

**ANNUAL INFORMATION FORM
("AIF")**

Investment Fund:

FIRST ASSET PIPES & POWER INCOME FUND

Security Covered by AIF:

TRUST UNITS (TSX: EWP.UN)

Period Covered by AIF:

JANUARY 1, 2012 TO DECEMBER 31, 2012

Date of AIF:

March 28, 2013

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SECTION 1 - CERTAIN DEFINITIONS

In this AIF:

<u>Term:</u>	<u>Means:</u>
<i>"Annual Redemption Date"</i>	The second last Business Day of February of each year
<i>"Auditor"</i>	Ernst & Young, LLP
<i>"Business Day"</i>	Any day except Saturday, Sunday, a statutory holiday in the city of Toronto, Ontario or any other day on which the TSX is not open for trading
<i>"CDS"</i>	CDS Clearing and Depository Services Inc.
<i>"CICA"</i>	Canadian Institute of Chartered Accountants
<i>"Custodian"</i>	State Street Trust Company Canada
<i>"Declaration Date"</i>	The last Business Day of each month
<i>"Declaration of Trust"</i>	Amended and restated declaration of trust entered into by the Manager and Trustee dated September 24, 2010, as supplemented, amended and/or restated from time to time
<i>"FACC"</i>	First Asset Capital Corp.
<i>"Fund"</i>	First Asset Pipes & Power Income Fund
<i>"GAAP"</i>	Generally accepted accounting principles
<i>"Holder"</i>	A holder of Securities of the Fund
<i>"Income Participating Securities or Income Deposit Securities"</i>	Securities of an issuer that are typically issued in securities comprised of a dividend-bearing common share and a promissory note, the two components of which, after an initial period during which separation is prohibited, can be split and traded separately
<i>"Income Trust"</i>	A fund, trust, limited partnership, corporation or other entity, the securities of which are listed on a stock exchange or traded on a stock market, structured to own debt and/or equity of an underlying company or partnership, or a royalty in revenues generated by the assets thereof, which carries on an active business including royalty trusts, income funds, certain limited partnerships, certain corporations and other income vehicles including, without limitation, Income Participating Securities and Income Deposit Securities, provided that the determination by the Manager that an

	issuer of securities is an Income Trust shall be conclusive
"Investment Advisor"	First Asset Investment Management Inc.
"IRC"	Independent Review Committee
"Manager"	First Asset Investment Management Inc., as successor manager to First Asset Funds Inc.
"NAV"	Net asset value as determined in accordance with the Declaration of Trust
"NI 81-102"	National Instrument 81-102 – <i>Mutual Funds</i>
"NI 81-106"	National Instrument 81-106 – <i>Investment Fund Continuous Disclosure</i>
"NI 81-107"	National Instrument 81-107 – <i>Independent Review Committee for Investment Funds</i>
"Pipeline & Power Issuers"	Income Trusts that derive their income from the distribution, wholesale or retail, of oil, gas or natural gas typically pursuant to fixed rate transportation tolls or from power generation and sale including hydroelectric, gas-fired, coal-fired and wind, among others, typically pursuant to long term fixed price contracts as well as those Income Trusts that service and support these industries, provided that the determination by the Manager that an issuer is a Pipeline & Power Issuer shall be conclusive
"Prospectus"	The final prospectus of the Fund dated January 27, 2005
"Registrar"	Computershare Investor Services Inc.
"Securities"	Redeemable, transferable trust units, each of which represents an equal, undivided interest in the net assets of the Fund
"Tax Act"	<i>Income Tax Act</i> (Canada) and the regulations thereunder
"Termination Date"	The date on which the Fund is terminated in accordance with the provisions of the Declaration of Trust
"Total Assets"	The aggregate value of the property and assets of the Fund
"Trustee"	First Asset Investment Management Inc., as successor trustee to First Asset Funds Inc.
"TSX"	Toronto Stock Exchange
"Valuation Agent"	State Street Fund Services Toronto Inc.

“Valuation Date” Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, the last Business Day of each month, each redemption date and includes any other date on which the Trustee or the Manager, if any, elects, in its discretion, to calculate the NAV per Security

Unless otherwise indicated, the information set out in this AIF is current to December 31, 2012.

SECTION 2 - NAME, FORMATION AND HISTORY OF THE FUND

2.1 Full Name and Registered Office

Name: First Asset Pipes & Power Income Fund

Registered Office: 95 Wellington Street West, Suite 1400, Toronto, Ontario, M5J 2N7

2.2 Formation

Structure: Closed-end investment trust

Laws: Province of Ontario

Date: January 27, 2005

Manner: Declaration of Trust entered into by the Manager and Trustee dated January 27, 2005 (the “**Original Declaration of Trust**”)

2.3 Constatting Documents

The Original Declaration of Trust dated January 27, 2005, as supplemented, amended and/or restated as follows:

- (1) *Amended and Restated Declaration of Trust entered into by the Manager and Trustee made as of June 21, 2006* - Amendments made to implement the extraordinary resolutions passed by Holders at a special meeting held on June 12, 2006. Holders agreed to amend the Original Declaration of Trust in the following manner: (i) to permit Holders to switch to other investment vehicles sponsored or promoted by the Manager or an affiliate of the Manager, to be offered to the public by prospectus, by adding a further redemption right at 100% of the NAV per Security from time to time at the discretion of the Manager and to allow for the equitable allocation of the Fund’s income and other amounts among redeeming Holders; (ii) to permit the Trustee, in its sole discretion and without obtaining the approval of Holders, to issue Securities at a price per Security that is less than the NAV per Security at such time; (iii) to grant the Manager the authority, without seeking Holder approval, to merge or otherwise combine or consolidate the Fund with one or more other funds administered by the Manager or an affiliate of the Manager, provided that the fund or funds to be merged or

otherwise combined or consolidated with the Fund meet certain criteria; (iv) to permit the Trustee, without the approval of Holders, to bring the Declaration of Trust into conformity with current market practices; (v) to permit the preparation, filing and delivery to Holders of only such financial statements and other continuous disclosure documents as are required from time to time by applicable laws; (vi) to remove the fixed Termination Date of the Fund; (vii) to permit the Manager to terminate the Fund without the approval of Holders if, in its opinion, it is no longer economically practical to continue the Fund, or if it determines that it would be in the best interests of the Holders to terminate the Fund; (viii) to permit the Trustee or the Manager to designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption; (ix) to remove or amend certain investment restrictions which no longer apply due to changes in applicable legislation; (x) to permit the Trustee to convert the Fund to an actively managed portfolio of funds that will include funds that service and support Pipeline & Power Issuers, and to increase the fee paid to the Manager to 0.75% of the NAV of the Fund, plus applicable taxes; and (xi) to change the name of the Fund from "First Asset Equal Weight Pipes & Power Income Fund" to "First Asset Pipes & Power Income Fund".

- (2) *Amended and Restated Declaration of Trust entered into by the Manager and Trustee made as of October 29, 2007* - Amendments made to change the date by which Securities must be surrendered in advance of the Annual Redemption Date in order to be redeemed.
- (3) *Amended and Restated Declaration of Trust entered into by the Manager and Trustee made as of April 16, 2008* - Amendments made for the purpose of bringing the Declaration of Trust into conformity with current market practice and to allow Securities purchased by the Fund, together with Securities surrendered for redemption, to be held by the Fund and resold by the Fund where the Fund enters into a recirculation agreement with one or more investment dealers designated by the Manager whereby the dealer agrees, subject to the terms of the recirculation agreement, to use commercially reasonable efforts to find purchasers for such Securities.
- (4) *Amended and Restated Declaration of Trust entered into by the Manager and Trustee made as of September 24, 2010* - Amendments made for the purpose of bringing the Declaration of Trust into conformity with current market practice.

2.4 Previous Name(s) of the Fund

Until June 21, 2006, the Fund's name was First Asset Equal Weight Pipes & Power Income Fund.

2.5 Major Events

- (1) On *January 27, 2005*, the Fund was created.
- (2) On *February 17, 2005*, pursuant to the Prospectus and an agency agreement dated as of January 27, 2005 among CIBC World Markets Inc., RBC Dominion Securities Inc., BMO

- Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, First Associates Investments Inc., Raymond James Ltd., Wellington West Capital Inc. (collectively, the “**Agents**”), the Fund and the Manager, the Fund issued 12,000,000 Securities (the “**Offering**”). The Securities were issued at a price of \$10.00 per Security and began trading on the TSX under the symbol “EWP.UN”.
- (3) On **March 4, 2005**, the Fund issued an additional 570,000 Securities pursuant to the Prospectus upon partial exercise of the over-allotment option granted to the Agents who offered the Securities for sale.
 - (4) On **July 28, 2005**, all of the issued and outstanding shares of First Asset Management Inc. of which the Manager and Investment Advisor were then indirectly owned subsidiaries, were purchased by Affiliated Managers Group, Inc., resulting in an indirect change of control of the Manager and the Investment Advisor.
 - (5) On **June 12, 2006**, Holders approved the extraordinary resolutions described under Section 2.3(1) – *Constituting Documents*, including the change of name of the Fund from “First Asset Equal Weight Pipes & Power Income Fund” to “First Asset Pipes & Power Income Fund”.
 - (6) On **September 28, 2006**, the Fund completed an offering of rights to Holders made pursuant to a rights offering circular dated August 15, 2006.
 - (7) On **April 3, 2007**, FACC, a company owned and controlled by senior management of the Manager, acquired the Manager.
 - (8) On **July 23, 2009**, the Fund completed an offering of warrants to Holders made pursuant to a short form prospectus dated February 18, 2009.
 - (9) On **September 24, 2010**, First Asset Investment Management Inc. assumed the role of trustee and manager of the Fund from First Asset Funds Inc.
 - (10) On **March 24, 2011**, the Fund completed an offering of rights to Holders made pursuant to a short form prospectus dated February 14, 2011.
 - (11) On **March 28, 2012**, the Fund completed an offering of rights to Holders made pursuant to a short form prospectus dated February 14, 2012.

SECTION 3 - INVESTMENT OBJECTIVES, RESTRICTIONS AND PRACTICES

3.1 Investment Objectives

The Fund’s investment objectives are to provide Holders with the benefits of high monthly cash distributions and low management fees together with the opportunity for capital appreciation.

3.2 Investment Strategy and Policies

The Fund invests in a portfolio (the “**Portfolio**”) of Pipeline & Power Issuers. The Fund adheres to the following guidelines regarding investments in the Portfolio (the “**Investment Guidelines**”):

Each Pipeline & Power Issuer included in the Portfolio will:

- (a) except with respect to securities of a Pipeline & Power Issuer acquired within 30 days following completion of its initial public offering, currently pay a regular distribution; and
- (b) be listed for trading on the TSX.

The Fund entered into a loan facility (the “**Loan Facility**”) with a Canadian chartered bank (the “**Lender**”) to provide the Fund with the ability to utilize leverage to enhance the Fund’s total return. A portion of the Loan Facility that did not exceed 10% of the Total Assets determined at the time of borrowing was used by the Fund to invest in additional securities of Pipeline & Power Issuers. In the event that the total amount borrowed by the Fund under this portion of the Loan Facility at any time exceeds 20% of the Total Assets, the Manager will sell securities of Pipeline & Power Issuers held by the Fund in an orderly manner and use the proceeds thereof to reduce indebtedness so that the amount borrowed by the Fund under this portion of the Loan Facility does not exceed 20% of the Total Assets.

The Fund may borrow up to 5% of the Total Assets determined at the time of borrowing for working capital purposes and to invest in initial public offerings of Pipeline & Power Issuers that qualify for inclusion in the Portfolio.

The terms, conditions, interest rates, fees and expenses of and under the Loan Facility are typical for loans of this nature. The Lenders are at arm’s length to the Fund, the Trustee, the Manager, the Investment Advisor and their respective affiliates and associates. The Fund has provided a security interest in all of its assets in favour of the Lender to secure such borrowings. The Loan Facility provides that in the event of default, the Lenders’ recourse is limited to the assets of the Fund.

