RRIF, RDSP or RESP are advised to consult their personal tax advisors.

See "Eligibility for Investment".

**Agents:**

The Company has engaged BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Echelon Wealth Partners Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and PI Financial Corp. (collectively, the "Agents") as agents to offer the Preferred Shares and Class A Shares for sale to the public.

Pursuant to the Agency Agreement, the Agents have agreed to offer the Preferred Shares and Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The Agents will receive a fee equal to \$0.30 for each Preferred Share sold and \$0.75 for each Class A Share sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered hereby, the Agents will not be obligated to purchase Preferred Shares and Class A Shares which are not sold.

The Company has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase additional Preferred Shares and Class A Shares in an amount up to 15% of the aggregate number of Preferred Shares and Class A Shares issued at the Closing at a price of \$10.00 per Preferred Share and \$15.00 per Class A Share to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the total price to the public will be \$115,000,000, the Agents' fees will be \$4,830,000 and the net proceeds to the Company will be estimated to be \$110,170,000. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and Class A Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Preferred Shares or Class A Shares forming part of the Agents' over-allocation position acquires such Preferred Shares and Class A Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

<u>Agents' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	600,000 Preferred Shares and 600,000 Class A Shares	Within 30 days following the Closing Date	\$10.00 per Preferred Share and \$15.00 per Class A Share

**Organization and Management of the Company:**

*Manager, Portfolio Manager and Promoter*

Harvest Portfolios Group Inc. ("**Harvest**") is the manager and portfolio manager of the Company and is responsible for the provision of administrative services required by the Company. Harvest's head office is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

Harvest may be considered a promoter of the Company within the meaning of the securities legislation of certain provinces and territories of Canada by reason of its initiative in organizing the Company.

See "Organization and Management Details of the Manager".

*Custodian*

CIBC Mellon Trust Company, located in Toronto, Ontario, is the custodian of the assets of the Company and provides valuation services to the Company.

See "Organization and Management Details of the Company – Custodian".

*Auditors*

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Ontario.

See "Organization and Management Details of the Company – Auditor".

*Registrar and Transfer Agent*

TSX Trust Company will provide the Company with registrar, transfer and distribution agency services in respect of the Preferred Shares and Class A Shares from its principal offices in Toronto, Ontario.

See "Organization and Management Details of the Company – Registrar and Transfer Agent".

## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Company. For further particulars, see "Fees and Expenses".

### Fees and Expenses Payable by the Company

<u>Type of Fee</u>	<u>Amount and Description</u>
<b>Agents' Fees:</b>	\$0.30 per Preferred Share (3.0%) \$0.75 per Class A Share (5.0%)
<b>Expenses of the Offering:</b>	The Company will pay the expenses incurred in connection with the Offering of Preferred Shares and Class A Shares by the Company, estimated to be \$600,000, subject to a maximum of 1.2% of the gross proceeds of the Offering. As a result of the priority of the Preferred Shares, the expenses of the Offering will effectively be borne by holders of the Class A Shares (for so long as the NAV per Unit exceeds the Offering price per Preferred Share plus accrued and unpaid distributions thereon) and the NAV per Class A Share will reflect the expenses of the Offering of both the Preferred Shares and Class A Shares.
<b>Fee Payable to the Manager:</b>	An annual management fee (the " <b>Management Fee</b> ") of 0.75% of the NAV of the Company plus applicable taxes (including HST), will be paid to the Manager. The Management Fee will be calculated and payable monthly in arrears based on the average NAV of the Company calculated at each Valuation Time during that month.
<b>Operating Expenses:</b>	The Company will pay for all ordinary expenses incurred in connection with its operation and administration and any applicable HST thereon. It is expected that the expenses for the Company will include, without limitation: fees payable to the Custodian and other third party services providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the independent directors of the Company and members of the Independent Review Committee (" <b>IRC</b> "), expenses related to compliance with NI 81-107 – <i>Independent Review Committee for Investment Funds</i> , fees and expenses relating to the voting of proxies by a third party, premiums for insurance coverage for the officers and directors of the Company and members of the IRC, costs of reporting to shareholders, registrar, transfer and distribution agency costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies including any costs associated with the printing and mailing costs of any documents that the securities regulatory authorities require be sent or delivered to investors in the Company and extraordinary expenses that the Company may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Company, the Manager, the Portfolio Manager, the Custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Company. The aggregate annual amount of these fees and expenses is estimated to be \$250,000. The Company will also be responsible for all commissions and other costs of Portfolio transactions, debt servicing costs and any extraordinary expenses of the Company which may be incurred from time to time.  See "Fees and Expenses – Operating Expenses".

## **INFORMATION REGARDING PUBLIC INFORMATION**

Certain information contained in this prospectus relating to publicly traded securities, the issuers of those securities and the sector in which the Company will invest is taken from and based solely upon information published by those issuers or other public sources. None of the Company, the Manager, the Portfolio Manager or the Agents has independently verified the accuracy or completeness of any such information.

## **FORWARD LOOKING STATEMENTS**

Certain statements included in this prospectus constitute forward looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words or expressions such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target” or negative versions thereof and other similar expressions or future or conditional verbs such as “may”, “will”, “should”, “would” and “could” and similar expressions to the extent they relate to the Company, the Manager or the Portfolio Manager. The forward-looking statements are not historical facts but reflect the expectations of the Company, the Manager or the Portfolio Manager regarding future results or events as at the date of this prospectus. These forward looking statements 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 prospectus.

These and other factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. The Company does not undertake to update any forward-looking statement that is contained in this prospectus.

## GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**ADRs**” means American depository receipts representing securities in a foreign issuer that is traded on a U.S. stock exchange.

“**Agency Agreement**” means the agency agreement dated as of October 27, 2017 among the Company, the Manager and the Agents.

“**Agents**” means collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Echelon Wealth Partners Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and PI Financial Corp.

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

“**Annual Retraction Date**” means the second last Business Day of June, other than in a year which contains a Maturity Date, commencing in 2019.

“**Black Scholes Model**” means a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the theoretical value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security.

“**Business Day**” means any day on which the TSX is open for business.

“**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.

“**Capital Gains Dividends**” has the meaning given to such term under “Income Tax Considerations – Taxation of the Company”.

“**capital gains redemptions**” has the meaning given to such term under “Income Tax Considerations – Taxation of the Company”.

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

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

“**Class A Shares**” means the class A shares of the Company.

“**Class J Shares**” means the class J shares of the Company.

“**Closing**” means the closing of the Offering on the Closing Date.

“**Closing Date**” means on or about November 24, 2017 but not later than 90 days after a receipt for this prospectus has been issued.

“**Company**” means Big Pharma Split Corp., a split share corporation incorporated under the laws of the Province of Ontario.

“**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**” has the meaning given to such term under “Income Tax Considerations”.

“**CRS**” has the meaning given to such term under “Exchange of Information”.

“**Custodian**” means CIBC Mellon Trust Company, in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement to be entered into on or about the Closing Date between the Company and the Custodian, as it may be amended from time to time.

“**DBRS**” means DBRS Limited.

“**DFA Rules**” has the meaning given to such term under “Risk Factors – Taxation”.

“**DPSPs**” has the meaning given to such term under “Eligibility for Investment”.

“**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 a determination by 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 66<sup>2</sup>/<sub>3</sub>% of the votes cast, either in person or by proxy, at a meeting of shareholders called for the purpose of approving such resolution.

“**Harvest**” means Harvest Portfolios Group Inc.

“**Healthcare Issuer**” means an issuer whose Equity Securities are included in the health care sector of the Global Industry Classification Standards (or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor’s (or, if applicable, any successor of either of these entities), any other internationally recognized industry classification system as determined by the Portfolio Manager, such determination being conclusive for all purposes herein) at the time of investment.

“**IGA**” has the meaning given to such term under “Exchange of Information”.

“**Indicative Portfolio**” has the meaning given to such term under “Investment Strategies”.

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

“**Investable Universe**” means a universe of Healthcare Issuers and Pharmaceutical Issuers whose Equity Securities (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities.

“**IRC**” has the meaning given to such term under “Organization and Management Details of the Company – Conflict of Interest”.

“**Manager**” means Harvest, in its capacity as manager of the Company, or if applicable, its successor.

“**Management Agreement**” means the management agreement dated on or prior to the Closing Date between the Company and the Manager as it may be amended from time to time.

“**Management Fee**” has the meaning given to such term under “Fees and Expenses – Management Fee”.

“**Maturity Date**” means December 31, 2022, subject to extension for successive terms of up to five years as determined by the Company’s Board of Directors.

“**Minister**” means the Minister of Finance (Canada).

“**NAV**” or “**Net Asset Value**” means net asset value.

“**NAV per Unit**” means the NAV of the Company divided by the number of Units then outstanding.

“**NAV of the Company**” means (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date and (iii) the net assets attributable to the Class J Shares (\$100.00).

“**NAV Valuation Date**” has the meaning given to such term under “Calculation of Net Asset Value”.

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*.

“**NI 81-107**” means National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

“**Offering**” means the offering of up to 4,000,000 Preferred Shares and 4,000,000 Class A Shares as contemplated in this prospectus.

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

“**Ordinary Dividends**” has the meaning given to such term under “Income Tax Considerations – Taxation of the Company”.

“**out-of-the-money**” means a call option with a strike price greater than the current market price of the underlying security.

“**Over-Allotment Option**” means the over-allotment option granted to the Agents by the Company as described under “Plan of Distribution”.

“**Pharmaceutical Issuer**” means an issuer whose Equity Securities are included in the pharmaceutical industry of the Global Industry Classification Standards (or, if such industry classification system is no longer made available by MSCI Inc. and Standard & Poor’s (or, if applicable, any successor of either of these entities), any other internationally recognized industry classification system as determined by the Portfolio Manager, such determination being conclusive for all purposes herein) at the time of investment and whose underlying business includes, but is not limited to, producing and marketing of pharmaceuticals products.

“**Portfolio**” means the assets held by the Company from time to time.

“**Portfolio Manager**” means Harvest, in its capacity as portfolio manager of the Company, or if applicable, its successor.

“**Portfolio Securities**” means the securities held in the Portfolio.

“**Preferred Shares**” means the preferred shares of the Company.

“**Proposed Amendments**” has the meaning given to such term under “Income Tax Considerations”.

“**RDSPs**” has the meaning given to such term under “Eligibility for Investment”.

“**Registrar and Transfer Agent**” means TSX Trust Company.

“**RESP**” has the meaning given to such term under “Eligibility for Investment”.

“**Retraction Date**” means the second last Business Day of a month, other than a month with an Annual Retraction Date.

“**Retraction Payment Date**” means the day that is on or before the 15<sup>th</sup> Business Day following the applicable Retraction Date or Annual Retraction Date.

“**RRIFs**” has the meaning given to such term under “Eligibility for Investment”.

“**RRSPs**” has the meaning given to such term under “Eligibility for Investment”.

“**Shareholder**” means a holder of a Class A Share or a Preferred Share.

“**Shares**” means, collectively, the Class A Shares and the Preferred Shares.

“**substituted property**” has the meaning given to such term under “Income Tax Considerations – Taxation of the Company”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as the same may be amended from time to time.

“**Tax Treaties**” has the meaning given to such term under “Risk Factors – Taxation”.

“**TFSAs**” has the meaning given to such term under “Eligibility for Investment”.

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

“**Unit**” means a notional unit consisting of one Preferred Share and one Class A Share. The number of Units outstanding at any time will be equal to the sum of the number of Preferred Shares and Class A Shares then outstanding divided by two.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

“**Valuation Time**” means 4:15 p.m. (Toronto time) on each Business Day during the year, and any other time as determined by the Manager from time to time.

## OVERVIEW OF THE COMPANY

Big Pharma Split Corp. (the “**Company**”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 15, 2017. The articles of incorporation of the Company will be amended prior to closing to create the Preferred Shares and the Class A Shares. See “Description of The Securities”. The manager of the Company is Harvest Portfolios Group Inc. (in such capacity, the “**Manager**”) and it will provide all administrative services required by the Company.

The principal office of the Company and the Manager is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

### Status of the Company

While the Company is considered to be a mutual fund corporation under the securities legislation of certain provinces and territories of Canada, the Company is not a conventional mutual fund.

As a mutual fund corporation that is not in continuous distribution, the Company has a number of exemptions available to it from the rules applicable to conventional mutual funds and differs from conventional mutual funds in a number of respects, most notably as follows: (i) while the Preferred Shares and Class A Shares of the Company may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily, (ii) the Preferred Shares and Class A Shares of the Company are to have a stock exchange listing whereas the securities of most conventional mutual funds do not, and (iii) unlike most conventional mutual funds, the Preferred Shares and Class A Shares will not be offered on a continuous basis.

## INVESTMENT OBJECTIVES

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.125 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until December 31, 2022 (the “**Maturity Date**”) and to return the original issue price of \$10.00 to holders on the Maturity Date.

The investment objectives for the Class A Shares are to provide their holders with regular monthly non-cumulative cash distributions targeted to be \$0.1031 per Class A Share representing a yield on the issue price of the Class A Shares of 8.25% per annum on the issue price of \$15.00 per Class A Share and to provide holders with the opportunity for growth in the net asset value per Class A Share.

The Company will invest in an initially equally-weighted Portfolio comprised of Equity Securities of ten issuers, selected by the Portfolio Manager from the Investable Universe, that at the time of investment and immediately following each semi-annual reconstitution and rebalancing: (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities. The Portfolio will be comprised primarily of the largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe.

The Manager will hedge substantially all of the Portfolio’s U.S dollar exposure back to the Canadian dollar.

## INVESTMENT STRATEGIES

To seek to achieve its investment objectives, the Company will invest in an initially equally-weighted Portfolio comprised of Equity Securities of ten issuers, selected by the Portfolio Manager from the Investable Universe, eight of which will be selected from the ten largest (as determined by market capitalization calculated in US\$) Pharmaceutical Issuers in the Investable Universe and the remaining two issuers will be selected by the Portfolio Manager from the Investable Universe.

