



**OCP Senior Credit Fund**

**Annual Information Form**

**March 27, 2013**

**OCP SENIOR CREDIT FUND  
ANNUAL INFORMATION FORM**

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*All information contained herein is as at March 27, 2013 unless otherwise noted.*

**OCP SENIOR CREDIT FUND  
ANNUAL INFORMATION FORM**

**FORWARD-LOOKING STATEMENTS**

Certain statements in this Annual Information Form may constitute “forward-looking” statements which involve risks (including those which may arise in the future), uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Information Form, such statements use such words as “may”, “will”, “expect”, “believe”, “plan”, “intend” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this Annual Information Form are based upon what the Manager believes are reasonable assumptions, the Manager cannot assure investors that actual results will be consistent with these forward looking statements. These forward-looking statements are made as of the date of this Annual Information Form and, except as may be required by law, the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

## **NAME, FORMATION AND HISTORY OF THE FUND**

### **Name and Formation**

OCP Senior Credit Fund (the “Fund”) is an investment fund governed by the laws of the Province of Ontario pursuant to a declaration of trust dated October 25, 2010 (the “Declaration of Trust”).

The principal office of the Fund is located at 161 Bay Street, 49<sup>th</sup> Floor, Toronto, Ontario M5J 2S1. The head office of Onex Credit Partners, LLC (the “Manager” or “OCP”) is located at 910 Sylvan Avenue, Englewood Cliffs, New Jersey, 07632. See “Organization and Management Details of the Fund and OCP Credit Trust — Manager of the Fund and OCP Credit Trust”.

### **HISTORY OF THE FUND**

On November 19, 2010, pursuant to the Fund’s prospectus dated October 25, 2010, 32,000,000 trust units (“Units”) were issued at a price of \$10 per Unit for gross proceeds of \$320,000,000. On December 9, 2010, the agents exercised a portion of their over-allotment option and the Fund issued an additional 2,100,000 Units. In total, the Fund issued 34,100,000 Units pursuant to its initial public offering for gross proceeds of \$341,000,000.

On March 29, 2011, the Fund commenced a normal course issuer bid which expired on March 28, 2012. The Fund was permitted to purchase up to 3,410,000 Units through the facilities of the Toronto Stock Exchange (“TSX”) pursuant to this bid. The Fund purchased 219,500 Units under this normal course issuer bid.

On July 17, 2012, the Fund commenced a normal course issuer bid which will expire on July 16, 2013. The Fund is permitted to purchase up to 3,203,287 Units through the facilities of the TSX pursuant to this bid. As at March 22, 2013, the Fund had purchased 377,500 Units under this normal course issuer bid.

### **INVESTMENTS OF THE FUND**

#### **Investment Objectives**

The Fund, through exposure to an actively managed, diversified portfolio (the “Portfolio”) comprised of senior secured loans (“Senior Loans”) and other senior debt obligations of non-investment grade North American issuers, seeks to achieve the following objectives:

- (i) provide holders of Units (“Unitholders”) with attractive, quarterly, tax-advantaged distributions, initially targeted to be \$0.125 per quarter representing an annual yield of 5% based on the original issue price of \$10.00 per Unit;
- (ii) preserve capital; and
- (iii) generate enhanced return through increasing cash flow to the Portfolio as interest rates rise.

It is expected that quarterly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. See “Income Tax Considerations”. At least each July, the Fund will determine and announce the expected distribution amount for the following twelve months. The Fund may make additional distributions in any given year. See “Distribution Policy”.

## **Investment Strategy**

OCP Senior Credit Fund (the “Fund”) has been established to provide Unitholders with a stable source of tax-advantaged income through exposure to the performance of an actively managed, diversified portfolio (the “Portfolio”) comprised of senior secured loans (“Senior Loans”) and other senior debt obligations of non-investment grade North American issuers. The Portfolio is designed to preserve capital by focusing on first lien, senior secured debt obligations that rank at the top of an issuer’s capital structure for repayment. The Portfolio consists predominately of floating rate loans that are expected to generate increased Portfolio cash flow in the event that interest rates rise.

The Portfolio follows a long only strategy that seeks to deliver attractive risk-adjusted returns and stable income while emphasizing preservation of capital and capital appreciation. OCP targets Senior Loans and other senior debt obligations of non-investment grade issuers that it believes have strong market positions, attractive and sustainable business models, and high quality management teams. OCP will generally make investments in Senior Loans and other senior debt obligations that are actively traded and meet the following criteria:

1. Significant levels of asset and/or cash flow coverage resulting in strong principal protection; and
2. Attractive total return potential through a combination of current income and/or capital appreciation.