See also, Section 10.3 - *Use of Derivatives* and Section 10.4 - *Securities Lending, Repurchase Transactions, etc.*

3.3 Investment Restrictions

The activities of the Fund are subject to the following investment restrictions which are set out in the Declaration of Trust (the “**Investment Restrictions**”):

- (a) **No Other Undertaking.** The Fund will not invest in a Pipeline & Power Issuer unless it meets the Investment Guidelines.
- (b) **No Control Positions.** The Fund will not purchase securities of an issuer for the purpose of exercising control over management of that issuer.

- (c) **Restriction on Borrowing Money.** The Fund will not borrow money, except that (i) short term credits necessary for settlement of securities transactions are not considered borrowing; and (ii) the Fund may borrow or enter into other transactions which provide leverage pursuant to the Loan Facility.
- (d) **Mutual Fund Trust.** The Fund will not make or hold an investment in any Pipeline & Power Issuer whose securities are not listed on a Canadian stock exchange prescribed for purposes of the Tax Act, or otherwise make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act.
- (e) **No Material Interest.** With the exception of Securities of the Fund’s own issue, the Fund will not purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager, the Investment Advisor or any of their respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Manager, the Investment Advisor or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or the Investment Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (i) any such transaction is effected through normal market facilities, and the purchase price approximates the prevailing market price; or (ii) such purchase or sale is approved by the IRC.
- (f) **Limit on Investments Generally.** The Fund will not invest in or hold any investment other than cash equivalents, securities of Pipeline & Power Issuers or securities issued in respect of the securities of Pipeline & Power Issuers.
- (g) **Purchasing Securities.** The Fund will not purchase or hold securities of a Pipeline & Power Issuer if the securities, when aggregated with other securities of such Pipeline & Power Issuer then held by the Fund, aggregate to 10% or more of the outstanding securities of the Pipeline & Power Issuer.
- (h) **Restriction on Investments in Insolvent Pipeline & Power Issuers.** The Fund will not invest in any Pipeline & Power Issuer upon the Manager becoming aware of any steps or proceedings, or the announcement of such steps or proceedings, under any federal or provincial bankruptcy or insolvency legislation taken by or against such Pipeline & Power Issuer or any announcement of any such steps.

If the Fund receives subscription rights from an issuer to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same

class and value as would result in the restriction being complied with. Notwithstanding the foregoing, the restriction in paragraph (h) above must be complied with at all times and may necessitate the selling of Pipeline & Power Issuers included in the Portfolio from time to time.

While not provided for in the Investment Restrictions, the Manager does not currently intend to make any investments that would cause the Fund to be a "SIFT trust" within the meaning of the rules relating to the tax for SIFT trusts in the Tax Act (the "SIFT Rules").

3.4 Variations From Investment Objectives, Strategy, Practices & Restrictions

The Fund has not sought nor received the approval of the securities regulatory authorities to vary any of the investment restrictions and practices contained in securities legislation, except as follows:

- (a) On April 11, 2008, the Fund obtained relief from securities legislation in order to permit it to re-circulate Securities that have been surrendered for redemption or purchased by the Fund. See Section 7.3 - *Recirculation*.
- (b) On February 11, 2011 and February 12, 2012, the Fund obtained relief from the dealer registration requirement in respect of its prior two offerings of rights which closed on March 24, 2011 and March 27, 2012, respectively. See Section 2.5 above.

In accordance with NI 81-107, the Manager has obtained standing instructions from the IRC with respect to certain matters including inter-fund trades and investments in related funds. Provided it complies with these standing instructions, and the provisions of NI 81-107, these standing instructions permit the Manager to engage in these

activities without having to adhere to investment restrictions and practices contained in securities legislation that may otherwise apply. The Manager has relied on these standing instructions and the relevant requirements of NI 81-107 to engage in trading between investment funds that it (or its affiliates) manages, and to acquire securities of other funds that it (or its affiliates) manages.

The Fund has not sought nor relied on the approval of the IRC and the relevant requirements of NI 81-107 to vary any of the investment restrictions and practices contained in securities legislation, nor to implement a reorganization with, or transfer of assets to, another fund or to proceed with a change of auditor of the Fund.

Any amendment to the Fund's investment objectives, investment strategy or investment restrictions as described in the Declaration of Trust requires the approval of Holders by Extraordinary Resolution (as defined in Section 4.7 - *Meetings of Holders and Extraordinary Resolutions*), unless such change or changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed from time to time by applicable regulatory authorities.

3.5 Permitted Mergers

The Manager may, without seeking Holder approval, merge or otherwise combine or consolidate the Fund with another investment vehicle that is administered, managed, sponsored or promoted by the Manager or an affiliate of the Manager, which may include funds not currently in existence (an “**Affiliated Fund**”), provided that: (i) the funds being merged must have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion; (ii) the fund with which the Fund is merged must be an Affiliated Fund; (iii) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by Holders as a result of the merger; (iv) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the net asset value per unit of each fund; and (v) the merger of the funds must be capable of being accomplished on a tax-deferred “rollover” basis for unitholders of the merging fund.

While the funds that may be merged must have similar investment objectives, they may have different investment strategies, guidelines and restrictions and thus the securities of the merged funds will be subject to different risk factors.

SECTION 4 - SECURITIES OFFERED BY THE FUND

4.1 General

Each Security entitles the Holder to the same rights and obligations as the Holder of any other Security and no Holder is entitled to any privilege, priority or preference in relation to any other Holder. Each Holder is entitled to one vote for each Security held, except as described in Section 4.7 – *Meetings of Holders and Extraordinary Resolutions*, and is entitled to participate equally with respect to any and all distributions made by the Fund.

On termination of the Fund, all Holders of record holding outstanding Securities are entitled to receive their *pro rata* share of any assets of the Fund remaining after payment of all debts, liabilities and liquidation or termination expenses of the Fund.

4.2 Authorized and Issued Securities

The Fund is authorized to issue an unlimited number of transferable, redeemable Securities of a single class, each of which represents an equal, undivided beneficial interest in the net assets of the Fund.

Subject to the terms of the Declaration of Trust, the Trustee may allot and issue Securities at such time or times, at such price and in such manner, and to such person, persons or class of persons as the Trustee in its sole discretion shall determine, having regard to such matters as would be considered by the board of directors of a corporation under the *Canada Business Corporations Act* when issuing shares in comparable circumstances. The Trustee may, in its discretion, subdivide the Securities outstanding at any time so that the number of outstanding Securities may be increased, or consolidate the Securities outstanding at any time so that the number of outstanding Securities may be decreased. Fractional Securities will not be issued.

As at December 31, 2012, there were 5,965,881 Securities issued and outstanding. As at March 15, 2013, there were 3,716,027 Securities issued and outstanding.

4.3 Termination of the Fund; Rights on Termination

The Fund has no fixed Termination Date. The Manager may, in its discretion, terminate the Fund without the approval of Holders if, in its opinion, it is no longer economically practical to continue the Fund, or if it determines that it would be in the best interests of the Holders to terminate the fund.

Prior to the date of termination of the Fund, the Manager will convert the Portfolio to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Fund will distribute to Holders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the Termination Date of the Fund, such unliquidated assets *in specie* rather than in cash, subject to compliance with any securities laws or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

4.4 Distributions

Distributions are payable to Holders who were Holders of record as of 5:00 p.m. (Toronto time) on the relevant Declaration Date. Distributions are paid to such Holders on or about the 15th day following the Declaration Date. The Fund includes in each monthly distribution one-third of the quarterly distribution expected to be received from those Pipeline & Power Issuers included in the Portfolio that pay distributions on a quarterly basis. Holders are entitled to participate equally in respect of each Security held with respect to any and all distributions made by the Fund.

Distributions from the Fund are primarily derived from distributions received on the Pipeline & Power Issuers included in the Portfolio less estimated expenses and estimated taxes payable by the Fund, if any. The level of distributions paid by the Fund to Holders depends upon the distributions received from the Pipeline & Power Issuers included in the Portfolio and therefore will likely fluctuate from month to month.

Certain of the issuers of the securities in which the Fund has invested may be entitled to tax deductions relating to the nature of their assets, with the result that their cash distributions are anticipated to exceed the amount required to be included in the income of the recipients. As a result, cash distributions received by Holders from the Fund in a year are generally expected to exceed the amount required to be included in their income for tax purposes. The proportion of the distributions characterized as a return of capital is affected by net capital gains realized by the Fund. To the extent that the Fund receives distributions from Pipeline & Power Issuers included in the Portfolio as a return of capital that reduce the adjusted cost base of such securities to the Fund, the Fund may realize a capital gain if such securities are sold. In addition, the Fund may realize a capital gain on sales if the securities of the Pipeline & Power Issuers sold have appreciated in value. Such capital gains reduce the proportion of the distributions by the Fund characterized as a return of capital.

The Fund may, at its option, make a distribution of any net income or net realized capital gains in Securities and/or in cash that will automatically be reinvested in Securities; provided, however, that the aggregate distributions of net income and net realized capital gains made in each year will be such amount as is sufficient to ensure that the Fund is not liable for income tax thereon under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Fund for a year that are retained by the Fund would be recoverable by it in such year. Immediately following any such distribution of Securities or automatic reinvestment of cash distributions in Securities, the number of Securities outstanding will automatically be consolidated such that the number of Securities outstanding after such distribution will be equal in number to the number of Securities outstanding immediately prior to the distribution (except to the extent of amounts withheld on account of withholding taxes on distributions paid to non-resident Holders). Any such distribution, reinvestment and consolidation will increase the aggregate adjusted cost base of Securities to Holders.

The following is a table showing the distributions per Security announced by the Fund during 2012 and the first 3 months of 2013:

	<u>Distribution</u>		<u>Distribution</u>
January, 2012	\$0.030	September	\$0.030
February	\$0.030	October	\$0.030
March	\$0.030	November	\$0.030
April	\$0.030	December	\$0.030
May	\$0.030	January, 2013	\$0.030
June	\$0.030	February	\$0.030
July	\$0.030	March	\$0.030
August	\$0.030		

4.5 Book-Entry Only System

Registration of interests in and transfers of the Securities are made only through a book-based system administered by CDS (the “**Book-Entry Only System**”). Securities must be purchased, transferred and surrendered for redemption through a participant in CDS (a “**CDS Participant**”). All rights of Holders must be exercised through, and all payments or other property to which such Holders are entitled will be made or delivered by CDS or the CDS Participant through which the Holder holds such Securities. Upon purchase of any Securities, the Holders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Securities are purchased.

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

The Fund has the option to terminate registration of the Securities through the Book-Entry Only System, in which case certificates for the Securities in fully registered form would be issued to beneficial owners of such Securities or their nominees.

4.6 Amendments to the Declaration of Trust

Except as described below, the Declaration of Trust may only be amended with the consent of Holders by Extraordinary Resolution, including changes, in any manner, to the Investment Guidelines of the Fund, the liability of any Holder, the right of a Holder to vote at any meeting or changing the Fund from a trust to a different form of issuer. However, no amendment can be made to the Declaration of Trust that would have the effect of reducing the interest in the Fund of Holders unless all Holders consent thereto.

Notwithstanding the foregoing, the Manager is entitled, without the consent of the Holders, to make certain amendments to the Declaration of Trust to make any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, mistake or manifest error contained therein or which is for the purpose of amending the existing provisions or adding any provisions which are for the protection or benefit of the Holders, for the purpose of curing an ambiguity in the Declaration of Trust, for the purpose of supplementing any provision which may be defective or inconsistent with another provision, for the purpose of compliance with applicable law, or for the purpose of conforming the Declaration of Trust with current market practice or curing or correcting any administrative difficulty. Such amendments may be made only if they will not materially adversely affect the interest of any Holder. The Manager may also amend the Declaration of Trust without the consent of the Holders for the purpose of removing any conflicts or other inconsistencies which may exist between the Declaration of Trust and applicable law, changing the Fund's taxation year-end as permitted under the Tax Act or providing the Fund with the right to acquire Securities from any Holder for the purpose of maintaining the status of the Fund as a "mutual fund trust" for purposes of the Tax Act. Any amendments made by the Manager without the consent of the Holders must be disclosed in the next regularly scheduled report to Holders.