The Portfolio, if invested on September 7, 2017, would have been invested, on an approximately equally-weighted basis, in Equity Securities of the following issuers (the “**Indicative Portfolio**”):

Name	Market Cap (USD) Billions	Indicated Yield	5 Year Average ROE	P/E Next Year
Johnson & Johnson	\$351.8	2.57%	23.7%	16.95
Pfizer Inc.	\$203.2	3.78%	15.8%	12.40
Merck & Co., Inc.	\$175.3	2.94%	15.2%	15.30
AbbVie Inc.	\$135.9	3.25%	152.9%	13.17
Amgen Inc.	\$131.9	2.57%	25.7%	14.10
Novo Nordisk A/S	\$120.0	1.97%	68.0%	17.91
Bristol-Myers Squibb Company	\$102.5	2.53%	22.7%	19.72
GlaxoSmithKline plc	\$98.6	4.95%	91.4%	13.39
Eli Lilly and Company	\$91.2	2.57%	23.1%	18.13
AstraZeneca PLC	\$81.9	2.78%	22.4%	16.88
<b>Indicative Portfolio Average</b>	<b>\$149.2</b>	<b>2.99%</b>	<b>46.1%</b>	<b>15.79</b>

Source: Bloomberg, September 7, 2017.

Note: Past performance is not an indication or guarantee of future performance.

Commencing in February, 2018, the Portfolio will be reconstituted and rebalanced semi-annually (within 30 days following the last day of January and July) by the Portfolio Manager but may be reconstituted and rebalanced more frequently if: (i) a Pharmaceutical Issuer or a Healthcare Issuer in the Portfolio is the subject of a merger or other fundamental corporate action that in the opinion of the Portfolio Manager requires the Pharmaceutical Issuer or the Healthcare Issuer to be removed from the Portfolio; or (ii) a Pharmaceutical Issuer’s or a Healthcare Issuer’s options are no longer sufficiently liquid to permit the Portfolio Manager to write options in respect of such issuer’s Equity Securities. In such circumstances, the Pharmaceutical Issuer or Healthcare Issuer that is removed from the Portfolio will be replaced with an issuer selected by the Portfolio Manager that satisfies the investment objectives and investments strategies of the Company.

It is the Portfolio Manager’s intention to purchase only ADRs for those Pharmaceutical Issuers and Healthcare Issuers that are considered to be “foreign issuers” in the U.S. and that are not listed on a Canadian stock exchange. The Portfolio Manager intends to purchase common shares for all other Pharmaceutical Issuers and Healthcare Issuers selected for the Portfolio.

In order to seek to generate additional returns, the Portfolio Manager may write call options each month in respect of some or all of the Equity Securities held in the Portfolio. The Portfolio Manager expects that initially options will be written on approximately 26.8% of the Equity Securities in the Portfolio.

In order to facilitate distributions and/or pay expenses, the Company may sell Equity Securities at its discretion in which case the weighting of the Portfolio will be affected. To the extent that the Company has excess cash at any time, at the Portfolio Manager’s discretion, such excess cash may be invested by the Company in Equity Securities of Pharmaceutical Issuers or Healthcare Issuers in the Portfolio, generally targeting investment in Equity Securities of Pharmaceutical Issuers and Healthcare Issuers in the Portfolio which have less than average weight in the Portfolio at the time.

The Company may close out options in advance of year-end to reduce the likelihood that gains realized in any year are reversed in a subsequent year. The Company may also sell Portfolio Securities that are in a loss position

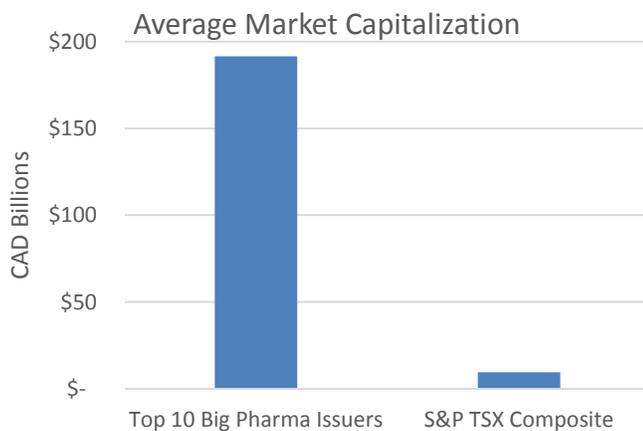
to reduce the Capital Gains Dividends that would otherwise be payable by the Company in a particular year where the Portfolio Manager determines that it is in the best interests of the Company to do so.

### Portfolio Selection Process

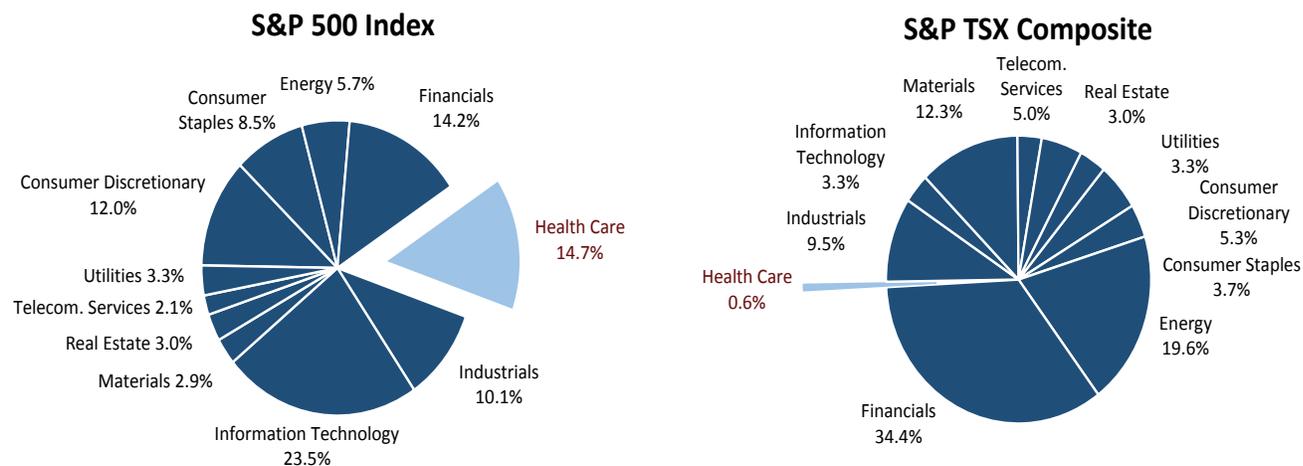
In acquiring the Equity Securities for the Portfolio, the Portfolio Manager will select issuers comprised of Equity Securities of ten issuers, selected from the Investable Universe, that at the time of investment and immediately following each semi-annual reconstitution and rebalancing: (i) are listed on a North American exchange; (ii) pay a dividend; and (iii) have options in respect of its Equity Securities that, in the opinion of the Portfolio Manager, are sufficiently liquid to permit the Portfolio Manager to write options in respect of such securities. Eight of the issuers which will be selected from the ten largest Pharmaceutical Issuers (as determined by market capitalization calculated in US\$) in the Investable Universe and the remaining two issuers will be selected by the Portfolio Manager from the Investable Universe. In selecting the Equity Securities, the Portfolio Manager will also give consideration to dividend yield, option premiums, portfolio diversification and fundamental financial metrics

### Portfolio Diversification

As the charts below highlight, the Portfolio Manager believes that the Company offers both scale and sub-sector diversification for Canadian investors.



Source: Bloomberg, July 31, 2017.



Source: Bloomberg, August 31, 2017.

The Company will also have the ability to employ a call writing strategy on the Portfolio, which the Portfolio Manager believes will lower the overall volatility.

### Covered Option Writing

The Manager believes that option writing may have potential to add value and is an effective way to help lower the level of volatility for an investor and potentially improve returns. All other things being equal, higher volatility in the price of a security results in higher Option Premiums in respect of such security. The Manager believes Equity Securities of Pharmaceutical Issuers and Healthcare Issuers are suited for a covered call writing strategy. Such options will generally be written at a strike price that is at-the-money but the Portfolio Manager may write options that are out-of-the-money at its discretion. The Portfolio Manager may write call options each month in respect of some or all of the Equity Securities held in the Portfolio. The proportion of the Equity Securities of each issuer in respect of which the Portfolio Manager may write options may differ between issuers. The extent to which any of the individual Equity Securities in the Portfolio are subject to option writing and the terms of such options will vary from time to time based on the Portfolio Manager's assessment of the market.

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

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

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

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

The holder of a call option purchased from the Company will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Company at the strike price per security. By selling call options, the Company will receive Option Premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Company will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Company may repurchase a call option it has written that is “in-the-money” by paying the market value of the call option. If, however, the option is “out-of-the-money” at expiration of the call option, the holder of the option will likely not exercise the option, the option will expire and the Company will retain the underlying security. In each case, the Company retains the Option Premium.

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

**When a call option is written on a security in the Portfolio, the amounts that the Company will be able to realize on the security if it is called on termination of the call option will be limited to the dividends received prior to the exercise of the call option during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the Option Premium. See “Risk Factors – Use of Options and Other Derivative Instruments”.**

#### *Income from Covered Call Option Writing*

The following table sets forth income, expressed as a percentage of the Net Asset Value of the Company, net of withholding taxes and Company’s expenses (excluding any gains or losses on portfolio investments, distribution increases or decreases and any amounts paid to close out “in-the-money” options), generated by writing at-the-money covered call options on the indicated proportions of the Equity Securities of each issuer in the Indicative Portfolio at various volatility levels.

<b>Cash Flow from Option Premiums and Dividends<sup>(1)</sup></b>						
<b>Volatility</b>						
<b>Percentage of Portfolio</b>	<b>10%</b>	<b>17.8%</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>
5%	1.94	2.44	2.58	3.23	3.87	4.51
10%	2.52	3.53	3.81	5.10	6.39	7.67
15%	3.10	4.61	5.03	6.97	8.90	10.83
20%	3.68	5.70	6.26	8.84	11.42	13.99
25%	1.35	6.78	7.49	10.71	13.93	17.15
26.8%	4.28	<b>7.20</b>	7.52	10.75	13.99	17.23
30%	4.85	7.87	8.71	12.58	16.45	20.31
35%	5.43	8.95	9.94	14.45	18.96	23.47

(1) Net of Management Fee and administrative expenses.

(2) Average implied volatility of the Portfolio as at September 7, 2017.

**The information above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns from call option writing upon which the estimated gross income of the Company has been based will be realized.**

The above tables were generated using a modified Black-Scholes Model and are based on the following assumptions:

- (a) the gross proceeds of the Offering are \$50 million and the net proceeds are fully invested in the issuers in the Indicative Portfolio on an equally weighted basis;
- (b) all call options are exercisable only at maturity and are written at-the-money;
- (c) all call options are written for a term of 30 days;
- (d) the U.S. risk-free or benchmark interest rate equals 0.20% per annum;
- (e) there is no change in currency exchange rates during the term of the options;
- (f) the average net return from dividends paid on the Equity Security is 2.99% (2.54% after withholding tax) per annum, assuming an equal weighting among the issuers included in the Indicative Portfolio;
- (g) there are no realized capital gains or losses on the Equity Security for the period during which the call options are outstanding; and
- (h) annual expenses of the Company are \$250,000 and the management fee payable to the Manager is 0.75% plus HST per annum of the Net Asset Value of the Company.

The figures shown above do not take into account the potential price impact on portfolio value resulting from writing covered call options. In the case of covered call options written generally at-the-money, the investor forgoes any upside return but the investor receives the premium payment. In an upward trending market, a portfolio that is subject to covered call option writing will generally provide lower total returns and a commensurately lower

volatility. In a flat or downward trending market, such a portfolio will generally provide higher relative returns as well as lower volatility

#### *Volatility History*

The historical average, low, high and current values of the trailing 30-day volatility (expressed in percentages on an annualized basis) for the securities of each of the issuers included in the Indicative Portfolio for the 10 year period ending September 7, 2017 is set out below.

#### **Volatilities - 10 years to September 7, 2017**

<b>Name</b>	<b>Current 30 Day</b>	<b>10 Year Average</b>	<b>10 Year Low</b>	<b>10 Year High</b>
Johnson & Johnson	12.26	15.45	8.85	57.87
Pfizer Inc.	12.27	21.61	10.88	73.44
Merck & Co., Inc.	14.82	22.69	11.84	84.60
AbbVie Inc.	20.32	23.55	12.59	50.37
Amgen Inc.	18.09	26.17	14.49	73.30
Novo Nordisk A/S	20.92	26.84	16.17	70.39
Bristol-Myers Squibb Company	21.95	24.23	11.36	68.24
GlaxoSmithKline plc	12.62	21.19	10.98	67.42
Eli Lilly and Company	18.07	22.51	11.03	72.84
AstraZeneca PLC	26.79	25.24	11.40	71.16
<b>Indicative Portfolio Average</b>	<b>17.81</b>	<b>22.95</b>	<b>11.96</b>	<b>68.96</b>

Source: Bloomberg, as at September 7, 2017.

Note: Past performance is not an indication or guarantee of future performance.

#### *Call Option Pricing*

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

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

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

### **Use of Other Derivative Instruments**

The Company may use derivatives provided that the use of such derivative instruments is in compliance with NI 81-102 or the appropriate regulatory exemptions have been obtained. The Company may use derivatives to, among other things, reduce transaction costs and increase the liquidity and efficiency of trading, purchase call options with the effect of closing out existing call options written by the Company, enter into trades to close out positions in such permitted derivatives and hedge currency.