Senior Loans are originated by banks and syndicated generally to other banks, institutional investors, insurance companies, and loan mutual funds. Senior Loans may include syndicated senior secured loans and other senior debt obligations that typically pay floating rate interest. Senior Loans offer investors protection of income and principal during periods of rising rates due to their floating rate coupon and resulting negligible interest rate duration. Further, as they rank at the most senior part of an issuer’s capital structure, Senior Loans have the following attractive attributes: (i) these senior obligations are generally secured or benefit from another form of structural seniority relative to other obligations of the issuer; (ii) they are generally protected by covenants that limit the ability of the issuer to take actions adverse to the interest of investors; (iii) the default rate on these obligations is historically lower than unsecured, or junior debt; and (iv) they have generally received greater recoveries than unsecured, or junior, debt in the case of default.

OCP employs a disciplined investment process to screen and analyze potential Senior Loan investments as described in detail below.

### *Investment Process*

OCP uses a variety of resources to source investment opportunities for the Portfolio including, but not limited to: industry related research, trade publications, discussions with industry participants, company management and legal and financial professionals.

Upon identifying a potential investment, OCP performs an analysis of the value of the company as well as its ability to fund its fixed obligations, including interest expense, and capital expenditures. This will typically start with a forward-looking evaluation of the company’s business model, including its expected cash flow under various economic and industry conditions (including ‘best case’, ‘worst case’, and ‘most likely case’ scenarios), tangible asset value, competitive strengths and weaknesses, as well as the quality of its existing management team. In

addition, OCP performs a structural analysis, which includes a review of the rights and interests of each creditor/equity holder in the company's capital structure, including protective debt covenants, collateral protection, seniority and other contractual rights as well as any other legal issues surrounding the company. Finally, OCP analyzes an issue's market liquidity by examining its size, current and historical trading activity, the number and type of holders, and its historical and current bid-ask spread.

### *Risk Management*

Managing risk is an integral part of OCP's investment philosophy. Prior to any investment being made in the Portfolio, OCP carefully considers both the potential risk and return impact of the investment. OCP relies almost solely on its own proprietary research and analysis rather than relying on the credit ratings provided by third party rating agencies. OCP will seek to manage the level of risk in the Portfolio through intensive research and careful portfolio construction, diversification, and foreign exchange hedging. The Portfolio will seek to focus on more actively traded senior debt to help minimize the chances of loss due to an inability to trade. Additionally, OCP will generally adhere to the following guidelines:

- No single position will exceed 5% of Total Assets (as hereinafter defined); and
- No single industry concentration will exceed 20% of Total Assets (as hereinafter defined).

### *Use of Derivatives*

OCP may invest in or use derivative instruments, other than commodity derivatives, for hedging or investment purposes consistent with its investment objectives and subject to OCP's investment restrictions. For example, OCP may use derivatives with the intention of offsetting or reducing risks associated with losses from currency fluctuations. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time. In addition, OCP may employ derivative strategies in the Portfolio to invest indirectly in, or gain exposure to, investments or financial markets. These derivative strategies may be used to establish long biased investments in such investments or financial markets.

### *Leverage*

OCP Credit Trust may also employ leverage of up to 40% of its Total Assets (as hereinafter defined) for the purposes of acquiring additional assets for the Portfolio and such other short term funding purposes as may be determined by OCP from time to time and in accordance with the Investment Strategy. Accordingly, the maximum amount of leverage that OCP Credit Trust could employ is 1.67:1 ((total long positions including leveraged positions) divided by the net assets of the Fund). As of February 28, 2013, OCP Credit Trust employed leverage of approximately 39.8% of Total Assets.

The primary source of leverage is through the use of OCP Credit Trust's TRS Facility although OCP may use other forms of leverage from time to time. Pursuant to the TRS Facility, the counterparty agrees to pay OCP Credit Trust a total return of a defined underlying asset, such as a Senior Loan or security, during the specified period in return for periodic payments based on a fixed or variable interest rate. For example, if OCP Credit Trust wishes to invest in a Senior Loan, it could instead enter into a total return swap pursuant to the TRS Facility and receive the total return of the Senior Loan, less the "funding cost", which would be a floating interest rate payment

to the counterparty. Total return swaps could result in losses if the underlying asset does not perform as anticipated by OCP.