4.7 Meetings of Holders and Extraordinary Resolutions

The Trustee may, at any time, convene a meeting of the Holders and will be required to convene a meeting on receipt of a request in writing of Holders holding 10% or more of the outstanding Securities, which request must specify the purpose or purposes for which such meeting is to be called. Subject to the foregoing, the Fund need not hold annual meetings of Holders, unless so requested by the TSX. Each Holder is entitled to one vote for each Security held. A quorum for ordinary meetings of Holders will consist of one or more Holders present in person or by proxy and representing for these purposes, beneficial Holders holding not less than 10% of the Securities outstanding.

Certain matters shall require the approval of Holders by a resolution passed by the affirmative vote of at least $66\frac{2}{3}\%$ of the votes cast, either in person or by proxy, at a meeting of Holders called for the purpose of considering such resolution (an "Extraordinary Resolution"). A quorum for any meeting convened to consider a matter requiring the approval of Holders by Extraordinary Resolution shall consist of one or more Holders present in person or by proxy and representing for these purposes, beneficial Holders holding not less than 25% of the Securities then outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Holders, will be cancelled,

but otherwise will be adjourned to another day, not less than ten days or more than 21 days later, selected by the Manager and notice will be given to the Holders of such adjourned meeting. The Holders present at any adjourned meeting constitute a quorum. Some of the matters which require Holder approval by Extraordinary Resolution include the removal of the Trustee, and certain matters described under Section 4.6 – *Amendments to the Declaration of Trust*.

Holders will be able to vote on:

- (a) the amendment of any provision of the Declaration of Trust (other than amendments made by the Trustee, without Holder authorization, in accordance with the Declaration of Trust), which shall be deemed to include changing the Fund from a trust to a different form of issuer, changing the liability of any Holder, and changing the right of a Holder to vote at any meeting;
- (b) any increase in the fees payable out of the Total Assets to the Trustee pursuant to the Declaration of Trust;
- (c) any change in the basis of the calculation of a fee or expense that is charged to the Fund and is changed in a way that could result in an increase in the charges to the Fund, other than where the Fund contracts with parties who are not related to the Fund within the meaning of the Tax Act, for all or part of the services it requires to carry on its operations provided that sixty (60) days' notice of any such change has been given to Holders before the effective date of the change;
- (d) the removal of the Trustee pursuant to the Declaration of Trust;
- (e) the replacement of the Trustee pursuant to the Declaration of Trust;
- (f) the removal or replacement of the Auditor;
- (g) the appointment of an inspector to investigate and report on the performance by the Trustee of its duties with respect to the Fund;
- (h) any decrease in the frequency of calculating the NAV and which results in the NAV being calculated less frequently than once each week;
- (i) subject to certain provisions in the Declaration of Trust, the termination of the Fund prior to the Termination Date;
- (j) any change in the Investment Policy (as defined in the Declaration of Trust);
- (k) the reorganization with, or the transfer of assets to, another form of issuer, if the Fund ceases to continue after the reorganization or the transfer of assets, and the transaction results in the Holders becoming unitholders in the other form of issuer; and

- (l) the reorganization with, or the acquisition of assets from, another form of issuer, if the Fund continues after the reorganization or the acquisition of assets, and the transaction results in the unitholders of the other form of issuer becoming Holders in the Fund and the transaction would be a significant change to the Fund.

To the extent that any of them holds Securities from time to time, none of the Manager, insiders of the Fund (where used in this AIF, “insider” is as defined in the *Securities Act* (Ontario)), affiliates, associates and insiders of the Manager, and any director or officer of such persons shall be entitled to vote on any Extraordinary Resolution to be adopted by the Holders.

4.8 Information and Reports to Holders

The Fund furnishes to Holders such financial statements (including interim unaudited and annual audited financial statements, accompanied by management reports of fund performance) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Holders’ tax returns under the Tax Act and equivalent provincial legislation.

The Fund complies with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Holders, the Fund provides to Holders (along with notice of such meeting) all such information as is required by applicable law to be provided to Holders.

SECTION 5 - VALUATION OF PORTFOLIO SECURITIES

5.1 Valuation

Subject to applicable law, the securities in the Fund’s portfolio are valued in accordance with the following principles:

- (a) the value of any cash on hand or on deposit, bill, demand note and account receivable, prepaid expense, distribution, dividend or other amount received (or declared to Holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) and interest accrued and not yet received is deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof is deemed to be such value as the Manager determines to be the fair value thereof;
- (b) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) is determined by taking the latest available sale price of recent

date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price is used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use, provided that for the purpose of calculating the redemption price of the Securities, the value of any Security is equal to the weighted average trading price during the three Business Days prior to the Annual Redemption Date;

- (c) the value of any security which is traded over-the-counter is priced at the average of the last bid and asked prices quoted by a major dealer in such securities;
- (d) the value of any security or other asset for which a market quotation is not readily available is its fair value on the Valuation Date on which the Total Assets are being determined as determined by the Manager;
- (e) any market price reported in currency other than Canadian dollars is translated into Canadian currency at the rate of exchange available to the Fund from the custodian of the Fund's assets, State Street Trust Company Canada, on the Valuation Date on which the Total Assets are being determined;
- (f) the value of a total return swap or other similar derivative contract is the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the total return swap were to be closed out in accordance with its terms; and
- (g) listed securities subject to a hold period are valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists are recorded at estimated fair value as determined by the Manager using appropriate and accepted industry valuation techniques.

If a security cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Valuation Agent or the Investment Advisor to be inappropriate under the circumstances for any reason, then notwithstanding such principles, the Valuation Agent or the Investment Advisor, as the case may be, may make such valuation as it considers fair and reasonable.

The Valuation Agent calculates the value of the Fund's securities for which there exists a published market on the basis of quoted prices in such market. For this purpose, a published market means any market on which such securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation. The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been

used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

5.2 Discretion

The Investment Advisor will notify the Valuation Agent of any information relevant to the valuation of the Fund's investments, including any adjustments in the holdings of the Fund and of any circumstances that would necessitate an adjustment to the current valuation. The Manager will review and, if satisfactory, approve the valuation monthly and will, from time to time, consider the appropriateness of the valuation policies adopted by the Fund, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of Holders.

The Fund has not deviated from its valuation policies in the last three years.

SECTION 6 - CALCULATION OF NET ASSET VALUE

The Valuation Agent calculates the NAV on each Valuation Date, ordinarily between 4:00 p.m. to 6:00 p.m. (Toronto time).

NAV is calculated by subtracting the aggregate amount of the Fund's liabilities from the Fund's Total Assets. The liabilities of the Fund include all bills and accounts payable, all other contractual obligations for the payment of money, including the amount of distributions declared and unpaid, all accrued and unpaid fees to all parties that provide services to the Fund and all other accrued and unpaid fees and expenses, all reserves for taxes or contingencies and all other liabilities of the Fund determined in accordance with Canadian GAAP. All fees and expenses of the Fund are deemed to accrue on a daily basis in accordance with the Manager's best estimate.

The NAV per Security on any Valuation Date is calculated by dividing the NAV on that Valuation Date by the total number of Securities outstanding on that Valuation Date.

The NAV per Security is calculated in Canadian dollars. The NAV and NAV per Security are available to Holders on request, at no cost, and are available on the Internet at www.firstasset.com.

The NAV and NAV per Security will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The NAV per Security determined in accordance with the principles set out above may differ from the net assets per Security determined under Canadian generally accepted accounting principles. For financial statement reporting purposes, the fair value of the Fund's investments are measured in accordance with CICA Handbook Section 3855: Financial Instruments - *Recognition and Measurement*, which for publicly listed securities is based on the closing bid price on the recognized stock exchange on which the investments are listed or principally traded. Pursuant to NI 81-106, the NAV of investment funds is calculated based on the fair value of investments using the close or last trade price. The net assets per Security for financial reporting purposes and NAV per Security for redemption purposes could be different due to the use of different valuation techniques.

SECTION 7 - REDEMPTION OF SECURITIES/PURCHASES FOR RESALE

7.1 Redemptions

(1) Annual Redemptions

Securities may be surrendered for redemption on the Annual Redemption Date, but must be surrendered by 5:00 p.m. (Toronto time) not more than 45 days and at least 15 Business Days prior to the Annual Redemption Date. Securities surrendered for redemption will be redeemed on the Annual Redemption Date at a redemption price per Security equal to 100% of the NAV on the Annual Redemption Date less any costs of funding the redemption. For the purposes of calculating this NAV, the value of the securities comprising the Portfolio is equal to the weighted average trading price of such securities over the three Business Days prior to the Annual Redemption Date. Payment of the redemption price will be made on or before the 15th Business Day in March, subject to the Manager's right to suspend redemptions in certain circumstances, as described below. The Trustee or the Manager may designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption. Any such designations will reduce the redemption price otherwise payable to the redeeming Holder.

Any Securities redeemed pursuant to this annual redemption feature shall be held for resale as described below under "Recirculation".

(2) Monthly Redemptions

In addition to the annual redemption right described above, Securities may be surrendered at any time for redemption on (i) the last Business Day of the month where the Securities are surrendered by 5:00 p.m. (Toronto time) on a day that is 15 Business Days prior to the last day of the month; or (ii) the last Business Day of the following month where the Securities are surrendered after 5:00 p.m. (Toronto time) of the day that is within 15 Business Days of the last day of the current month (the "**Monthly Redemption Date**") by giving notice thereof to the Manager, subject to the Fund's right to suspend redemptions in certain circumstances described below. The Trustee or the Manager may designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption. Any such designations will reduce the redemption price otherwise payable to the redeeming Holder.

Securities surrendered for redemption will be redeemed on the applicable Monthly Redemption Date and the Holder is entitled to receive payment on or before the 15th Business Day of the following month at a price per Security, subject to the Fund's right to suspend redemptions as provided below, equal to the lesser of:

- (a) 95% of the market price of the Securities during the 10 trading day period commencing immediately subsequent to the applicable Monthly Redemption Date; and
- (b) 100% of the closing market price on the applicable Monthly Redemption Date.

Any Securities redeemed pursuant to this monthly redemption feature shall be held for resale as described below under "Recirculation".

(3) **Additional Redemptions**

The Declaration of Trust was amended, effective June 21, 2006, to provide for an additional redemption right. In addition to the annual and monthly redemption rights described above, the Manager may direct the Trustee to pay an amount for each Security surrendered for redemption before 5:00 p.m. (Toronto time) on a particular Business Day equal to the NAV per Security as of a particular Business Day, less any cost of funding the redemption including commissions, if the Holders thereof apply the full amount of such redemption proceeds to be received for the Securities so redeemed to the purchase of Securities of another investment vehicle sponsored or promoted by the Manager or an affiliate of the Manager to be offered to the public by prospectus. The Trustee or the Manager may designate as payable to redeeming Holders capital gains realized by the Fund in connection with the disposition of securities required in order to fund the redemption. Any such designations will reduce the redemption price otherwise payable to the redeeming Holder.

(4) **Redemption Procedures**

A Holder who desires to exercise redemption privileges must do so by causing a CDS Participant through which he or she holds Securities to deliver to CDS at its office in the City of Toronto, Ontario, on behalf of the Holder, a written notice of the Holder's request to redeem Securities no later than the specified time on the relevant notice date. A Holder who desires to redeem Securities should ensure that the CDS Participant is provided with notice of the Holder's intention to exercise the redemption right sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS prior to the required time.