### **Foreign Currency Hedging**

All of the securities expected to make up the Portfolio will be denominated in U.S. dollars and expected dividends and premiums from call options received will be in U.S. dollars. The Manager will hedge substantially all of the Portfolio’s U.S dollar exposure back to the Canadian dollar. It is not intended that the dividends on Portfolio Securities or Option Premiums realized on the call options written by the Company will be hedged back to the Canadian dollar.

### **Credit Facility**

The Company does not intend to borrow money or employ other forms of leverage other than for working capital purposes. The Company may establish a credit facility that may be used by the Company for working capital purposes and expects that the maximum amount it borrows thereunder will be limited to 5% of the Net Asset Value of the Company. The Company may pledge Portfolio Securities as collateral for amounts borrowed thereunder. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Company could obtain is 1.05:1.

## **OVERVIEW OF PHARMACEUTICAL AND HEALTHCARE SECTORS**

The global healthcare sector is comprised of companies that provide medical and healthcare goods and services. There are four general sub-sectors in which healthcare companies operate: pharmaceuticals, healthcare products, biotechnologies and healthcare services. Pharmaceuticals are companies involved in drug development and production including generics manufacturers that make inexpensive copies of branded drugs after the expiry of a drug’s patent or that are specialty pharmaceuticals that tend to reformulate existing drugs. Pharmaceutical companies also often have over the counter consumer products operations. Healthcare products companies are companies that manufacture devices used to diagnose, monitor and treat medical conditions or improve the quality of healthcare. Biotechnology companies are typically involved in drug development. Often companies within the pharmaceuticals sub-sector research, develop and market both pharmaceutical drugs and biotechnology drugs. Some of the more diversified companies within the sub-sector also have medical healthcare products and medical technology operations.

The universe of Canadian pharmaceutical issuers is fairly limited; therefore, the Company will provide Canadian investors seeking exposure to the pharmaceutical sector the opportunity to diversify.

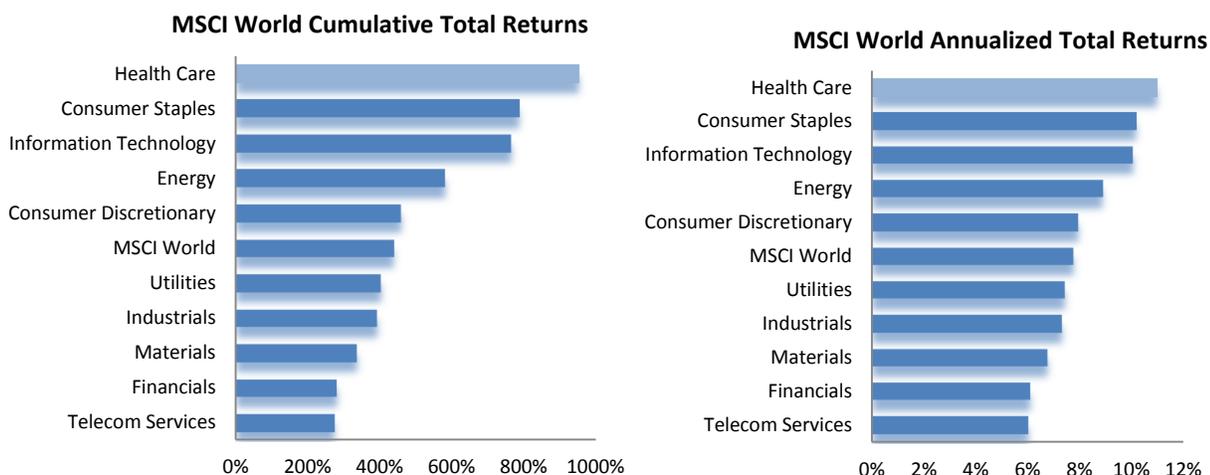
The Manager believes that the global pharmaceutical sector offers investors an opportunity to invest in a sub-sector of the broader healthcare sector that is expected to benefit from increased demand for healthcare services

as a result of: (i) aging populations; (ii) improved living standards; and (iii) medical innovation. The Manager also believes that investors have the potential to benefit from a defensive portfolio strategy which capitalizes on investing in issuers with proven and established products, and large product pipelines resulting from strong research and development capabilities.

### Sector Review

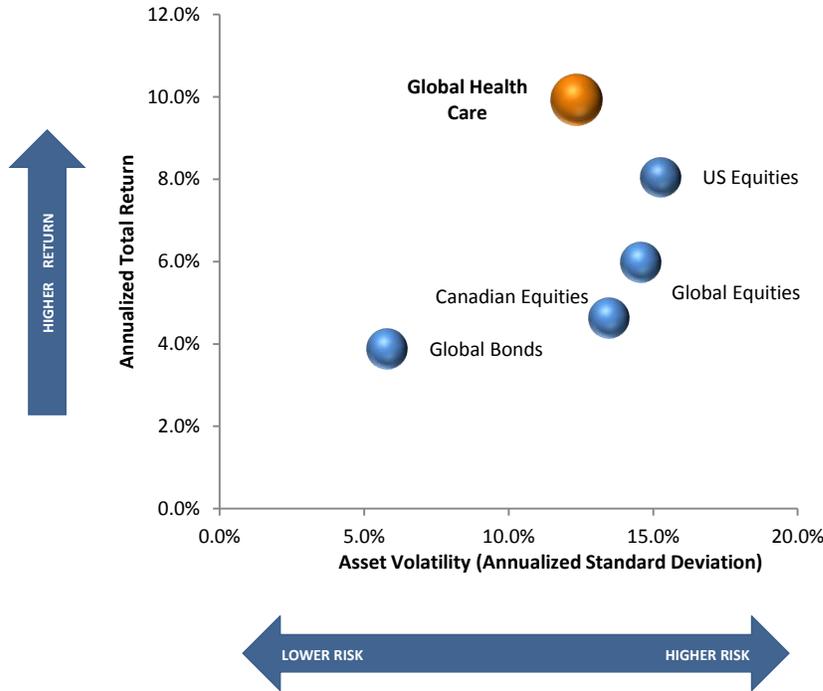
The healthcare sector is considered a defensive sector as many of the products and services are considered essential. As highlighted by the charts below, the healthcare sector has outperformed all sub-sectors of the S&P 500 Index since 1990 both cumulatively and on an annualized basis.

#### Sector Review Since 1995 (USD)



Source: Bloomberg from January 31, 1995 to July 31, 2017.

The healthcare sector has had positive annual returns since 2004, with the exception of the 2008 financial crises where, despite having a negative return, it was the top performing sub-sector in the MSCI World Index and 2016 where it was affected by political events regarding the healthcare sector surrounding the U.S. presidential election. The Manager believes that the sector has historically generated attractive risk adjusted returns compared to Canadian Equities, U.S. Equities, Global Equities and Global Bonds, with the global healthcare sector having generated superior returns with lower volatility as highlighted in the chart below.



Source: Bloomberg. Based on the 10-year period ended July 31, 2017. As measured in local currency. Indices: “Canadian Equities” represented by the S&P/TSX Composite Total Return Index; “Global Bonds” represented by the JPM Aggregate Bond Index Total Return USD unhedged; “Global Equities” represented by the MSCI Daily Total Return World Index; “Global Healthcare” is represented by the MSCI Daily Total Return World Gross Healthcare Index; and “U.S. Equities” represented by the S&P 500 Total Return Index

### Key Demographic and Economic Drivers

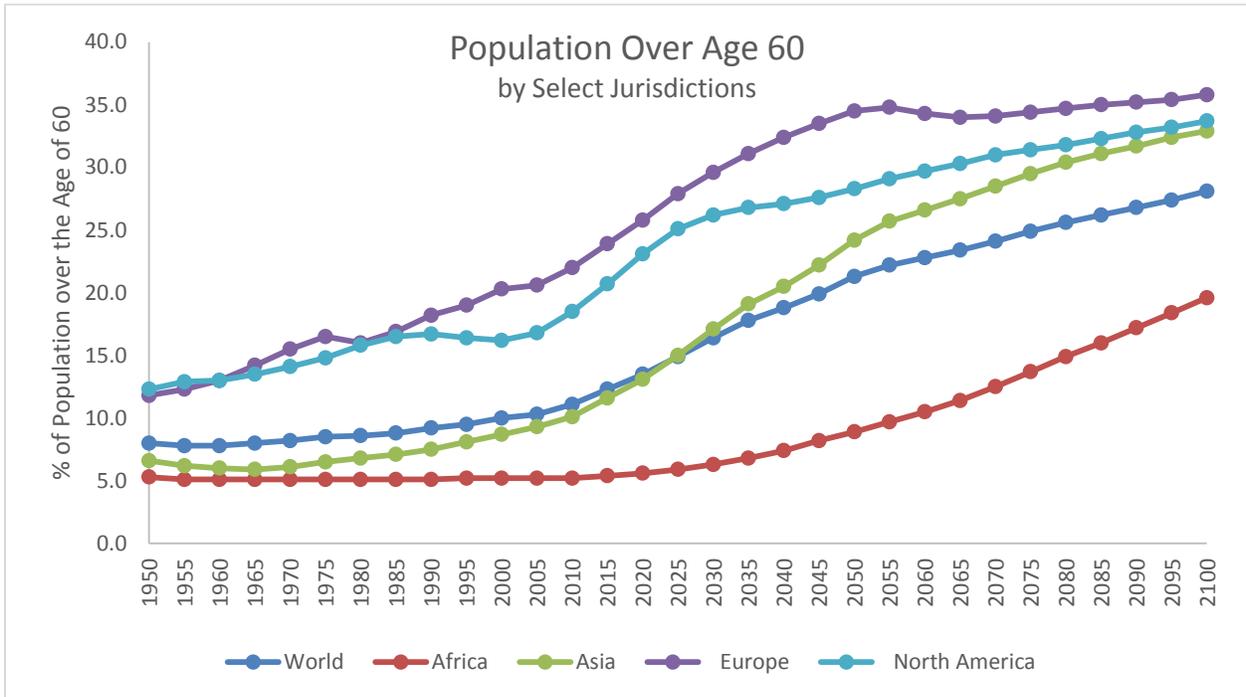
The Manager believes that there are three key demographic and economic factors that will drive the performance of the healthcare sector in the future:

1. **Global aging populations** – Immediate and increasing demand for healthcare. As people age, there tends to be a significant increase in amounts spent on healthcare.
2. **Increasing living standards** – In emerging markets, the proportion of income spent on healthcare increases as improving income levels result in growing demand for better access to healthcare services and medicines.
3. **New market developments** – New drug and technological innovations resulting in new and improving opportunities in new and existing markets.

### Global Aging Populations

As the charts below illustrate, the percentage of the population over 60 years of age around the world is expected to increase significantly. According to the United Nations Department of Economic and Social Affairs, the 60 and over age group is set to nearly double from 12.3% of the population to 21% of the population from 2015 to 2050.

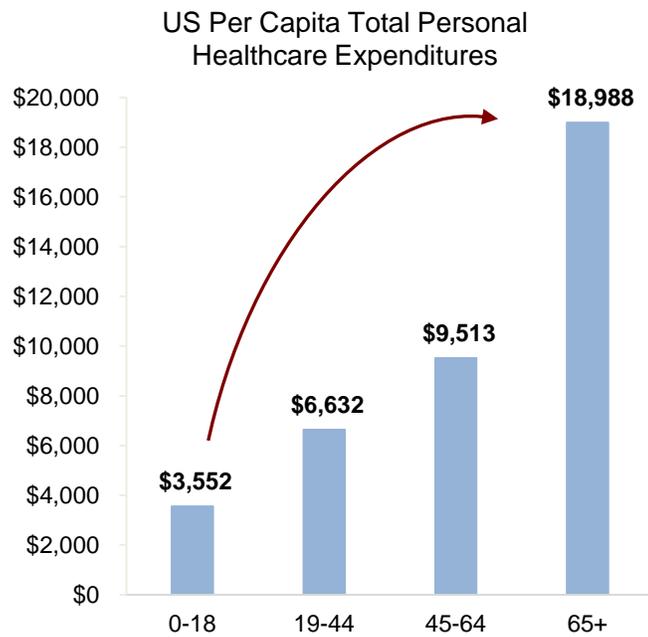
### Population Will Grow Older and Create More Demand



Source: United Nations Department of Economic and Social Affairs, World Population Prospects, 2017 Revision.

### Aging Population – Cost implications

An aging population contributes significantly to the cost of healthcare. As the chart below illustrates, the cost of healthcare in the U.S. for an individual 65 years of age is approximately three times more than an individual between the ages of 19 and 44.

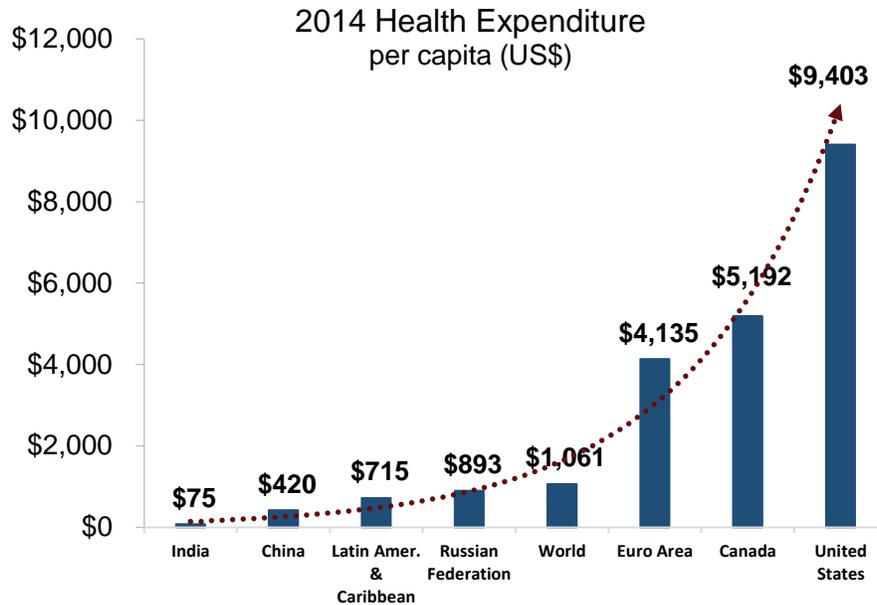


Source: Centers for Medicare & Medicaid Services, 2012, most recent data as at August 16, 2017.