*Foreign Currency Hedging*

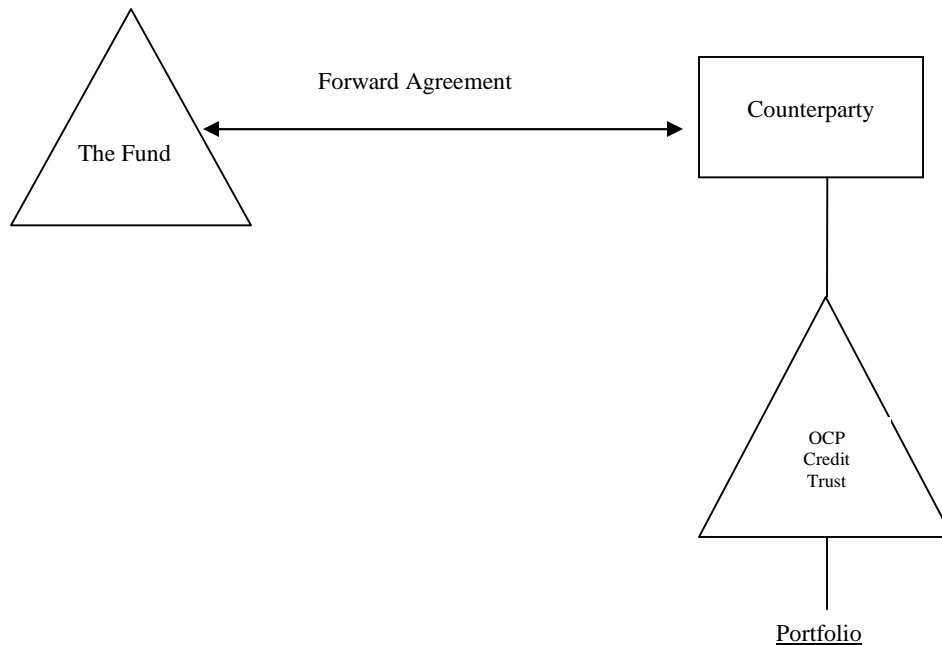
OCP protects returns on the Portfolio from currency fluctuations by hedging foreign currency exposure to the Canadian dollar. OCP seeks to hedge to the Canadian dollar not less than 90% of the principal amount of the Portfolio's investments denominated in currencies other than the Canadian dollar. The distributions on investments held in the Portfolio, however, may not be hedged at any time and, accordingly, no assurance can be given that OCP Credit Trust and the Fund will not be adversely impacted by changes in foreign exchange rates.

**OVERVIEW OF THE INVESTMENT STRUCTURE**

**Investment Structure**

*OCP Credit Trust*

The following diagram provides an overview of the underlying investment structure of the Fund.



OCP Credit Trust was established pursuant to a declaration of trust dated October 25, 2010, for the purpose of acquiring and holding the Portfolio. Units of OCP Credit Trust are redeemable at the demand of its unitholders. On redemption, an OCP Credit Trust unitholder will receive for each unit of OCP Credit Trust redeemed an amount equal to the NAV (as hereinafter defined) per unit of OCP Credit Trust. The NAV per unit of OCP Credit Trust will be equal to the amount by which the Total Assets (as hereinafter defined) of OCP Credit Trust exceed its total liabilities on a per unit basis and, accordingly, will be based upon the value of the Portfolio.



OCP Credit Trust generally receives interest income, capital gains or distributions from the investments included in the Portfolio. The net income of OCP Credit Trust consists primarily of interest income, capital gains or distributions, less expenses of OCP Credit Trust. OCP Credit Trust distributes all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). To the extent that OCP Credit Trust has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by OCP Credit Trust may be paid through the issuance of additional units having a NAV (as hereinafter defined) in the aggregate at the date of distribution equal to this difference. Immediately after any such distribution of units, the number of outstanding units of OCP Credit Trust may be consolidated such that each unitholder of OCP Credit Trust (including the Counterparty (as hereinafter defined)) will hold after the consolidation the same number of units of OCP Credit Trust as it held before the distribution of additional units.