By causing a CDS Participant to deliver to CDS a notice of the Holder's intention to redeem Securities, the Holder is deemed to have irrevocably surrendered his or her Securities for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed is, for all purposes, void and of no effect and the redemption privilege to which it relates is 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 Holder's instructions does not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Holder.

Any and all Securities that have been surrendered for redemption will be deemed to be outstanding until (but not after) the close of business on the relevant Annual Redemption Date, Monthly Redemption Date or additional redemption date in respect of which payment is made.

(5) **Suspension of Redemptions**

The Manager may direct the Trustee to suspend the redemption of Securities or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges on which more than 50% of the securities included in the Portfolio (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but as for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Holders have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension terminates in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager is conclusive.

7.2 Market Purchases

To enhance liquidity and to provide market support for the Securities, the Fund has a mandatory market purchase program under which the Fund, subject to certain exceptions contained in the Declaration of Trust (as described below) and in compliance with any applicable regulatory requirements, is obligated to purchase any Securities offered in the market if the price at which Securities are then offered for sale is less than 95% of the NAV per Security determined as at the close of business in Toronto, Ontario on the immediately preceding Business Day. The maximum number of Securities to be purchased in any three month period (commencing with the three month period that began on the first day of the month following the closing date of the Offering) will be 1.25% of the number of Securities outstanding at the beginning of such period. The Declaration of Trust provides that the Fund will not be obligated to make such purchases if, among other things, (i) the Fund lacks the cash, debt capacity or other resources to make such purchases, or (ii) in the opinion of the Trustee, such market purchases would adversely affect the ongoing activities of the Fund.

In addition, the Declaration of Trust provides that the Fund has the right (but not the obligation) at any time, exercisable in its sole discretion, to purchase Securities in the market, subject to any applicable regulatory requirements and limitations. It is expected that such purchases, if made, will be made as normal course issuer bids through the facilities and under the rules of the exchange or market on which the Securities are listed as provided for in the Declaration of Trust or as otherwise permitted by applicable securities laws.

Any Securities purchased by the Fund shall be held for resale as described below under "Recirculation".

The Fund has made normal course issuer bids for Securities through the facilities of the TSX. The details of the last three such bids are as follows:

<u>Bid Commenced</u>	<u>Bid Terminated</u>	<u>Securities Purchased</u>	<u>Average Price/Security*</u>
March 25, 2010	March 24, 2011	Nil	n/a
March 25, 2011	March 24, 2012	Nil	n/a
March 25, 2012	March 24, 2013	5,200**	\$8.08**

* Excluding commissions

** As at March 15, 2013

7.3 Recirculation

Effective April 11, 2008, all Securities that have been surrendered for redemption or re-purchased by the Fund in accordance with the Declaration of Trust, shall be held by the Fund for resale. The Fund may, but is not obligated to, enter into a recirculation agreement with one or more investment dealers as recirculation agent where the recirculation agent will agree to use commercially reasonable efforts to find purchasers for Securities that have been surrendered for redemption or re-purchased by the Fund in accordance with the Declaration of Trust.

Pending the sale of Securities, the rights, obligations and liabilities attached to the Securities shall be suspended, and such Securities shall not be considered to be issued and outstanding for the purposes of calculating the NAV per Security. Upon a sale, the Security shall then be entitled to the rights and privileges and subject to the obligations and liabilities of the Declaration of Trust and shall be considered to be issued and outstanding.

Securities that have not been resold within 16 months after the date they have been redeemed or repurchased, as the case may be, will be cancelled.

SECTION 8 - RESPONSIBILITY FOR FUND OPERATIONS

8.1 Manager

(1) Contact Information

First Asset Investment Management Inc.
95 Wellington Street West, Suite 1400
Toronto, Ontario M5J 2N7
(416) 642-1289 or (877) 642-1289
info@firstasset.com ♦ www.firstasset.com

On September 24, 2010, First Asset Funds Inc. (the former manager of the Fund), assigned its responsibilities as manager to First Asset Investment Management Inc., the then investment advisor of the Fund and a wholly-owned subsidiary of First Asset Funds Inc.

(2) Duties and Services Provided

The Manager performs the management functions for the Fund as manager of the Fund. As such, the Manager is responsible for managing the day-to-day administration and operation of

the Fund, and for ensuring the Fund complies with all laws that are applicable to it. The Manager, on behalf of the Fund, has engaged certain other parties to provide other services to the Fund, some of which are disclosed elsewhere in this AIF.

The Manager, as manager of the Fund, is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and the Holders to exercise the degree of care, diligence and skill of a prudent and qualified manager in similar circumstances. The Manager is liable to the Fund for any loss occasioned by the Manager's wilful misconduct, bad faith, negligence, any breach of its standard of duty and care prescribed by the Declaration of Trust or any material breach or default by it of its obligations under the Declaration of Trust. The Manager is indemnified by the Trustee out of the Fund property of the Fund against all liabilities and expenses (including judgements, fines, penalties, amounts paid in settlement and counsel fees) reasonably incurred in connection with any action, suit or proceeding to which the Manager may be made a party by reason of being or having been the Manager of the Fund. However, the Manager shall not be indemnified if it is finally adjudged in such action, suit or proceeding to be in breach of its standard of care or duty imposed upon it under the Declaration of Trust in relation to the matter in respect of which indemnification is claimed.

(3) **Directors and Officers of the Manager**

<u>Name and Municipality of Residence</u>	<u>Position with the Manager and Principal Occupation</u>
BARRY H. GORDON Toronto, Ontario	Director, President and Chief Executive Officer
PAUL V. DINELLE Toronto, Ontario	Director and Executive Vice- President
LEE GOLDMAN Toronto, Ontario	Senior Vice-President, Portfolio Manager and Chief Compliance Officer
JOHN STEPHENSON Toronto, Ontario	Senior Vice-President and Portfolio Manager
KAREN WAGMAN Toronto, Ontario	Chief Financial Officer
Z. EDWARD AKKAWI Toronto, Ontario	Director, Chief Operating Officer, General Counsel and Corporate Secretary
CHARLENE A. SCHIKOWSKY Toronto, Ontario	Senior Vice-President, Administration and Operations
CHRIS COUPRIE Toronto, Ontario	Portfolio Manager

<i>Name and Municipality of Residence</i>	<i>Position with the Manager and Principal Occupation</i>
MANASH GOSWAMI Toronto, Ontario	Portfolio Manager
CRAIG ALLARDYCE Toronto, Ontario	Portfolio Manager
EDWARD D. KELTERBORN Toronto, Ontario	Senior Vice-President, Legal & Operations
ROHIT D. MEHTA Woodbridge, Ontario	Senior Vice-President, Sales & Marketing

Except as otherwise indicated in the biographies below, during the past five years, all of the directors and officers of the Manager have held the principal occupations noted opposite their respective names, or other occupations with their current employer or a predecessor company.

Craig Allardyce. Prior to joining the First Asset organization in 2010, Mr. Allardyce was Vice President and Portfolio Manager with Mavrix Fund Management Inc. where he was responsible for economic and credit research, investment strategy and trading. He has nearly 20 years of fixed income experience including portfolio management, sales and trading and interdealer brokerage.

Edward D. Kelterborn. Prior to joining the First Asset organization in 2012, Mr. Kelterborn was Vice President and General Counsel of Claymore Investments, Inc. Prior to that, Mr. Kelterborn was a lawyer in private practice with Wildeboer Dellelce LLP, a boutique corporate/commercial and securities law firm. Previously, Mr. Kelterborn practiced law in the Bermuda office of Appleby Global, one of the world's largest offshore legal, fiduciary and administrative service providers and was Associate General Counsel-Corporate at Nortel Networks. Before joining Nortel, Mr. Kelterborn was a partner at McMillan Binch (now McMillan LLP), practicing in the firm's corporate/commercial and securities law groups. Mr. Kelterborn is a graduate of Carleton University and the University of Ottawa and received the University of Ottawa Silver Medal for second highest standing in his LL.B. graduating class. Mr. Kelterborn is a member of the Law Society of Upper Canada.

Rohit D. Mehta. Prior to joining the First Asset organization in 2009, Mr. Mehta was Vice-President and National Sales Manager at a major Canadian investment management firm. Mr. Mehta holds a Bachelor of Arts (Honours Economics) degree from the University of Western Ontario in London, Ontario.

(4) **Termination of Manager**

The Manager will be terminated as manager of the Fund upon termination of the Declaration of Trust or termination of the Fund.

8.2 Trustee

(1) **Contact Information**

First Asset Investment Management Inc.
95 Wellington Street West, Suite 1400
Toronto, Ontario M5J 2N7
(416) 642-1289 or (877) 642-1289
info@firstasset.com ♦ www.firstasset.com

On September 24, 2010, First Asset Funds Inc. (the former trustee of the Fund), assigned its responsibilities as trustee to First Asset Investment Management Inc., the then investment advisor of the Fund and a wholly-owned subsidiary of First Asset Funds Inc.

(2) **Duties and Services Provided**

The Trustee is responsible for certain aspects of the day-to-day administration of the Fund. The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Holders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Trustee in its capacity as trustee need not devote its full time and attention to the affairs of the Fund but need only devote such time as it may deem appropriate or necessary to discharge its duties under the Declaration of Trust in a responsible manner.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases of wilful misconduct, bad faith, negligence or the disregard of its obligations or duties or breach of its standard of care and duty. The Declaration of Trust provides that the Trustee will not be liable in any way for any default, failure or defect in any of the securities comprising the investment portfolio of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Trustee and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties under the Declaration of Trust, except those resulting from such person's wilful misconduct, bad faith, negligence, disregard of such person's obligations or duties or breach of their standard of care in relation to the matter in respect of which indemnification is claimed.

(3) **Directors and Officers of the Trustee**

The directors and officers of the Trustee are the same individuals listed in Section 8.1(3) – *Directors and Officers of the Manager*, as First Asset Investment Management Inc. is both the Manager and Trustee of the Fund.

(4) **Termination Provisions**

The Trustee or any successor trustee may resign upon 60 days' written notice to Holders or may be removed by an Extraordinary Resolution by Holders in the event the Trustee is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 20 Business Days' notice of such breach or default. Any such resignation or removal will become effective only on the acceptance of appointment by a successor trustee. The Trustee is deemed to have resigned in certain circumstances, including if the Trustee becomes bankrupt or insolvent or in the event the Trustee ceases to be resident in Canada for the purposes of the Tax Act. If the Trustee resigns or is removed by Holders, its successor must be approved by Holders. If, after the resignation or removal of the Trustee, no successor has been appointed within 60 days, the Trustee or any Holder may apply to a court of competent jurisdiction for the appointment of a successor trustee. If a successor trustee is not appointed, the Fund will be terminated.

8.3 Investment Advisor

(1) **Contact Information**

First Asset Investment Management Inc.
95 Wellington Street West, Suite 1400
Toronto, Ontario M5J 2N7

(2) **Duties and Services Provided**

The Investment Advisor has been retained by the Manager to provide investment advisory and portfolio management services to the Fund pursuant to an investment advisory agreement entered into between the Trustee as trustee of the Fund and the Investment Advisor made as of January 17, 2005 (the "**Investment Advisory Agreement**"). As investment advisor to the Fund, the Investment Advisor is responsible for implementing the Fund's investment strategy.

In the Investment Advisory Agreement, the Investment Advisor covenants to act at all times on a basis which is fair and reasonable to the Trustee and the Fund, to act honestly and in good faith with a view to the best interests of the Fund and the Holders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in the circumstances. The Investment Advisory Agreement provides that the Investment Advisor will not be liable in any way for any default, failure or defect in any of the securities comprising the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Investment Advisory Agreement also requires that the Investment Advisor and its officers, directors and employees be indemnified in respect of all losses (other than loss of profits), expenses, claims, actions, damages or liabilities whatsoever (a "**Claim**")

which they may suffer or incur as a result of the wilful misconduct, fraud, negligence or reckless disregard of the duties of the Trustee or a material breach of the Trustee's obligations under the Investment Advisory Agreement, unless such Claims resulted from an act or omission involving wilful misconduct, fraud, negligence or reckless disregard of the Investment Advisor's duties and its standard of care, diligence and skill under the Investment Advisory Agreement or a material breach of the Investment Advisor's obligations under the Investment Advisory Agreement.