## Increasing Living Standards

### *Emerging Markets – Increasing Living Standards*

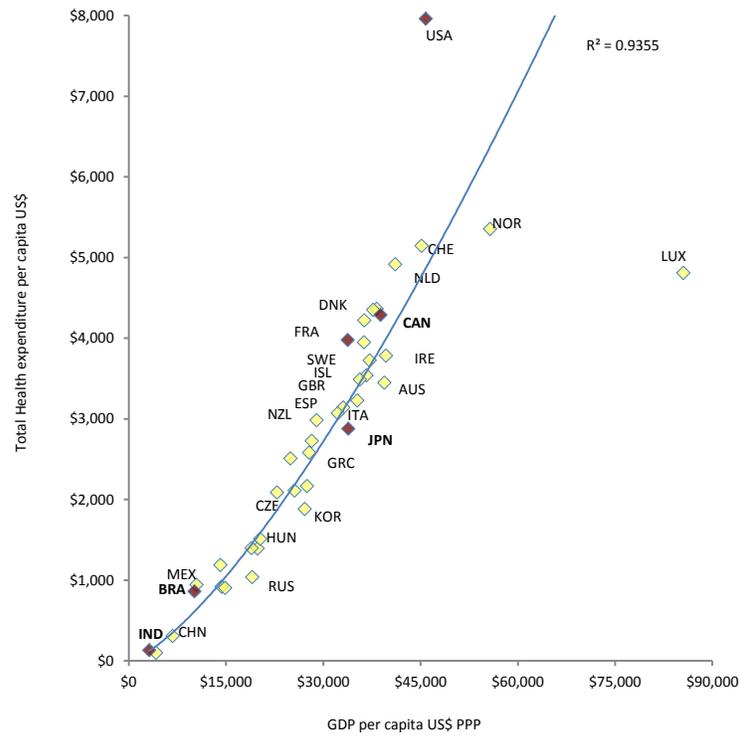
One of the prominent growth trends in healthcare demand is the increasing living standards in emerging markets currently largely underserved in the healthcare area. As illustrated in the chart below, spending has increased substantially since 1995 and spending in more developed markets is significantly higher than in developing markets.



Source: The World Bank, 2015.

As illustrated in the chart below, spending on health increases as GDP per capita increases and as GDP per capita increases for developing nations, health expenditures increase at a significantly higher rate.

### Total Health Expenditure per capita and GDP per capita



Source: OECD Health at a Glance 2011.

The Manager believes that the pharmaceutical sub-sector represents a unique opportunity within the broader market and broader healthcare sub-sectors. As highlighted in the charts below, the Manager believes the pharmaceutical sub-sector has opened up a significant and attractive valuation gap versus the broader S&P 500 Index. The Pharmaceutical sub-sector is trading at discounted valuation metrics near five year low levels compared to the broader market.

## Healthcare & Pharmaceuticals Offer Compelling Valuation Opportunity



Source: Bloomberg, as at August 31, 2017. Forward P/E represents next 4 quarters consensus estimates, Broad Healthcare represented as the S&P 500 Healthcare Index, Pharmaceuticals represented by S&P 500 GICS level 3 Pharmaceutical Index.

Consolidation has also been a feature of the pharmaceutical sub-sector, as mature companies with large balance sheets and the ability to acquire up-and-coming drugmakers have taken advantage of acquisition opportunities and discounted valuations.

### **New Market Developments**

Over the last decade, a number of new healthcare markets have been developed due to the high level of research and development investment and an improving regulatory environment. The Manager believes that global drug commercialization and distribution is well established in both developed and developing markets as evidenced in part by pharmaceutical companies' revenues in emerging markets. New drug development can take 10 years and significant capital to go from initial start up to actual product approval and commercial readiness; however, new drug and technological innovations can result in expanding existing markets and the development of new and highly profitable markets.

### **INVESTMENT RESTRICTIONS**

The Company is subject to certain investment restrictions and practices contained in Canadian securities legislation, including NI 81-102 (subject to any exemptions), and the additional investment restrictions set out below that, among other things, limit the equity securities and other securities that the Company may acquire for the Portfolio. The Company's investment restrictions may not be changed without the approval of the holders of the Preferred Shares and Class A Shares by Extraordinary Resolution at a meeting called for such purpose. See "Shareholder Matters – Matters Requiring Shareholder Approval". The Company's investment restrictions provide that the Company may not:

- (a) purchase securities other than Equity Securities of issuers from the Investable Universe;
- (b) invest more than 20% of the NAV of the Company in Equity Securities of issuers from the Investable Universe other than the Equity Securities of the ten largest Pharmaceutical Issuers;
- (c) borrow money or employ any other forms of leverage other than for working capital purposes;
- (d) use derivative instruments except as specifically permitted under NI 81-102 or the appropriate regulatory exemptions;
- (e) write a covered call option in respect of any security unless such security is actually held by the Company at the time the option is written;
- (f) dispose of a security that is subject to a call option written by the Company unless such option has either terminated or expired;
- (g) write put options;
- (h) invest in any securities of an entity that would be a “foreign affiliate” of the Company within the meaning of the Tax Act;
- (i) invest for the purposes of exercising control over management of any issuer in the Portfolio;
- (j) invest in or hold (i) 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 Company (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 Company (or the partnership) to report income in connection with such interest pursuant to the rules in 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 section 94 of the Tax Act;
- (k) invest in any security that is a tax shelter investment within the meaning of the Tax Act;
- (l) act as an underwriter except to the extent that the Company may be deemed to be an underwriter in connection with the sale of securities in its Portfolio;
- (m) make any investment or conduct any activity that would result in the Company failing to qualify as a “mutual fund corporation” within the meaning of the Tax Act; or
- (n) invest in or hold any “taxable Canadian property” as defined in subsection 248(1) of the Tax Act, read without reference to paragraph (b) of such definition, if the fair market value of all such property would exceed 10% of the fair market value of all property of the Company.

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 Company will not be considered a violation of the restriction (except for the restrictions in paragraph (j)). If the Company receives from an issuer subscription rights to purchase securities of that issuer, and if the Company exercises such subscription rights at a time when the Company’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 Company has sold at least as many securities of the same class and value as would result in the restriction being complied with. Notwithstanding the foregoing, for the first 30 days following the closing of an offering, the Company may hold securities acquired pursuant to an exchange option which do not comply with restrictions in paragraphs (a) and (b).

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the Offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid by the Company from the gross proceeds of the Offering. The initial expenses are estimated to be \$600,000. Such expenses, together with the Agents' fee, will be paid out of the proceeds of the Offering, provided however that the expenses of the Offering to be borne by the Company shall not exceed 1.2% of the gross proceeds of the Offering. Any such excess expenses shall be paid for by the Manager. As a result of the priority of the Preferred Shares, the expenses of the Offering will effectively be borne by holders of the Class A Shares (for so long as the NAV per Unit exceeds the Offering price per Preferred Share plus accrued and unpaid distributions thereon) and the NAV per Class A Share will reflect the expenses of the Offering of both the Preferred Shares and Class A Shares.

### **Management Fee**

The Manager will receive an annual management fee equal to 0.75% of the NAV of the Company plus applicable taxes (including HST) (the "**Management Fee**"). The Management Fee will be calculated and payable monthly in arrears based on the average NAV of the Company calculated at each Valuation Time during that month. The Management Fee payable to the Manager in respect of the month in which Closing occurs shall be pro-rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days of such month.

### **Operating Expenses**

The Company will pay for all ordinary expenses incurred in connection with its operation and administration and any applicable HST thereon. It is expected that the expenses for the Company will include, without limitation: fees payable to the Custodian and other third party services providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the directors of the Company and members of the IRC, expenses related to compliance with NI 81-107, fees and expenses relating to the voting of proxies by a third party, premiums for insurance coverage for the officers and directors of the Company and members of the IRC, costs of reporting to shareholders, registrar, transfer and distribution agency costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies including any costs associated with the printing and mailing costs of any documents that the securities regulatory authorities require be sent or delivered to investors in the Company and extraordinary expenses that the Company may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Company, the Manager, the Portfolio Manager, the Custodian, the IRC and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Company. The aggregate annual amount of these fees and expenses is estimated to be \$250,000. The Company will also be responsible for all commissions and other costs of Portfolio transactions, debt servicing costs and any extraordinary expenses of the Company which may be incurred from time to time and all expenses incurred in connection with its termination on or about the Maturity Date.

## **RISK FACTORS**

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

## **No Assurances on Achieving Objectives**

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

## **Risks Relating to the Pharmaceuticals Industry**

Factors such as government approval of products and services, government regulation and reimbursement rates, product liability claims, patent expirations and protection and intense competition may all significantly affect companies in the pharmaceuticals industry.

Substantially all pharmaceutical products are subject to government regulation. The research, design, testing, manufacturing, labeling, marketing, distribution and advertising of pharmaceutical products are subject to extensive regulation by governmental authorities in Canada, the United States and other countries. Regulatory agencies require pharmaceutical companies to comply with an array of manufacturing and design controls and testing, quality control, storage and documentation procedures and may vary from country to country. The approval process for pharmaceutical products can be lengthy, expensive and require extensive pre-clinical and clinical trials. As a result, pharmaceutical companies may expend substantial resources in developing and testing a new product but fail to obtain the necessary approvals or clearances to market or manufacture the products on a timely basis or at all. Failure to comply with applicable domestic and/or foreign requirements can result in: fines or other enforcement actions, recall or seizure of products, total or partial suspension of production, withdrawal of existing product approvals or clearances, refusal to approve or clear new applications or notifications, increased quality control costs, or criminal prosecution. The pharmaceutical industry is also subject to federal, provincial, state, local and foreign laws and regulations governing the protection of the environment and occupational health and safety, including laws regulating air emissions, wastewater discharges, the management and disposal of hazardous materials and wastes, and the health and safety of employees. Pharmaceutical companies also are required to obtain permits from governmental authorities for certain operations which may be long and costly. Violation or failure to comply with these laws or regulations or failure to obtain these permits could result in fines, penalties or other sanctions.

Pharmaceutical companies are exposed to significant potential product liability risks that are inherent in the development, manufacturing and marketing of human therapeutic products. Product liability claims could delay or prevent completion of companies' clinical development programs as well as result in government investigations of the safety and effectiveness of companies' products, manufacturing processes and facilities and marketing programs.

Pharmaceutical companies depend on rapidly identifying and seeking patent protection for their discoveries. The process of obtaining patent protection is expensive and time consuming while the loss or impairment of these rights may adversely affect the profitability of these companies. Furthermore, there can be no assurance that the steps taken by pharmaceutical companies to protect their proprietary rights will be adequate to prevent misappropriation of their proprietary rights or that competitors will not independently develop products that are substantially equivalent or superior to such companies' products. Pharmaceutical companies also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain their competitive position. If any trade secret, know-how or other technology not protected by a patent were disclosed to, or independently developed by, a competitor, that company's business and financial condition could be materially adversely affected.

Companies in the pharmaceuticals industry are also subject to competitive forces that may make it difficult to raise prices of their products and, in fact, may result in price discounting. The profitability of some companies in

the pharmaceuticals industry may be dependent on a relatively limited number of products. In addition, their products can become obsolete due to industry innovation, changes in technologies or other market developments.

### **Risks Relating to Healthcare Issuers**

The Portfolio may be susceptible to factors affecting the healthcare industry and related industries as healthcare issuers may also have exposure to other sub-sectors including technology. Nevertheless, the Portfolio will be subject to greater risk and market fluctuations than an investment in a broader range of portfolio securities covering different economic sectors. Healthcare issuers may also be subject to greater government regulation than many other industries. Accordingly, changes in government policies and the need for regulatory approvals may have a materially adverse affect on such issuers. Additionally, healthcare issuers with healthcare care products and medical technology operations may be subject to risks of developing technologies, competitive pressures, as well as a relatively high risk of obsolescence caused by scientific and technological advances and are dependent upon consumer and business acceptance as new technologies evolve. The development of these industry-specific investments may differ from the general stock exchange trends.

### **Industry Concentration Risk**

In following its investment strategy, the Company will invest in ten issuers and is limited to generally investing in securities of issuers in the pharmaceutical industry and, to a lesser extent, issuers in the healthcare sector. Accordingly, the Company will face more risks than if it were diversified broadly over numerous industries or sectors and the NAV 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 Class A Shares and the Preferred Shares.

### **Risks Related to Passive Investments**

Because the Company's investment objective is to invest in the largest Pharmaceutical Issuers, subject to certain qualification and limited allocation for Healthcare Issuers, 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 Pharmaceutical Issuer will not necessarily result in the removal of its securities from the Portfolio. In addition, the performance of the securities in the Portfolio will not necessarily reflect changes in the value of the Portfolio Securities due to, among other things, the option writing strategy used by the Company.

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

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

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

- (a) operational risks related to specific business activities of the respective issuers;
- (b) quality of underlying assets;
- (c) financial performance of the respective issuers and their competitors;

- (d) product liability risks;
- (e) political risks;
- (f) fluctuations in exchange rates;
- (g) fluctuations in interest rates; and
- (h) changes in government regulations.

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

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

### **Recent and Future Global Financial Developments**

Global financial markets have experienced increased volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, 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. No assurance can be given that efforts to respond to the crisis will continue or that, if continued, they will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such efforts or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis, developments in the Middle East, the Ukraine and North Korea, matters related to the United Kingdom's withdrawal from the EU, and matters related to the U.S. government debt limits, may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Company and the value of the Portfolio.