The Investment Advisor is entitled to fees for its services under the Investment Advisory Agreement at a rate and upon such other terms as may be agreed upon between the Trustee and the Investment Advisor.

(3) **Key Members**

The directors and officers of the Investment Advisor are the same individuals listed in Section 8.1(3) – *Directors and Officers of the Manager*, as First Asset Investment Management Inc. is both the Manager and Investment Advisor of the Fund.

Investment decisions made by the portfolio managers listed in Section 8.1(3) – *Directors and Officers of the Manager* are not subject to the oversight, approval or ratification of a committee.

(4) **Termination Provisions**

The Investment Advisory Agreement, unless terminated as described below, will continue until the Termination Date of the Fund. The Trustee may terminate the Investment Advisory Agreement without payment of any penalty, in the following circumstances: (i) in the event that the Investment Advisor is in material breach of the Investment Advisory Agreement and the material breach has not been cured within 20 Business Days' notice thereof to the Investment Advisor; (ii) if there is a dissolution and commencement of winding-up of the Investment Advisor; (iii) if the Investment Advisor becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Investment Advisor or a substantial portion of its assets; (iv) if the assets of the Investment Advisor become subject to seizure or confiscation by any public or governmental organization; (v) if the Investment Advisor has lost any registration, license or other authorization required by it to perform the services delegated to it thereunder; or (vi) if the Investment Advisor has acted with wilful misconduct, fraud or negligence and as a result of such action there has been a material adverse effect on the Portfolio. The Investment Advisory Agreement is not subject to termination under clause (i) above if a material breach cannot be cured within 20 Business Days' notice thereof but the Investment Advisor commences the cure within the 20 Business Day period and completes the cure within 45 days of such notice.

The Investment Advisor may terminate the Investment Advisory Agreement, without payment of any penalty, including in the following circumstances: (i) in the event the Trustee is in material breach of the provisions thereof and such material breach has not been cured within 20 Business Days' notice of such breach to the Trustee; (ii) if there is a material change in the investment objectives, strategies or restrictions relating to the Fund to which the Investment Advisor has not agreed to; (iii) if there is a dissolution and commencement of winding-up of the Fund; or (iv) if the Fund becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors

or a receiver is appointed in respect of the Fund or a substantial portion of its assets. The Investment Advisory Agreement is not subject to termination under clause (i) above if a material breach cannot be cured within 20 Business Days' notice thereof but the Trustee commences the cure within the 20 Business Day period and completes the cure within 45 days of such notice.

In the event that the Investment Advisory Agreement is terminated as provided above, the Trustee will promptly appoint a successor investment advisor to carry out the activities of the Investment Advisor until a meeting of its Holders is held to confirm such appointment.

8.4 Brokerage Arrangements

The Investment Advisor has established policies and procedures for selecting markets, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and for seeking to obtain best price and execution for those transactions. The Fund is responsible to pay any commissions negotiated in relation to these brokerage arrangements. The Investment Advisor will evaluate and review on an ongoing and periodic basis, and not less than annually, each broker's ability to deliver best execution on an aggregate basis over time.

The Investment Advisor's allocation of brokerage business for effecting portfolio transactions on behalf of the Fund, is based on decisions made by the portfolio managers, analysts and traders of the Investment Advisor and will only be made in compliance with applicable law and in accordance with the Investment Advisor's policies and procedures. The Investment Advisor does not allocate brokerage business to affiliates. The allocation of business among brokers is based on a number of factors including, but not limited to, the quality of service and the terms offered for specific transactions including price, volume, speed and certainty of execution, the competitiveness of commission terms and prices, the range of services and the quality of research provided and total transaction cost. These same factors are used by the Investment Advisor in making a good-faith determination as to the reasonableness of the commission rate and such other benefits that may be derived by the Fund.

The Investment Advisor utilizes a wide variety of Canadian and international brokerage firms and investment dealers that specialize in macroeconomic and security specific analysis. In addition, the Investment Advisor may, consistent with its duty to seek best price and execution, utilize the services of soft dollar brokerage firms. A portion of the commissions generated through the use of soft dollar brokerage accounts are used to pay for order execution and research goods and services which may include, but are not limited to, order management systems, trading software and raw market data, custody, clearance and settlement services, databases, analytical software and research reports. The order execution and research goods and services may be provided directly from the soft dollar brokerage firm, or indirectly from a third party.

Since the date of the last annual information form, certain brokerage transactions have been directed to soft dollar brokers in return for the provision of market data feeds and research reports. None of these services were provided by an affiliated entity.

The name of any dealer or third party that provides research and/or order execution goods and services through a soft dollar arrangement with the Investment Advisor or any sub-advisors on behalf of the Funds will be provided upon request by contacting the Investment Advisor at 1-877-642-1289 or at info@firstasset.com.

8.5 Directors, Officers and Trustees

The Fund does not have any directors or officers. The Trustee is First Asset Investment Management Inc. Please refer to Section 8.2 - *Trustee*.

8.6 Custodian

(1) Contact Information

State Street Trust Company Canada
30 Adelaide Street East, Suite 1200
Toronto, Ontario M5C 3G6

(2) Duties and Services Provided

The Custodian serves as custodian of the Fund pursuant to a custodial agreement between the Trustee and Custodian dated February 4, 2005, as superseded and replaced by a master custodial agreement dated January 13, 2010 (the "**Custodial Agreement**"), as supplemented, amended and/or restated from time to time. The Fund is responsible for payment of the fees of the Custodian which are included in the ongoing expenses of the Fund.

In the Custodial Agreement, the Custodian covenants, when carrying out its duties in respect of the safekeeping of and dealing with the assets of the Fund, to exercise, at a minimum, the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Custodian agrees to hold, or direct its sub-custodians to hold, for the account of the Fund, all securities, collateral security and other non-cash property (other than securities which are held in a book-based system). The Custodian may employ sub-custodians as considered appropriate in the circumstances. The sub-custodian contracts entered into by the Custodian are in compliance with Part 6 of NI 81-102 and, to the best of the Fund's knowledge and belief, each sub-custodian retained by the Custodian to provide sub-custodial services for the Fund satisfies the applicable requirements of sections 6.2 and 6.3 of NI 81-102.

Pursuant to the Custodial Agreement, the Custodian will be indemnified out of the Fund's assets in certain circumstances, including from and against any direct loss, liability, claim or expense (including reasonable legal counsel fees and disbursements) suffered or incurred by the Custodian arising from or in connection with the performance of its duties under the agreement except with respect to any liability or expense (including any portion of liability insurance) occasioned by or resulting from the fraud, wilful default, negligence, breach or wrongful act of the Custodian or any of its employees, directors or officers in the performance of the Custodian's duties or obligations under the agreement, or a breach by the Custodian of its standard of care.

(3) **Termination Provisions**

The Custodial Agreement may be terminated by either the Fund or the Custodian on at least 60 days' prior written notice, and may be terminated immediately if a party is in material breach of its obligations under the agreement and has failed to cure such breach within 30 days of receiving notice of the breach, or in the event any involuntary action or proceeding is initiated against the other party under any applicable insolvency, bankruptcy or reorganization legislation or similar law. The Custodial Agreement shall also terminate automatically in connection with a merger, amalgamation or other consolidation of the Fund with another fund or funds, if the Fund ceases to continue following such merger, amalgamation or consolidation, or in connection with the winding up and dissolution of the Fund.

8.7 **Auditor**

Ernst & Young LLP
222 Bay Street
Toronto, Ontario M5K 1J7

The Auditors have been auditors of the Fund since its formation.

8.8 **Registrar**

(1) **Contact Information**

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

(2) **Duties and Services Provided**

The Registrar acts as transfer agent and registrar for the Fund at its principal office in Toronto, Ontario. In addition to performing registrar and transfer agency services, the Transfer Agent and Registrar provides certain record-keeping, Holder reporting and general administration services pursuant to the registrar, transfer agency and distribution agency agreement between the Fund, the Manager and the Registrar dated January 27, 2005 (the "**Registrar, Transfer Agency and Distribution Agency Agreement**").

The Fund is responsible for payment of the fees and reimbursement of expenses of the Registrar, which are included in the ongoing expenses of the Fund. Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, the Fund agrees to indemnify the Registrar and its directors, officers and employees in certain circumstances, including from any liability or loss which may arise out of acts performed or omitted to be performed by them in accordance with the agreement, except liability arising out of gross negligence, wilful misconduct or bad faith on the part of the Registrar.

The register of Securities is kept by the Registrar in Toronto, Ontario.

(3) **Termination Provisions**

The Registrar, Transfer Agency and Distribution Agency Agreement may be terminated on 60 days' prior written notice.

8.9 Valuation Agent

(1) **Contact Information**

State Street Fund Services Toronto Inc.
30 Adelaide Street East, Suite 1200
Toronto, Ontario M5C 3G6

(2) **Duties and Services Provided**

The Valuation Agent will perform certain valuation services for the Fund pursuant to a valuation services agreement between the Fund, the Manager and the Valuation Agent dated February 4, 2005 (the "**Valuation Services Agreement**"). The Fund is responsible for payment of the fees of the Valuation Agent which are included in the ongoing expenses of the Fund, and the Valuation Agent assumes no responsibility and will be without liability for any loss, damage or expense suffered or incurred by the Fund or the Trustee, except in certain circumstances such as the Valuation Agent's own fraud, wilful default, negligence or wrongful act or that of its agents, directors, officers or employees.

(3) **Termination Provisions**

The Valuation Services Agreement may be terminated on 60 days' prior written notice by any party, or immediately in the event another party is in material breach of its obligations under the agreement and has failed to cure such breach within 30 days of receiving written notice of the breach, or in the event any involuntary action or proceeding is initiated against a party under any applicable insolvency, bankruptcy or reorganization legislation or similar law.

SECTION 9- CONFLICTS OF INTEREST

The information provided in this Section 9 is as at March 15, 2013.

9.1 Principal Holders of Securities

To the knowledge of the Manager, no person or company owns, beneficially, either directly or indirectly, more than 10% of the outstanding Securities. All of the Securities are registered in the name of CDS.

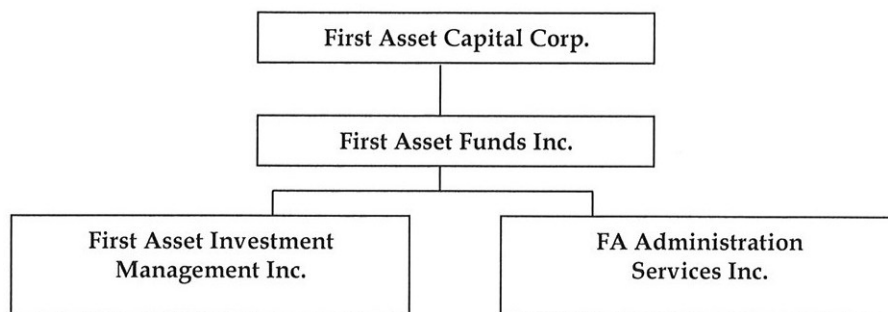
FACC directly or indirectly owns both beneficially and of record all of the issued and outstanding share capital of First Asset Investment Management Inc. (the Manager, Trustee and Investment Advisor) ("**First Asset**"). FACC is a Toronto-based financial services company owned and controlled by members of the senior management of First Asset.

None of the directors or officers of First Asset, individually or in aggregate, own more than 10% of the outstanding Securities.

The members of the IRC do not own any securities of the Fund, First Asset or any person or company that provides services to the Fund or First Asset.

9.2 Affiliated Entities

The diagram below, which illustrates only some of the entities related to FACC, illustrates the relationship between some of the service providers to the Fund. The fees paid by the Fund to these parties are contained in the audited financial statements of the Fund.



Note: All ownership is 100%

FA Administration Services Inc., an affiliate of First Asset, provides administrative services to First Asset in relation to the Fund's IRC, but does not receive any compensation for doing so.

9.3 Services Not Exclusive

The services of First Asset as manager, trustee and investment advisor are not exclusive to the Fund. First Asset or any of its affiliates and associates may, at any time, engage in the promotion, management, administration or investment management of other investment funds (some of which may invest primarily in securities held in the Fund) and clients (whether or not their investment objectives, strategies and policies are similar to those of the Fund), and provide similar services to other investment funds and other clients, and engage in other activities. First Asset's investment decisions for the Fund will be made independently of those made on behalf of its other clients or for its own investments. On occasion, however, First Asset will make the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of First Asset, or any of its affiliates, are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. In this regard, First Asset will generally endeavour to allocate investment opportunities to the Fund on a pro rata basis.

Where First Asset or its affiliates otherwise perceive in the course of business, that they are or may be in a material conflict of interest position, the matter will be referred to the IRC. The IRC will consider all matters referred to it and provide its recommendations to First Asset as soon as possible.

SECTION 10 - FUND GOVERNANCE

10.1 Independent Review Committee

The Fund has appointed Messrs. Douglas A. S. Mills, Carl M. Solomon and Henry J. Knowles as members of its IRC. The Fund shares its IRC with other investment funds managed and/or administered by First Asset or its affiliates. The relationship with the IRC is administered by FA Administration Services Inc., an affiliate of First Asset. The costs and expenses associated with the IRC are shared among the investment funds. The Fund has agreed to indemnify each IRC member as permitted under NI 81-107, and has entered into an indemnity agreement to that effect with each IRC member.

The IRC is responsible for overseeing conflicts of interest matters relating to the Fund, which are identified by the Manager. NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The mandate of the IRC is to review and provide input or recommendations to the Manager on all conflict of interest matters that the Manager has referred to the IRC. The IRC has adopted a written charter which it will follow when performing its functions and will be subject to requirements to conduct regular assessments and provide reports to the Fund and its Holders in respect of its functions. In performing their duties, members of the IRC are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

There has been no change in the composition of the IRC since it was initially formed.

10.2 Business Practices, Sales Practices, Risk Management Controls and Internal Conflicts of Interest

All employees of First Asset are bound by:

- (a) a Code of Ethics and Conduct which, among other things, addresses proper business practices, conflicts of interest and personal trading rules; and
- (b) the First Asset Investment Fund Conflicts Policy and Procedures which, among other things, addresses conflicts of interests involving investment funds managed or administered by First Asset as required under NI 81-107.

There are no formal risk management policies, practices or guidelines, however, the Fund is managed in accordance with the investment objectives, strategy, practices and restrictions set out in Section 3 - *Investment Objectives, Restrictions and Practice*, and which are monitored regularly by appropriate personnel to ensure compliance therewith.

10.3 Use of Derivatives

The Fund does not currently use derivatives, although pursuant to the Declaration of Trust, the Fund may enter into derivatives in connection with any loan facility and may engage in currency hedging.

If it does use derivatives, under the Investment Advisor's policies and procedures with respect to the use of derivatives, the lead portfolio manager is responsible for initiating, approving and supervising all derivative transactions. All portfolio transactions, including derivative transactions, are reviewed monthly by the Investment Advisor's compliance department to ensure that they are consistent with the policies, strategies and procedures for the Fund. Derivative transactions are regularly assessed by derivative type, term, and counterparty. The Investment Advisor regularly tests the derivative management activities in order to: (a) ensure that derivatives activities are in compliance with the Investment Advisor's derivatives policies and procedures and with the laws and regulations to which these activities are subject; (b) ensure that derivative transactions are duly authorized and accurately and completely recorded on the books and records of the Fund; (c) ensure that the securities are properly valued on the books of the Fund; and (d) ensure that hedging activities are consistent with the Investment Advisor's derivatives/securities portfolio management policies and procedures for the Fund. The Investment Advisor's policies and procedures with respect to the use of derivatives are reviewed at least annually. Risk measurement procedures or simulations are not used to test the Portfolio under stress conditions. The Trustee does not have day-to-day involvement in the risk management process.

10.4 Securities Lending, Repurchase Transactions, Etc.

In order to generate additional returns, the Fund may lend securities in the Portfolio to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower (a "**Securities Lending Agreement**"). The Investment Advisor will be responsible for setting and reviewing any Securities Lending Agreements. Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the Fund will receive collateral security.

The Fund has not engaged in, and does not currently intend to engage in, any securities lending, repurchase or reverse purchase transactions. Prior to commencing any securities lending, the Investment Advisor will adopt written policies and procedures that prescribe the risk management procedures applicable to securities lending.

10.5 Voting Securities of Other Funds

The Fund did not vote securities of other investment funds that it held during the year.

10.6 Proxy Voting

The proxies associated with securities held by the Fund are voted by the Investment Advisor in a manner which management believes will maximize the value of the Fund's investments and those of its Holders over the long-term. The Investment Advisor maintains detailed guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. The Investment Advisor's guidelines do not expressly address the procedures that are to be followed when a vote presents a conflict between the interests of Holders and those of the Manager, the Trustee or the Investment Advisor or its affiliates. However, all proxies are voted with a view to the best interests of the Fund and all conflicts of interest or potential conflicts of interest, including those involving the voting of proxies, are referred to the IRC for consideration. The Fund may vote contrary to such guidelines if determined it would be in the best interest of the Fund to do so.

The voting policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available to Holders on request, at no cost, by calling or writing the Manager. The Fund's proxy voting record for the most recent period ending June 30 will be available at any time after August 31 of that year and is available at www.firstasset.com.

10.7 Short-Term Trading

The Fund has no policies and procedures relating to the monitoring, detection and deterrence of short-term trades of Securities by Holders.

SECTION 11 - FEES AND EXPENSES

11.1 Fees

<u>Fee Payable To:</u>	<u>Amount and Description</u>
Manager	The Fund pays to the Manager an annual management fee (the " Management Fee ") equal to 0.75% per annum of the NAV of the Fund, calculated daily and payable monthly in arrears, plus an amount equal to the Service Fee (defined below), plus applicable taxes. The Management Fee may be paid in cash or Securities at the option of the Manager. Securities issued from treasury for this purpose will be valued at the greater of NAV per Security and market price.
Investment Advisor	The Investment Advisor is entitled to fees for its services under the Investment Advisory Agreement at a rate and upon such other terms as may be agreed upon between the Trustee and the Investment Advisor. The Manager is responsible for paying the fees payable to the Investment Advisor out of the Management Fee.
IRC	The Fund pays a fee to each IRC member. See Section 13.3 - <i>Independent Review Committee</i> .

Fee Payable To: **Amount and Description**

Dealers The Manager pays to dealers a service fee (the “**Service Fee**”) calculated daily and paid as soon as practicable after the end of each calendar quarter, equal to 0.30% per annum of the NAV of the Fund represented by the Securities held at the end of the relevant quarter by clients of dealers, plus applicable taxes if any.

11.2 **Expenses**

The Fund pays for all expenses incurred in connection with its operation, management and administration, including, without limitation, the various fees described above in Section 11.1 – *Fees*, and elsewhere in this AIF; legal, audit, accounting and tax-reporting costs; registrar, transfer and distribution agency, custodial and valuation costs; preparation, printing and mailing costs incurred in connection with the continuous public filing, investor relations and Holder reporting requirements of the Fund; taxes; brokerage commissions, costs and expenses relating to the issue of Securities and other expenses associated with portfolio transactions; costs and expenses of preparing financial and other reports; costs and expenses as a result of complying with all applicable laws, regulations and policies; costs of insuring the IRC; regulatory and stock exchange fees and expenses; reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund; amounts paid on account of the indebtedness of the Fund; and, expenditures incurred upon the termination of the Fund. The Fund is also responsible for any extraordinary expenses of the Fund which may be incurred from time to time.

Expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Trustee, the Investment Advisor, the Custodian, the Valuation Agent, the Registrar and in certain cases their respective directors, officers, employees, consultants and/or agents, and any IRC member is entitled to indemnity by the Fund.

11.3 **Management Fee Rebate or Distribution Programs**

The Fund does not have any arrangements that result, directly or indirectly, in one Holder paying as a percentage of the Holder’s investment in the Fund a management fee that differs from that payable by another Holder.

SECTION 12 - INCOME TAX CONSIDERATIONS

12.1 **General**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who is an individual (other than a trust), who holds Securities and who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length and is not affiliated with the Fund and holds the Securities as capital property.

Generally, Securities are considered to be capital property to a Holder provided that the Holder does not hold Securities in the course of carrying on a business of buying and selling securities

and has not acquired Securities in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have Securities treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary assumes that no Holder will sell or purchase the Securities pursuant to a “derivative forward agreement” as that term is defined in proposed amendments to the Tax Act contained in a Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013 (the “**March 2013 Proposals**”).

This summary is based upon a certificate of the Manager, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof (the “**Tax Proposals**”), and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”) published by it prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law or administrative policy or assessing practice, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

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

12.2 Status of the Fund

This summary is based on the assumption that the Fund qualifies at all times as a “unit trust” and a “mutual fund trust” both within the meaning of the Tax Act. In order to so qualify, the Fund must satisfy various requirements, including minimum distribution requirements relating to the Securities. In addition, the Fund may not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons unless, at that time, substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). Counsel has been advised by the Manager that the Fund has made an election so that it qualified under the Tax Act as a mutual fund trust from the commencement of its first taxation year. In the event the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially different.

This summary is also based on the assumption that none of the issuers of the securities comprising the Portfolio are foreign affiliates of the Fund or of any Holder and that none of the securities comprising the Portfolio are tax shelter investments. Further, this summary assumes that none of the securities in the Portfolio are offshore investment fund properties that would require the Fund to include significant amounts in the Fund's income pursuant to section 94.1 of the Tax Act or interests in trusts which would require the Fund to report income in connection with such interests pursuant to the rules in proposed section 94.2 of the Tax Act, or interests in non-resident trusts other than "exempt foreign trusts" for the purposes of proposed section 94 of the Tax Act, each as contemplated by certain Tax Proposals (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).

Further, this summary is based on the assumption that the Fund is not, and will at no time be, a "SIFT trust" within the meaning of the SIFT Rules.

12.3 Taxation of the Fund

The Fund is subject to tax under Part I of the Tax Act on the amount of its income for the year, including the taxable portion of net realized capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Holders in the year. Provided the Fund makes distributions in each year of its net income and net realized capital gains, as described under Section 4.4 – *Distributions*, and deducts, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism, the Fund is not generally liable for income tax under Part I of the Tax Act. The Manager has advised counsel that the Fund generally intends to deduct such amount. The taxation year of the Fund ends on December 31.

With respect to a Pipeline & Power Issuer that is a trust resident in Canada whose securities are included in the Portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax under the SIFT Rules, the Fund is required to include in its income such portion of the net income and the taxable portion of net realized capital gains of such Pipeline & Power Issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional securities of the Pipeline & Power Issuer. Provided appropriate designations are made by the Pipeline & Power Issuer, any net taxable capital gains realized by the Pipeline & Power Issuer and taxable dividends received by the Pipeline & Power Issuer from taxable Canadian corporations that are paid or become payable to the Fund and are designated by the Pipeline & Power Issuer in respect of the Fund effectively retain their character as such in the hands of the Fund.