### **Sensitivity to Interest Rates**

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

### **Changes in Credit Rating**

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There can be no assurance that the Preferred Shares will maintain their rating by DBRS for any given period of time or that the rating will not be lowered or withdrawn entirely by DBRS if in DBRS' judgment circumstances so warrant. A lowering or withdrawal of the rating of the Preferred Shares may have a negative effect on the market value of the Preferred Shares.

## **American Depository Receipts Risk**

In some cases, rather than directly holding securities of non-U.S. companies, the Company may hold these securities through an ADR. An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. corporation. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. corporation to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Company, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign market risk will also affect the value of the ADR and, as a consequence, the performance of the trust holding the ADR. As the terms and timing with respect to the depositary for an ADR are not within the control of the Company or the Portfolio Manager and if the Portfolio Manager chooses only to hold ADRs rather than the underlying security, the Company may be forced to dispose of the ADR, thereby eliminating its exposure to the non-U.S. corporation, at a time not selected by the Portfolio Manager, which may result in losses to the Company or the recognition of a gain at a time which is not opportune for the Company.

## **Reliance on the Manager and the Portfolio Manager**

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

The Portfolio Manager will manage the Portfolio in a manner consistent with the investment objectives, investment guidelines and rebalancing criteria of the Company. The employees of the Portfolio Manager who will primarily be responsible for the management of the investment portfolio have extensive experience in managing investment portfolios including writing covered call options. There is no certainty that the employees of the Portfolio Manager who will be primarily responsible for the management of the Portfolio will continue to be employees of the Portfolio Manager.

## **Conflicts of Interest**

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

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

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

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

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

### **Sensitivity to Volatility Levels**

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

### **Taxation**

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

In determining its income for tax purposes, the Company will treat gains and losses on dispositions of Portfolio Securities as capital gains and losses. The Company will treat option premiums received on the writing of covered call options and any gains and losses sustained on closing out options as capital gains and losses in accordance with CRA’s published administrative policies. In addition, gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in Portfolio Securities should constitute capital gains and capital losses to the Company if the portfolio securities are capital property to the Company and there is sufficient linkage, subject to the DFA Rules discussed below. Certain proposed amendments to the Tax Act, if enacted as proposed, would clarify that the DFA Rules generally would not apply to such foreign currency hedges. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If some or all of the transactions undertaken by the Company were treated on income rather than capital account (whether because of the DFA Rules discussed below or otherwise), after-tax returns to Shareholders could be reduced, the Company may be subject to non-refundable income tax in respect of income from such transactions, and the Company may be subject to penalty taxes in respect of excessive Capital Gains Dividend elections.

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

To the extent that the Company earns net income (other than taxable capital gains) such as dividends from foreign corporations or certain gains from the disposition of a security under a derivative forward agreement, the Company will be subject to income tax on such income and no refund will be available in respect thereof. Based on the Indicative Portfolio, the Manager does not expect that the Company will be subject to material non-refundable taxes prior to the initial Maturity Date.

The Company will invest in foreign equity securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends paid or credited to persons who are not resident in such countries. While the Company intend to make investments in such a manner as to minimize the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in foreign equity securities may subject a Company to

foreign taxes on dividends paid or credited to it or any gains realized on the disposition of such securities. Any foreign taxes incurred by the Company will generally reduce the value of its Portfolio.

### **Significant Retractions**

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

### **Loss of Investment**

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

### **Non-concurrent Retraction**

Holders of Class A Shares and Preferred Shares will be offered a non-concurrent retraction right on a Maturity Date. To the extent that there are unmatched numbers of Class A Shares and Preferred Shares tendered for retraction, the Class A Shares or the Preferred Shares, as the case may be, may be called by the Company for redemption on a *pro rata* basis in order to maintain the same number of Class A Shares and Preferred Shares outstanding for a redemption price equal to the price that would have been payable on a retraction of such shares by the holder. The number of retractions by holders of Class A Shares and Preferred Shares may be influenced by the performance of the Company, the management expense ratio, and the trading discount to their NAV, as applicable, among other things.

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

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

### **Currency Exposure**

As the Portfolio will include securities denominated in U.S. dollars, the NAV of the Company, when measured in Canadian dollars will, to the extent that this has not been hedged against, be effected by changes in the value of the U.S. dollar relative to the Canadian dollar. Notwithstanding the foregoing, the Manager will hedge substantially all of the Portfolio's U.S dollar exposure back to the Canadian dollar.

The costs associated with a hedging program may outweigh the benefits of the arrangements in certain circumstances. Currency hedges also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) in that it may be unable to meet its obligations.

### **Foreign Market Exposure**

The Company's investments may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

## **Lack of Operating History**

The Company is a newly organized investment fund with no previous operating history. There is currently no public market for the Preferred Shares and Class A Shares and there can be no assurance that an active public market in respect of the shares will develop or be sustained after completion of the Offering.

## **DISTRIBUTION POLICY**

Holders of record of Preferred Shares on the last Business Day of each of March, June, September and December will be entitled to receive fixed, cumulative preferential quarterly cash distributions equal to \$0.125 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of 5.0%. Such quarterly distributions are expected to be paid by the Company before the tenth Business Day of the month following the period in respect of which the distribution was declared payable. The first distribution will be prorated to reflect the period from the Closing Date to December 31, 2017.

The policy of the Board of Directors of the Company will be to pay monthly non-cumulative distributions to the holders of Class A Shares in the amount of \$0.1031 per Class A Share. Such distributions will be paid on or before the tenth Business Day of the month following the month in respect of which the distribution is declared payable. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears, or (ii) in respect of a cash distribution by the Company, the NAV per Unit would be less than \$15.00. In addition, the Company will not pay distributions in excess of \$0.1031 per month on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$23.50 unless the Company has to make such distribution to fully recover refundable taxes.

Assuming that the gross proceeds of the Offering are \$50 million and fees and expenses are as described in this prospectus, in order to achieve the Company's targeted annual distributions for the Class A Shares and the Preferred Shares while maintaining a stable NAV per Unit, the Company will be required to generate an average annual total return (comprised of net realized capital gains, Option Premiums and dividends) on the Portfolio of approximately 8.72% (net of applicable withholding tax). The Portfolio currently generates dividend income of 2.99% (2.54% net of withholding tax) per annum and would be required to generate an additional 6.18% per annum from other sources, including from the Company's covered call options strategy, to return and distribute such amounts. Such distributions may consist of Ordinary Dividends, Capital Gains Dividends or returns of capital. There can be no assurance that the Company will be able to pay distributions to the holders of Preferred Shares or Class A Shares.

In the event that the Company realizes capital gains, the Company may, at its option, pay a special year-end Capital Gains Dividend in certain circumstances, including where the Company has net realized capital gains in excess of its Capital Gains Dividends previously paid during the year. The Company may also pay Ordinary Dividends to recover any refundable taxes otherwise payable by the Company in that year in the discretion of the Board of Directors of the Company. Such Capital Gains Dividends and/or Ordinary Dividends may be paid in the form of Class A Shares and/or cash. Any Capital Gains Dividend and/or Ordinary Dividend payable in Class A Shares will increase the aggregate adjusted cost base to holders of Class A Shares (other than a corporation in certain circumstances – see "Income Tax Considerations"). Immediately following payment of such a distribution in Class A Shares, the number of Class A Shares outstanding will be automatically consolidated such that the number of Class A Shares outstanding after such distribution will be equal to the number of Class A Shares outstanding immediately prior to such distribution.

## **PURCHASES OF SECURITIES**

### **Method to Purchase Shares**

Prospective purchasers may purchase Preferred Shares or Class A Shares by a cash payment. The Preferred Shares and Class A Shares are offered separately but will be issued only on the basis that an equal number of each class of shares will be issued and outstanding at Closing and at all material times.

## REDEMPTION AND RETRACTIONS

### Redemptions

#### *Preferred Shares*

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

#### *Class A Shares*

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

### Retraction Privileges

#### *Preferred Shares*

##### *Monthly*

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

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the Net Asset Value per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commissions and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. With respect to any monthly retraction of Preferred Shares, the Company will purchase for cancellation such number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at Closing and at all material times.

##### *Annual Concurrent Retraction*

A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Retraction Date at a retraction price equal to the Net Asset Value per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior

to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the 15<sup>th</sup> Business Day following the applicable Annual Retraction Date.

#### *Non-Concurrent Retraction Right*

On a Maturity Date, a holder of Preferred Shares may retract such Preferred Shares. The Company will provide at least 60 days' notice by way of a press release to holders of Preferred Shares of such right. The Preferred Shares must be surrendered for retraction by 5:00 p.m. (Toronto time) on the last Business Day of the month prior to the Maturity Date or subsequent maturity date, as applicable. The redemption price payable by the Company for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Company on the Maturity Date divided by the total number of Preferred Shares then outstanding.

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

In connection with any extension, the distribution rates on the Preferred Shares and distribution target on the Class A Shares for the new term will be announced at least 60 days prior to the extension of the term. The new distribution rate for the Preferred Shares will be determined based on then-current market yields for preferred shares with similar terms.

#### *General*

Any and all Preferred Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the retraction price is not paid on the Retraction Payment Date, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described. Such surrender will be irrevocable upon the delivery of a notice to CDS through a CDS Participant, except with respect to those Preferred Shares which are not retracted by the Company on the relevant Retraction Payment Date. The Company may, in its discretion, permit the withdrawal of any Preferred Share retraction request at any time prior to the Retraction Payment Date.

Any redemption notice that 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 a Shareholder's instructions will not give rise to any obligations or liability on the part of the Company, the Manager or the Portfolio Manager to the CDS Participant or the Shareholder.

#### *Class A Shares*

##### *Monthly Retraction*

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

Class A Shares will be retracted on the Retraction Date in the following month and the shareholder will receive payment for the retracted Shares on the Retraction Payment Date in respect of such Retraction Date.

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the Net Asset Value per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commissions and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

#### *Annual Concurrent Retraction*

A holder of a Class A Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in June, 2019 at a retraction price equal to the Net Asset Value per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of the retraction will be made on or before the 15<sup>th</sup> Business Day following the applicable Annual Retraction Date.

#### *Non-Concurrent Retraction Right*

On a Maturity Date, a holder of Class A Shares may retract such Class A Shares. The Company will provide at least 60 days' notice to holders of Class A Shares of such right by way of a press release. The Class A Shares must be surrendered for retraction by 5:00 p.m. (Toronto time) on the last Business Day of the month prior to the Maturity Date or subsequent maturity date, as applicable. The redemption price payable by the Company for a Class A Share pursuant to the non-concurrent retraction right will be equal to the greater of (i) the Net Asset Value per Unit determined on the Maturity Date minus \$10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

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

In connection with any extension, the distribution rates on the Preferred Shares and distribution target on the Class A Shares for the new term will be announced at least 60 days prior to the extension of the term.

#### *General*

Any and all Class A Shares that have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the retraction price is not paid on the Retraction Payment Date, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner prescribed. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not retracted by the Company on the relevant Retraction Payment Date. The Company may, in its discretion, permit the withdrawal of any Class A Share retraction request at any time prior to the Retraction Payment Date.

Any redemption notice that 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 a Shareholder's instructions will not give rise to any obligations or liability on the part of the Company, the Manager or the Portfolio Manager to the CDS Participant or the Shareholder.

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

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

### **INCOME TAX CONSIDERATIONS**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Tax Act and at all relevant times, are resident or are deemed to be resident in Canada, hold their Preferred Shares and Class A Shares as capital property, and deal at arm's length with and are not affiliated with the Company.

Generally, Preferred Shares and Class A Shares will be considered to be capital property to a Shareholder provided the Shareholder does not hold such Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Shareholders who might not otherwise be considered to hold their Preferred Shares or Class A Shares as capital property may, in certain circumstances, be entitled to have such securities and all other "Canadian securities" within the meaning of the Tax Act owned or subsequently acquired by them treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is based upon the facts set out in this Prospectus, the current provisions of the Tax Act, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency ("CRA") published in writing prior to the date hereof and relies as to certain factual matters on certificates of an officer of the Company and the Agents. This summary also takes into account all specific proposals to amend the Tax Act announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is based on the assumption that the Preferred Shares or the Class A Shares will, at all times, be listed on a designated stock exchange in Canada for purposes of the Tax Act (which currently includes the TSX). This summary is also based upon the assumption that the Company's investment restrictions will at all relevant times be as set out under the heading "Investment Restrictions" and that the Company will at all times comply with such investment restrictions.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Shares. This summary does not take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations set out herein.

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

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of its intention to amend the Tax Act to increase the tax cost of earning passive investment income through a private corporation. No specific amendments to the Tax Act were proposed in connection with this announcement. Investors that are private corporations should consult their own tax advisors.

**This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, prospective investors are advised to consult their own tax advisors with respect to their individual circumstances.**

### **Status of the Company**

The Company intends at all relevant times to qualify as a “mutual fund corporation” as defined in the Tax Act. To qualify as a mutual fund corporation, (i) the Company must be a “Canadian corporation” that is a “public corporation” for purposes of the Tax Act; (ii) the only undertaking of the Company must be the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable); and (iii) at least 95% of the fair market value of all of the issued shares of the capital stock of the Company must be redeemable at the demand of the holders of those shares. The Company has informed counsel that it intends to file the necessary election under the Tax Act so that it will be deemed to be a “public corporation” effective from the beginning of its first taxation year and, therefore, can qualify as a mutual fund corporation throughout its first taxation year. Provided that the Company qualifies as a mutual fund corporation at all times, the Company will be entitled, in certain circumstances, to a refund of tax paid by it in respect of its net realized capital gains.

Provided that the Company qualifies as a “mutual fund corporation” for the purposes of the Tax Act, or the Preferred Shares and Class A Shares are listed on a “designated stock exchange” within the meaning of the Tax Act, the Preferred Shares and Class A Shares will be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFFs, DPSPs, RDSPs and TFSAs. Prospective investors should consult their own tax advisors as to the effect of acquiring Shares (and consequently an interest in Harvest Big Pharma Split Trust) in an RESP.