The Fund is generally required to reduce the adjusted cost base of the securities of any such Pipeline & Power Issuer to the extent that all amounts paid or payable in a year by the Pipeline & Power Issuer to the Fund exceed the sum of the amounts included in the income of the Fund for the year and the Fund's share of the non-taxable portion of capital gains of such issuer for the year, the taxable portion of which was designated in respect of the Fund. To the extent that

the adjusted cost base to the Fund of the unit of such a Pipeline & Power Issuer would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such unit will be increased by the amount of such deemed capital gain.

With respect to a Pipeline & Power Issuer that is a limited partnership whose securities are included in the Portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax under the SIFT Rules, the Fund is required to include or, subject to certain restrictions, is entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the limited partnership allocated to the Fund for the fiscal period of the limited partnership ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base of such securities is such securities' cost to the Fund plus the share of the income of the limited partnership allocated to the Fund for fiscal years of the limited partnership ending before the particular time less the share of losses of the limited partnership allocated to the Fund for fiscal years of the limited partnership ending before the particular time, and less the Fund's share of any distributions received from the limited partnership before the particular time. If the adjusted cost base to the Fund of the securities of such a limited partnership is negative at the end of the fiscal year of the limited partnership, the amount by which it is negative is deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such securities is increased by the amount of such deemed capital gain.

Under the SIFT Rules, each Pipeline & Power Issuer, the securities of which are included in the Portfolio, that is a "SIFT trust" or "SIFT partnership" as defined in the Tax Act (which will generally include income trusts, other than certain REITs, and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) will be subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income (other than taxable dividends) and capital gains in respect of "non-portfolio properties" (collectively, the "**Non-Portfolio Earnings**"). The SIFT Rules provide that Non-Portfolio Earnings that are earned by a partnership that is a SIFT partnership, or are distributed by a trust that is a SIFT trust to its unitholders, will be taxed at a rate that is equivalent to the federal general corporate tax rate plus a prescribed amount on account of provincial tax. The SIFT Rules stipulate that any Non-Portfolio Earnings that become payable by an issuer that is a SIFT trust, or that are earned by a partnership that is a SIFT partnership, will generally be taxed as though they were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" subject to the enhanced gross-up and dividend tax credit rules.

The Fund is also required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a Portfolio security and all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. Upon the actual or deemed disposition of indebtedness, the Fund will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Fund's income for that or another taxation year

and such income inclusion will not be included in the proceeds of disposition for purposes of computing any capital gain or loss.

On a conversion by the Fund of a convertible debenture into shares of a corporation, the Fund is considered not to have disposed of the convertible debenture and to have acquired the shares at a cost equal to the adjusted cost base to the Fund of the convertible debenture immediately before the exchange.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, generally including interest on borrowed funds used to purchase securities to be included in the Portfolio. The Fund may deduct the costs and expenses of issuances or sales of Securities paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days. Any losses incurred by the Fund may not be allocated to Holders but may generally be carried forward or back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations contained in the Tax Act.

The CRA has expressed a view that, in certain circumstances, the interest on money borrowed to invest in an income trust that may be deducted may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. Counsel is of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA's published administrative positions and on an understanding of the nature of the expected distributions from the Pipeline & Power Issuers, the CRA's view should not generally affect the Fund's ability to deduct interest on money borrowed to acquire securities of Pipeline & Power Issuers included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire securities of certain Pipeline & Power Issuers held in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Holders.

The Fund may acquire investments denominated in a currency other than Canadian dollars. The cost and proceeds of disposition of investments and all other amounts are 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 Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

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

Upon the actual or deemed disposition of a security included in the Portfolio, the Fund realizes a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security provided such security is capital property to the Fund. Counsel has been advised by the Manager that the Fund has made an election under subsection 39(4) of the Tax Act so that all securities included in the Portfolio that are Canadian securities (as defined in the Tax Act) are deemed to be capital property to the Fund. The Manager has advised counsel that the Fund has not sold or purchased and will not sell or purchase the Portfolio securities pursuant to a “derivative forward agreement” as that term is defined in the March 2013 Proposals.

One-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Fund in a taxation year on the disposition of securities in the Portfolio that are capital property of the Fund must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Fund in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemption of Securities during the year (“**capital gains refund**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with redemptions of Securities.

12.4 Taxation of Holders

A Holder will generally be required to include in income for a particular taxation year of the Holder such portion of the net income, including the taxable portion of the net realized capital gains, of the Fund for a taxation year as is paid or becomes payable to the Holder in that particular taxation year, whether received in cash or additional Securities. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the foreign source income of the Fund and the taxable dividends received or deemed received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder. To the extent that the Fund so designates in accordance with the Tax Act, Holders will, for the purpose of computing their foreign tax credits, be entitled to treat their proportionate share of foreign taxes paid by the Fund as foreign taxes paid by the Holders. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the

Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Fund will not be included in the Holder's income. However, the adjusted cost base of the Holder's Securities will be reduced by such amount. The non-taxable portion of net realized capital gains of the Fund, the taxable portion of which was designated to a Holder in the year, that is paid or becomes payable to the Holder in the year is not included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of the Fund for a taxation year that is paid or becomes payable to the Holder in such year is not generally included in computing the Holder's income for the year but does reduce the adjusted cost base of Securities to the Holder. To the extent that the adjusted cost base of a Security would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Holder from the disposition of the Security and the Holder's adjusted cost base is increased by the amount of such deemed capital gain.

Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Holders.

The NAV per Security reflects any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Securities are acquired. A Holder who acquires Securities, including in satisfaction of an additional distribution made in order that the Fund will generally not be liable to pay non-refundable income tax, may become taxable on the Holder's share of such income and gains of the Fund.

Any additional Securities acquired by a Holder in satisfaction of an additional distribution has an initial cost to the Holder equal to the amount of the distribution so satisfied. In computing the adjusted cost base of a Security so acquired, the cost of such Security must be averaged with the adjusted cost base of any other Securities then held by that Holder as capital property. A consolidation of Securities following a distribution paid in the form of Securities is not regarded as a disposition of Securities and does not affect the total adjusted cost base to a Holder of Securities.

Upon the disposition or deemed disposition by a Holder of a Security, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) is realized by the Holder to the extent that the proceeds of disposition (which do not include any amount of capital gains made payable by the Fund to the Holder which represent capital gains realized by the Fund in connection with its disposition of securities required in order to fund the redemption), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Security to the Holder immediately before the disposition.

If, at any time, the Fund delivers securities from the Portfolio to any Holder upon a redemption of a Holder's Securities on the termination of the Fund, the Holder's proceeds of disposition of the Securities will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition of such distributed property. The cost of any property distributed by the Fund in specie will generally be equal to the fair market value of such property at the time of the distribution. Such distributed property may or may not be a qualified investment for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and

tax-free savings accounts (“**Deferred Income Plans**”). If such distributed property is not a qualified investment for Deferred Income Plans, such Deferred Income Plans (and, in the case of certain Deferred Income Plans, the annuitants, subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of registered education savings plans, revocation of such Deferred Income Plans.

One-half of any capital gain (a “**taxable capital gain**”) realized by a Holder or designated by the Fund in respect of the Holder in a taxation year must be included in computing the income of the Holder for that year and one-half of any capital loss (an “**allowable capital loss**”) realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder or designated by the Fund in respect of the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such year to the extent and under the circumstances provided for in the Tax Act. Taxable capital gains realized on the disposition of Securities or amounts designated by the Fund to a Holder as taxable capital gains or as dividends from taxable Canadian corporations may give rise to a liability for alternative minimum tax.

12.5 Eligibility for Investment

Provided the Fund qualifies at all times as a mutual fund trust for purposes of the Tax Act, the Securities will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

The Securities will not be a “prohibited investment” for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Tax Act, (ii) has a “significant interest” as defined in the Tax Act in the Fund, or (iii) has a “significant interest” as defined in the Tax Act in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length. Proposed amendments to the Tax Act released on December 21, 2012 (the “**December 2012 Proposals**”) propose to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, the Securities will not be a “prohibited investment” if the Securities are “excluded property” as defined in the December 2012 Proposals for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund.

Holders or annuitants should consult their own tax advisors with respect to whether Securities would be prohibited investments, including with respect to whether the Securities would be “excluded property” as defined in the December 2012 Proposals.

SECTION 13- REMUNERATION OF DIRECTORS, OFFICERS, TRUSTEE AND INDEPENDENT REVIEW COMMITTEE

13.1 Directors and Officers

The Fund has no officers or directors.

13.2 Trustee

The Trustee does not receive an annual fee for its services as trustee, but is reimbursed for expenses it incurs on behalf of the Fund. The Trustee did not incur expenses on behalf of the Fund during the year.

13.3 Independent Review Committee

For their services as members of the IRC, the IRC members are paid an annual fee (as set out in the table below) and are reimbursed for their expenses. As previously mentioned, the Fund shares its IRC with other investment funds managed and/or administered by the Manager or its affiliates, and the costs and expenses associated with the IRC are shared on a pro rata basis among those investment funds.

For the most recently completed financial year, the IRC members received the following amounts in fees and in reimbursement of expenses, in aggregate for all of the investment funds managed or administered by the Manager or its affiliates:

	<i>Aggregate Annual Fees *</i>	<i>Expenses Reimbursed</i>	<i>Indemnities Paid</i>
Mills, Douglas **	\$45,000.00	\$1,142.69	Nil
Solomon, Carl	\$40,000.00	\$337.87	Nil
Knowles, Henry	\$40,000.00	\$1,001.17	Nil

* Plus applicable tax

** Chair of the IRC. Aggregate Fee payable to the Chair is increasing to \$53,500 in 2013

SECTION 14 - MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager with respect to the Fund, other than those entered into in the ordinary course of business, are as follows:

- (a) The Declaration of Trust, as supplemented, amended and/or restated from time to time;
- (b) The Investment Advisory Agreement; and

- (c) The Custodial Agreement.

Prospective or existing Holders can obtain copies of the foregoing on SEDAR at www.sedar.com or may examine such documents during normal business hours at the principal office of the Fund.

SECTION 15 - LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no ongoing legal or administrative proceedings material to the Fund to which the Fund or the Manager is a party, nor is the Manager aware that any such proceedings are contemplated.

SECTION 16 - OTHER MATERIAL INFORMATION

16.1 Non-Resident Holders

At no time may more than one-half of the outstanding Securities be beneficially held by non-residents of Canada or partnerships which are not "Canadian partnerships" for purposes of the Tax Act ("**non-residents**"). If at any time the Trustee becomes aware as a result of requiring declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Securities then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustee may make a public announcement thereof and shall not accept a subscription for Securities from or issue or register a transfer of Securities to a person unless the person provides a declaration pursuant to the Declaration of Trust that the Person is not a non-resident. If, notwithstanding the foregoing, the Trustee determines that 45% or more of the Securities are beneficially held by non-residents, the Trustee shall send a notice to non-resident holders of Securities, chosen in inverse order to the order of acquisition or in such other manner as the registrar and transfer agent may consider equitable and practicable, requiring them to sell their Securities or a specified portion thereof to residents of Canada for purposes of the Tax Act within a specified period of not less than 30 days. If the Holders receiving such notice have not within that period sold the specified number of Securities or provided the Trustee with satisfactory evidence that they are not non-residents, the Trustee may, on behalf of those Holders, sell those Securities and, in the interim, shall suspend the voting and distribution rights attached to those Securities. Upon the sale of such Securities, the affected Holders shall cease to be the beneficial holders of Securities and their rights shall be limited to receiving the net proceeds of sale of those Securities.

Notwithstanding the foregoing, the Trustee may determine not to take any of the actions described above if the Trustee has been advised by counsel to the Fund that the failure to take any such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

16.2 Risk Factors

There are risks and other considerations which investors should carefully consider before investing (or continuing to invest) in Securities, including but not limited to the following:

No Assurances on Achieving Objectives – There is no assurance that the Fund will be able to achieve any of its investment objectives.

Loss of Investment – An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of a distribution not being made in any period.

No Guaranteed Return – There is no guarantee that an investment in Securities will earn any positive return in the short or long term.