### **Taxation of the Company**

As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. The amount of the available refund to the Company in any taxation year is determined by a formula, which is based in part on (i) the amount of the Capital Gains Dividends (described below) paid by the Company to Shareholders, and (ii) the amount paid by the Company to Shareholders on the redemption of its Shares (“**capital gains redemptions**”). As a mutual fund corporation, the Company maintains a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends (“**Capital Gains Dividends**”) which are treated as capital gains in the hands of Shareholders (see “Income Tax Considerations - Tax Treatment of Shareholders”). In certain circumstances where the Company has recognized a capital gain in a taxation year on which tax would be payable by the Company, it may choose not to pay Capital Gains Dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient Capital Gains Dividends and/or capital gains redemptions.

The Company will be required to include in computing its income for a taxation year all dividends received in the year. Dividends received by the Company from foreign issuers may be subject to foreign withholding taxes. Depending on the circumstances, the Company may be entitled to a foreign tax credit or deduction in respect of such foreign withholding taxes.

The Company will be a “financial intermediary corporation” (as defined in the Tax Act) and, as such, will not be subject to tax under Part IV.1 of the Tax Act on dividends received by the Company nor will it generally be liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company on “taxable preferred shares” (as defined in the Tax Act).

Generally, the Company will be considered to hold Portfolio Securities on capital account unless the Company were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Company has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Company will purchase Portfolio Securities with the objective of earning dividends and distributions thereon over the life of the Company, and therefore intends to treat and report transactions undertaken in respect of Portfolio Securities on capital account.

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

Premiums received on covered call options written by the Company which are not exercised prior to the end of the year will constitute capital gains of the Company in the year received, unless such premiums were received by the Company as income from a business or the Company has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that the Company will purchase the Portfolio Securities with the objective of receiving dividends and other distributions thereon over the life of the Company and will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends and other distributions received. Having regard to the foregoing, and in accordance with the CRA’s published administrative policies, transactions undertaken by the Company in respect of call options on Portfolio Securities written as described in “Investment Strategies – Covered Option Writing” will generally be on capital account and the Company will report such transactions on capital account.

Premiums received by the Company on covered call options which are subsequently exercised will be added in computing the proceeds of disposition to the Company of the Portfolio Securities disposed of by the Company upon the exercise of such call options. In addition, where a covered call option is exercised after the end of the year in which it was granted, the Company’s capital gain in the previous year in respect of the receipt of the option premium will be nullified.

The Company will enter into transactions denominated in currencies other than the Canadian dollar. The cost and proceeds of disposition of Portfolio Securities, dividends 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 Company may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar. The Manager will hedge substantially all of the Portfolio’s U.S. dollar exposure back to the Canadian dollar. Subject to the DFA Rules discussed below, gains or losses in respect of currency hedges entered into in respect of Portfolio Securities should constitute capital gains and capital losses to the Company if the Portfolio Securities are capital property to the Company and provided there is sufficient linkage. Certain Proposed Amendments, if enacted as proposed, would clarify that the DFA Rules generally would not apply to such foreign currency hedges.

The DFA Rules target financial arrangements (referred to as “derivative forward agreements”) that seek to deliver a return based on an “underlying interest” (other than certain excluded underlying interests). The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain options and currency

forwards (subject to the proposed amendments to the Tax Act discussed in the preceding paragraph)). If the DFA Rules were to apply in respect of derivatives utilized by the Company, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. Provided a covered call option is written by the Company in the manner described in “Investment Strategies – Covered Option Writing”, the writing of such call option will not generally be subject to the DFA Rules.

To the extent that the Company earns net income (other than taxable capital gains) such as dividends from foreign corporations or certain gains from the disposition of a security under a derivative forward agreement, the Company will be subject to income tax on such income and no refund will be available in respect thereof. The Manager has advised counsel that, based on the Indicative Portfolio, it does not expect that the Company will be subject to material non-refundable taxes prior to the initial Maturity Date.

### **Tax Treatment of Shareholders**

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

In the case of a Shareholder that is a specified financial institution, Ordinary Dividends received on a particular class of Shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire the Shares in the ordinary course of its business; or (b) at the time of the receipt of the dividends by the specified financial institution the Shares of that class are listed on a designated stock exchange in Canada, and dividends are received by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm’s length (within the meaning of the Tax Act), in respect of not more than 10% of the issued and outstanding Shares of that class. For purposes of the exception in (b), a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner’s share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

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

A Shareholder which is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 38 1/3% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Class A Shares or Preferred Shares, to the extent that such dividends are deductible in computing the corporation’s taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation, the rate of Part IV tax payable by such corporation on such dividend is reduced by 10%. The tax payable by a Shareholder under Part IV of the Tax Act may be refunded to the extent the Shareholder pays sufficient taxable dividends.

The amount of any Capital Gains Dividend received by a Shareholder from the Company will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the Capital Gains Dividend is received. Where a Capital Gains Dividend is paid in Class A Shares, the cost of such Class A Shares will be equal to the amount of the dividend. Where an Ordinary Dividend is

paid in Class A Shares, the cost of such Class A Shares acquired by a Class A Shareholder who is an individual will be equal to the amount of such dividend. A Class A Shareholder that is a corporation and that receives an Ordinary Dividend that is paid in Class A Shares should consult with its own tax advisor regarding the cost of such Class A Shares because such cost may be less than the amount of the dividend if such dividend is deductible by such corporation and to the extent that such dividend exceeds the “safe income” in respect of the Class A Shares held by such corporation.

The amount of any payment received by a Shareholder from the Company as a return of capital on a Preferred Share or Class A Share will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant Share to the Shareholder. To the extent that the adjusted cost base to the Shareholder would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain at that time and the Shareholder’s adjusted cost base will be increased by the amount of such deemed capital gain.

A consolidation of Class A Shares following a special year-end distribution paid in the form of Class A Shares is not regarded as a disposition of Class A Shares and does not affect the total adjusted cost base to a Holder of Class A Shares.

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

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

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

### **Taxation of Registered Plans**

Registered Plans, as holders of Shares, generally will be exempt from tax on any dividend or other income derived from such Shares and on any capital gain realized upon the sale, redemption or other disposition of such Shares. If and when cash or securities are withdrawn from a Registered Plan, other than from a TFSA, the holder of the Registered Plan generally will be liable to pay income tax based on the amount of cash or the fair market value of the securities withdrawn, unless the cash or securities are transferred to another Registered Plan in accordance with the Tax Act.

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

Having regard to the distribution policy of the Company, a person acquiring Class A Shares after the Closing of the Offering may become taxable on income or capital gains accrued or realized before such person acquired such Class A Shares. This may particularly be the case if Class A Shares are purchased near year-end before a special year-end Capital Gains Dividend is paid.

## **ELIGIBILITY FOR INVESTMENT**

Provided that the Company qualifies as a “mutual fund corporation” for the purposes of the Tax Act, or the Preferred Shares and Class A Shares are listed on a “designated stock exchange” within the meaning of the Tax Act, the Preferred Shares and Class A Shares, if issued on the date hereof, would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans (“**DPSPs**”), registered disability savings plans (“**RDSPs**”) and tax-free savings accounts (“**TFSA**s”). Prospective investors should consult their own tax advisors as to the effect of acquiring Shares (and consequently an interest in Harvest Big Pharma Split Trust) in a registered education savings plan (“**RESP**”).

Notwithstanding the foregoing, if the Preferred Shares or Class A Shares are a “prohibited investment” for the purposes of a TFSA, a RRSP or a RRIF, the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Preferred Shares and the Class A Shares will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant thereof, as the case may be, (i) deals at arm’s length with the Company, for purposes of the Tax Act, and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, Preferred Shares and Class A Shares, as the case may be, will not be a “prohibited investment” if such Shares are “excluded property” (as defined in the Tax Act) for trusts governed by a TFSA, RRSP or RRIF. Pursuant to Proposed Amendments originally released on March 22, 2017, the rules in respect of “prohibited investments” are proposed to also apply to (i) RDSPs and the holders thereof and (ii) RESPs and the subscribers thereof. Prospective purchasers who intend to hold Preferred Shares or Class A Shares in a TFSA, RRSP, RRIF, RDSP or RESP are advised to consult their personal tax advisors.

## **EXCHANGE OF INFORMATION**

Pursuant to the Canada-United States Enhanced Tax Information Exchange Agreement entered into between Canada and the United States on February 5, 2014 (the “**IGA**”) and related Canadian legislation in the Tax Act, the dealers through which Shareholders hold their Shares are required to report certain financial information (e.g. account balances) with respect to Shareholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents and/or citizens of Canada), and certain other “U.S. Persons”, as defined under the IGA (excluding registered plans), to the CRA. The CRA is expected to provide the information to the U.S. Internal Revenue Service.

Canada will also implement the OECD Multilateral Competent Authority Agreement and Common Reporting Standard (“**CRS**”) which provides for the automatic exchange of certain tax information. The CRS became effective in Canada as of July 1, 2017 with the first exchanges of financial account information beginning in 2018. The first deadline for information reporting in respect of the CRS is May 1, 2018. Affected investors will be required to provide certain information, including their tax identification numbers, to the dealers through which they hold their Shares for the purpose of such information exchange.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE COMPANY**

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

The Board of Directors of the Company currently consists of three members. Directors are appointed to serve on the Board of Directors of the Company until such time as they retire or are removed and their successors are appointed. There will be no chairman of the Board of Directors of the Company, and instead the director who chairs the meetings will rotate among the directors.

The name, municipality of residence, position with the Company and principal occupation of each director and certain officers are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation and Positions Held During the Last 5 Years</b>
Michael Kovacs <sup>(1)</sup> Oakville, Ontario	President, Chief Executive Officer and Secretary and Director	President and Chief Executive Officer, Harvest
Daniel Lazzer Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Harvest
Mary Medeiros Oakville, Ontario	Chief Operating Officer	Chief Operating Officer, Harvest
Paul MacDonald Mississauga, Ontario	Chief Investment Officer and Portfolio Manager	Chief Investment Officer and Portfolio Manager, Harvest
David Balsdon Mississauga, Ontario	Chief Compliance Officer	Chief Compliance Officer, Harvest
Townsend Haines <sup>(1)</sup> Toronto, Ontario	Director	Director, Harvest
Nick Bontis <sup>(1)</sup> Ancaster, Ontario	Director	Associate Professor, Strategic Management & Director, Undergraduate Programs, DeGroot School of Business, McMaster University

**Note:**

(1) Member of the audit committee.

During the past five years, all the officers and directors of the Company listed above have held their present principal occupations except for (i) Townsend Haines, who was the Chief Financial Officer and Managing Director of Harvest from 2009 to 2014; (ii) Paul MacDonald, who was Vice President, Portfolio Manager of Creststreet Asset Management Limited from 2010 to 2013; (iii) Daniel Lazzer, who was Senior Manager for PricewaterhouseCoopers LLP (PwC) in the Audit and Assurance practice from 2003 to 2013; and (iv) David Balsdon, who was an Independent Consultant from 2013 to 2014 and was Chief Operating Officer and Chief Compliance Officer at Matrix Asset Management Inc. from 2011 to 2013.

**Conflicts of Interest**

The directors and officers of the Company and the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Company may acquire securities. The Manager and its affiliates may be managers or portfolio managers of one or more issuers in which the Company may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Company. The services of the Manager are not exclusive to the Company. The Manager may in the future act as the manager or portfolio manager to other funds and companies and may in the future act as the manager or portfolio manager to other funds which invest in securities and which are considered competitors of the Company. The Manager will refer conflict of interest matters to its Independent Review Committee (“IRC”) for review or approval in accordance with the IRC’s charter and NI 81-107.

**Independent Review Committee**

In accordance with NI 81-107, the Manager has appointed an IRC for the Company and the investment funds managed by the Manager. The IRC is composed of three individuals, each of whom is independent of the Manager, the Company and entities related to the Manager. The members of the IRC are Don Hathaway, Adam Conyers and Karen Fisher. The Manager is required to identify conflict of interest matters inherent in its

management of the Company and request input from the IRC in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The IRC has adopted a written charter that it follows when performing its functions and is subject to requirements to conduct regular assessments. The mandate and responsibilities of the IRC are to consider and make a recommendation or approval, as applicable, with respect to any conflict of interest matter referred to it by the Manager. The IRC will prepare, at least annually, a report of its activities for Shareholders. This report will be available on Harvest's website at [www.harvestportfolios.com](http://www.harvestportfolios.com) or at the Shareholder's request, at no cost, by contacting Harvest at 1-866-998-8298. Information contained on the Manager's website is not part of this prospectus and is not incorporated by reference.

The members of the IRC will be indemnified by the Manager and the Company in accordance with NI 81-107. The IRC members will not be responsible for the investments made by the Company or for the performance of the Company. The members of the IRC may serve in a similar capacity in respect of other funds managed by the Manager. The Company's pro rata share of all fees and expenses of the IRC (which is currently anticipated to be \$11,000 per annum) will be paid by the Company, and the regular fees and expenses of the IRC (based on the amounts agreed by the Manager for the first year) have been included in the Company's estimated annual operating expenses. See "Fees and Expenses". In future years the IRC members will set their own compensation in accordance with NI 81-107. In addition, the IRC has the authority, pursuant to NI 81-107, to retain independent counsel or other advisors at the expense of the Company if the members deem it necessary to do so.

### **Brokerage Arrangements**

The primary consideration in all securities transactions for the Company will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers and negotiating commissions, the Manager considers the dealer's reliability and the quality of its execution services on a continuing basis. Brokerage transactions may also be allocated to dealers affiliated with the Manager, on terms, including fees and commissions, not less favourable than would be offered to other similar clients of such affiliated dealers.

### **Auditors**

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Professional Accountants and Licensed Public Accountants, at its principal office located at Suite 2600, 18 York Street, Toronto, Ontario M5J 0B2.

### **Custodian**

CIBC Mellon Trust Company will be appointed as the custodian (the "**Custodian**") and valuation agent of the Company pursuant to separate custodian and valuation agreements between the Company and the Custodian. The custodian's principal place of business in respect of the Company 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 Company delivered to it, but not those assets of the Company not directly controlled or held by the Custodian, as the case may be. In the event that any Portfolio assets are acquired by the Company that cannot be held in Canada, the Custodian may appoint sub-custodians who are qualified to act as such.

In carrying out its duties, the Custodian is required to exercise:

- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or
- (b) at least the same degree of care which it gives to its own property of a similar kind under its custody, if this is a higher degree of care than in paragraph (a) above.

Except to the extent the Custodian has not complied with its standard of care, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Company's property. In no event shall the Custodian be liable for any consequential or special damages. The Company shall indemnify and save harmless the Custodian and its affiliates, subsidiaries

and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

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. Either party may terminate the Custodian Agreement immediately in the event that either party is declared bankrupt or shall be insolvent, the assets or the business of either party shall become liable to seizure or confiscation by a public or governmental authority, or the Manager's powers and authorities to act on behalf of or represent the Company have been revoked or terminated.

In addition, the Custodian will be responsible for providing valuation services to the Company and will calculate the NAV of the Company and the NAV per Unit pursuant to the terms of a separate valuation service agreement. See "Calculation of Net Asset Value".

The Custodian will receive fees for custodial and valuation services provided to the Company as described above.

### **Promoter**

Harvest has taken the initiative in organizing the Company and accordingly may be considered to be a "promoter" of the Company within the meaning of the securities legislation of certain provinces and territories of Canada. Harvest will receive fees from the Company and will be entitled to reimbursement of expenses incurred in relation to the Company as described under "Fees and Expenses".

### **Registrar and Transfer Agent**

TSX Trust Company will be appointed the registrar, transfer agent and distribution agent for the Preferred Shares and Class A Shares. The register and transfer ledger will be kept by the Registrar and Transfer Agent at its principal offices located in Toronto, Ontario.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE MANAGER**

Harvest is a Canadian investment fund manager that was founded by long term members of the investment management industry in 2009. Harvest is focused on developing income investment products and its guiding principles are to provide investment products that are clear and understandable, transparent in portfolio structure and seek to generate consistent income.

The Manager will provide the management functions to the Company pursuant to the Management Agreement. Harvest is also the portfolio advisor of the Company. Harvest is a company incorporated pursuant to the laws of Ontario. The municipal address of the Manager where it principally provides services to the Company is located at 710 Dorval Drive, Suite 209, Oakville, Ontario L6K 3V7.

Paul MacDonald is the Chief Investment Officer and Portfolio Manager of the Manager and will be principally responsible for the day-to-day management of the Portfolio and implementing strategies for the Company.

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

Pursuant to the Management Agreement, Harvest is the manager of the Company and is responsible for all investment decisions of the Company in accordance with the investment objectives, strategies and restrictions and for arranging for the execution of all Portfolio transactions including writing call options in accordance with the Company's investment strategies and restrictions, and for managing and administering the day-to-day business and affairs of the Company. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Company to do so. The Manager's duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial

statements and financial and accounting information as required by the Company; ensuring that Shareholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing or causing to be prepared the reports of the Company to Shareholders and the Canadian securities regulatory authorities; as applicable, determining the timing and amount of distributions to be made by the Company; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Company and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in the Portfolio held by the Company if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager 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 Management Agreement.

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

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

### **Directors and 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 are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Office</u></b>	<b><u>Principal Occupation</u></b>
Michael Kovacs Oakville, Ontario	President, Chief Executive Officer and Secretary and Director	President and Chief Executive Officer, Harvest
Daniel Lazzar Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Harvest
Mary Medeiros Oakville, Ontario	Chief Operating Officer and Director	Chief Operating Officer, Harvest

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
Paul MacDonald Mississauga, Ontario	Chief Investment Officer and Portfolio Manager	Chief Investment Officer and Portfolio Manager, Harvest
David Balsdon Mississauga, Ontario	Chief Compliance Officer	Chief Compliance Officer, Harvest
Townsend Haines Toronto, Ontario	Director	Director, Harvest
Nick Bontis Ancaster, Ontario	Director	Associate Professor, Strategic Management & Director, Undergraduate Programs, DeGroote School of Business, McMaster University

The following is a brief description of the background of the key management of Harvest.

***Michael Kovacs, President and Chief Executive Officer***

Michael is President and Chief Executive Officer of Harvest. Michael founded Harvest in 2009 and is responsible for the long term vision and business development of the firm. Since 1991, Michael has held senior management positions in a number of investment management businesses which include Guardian Capital Group, AIC Funds, ING Funds and Sentry Investments and has been a Senior Officer since 2002. Michael began his career in 1985 as an investment advisor and is a strong believer in providing quality investment products for long term growth and income. Michael is the Chairman of Harvest.

***Daniel Lazzer, Chief Financial Officer***

Daniel joined Harvest in 2013 and serves as the Chief Financial Officer. Prior to his current position Daniel was Vice President of Finance from March 2013 to December 2014. Previously Daniel spent over 12 years in public accounting and close to 10 years with PricewaterhouseCoopers LLP (PwC) in the Audit and Assurance practice. For over half of his tenure at PwC he specialized in the investment management industry where he provided audit services to a diverse client base which included mutual fund companies, asset managers, hedge funds and brokers. Prior to this he serviced various clients in the consumer products and real estate industries. Daniel was also actively involved at PwC through instructing educational programs for partners and staff. Daniel holds a Bachelor of Business Administration degree from the Schulich School of Business at York University and is a Chartered Accountant.

***Mary Medeiros, Chief Operating Officer and Director***

Mary joined Harvest in 2009 as the Vice President of Operations and has overseen the successful growth of the firm's operations, systems, and administration and key service provider relationships since inception. Ms. Medeiros has over 19 years of industry experience and previously managed national administration and sales systems for a Canadian mutual fund company and branch operations for an investment dealer. She was licensed as an advisor in 1997, working directly with retail investors until joining a Canadian investment fund manager in 2000. Mary also serves on Harvest's Board of Directors.

***Paul MacDonald, Chief Investment Officer and Portfolio Manager***

Paul serves as the Chief Investment Officer and Portfolio Manager for Harvest. Paul joined Harvest in January 2013 as Vice President of Investments and previously had over 13 years' experience in the investment business. Paul was Vice President and Portfolio Manager at Creststreet Asset Management where he was responsible for the management of portfolios with a focus on the Canadian and resource markets and was involved in developing several closed end and tax efficient fund structures. Paul also spent five years at a Canadian investment management firm where he focused on specialty tax investments and was the lead manager of an award winning Canadian natural resource fund. Paul spent three years as an investment associate with a major North American investment firm. Paul obtained a Bachelor of International Finance degree from Griffith University in Australia and holds a CFA charter.

***David Balsdon, Chief Compliance Officer***

David joined Harvest in January 2015 and brings over 25 years of experience through a progressive career in the investment fund management business. During much of the past 10 years, David has held positions of Chief Operating Officer, Chief Compliance Officer, Secretary-Treasurer and Director at two investment management firms. During his career, David has worked in the areas of operations, financial reporting, compliance, client service and fund product development. David has spent time sitting on investment fund industry committees and boards of investment funds in various capacities. David has successfully completed senior Canadian Securities Institute courses such as the Partner, Directors and Officers Qualifying Exam and the Chief Compliance Officers Qualifying Exam.

***Townsend Haines, Director***

Townsend serves as a member of Harvest's Board of Directors, bringing over 35 years of experience in the investment management business. Townsend first joined Harvest as a Board member in 2009 and later served for 5 years as the Managing Director and CFO. Townsend has extensive experience in sales, sales management, product development and strategic planning in the investment industry. Townsend was also previously Vice President of Sales at AGF, Guardian Group of Funds, Franklin Templeton and was Executive Director of Global Strategy. Townsend's board and committee memberships have included the University of Western Ontario Senate and Board of Governors and the Investment Funds Institute of Canada. He is currently a member of the Investment Committee of the Board of Regents of Victoria University at University of Toronto and a member of the Board of Trustees of the Toronto School of Theology at University of Toronto.

***Dr. Nick Bontis, Director***

Dr. Nick Bontis is a tenured professor of strategic management at the DeGroot School of Business, McMaster University. He received both his Bachelor of Arts in 1992 (Honours Business Administration) and his PhD from the Ivey School of Business at The University of Western Ontario in 1999. His doctoral dissertation on the mutual fund industry went on to become the #1 selling thesis in Canada. He has won over a dozen major teaching awards and the faculty researcher of the year award twice. Maclean's magazine has rated him as one of McMaster's most popular professors for six years. He is also a 3M National Teaching Fellow, an honour bestowed upon the top university professors in the country. Prior to his career in academia, Dr. Bontis was a securities analyst at CIBC Securities Inc.

**CALCULATION OF NET ASSET VALUE**

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

The NAV per Unit on any day (the "NAV Valuation Date") will be obtained by dividing the NAV of the Company on such day by the number of Units then outstanding. In general, the NAV per Unit will be calculated as

of 4:00 p.m. (Toronto time) each day. If a NAV Valuation Date is not a Business Day, then the securities comprising the Company's property will be valued as if such NAV Valuation Date were the preceding Business Day.

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

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

The NAV, NAV per Unit, NAV per Class A Share and NAV per Preferred Share will be calculated on each Business Day based on valuations as of 4:15 p.m. (Toronto time). The calculated NAV per Unit, NAV per Class A Share and NAV per Preferred Share will be made available on the Internet at [www.harvestportfolios.com](http://www.harvestportfolios.com).

### **Valuation of Portfolio Securities**

In determining the NAV of the Company at any time:

- (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 Company or by the predecessor in title of the Company shall be the lesser of (i) the value based on reported quotation in common use and (ii) that percentage of the market value of securities of the same class, the resale of which is not restricted or limited by reasons of any representation, undertaking or agreement, equal to the percentage that the acquisition cost of the Company was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made when the date on which the restrictions will be lifted is known;
- (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 Company;
- (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 Company 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 Company quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Company in foreign currency and the value of all liabilities and contractual obligations payable by the Company 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 Company shall be accrued to the date as of which the NAV is being determined.

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

## **DESCRIPTION OF THE SECURITIES**

### **The Securities**

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

### **Principal Shareholder**

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

### **Priority**

#### *Preferred Shares*

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

#### *Rating of the Preferred Shares*

The Preferred Shares have been provisionally rated Pfd-3 (high) by DBRS. Preferred shares rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Pfd-3 ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by DBRS. See “Redemption and Retractions”.

#### *Class A Shares*

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

#### *Class J Shares*

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J Shares are entitled to one vote per Class J Share. The Class J Shares are retractable at a price of \$1.00 per share and have a

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

### **Book-Entry-Only and Book-Based Systems**

Registrations of interests in, and transfers of, the Preferred Shares and the Class A Shares will be made only through the book-entry-only system or the book-based system of CDS. Preferred Shares and Class A Shares may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Preferred Shares and/or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares and/or Class A Shares. Upon purchase of any Preferred Shares or Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Preferred Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

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

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

### **Purchase for Cancellation**

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

## **SHAREHOLDER MATTERS**

### **Meetings of Shareholders**

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

### **Matters Requiring Shareholder Approval**

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

- (a) a change of the manager of the Company, other than to an affiliate of the Manager;
- (b) a termination of the Company, other than as described under "Termination of the Company";

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

Each Preferred Share and each Class A Share will have one vote at such a meeting. In addition to the foregoing, the Management Agreement provides that Shareholders may request to change the manager of the Company only if the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days' notice of such breach or default being given to the Manager. See "Organization and Management Details of the Manager – Duties and Services to be Provided by the Manager".

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

Notwithstanding the foregoing, in certain circumstances, the Company's reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of Shareholders provided that the reorganization or transfer complies with certain requirements of NI 81-102 and NI 81-107, as applicable.

#### **Reporting to Shareholders**

The Company will deliver to Shareholders annual and interim financial statements of the Company as required by applicable law.

#### **TERMINATION OF THE COMPANY**

The Preferred Shares and the Class A Shares will be redeemed by the Company on the Maturity Date provided that the term of the Shares may be extended beyond the initial Maturity Date for a further period of five years and thereafter for additional successive periods of five years as determined by the Company's Board of Directors on such date.

#### **USE OF PROCEEDS**

The Company will use the proceeds from the sale of Preferred Shares and Class A Shares as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Class A Shares and Preferred Shares		
Gross proceeds to the Company .....	\$100,000,000	\$25,000,000
Agents' fees .....	\$4,200,000	\$1,050,000
Expenses of issue .....	\$600,000	\$300,000
Total Net Proceeds	\$95,200,000	\$23,650,000

The net proceeds from the issue of Preferred Shares and Class A Shares offered hereby assuming the maximum offering of Preferred Shares and Class A Shares (after payment of the Agents' fees and expenses of the issue) are estimated to be \$95,200,000 and will be used to purchase Portfolio Securities following the Closing Date.

As a result of the priority of the Preferred Shares, the expenses of the Offering will effectively be borne by holders of the Class A Shares (for so long as the NAV per Unit exceeds the Offering price per Preferred Share plus accrued and unpaid distributions thereon) and the NAV per Class A Share will reflect the expenses of the Offering of both the Preferred Shares and Class A Shares.