Portfolio Management – There is a risk that a strategy used by the Investment Advisor may fail to produce the intended results.

Fluctuations in NAV – Fluctuations in the NAV per Security (and/or the trading price of the Securities) may occur for a number of reasons beyond the control of the Fund.

Portfolio Securities – The value of specific securities owned by the Fund and thus the NAV may, from time to time, be adversely affected by such factors as investor demand, resale restrictions, general market trends and regulatory restrictions.

Trading Levels – Securities may trade in the market at a discount to the NAV per Security.

Fluctuations in Distributions and Value of Pipeline & Power Issuers – The value of the Securities vary according to the value of the Pipeline & Power Issuers included in the Portfolio, which depend, in part, upon the performance of such Pipeline & Power Issuers. The amount of distributions available for payment to Holders depends on the amount of distributions paid by the Pipeline & Power Issuers included in the Portfolio. Some of the issuers included in the Portfolio have limited operating histories or limited histories operating as Pipeline & Power Issuers. The amounts which such issuers have distributed may not be sustainable and the forecasted distributions of such issuers may not be realized. The value of the Portfolio is influenced by factors that are not within the control of the Fund, including the financial performance of the respective issuers, operational risks relating to the investments in the quality of assets owned by respective issuers, exchange rates, interest rates, the use of leverage, environmental risks, political risks, issues relating to government regulation and other financial market conditions. The amount of the distributions paid by pipeline/energy distribution income trusts varies with the market demand for transportation of product on the distribution systems. While they are generally not as commodity price sensitive as oil and gas income trusts, they may be affected by fluctuations in commodity prices in the longer term. Fluctuations in supply and cost of the basic materials from which the electricity is generated can impact power generation income trusts.

Illiquid Securities – The Pipeline & Power Issuers held by the Fund may trade at a discount to, a premium to, or at their respective NAVs. In addition, if the Manager is unable or determines that it is inappropriate to dispose of some or all of the Pipeline & Power Issuers held by the Fund prior to a termination of the Fund, Holders may, subject to applicable laws, receive distributions of securities *in specie* upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration.

Redemptions – The Fund has a redemption feature for its Securities. As with all funds with redemption features, there is always a risk that redemptions will be significant. If a significant number of Securities are redeemed, the trading liquidity of the Securities could be significantly reduced and expenses of the Fund would be spread over fewer Securities, resulting in a higher management expense ratio for the Fund.

Suspension of Redemptions – The Fund may, in certain circumstances, suspend redemptions.

Loan Facility Risk – Non performance by the Fund of its obligations under the Loan Facility could result in a default under the Loan Facility and the exercise of rights and remedies by the Lender. The Loan Facility provides the Lender with certain rights and remedies during the continuance of an event of default, including the right to accelerate the debt due under the Loan Facility and the right to realize upon security that has been granted to the Lender by the Fund.

Use of Leverage – The Fund is utilizing leverage in order to increase its monthly distributions to Holders. The use of leverage may result in capital losses or a decrease in distributions to Holders. The interest expense and banking fees or other costs of leverage incurred in respect of the Loan Facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in Pipeline & Power Issuers to be included in the Portfolio with the borrowed funds. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns.

Future Offerings – The Fund may issue additional Securities from time-to-time which may be dilutive to Holders.

Merger - Under certain defined circumstances, the Manager has the ability to merge the Fund with another investment fund managed or administered by the Manager or one of its affiliates. If this occurs, and the Fund is not the surviving fund, the surviving fund's investment strategy may be different than the Fund's and may provide exposure to a different portfolio of securities.

Sensitivity to Interest Rates – The market price for the Securities at any given time is affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Securities. Holders who wish to redeem or sell their Securities may, therefore, be exposed to the risk that the redemption price of the Securities will be negatively affected by interest rate fluctuations.

Commodity Price Risks – The operations and financial conditions of Pipeline & Power Issuers are dependent upon commodity prices. Prices for commodities vary and are determined by supply and demand factors including weather and general economic and political conditions. A declining commodity price could have an adverse effect on the operations and financial condition of a Pipeline & Power Issuer and on the amount of distributions paid on its securities.

Currency Fluctuations – The Portfolio may include securities traded in U.S. dollars and accordingly, the NAV of the Fund and distributable cash, when measured in Canadian dollars, may be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, an

increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of distributions paid by certain Pipeline & Power Issuers. This currency risk is not hedged.

Market Disruptions – War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that would be held from time to time.

Global Financial Developments - Global financial markets have experienced a sharp increase in 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 this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis 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 Fund and the value of the Portfolio securities. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Derivatives – The Fund may invest in and use derivative instruments for hedging and non-hedging purposes and there can be no assurance that the Fund's hedging strategies will be effective or that the use of derivatives will result in profits or the prevention of losses for the Fund.

Securities Lending – The Fund may engage in securities lending. Although the Fund will receive collateral for such loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower under such a loan default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Changes in Legislation – There can be no assurance that applicable laws, including the treatment of mutual fund trusts under the Tax Act, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Fund and its Holders. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the Holders.

Tax Risk – If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described in Section 12 - *Income Tax Considerations* would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Holders.

The CRA has expressed a view that, in certain circumstances, the interest on money borrowed to invest in an income trust that may be deducted may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and which are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA's published administrative positions and on an understanding of the nature of the expected distributions from the Pipeline & Power Issuers, the CRA's view should not affect the Fund's ability to deduct interest on money borrowed to acquire securities of Pipeline & Power Issuers included in the Portfolio. If the CRA's view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire securities of certain Pipeline & Power Issuers held in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Holders.

US Tax Risk – The Foreign Account Tax Compliance (“**FATCA**”) provisions of the US Hiring Incentive to Restore Employment Act generally impose a reporting and 30% withholding tax regime with respect to (a) certain US source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce US source interest or dividends and (b) certain non-US source payments made by non-US financial institutions acting in the capacity of withholding agents pursuant to procedures established under FATCA. For purposes of the FATCA rules, the Fund is expected to be treated as a non-US financial institution. Under FATCA, the Fund can choose to enter into an agreement (a “**FATCA Agreement**”) with the US Internal Revenue Service (the “**IRS**”) pursuant to which it agrees to (i) report to the IRS information regarding the US holders of interests in the Fund and certain US persons that indirectly hold interests in the Fund (other than equity and debt interests that are regularly traded on an established securities market for purposes of FATCA), (ii) comply with other reporting, verification, and due diligence requirements, and (iii) act in the capacity of a withholding agent. Accordingly, if the Fund enters into a FATCA Agreement, the Fund may be required under certain circumstances to withhold US tax on non-US source payments that it makes to Holders depending on the content of future guidance by the IRS regarding the taxation of non-US source payments under FATCA. In particular, if the Securities are not considered regularly traded on an established securities market for purposes of FATCA, the Fund may be required to withhold US tax on certain non-US source payments that it makes after December 31, 2016 to Holders that fail to provide information requested by the Fund to satisfy the terms of its FATCA Agreement. If the Securities are considered regularly traded on an established securities market for purposes of FATCA, the Fund will not be required to request such information from any Holder. It is unclear whether the Securities will be considered regularly traded on an established securities market for purposes of FATCA. In addition, regardless of whether the Securities are considered regularly traded on an established securities market for purposes of FATCA, the Fund may be required to withhold US tax on certain non-US source payments that it makes after December 31, 2016 to any non-US financial

institution that holds Securities on behalf of a Holder (for example, a Holder's Canadian investment dealer) if such non-US financial institution has not entered into a FATCA Agreement (and is not otherwise deemed to comply with FATCA). If such non-US financial institution enters into a FATCA Agreement, the non-US financial institution will not be subject to withholding under FATCA but, as a result of entering into a FATCA Agreement, may be required to comply with the withholding obligations described in the foregoing discussion.

If the Fund does not enter into a FATCA Agreement, the Fund will not be required to act in the capacity of a withholding agent pursuant to FATCA and, therefore, will not be required to withhold under FATCA on any payment that it makes to any Holder. However, unless the Fund enters into a FATCA Agreement (or is otherwise deemed to comply with FATCA), the Fund will be subject to a 30% withholding tax on payments of certain US source income (including interest and dividends) that it receives after December 31, 2013 and on gross proceeds that it receives after December 31, 2016 from the sale or other disposition of property that can produce US source interest or dividends. In addition, unless the Fund enters into a FATCA Agreement (or is otherwise deemed to comply with FATCA), the Fund may be subject to withholding tax, depending on future guidance provided by the IRS, on certain non-US source payments that it receives after December 31, 2016 from other non-US financial institutions acting in the capacity of withholding agents pursuant to FATCA. The Fund has not yet determined if it will enter into a FATCA Agreement.

This description is based on guidance issued by the IRS, including recently issued final regulations. Future guidance may affect the application of FATCA to the Securities, including the potential future release of an intergovernmental agreement between the United States and Canada to implement the provisions of FATCA.

SIFT Rules - Certain Pipeline & Power Issuers, the securities of which are included in the Portfolio, may be SIFT trusts or SIFT partnerships. In such event, the after-tax returns realized by Holders may be reduced to the extent that the Fund receives distributions of income or capital gains from such SIFT trusts or is allocated such amounts from such SIFT partnerships. In addition, it is possible that SIFT trusts or SIFT partnerships may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Fund.

Status of the Fund - As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end funds including, without limitation, NI 81-102. It is intended that the Fund will continue to be a mutual fund trust for purposes of the Tax Act.

Conflicts of Interest - The services of the Investment Advisor, the Manager and Trustee, and their respective officers and directors and the services of the directors and officers of the Manager and the Trustee are not exclusive to the Fund. The Investment Advisor or any of its respective affiliates and associates (other than the Manager or the Trustee) may, at any time, engage in the promotion, management, administration or investment management of other investment funds (some of which may invest primarily in securities held in the Fund), and provide similar services to other investment funds and other clients, and engage in other activities. Although none of the directors or officers of the Manager, the Trustee or the

Investment Advisor will devote his or her full time to the business and affairs of the Fund, each such director and officer will devote as much time as is necessary to discharge his or her responsibilities to the Fund.

Reliance on Investment Advisor – The Investment Advisor manages the Portfolio in a manner consistent with the investment objectives, strategy and restrictions set out in Section 3 – *Investment Objectives, Restrictions and Practices*. The officers of the Investment Advisor who are primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios. There is no certainty that such individuals will continue to be employees of the Investment Advisor until the termination of the Fund.

Custodian – Although the Custodian is in Canada and some of the assets of the Fund may be held in Canada, some of the Fund’s assets may be held in accounts with subcustodians in other jurisdictions and, accordingly, there may be additional defences available to any judgement obtained by the Fund in Canada which may affect enforcement in any such jurisdictions.

Nature of Securities – The Securities represent a fractional interest in the assets of the Fund. Holders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Readers may wish to consult their own investment advisors for advice in connection with an investment (or continuing to invest) in the Securities.

SECTION 17 - EXEMPTIONS AND APPROVALS

Except as described elsewhere in this AIF, the Fund has not applied for or obtained exemptive relief from any provisions of NI 81-102, National Instrument 81-105 – *Mutual Fund Sales Practices* or National Policy Statement No. 39 – *Mutual Funds*.

Fund: First Asset Pipes & Power Income Fund
Manager: First Asset Investment Management Inc.
Address: 95 Wellington Street West, Suite 1400, Toronto, Ontario, M5J 2N7
Telephone: (416) 642-1289 or Toll-Free at 1-877-642-1289

- Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.
- You can get a copy of these documents at no cost by calling us at (416) 642-1289, or toll-free at 1-877-642-1289, or from your dealer or by e-mail at info@firstasset.com.
- These documents and other information about the Fund, such as information circulars and material contracts, are also available at www.firstasset.com or at www.sedar.com. For greater certainty, neither those websites nor any of the information on those websites, are incorporated by reference in this AIF.

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