### **PLAN OF DISTRIBUTION**

Pursuant to the Agency Agreement, the Agents have agreed to offer the Preferred Shares and the Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The offering prices for the Preferred Shares and the Class A Shares were established by negotiation between the Company and the Agents. The Agents will receive a fee equal to \$0.30 (3.00%) for each Preferred Share sold and \$0.75 (5.00%) for each Class A Share sold, and will be reimbursed for out of pocket expenses incurred. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered under this prospectus, the Agents will not be obligated to purchase Preferred Shares or Class A Shares which are not sold.

The Company has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the closing to purchase up to 15% of the aggregate number of Preferred Shares and Class A Shares issued on the date of closing on the same terms as set out above. To the extent the Over-Allotment Option is exercised, the additional Preferred Shares and Class A Shares will be sold at \$10.00 per Preferred Share and \$15.00 per Class A Share and the Agents will be paid a fee of \$0.30 per Preferred Share sold and \$0.75 per Class A Share sold. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$115,000,000, the Agents' fee will be \$4,830,000 and the net proceeds to the Company, before expenses of the Offering, will be \$110,170,000. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and Class A Shares issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Preferred Shares or Class A Shares forming part of the Agents' over-allocation position acquires such shares under this prospectus, regardless of whether the Agents' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Preferred Shares and Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to occur on November 24, 2017, but in any event no later than 90 days after a receipt for the final prospectus has been issued (the "**Closing Date**").

The Agents may not, throughout the period of distribution, bid for or purchase the Preferred Shares or the Class A Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares or the Class A Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Preferred Shares and Class A Shares. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before January 17, 2018, including distribution of the Preferred Shares and Class A Shares to a minimum number of public securityholders.

The Preferred Shares and the Class A Shares have not been and will not be registered under the 1933 Act 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 Agents have agreed that they will not offer for sale or sell or deliver the Preferred Shares or the Class A Shares within the United States or to U.S. persons.

## PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

### Policies and Procedures

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

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

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

The Manager's proxy voting policies and procedures include procedures to ensure that Portfolio Securities held by the Company are voted in accordance with the Company's instructions. The Manager will post the proxy voting record annually at [www.harvestportfolios.com](http://www.harvestportfolios.com). The Company will send the most recent proxy voting policies and procedures and proxy voting record, without charge, to any Shareholder upon a request made by the Shareholder.

### MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Preferred Shares and Class A Shares:

- (a) the Company's articles of incorporation dated September 15, 2017 described under "Overview of the Company";
- (b) the Management Agreement described under "The Manager – Management Agreement";
- (c) the Agency Agreement described under "Plan of Distribution"; and
- (d) the Custodian Agreement described under "Organization and Management Details of the Company – Custodian".

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Company during the course of distribution of the Preferred Shares and Class A Shares offered hereby. Any of the foregoing contracts that are not executed prior to the filing of this prospectus will be filed with the securities regulatory authorities forthwith after such contract is entered into.

### LEGAL AND ADMINISTRATIVE PROCEEDINGS

In September 2013, Michael Kovacs, President and Chief Executive Officer of the Manager, entered into a settlement agreement and order with the OSC with respect to certain personal trades and failing to file insider trading reports in connection with a fund managed by the Manager. Pursuant to the settlement agreement reached

between the OSC and Mr. Kovacs, he agreed to an order which included that all of his trades be pre-cleared by the chief compliance officer of the Manager for a period of one year following the date of the settlement agreement. Pursuant to the settlement agreement, Mr. Kovacs paid a voluntary payment of \$15,000 and paid an administrative penalty and costs of the OSC's investigation in the amount of \$15,000. A copy of the settlement agreement and order of the OSC is available on the OSC's website at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

### **EXPERTS**

The matters referred to under "Income Tax Considerations" and certain other legal matters relating to the securities offered hereby will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Company, and McCarthy Tétrault LLP, on behalf of the Agents.

The auditors of the Company are PricewaterhouseCoopers LLP, Toronto, Ontario. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if a prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such 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 or territory. The purchaser should refer to the applicable provisions of the securities legislation of his or her province or territory of residence for the particulars of these rights or consult with a legal advisor.

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder and the Board of Directors of Big Pharma Split Corp. (the "Company")

We have audited the accompanying statement of financial position (the financial statement) of the Company as at October 27, 2017 and the related notes which comprise a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as at October 27, 2017 in accordance with those requirements of International Financial Reporting Standards relevant to preparing such a financial statement.

Toronto, Ontario  
October 27, 2017

(Signed) PricewaterhouseCoopers LLP  
Chartered Professional Accountants, Licensed Public Accountants

**BIG PHARMA SPLIT CORP.**  
**STATEMENT OF FINANCIAL POSITION**

**As at October 27, 2017**

**Current Assets**

Cash ..... \$100

**Liabilities**

Net assets attributable to holders of redeemable Class J shares (Note 3) ..... \$100

Approved on behalf of Big Pharma Split Corp. by Harvest Portfolio Group Inc., as manager

(signed) MICHAEL KOVACS  
Director

(signed) TOWNSEND HAINES  
Director

*The accompanying notes are an integral part of this statement of financial position.*

## BIG PHARMA SPLIT CORP.

### NOTES TO THE STATEMENT OF FINANCIAL POSITION

As at October 27, 2017

#### 1. ORGANIZATION OF THE COMPANY

Big Pharma Split Corp. (the “**Company**”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 15, 2017. The Company has been inactive between the date of incorporation and the date of the statement of financial position, other than the issuance of 100 Class J shares of the Company (“**Class J Shares**”) for cash. The address of the Company’s registered office is 710 Dorval Drive, Oakville, Ontario.

The investment objectives for the preferred shares (“**Preferred Shares**”) are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.125 per Preferred Share (\$0.50 per annum or 5.0% per annum on the issue price of \$10.00 per Preferred Share) until December 31, 2022.

The investment objectives for the class A shares (“**Class A Shares**”) are to provide their holders with regular monthly cash distributions targeted to be \$0.1031 per Class A Share representing a yield on the issue price of the Class A Shares of 8.25% per annum on the issue price of \$15.00 per Class A Share and to provide holders with the opportunity for growth in the net asset value per Class A Share. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears, or (ii) in respect of a cash distribution by the Company, the net asset value of the Company divided by the number that is the sum of the number of Preferred Shares and Class A Shares then outstanding divided by two (the “**NAV per Unit**”) would be less than \$15.00. In addition, the Company will not pay distributions in excess of \$0.1031 per month on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$23.50 unless the Company has to make such distribution to fully recover refundable taxes.

The statement of financial position was authorized for issuance by Harvest Portfolios Group Inc. (the “**Manager**”) on October 27, 2017.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

This financial statement has been prepared in compliance with those requirements of International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) relevant to preparing such a statement of financial position. In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statement.

*Cash:* Cash is comprised of deposits with financial institutions.

*Valuation for Transaction Purposes:* NAV per Unit on any day is obtained by dividing the NAV attributable to the Units on such day by the number of Units then outstanding.

*Functional and Presentation Currency:* The Canadian dollar is the functional and presentation currency for the Company.

*Classifications of Redeemable Shares:* Under IFRS, IAS 32 Financial Instruments – Presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability unless certain criteria are met. The Class A Shares contain multiple redemption features and the Preferred Shares are not the

most subordinate class of shares. As a result, the Company's shares are presented as financial liabilities as they do not meet the criteria for classification as equity.

### 3. REDEEMABLE SHARES

The Company is authorized to issue an unlimited number of Class J Shares, Preferred Shares and Class A Shares. On September 15, 2017, the Company issued 100 Class J Shares for cash consideration of \$100.00 to Big Pharma Split Trust.

#### **Class J Shares**

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

#### **Preferred Shares**

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

Holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the Net Asset Value per Unit determined as of such Retraction Date, less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) \$10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Class A Share. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date. With respect to any monthly retraction of Preferred Shares, the Company will purchase for cancellation such number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at closing of the offering and at all material times.

*Annual Concurrent Retraction:* A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the second last Business Day of June of each year commencing in 2019 (the "**Annual Retraction Date**") at a retraction price equal to the Net Asset Value per Unit on the Annual Retraction Date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the 15<sup>th</sup> Business Day following the applicable Annual Retraction Date.

*Non-Concurrent Retraction Right:* On December 31, 2022 and upon any subsequent maturity date as determined by the Company's Board of Directors, a holder of Preferred Shares may retract such Preferred Shares. The Company will provide at least 60 days' notice to holders of Preferred Shares of such right. The redemption price payable by the Company for a Preferred Share pursuant to the non-concurrent retraction right will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the

Net Asset Value of the Company on that date divided by the total number of Preferred Shares then outstanding.

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

### **Class A Shares**

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

Holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the Net Asset Value per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the portfolio to fund the purchase of the Preferred Share. If the Net Asset Value per Unit is less than \$10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

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

*Non-Concurrent Retraction Right:* On December 31, 2022 and upon any subsequent maturity date as determined by the Company's Board of Directors, a holder of Class A Shares may retract such Class A Shares. The Company will provide at least 60 days' notice to holders of Class A Shares of such right. The redemption price payable by the Company for a Class A Share pursuant to the non-concurrent retraction right will be equal to the greater of (i) the Net Asset Value per Unit determined on that date minus \$10.00 plus any accrued and unpaid distributions on a Preferred Share, and (ii) nil.

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

number of Preferred Shares outstanding following the non-concurrent retraction exceeds the number of Class A Shares outstanding following the non-concurrent retraction.

#### 4. MANAGEMENT FEE AND OTHER EXPENSES

The Manager will receive an annual management fee equal to 0.75% of the NAV of the Company plus applicable taxes (including HST) (the “**Management Fee**”). The Management Fee will be calculated and payable monthly in arrears based on the average NAV of the Company calculated at each valuation time during that month. The Management Fee payable to the Manager in respect of the month in which closing of the offering occurs shall be pro-rated based on the fraction that the number of days from and including the closing date to and including the last day of the month is of the number of days of such month.

The Company will pay for all ordinary expenses incurred in connection with its operation and administration and any applicable HST thereon. It is expected that the expenses for the Company will include, without limitation: fees payable to the custodian and other third party services providers, legal, accounting, audit and valuation fees and expenses, fees and expenses of the directors of the Company and members of the independent review committee, expenses related to compliance with National Instrument 81-107 – *Independent Review Committee for Investment Funds*, fees and expenses relating to the voting of proxies by a third party, premiums for insurance coverage for the officers and directors of the Company and members of the independent review committee, costs of reporting to shareholders, registrar, transfer and distribution agency costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements, website maintenance costs, taxes, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies including any costs associated with the printing and mailing costs of any documents that the securities regulatory authorities require be sent or delivered to investors in the Company and extraordinary expenses that the Company may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Company, the Manager, the portfolio manager, the custodian, the independent review committee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Company. The Company will also be responsible for all commissions and other costs of portfolio transactions, debt servicing costs and any extraordinary expenses of the Company which may be incurred from time to time and all expenses incurred in connection with its termination on or about the maturity date.

The expenses of the offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents (as defined below) and certain other expenses) will, together with the Agents’ fees, be paid by the Company from the gross proceeds of the offering. The initial expenses will be paid out of the proceeds of the offering, provided however that the expenses of the offering to be borne by the Company shall not exceed 1.2% of the gross proceeds of the offering. Any such excess expenses shall be paid for by the Manager. As a result of the priority of the Preferred Shares, the expenses of the offering will effectively be borne by holders of the Class A Shares (for so long as the NAV per Unit exceeds the offering price per Preferred Share plus accrued and unpaid distributions thereon) and the NAV per Class A Share will reflect the expenses of the offering of both the Preferred Shares and Class A Shares.

#### 5. INITIAL OFFERING

The Company and the Manager have entered into an agency agreement with BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., Echelon Wealth Partners Inc., Industrial Alliance Securities Inc., Mackie Research Capital Corporation and PI Financial Corp. (collectively, the “**Agents**”) dated as of October 27, 2017 pursuant to which the Company has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public a minimum of one million Preferred Shares at \$10.00 per share and one million Class A Shares at \$15.00 per share. In consideration

for their services in connection with the Offering, the Agents are entitled to be paid a fee of \$0.30 per Preferred Share and \$0.75 per Class A Share out of the proceeds of the Offering.

**CERTIFICATE OF THE COMPANY AND THE MANAGER**

Dated: October 27, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**Big Pharma Split Corp.**

(signed) MICHAEL KOVACS  
Chief Executive Officer and President

(signed) DANIEL LAZZER  
Chief Financial Officer

**On behalf of the Board of Directors**

(signed) TOWNSEND HAINES  
Director

(signed) NICK BONTIS  
Director

**Harvest Portfolios Group Inc.  
(as Manager)**

(signed) MICHAEL KOVACS  
Chief Executive Officer and President

(signed) DANIEL LAZZER  
Chief Financial Officer

**On behalf of the Board of Directors**

(signed) TOWNSEND HAINES  
Director

(signed) MARY MEDEIROS  
Director

**CERTIFICATE OF THE AGENTS**

Dated: October 27, 2017

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**BMO NESBITT BURNS INC.**

(signed) ROBIN TESSIER

**CIBC WORLD MARKETS INC.**

(signed) SHANNAN LEVERE

**SCOTIA CAPITAL INC.**

(signed) ROBERT HALL

**NATIONAL BANK FINANCIAL INC.**

(signed) GAVIN BRANCATO

**CANACCORD GENUITY CORP.**

(signed) MICHAEL D. SHUH

**GMP SECURITIES LP**

(signed) ANDREW KIGUEL

**RAYMOND JAMES LTD.**

(signed) J. GRAHAM FELL

**DESJARDINS SECURITIES  
INC.**

(signed) NAGLAA PACHECO

**ECHELON WEALTH  
PARTNERS INC.**

(signed) ROB FURSE

**INDUSTRIAL ALLIANCE  
SECURITIES INC.**

(signed) VILMA JONES

**MACKIE RESEARCH  
CAPITAL  
CORPORATION**

(signed) DAVID KEATING

**PI FINANCIAL CORP.**

(signed) TRINA WANG