### *The Forward Agreement*

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio by virtue of a forward agreement entered into between the Fund and The Bank of Nova Scotia (the “Counterparty”) on November 19, 2010 (the “Forward Agreement”).

Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 19, 2015 (the “Scheduled Forward Termination Date”) a portfolio of common shares of Canadian public companies that are “Canadian securities” for the purposes of the Tax Act (the “Canadian Securities Portfolio”) with an aggregate value equal to the redemption proceeds of a corresponding number of units of OCP Credit Trust, net of any amount owing by the Fund to the Counterparty. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date (being the Scheduled Termination Date or a date prior thereto where termination occurs in accordance with the terms of the Forward Agreement): (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; or (iv) for any other reason.

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

Events of default under the Forward Agreement include, but are not limited to, the following: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include, but are not limited to, the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would

otherwise have been entitled to receive under the Forward Agreement; (iii) failure of OCP Credit Trust to comply with its governing documents; (iv) certain regulatory, credit or legal events occur which affect a party; or (v) OCP Credit Trust undertakes any investment which causes the Counterparty to be in breach of any law or regulation applicable to the Counterparty or causes the Counterparty to be deemed to control the issuer of the relevant investment.

If the Forward Agreement is terminated prior to the Scheduled Forward Termination Date for any reason, other than due to the occurrence of an event pertaining to the bankruptcy, insolvency or winding-up of Computershare Trust Company of Canada (the “Trustee”) or the Fund, it is anticipated that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination of the Forward Agreement prior to the Scheduled Termination Date, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances.

On or before the Scheduled Forward Termination Date, the Fund expects to enter into a new forward agreement and to the extent that the terms of such forward agreement are not substantially similar to those of the current Forward Agreement, will provide notice by way of press release to Unitholders.

## **Investment Restrictions**

### *Investment Restrictions of the Fund*

The Fund is subject to the investment restrictions set out below, and also indirectly subject to the investment restrictions of OCP Credit Trust as a result of the Forward Agreement. The investment restrictions of the Fund, which are set forth in the Declaration of Trust, provide that the Fund will not:

- A. with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than “Canadian securities” for purposes of the Tax Act;
- B. have the fair market value of its “specified property”, as defined in the Tax Act, exceed 10% of the fair market value of all of its property;
- C. make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof);  
or
- D. make or hold any investment that would result in the Fund being subject to the tax on specified investment flow through (“SIFT”) trusts as provided for in section 122 of the Tax Act.

### *Investment Restrictions of OCP Credit Trust*

The investment activities of OCP Credit Trust are conducted in accordance with, among other things, the following investment restrictions which provide that OCP Credit Trust will not:

1. invest more than 5% of the aggregate value of the assets of OCP Credit Trust (“Total Assets”) in the securities or debt obligations of any single issuer, other than securities issued or guaranteed by the United States Government, Government of Canada or a province or territory thereof;
2. invest more than 20% of the Total Assets of OCP Credit Trust in the securities or debt obligations of issuers in the same industry sector;
3. invest more than 20% of the Total Assets of OCP Credit Trust in bonds;
4. borrow money, including pursuant to the TRS Facility, if immediately following the borrowings, the aggregate amount borrowed would exceed 40% of the Total Assets of OCP Credit Trust;
5. take short positions other than to hedge currency risk;
6. invest in asset-backed commercial paper or collateralized debt obligations directly or indirectly by selling credit protection under credit default swaps identifying any asset-back commercial paper or collateralized debt obligations as reference obligations;
7. own more than 10% of the equity value of an issuer or purchase the securities of an issuer or an affiliated entity (as defined in the Tax Act) for the purpose of exercising control over management of that issuer;
8. guarantee the securities or obligations of any person other than the Manager or the Fund, and then only in respect of the activities of the Fund;
9. with the exception of securities of OCP Credit Trust’s own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager 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, any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing market price or is approved by the independent review committee established by the Manager in accordance with NI 81-107 (the “Independent Review Committee” or “IRC”);
10. make or hold any investments in entities that would be “foreign affiliates” of OCP Credit Trust for purposes of the Tax Act;
11. make or hold any investments in securities of non-resident trusts other than “exempt foreign trusts” as defined in proposed section 94 of the Tax Act or an interest in a trust (or a partnership which holds such an interest) which would require OCP Credit Trust (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, each as set forth in the draft legislation released August 27, 2010 (or pursuant to any

amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);

12. make or hold any investments that could require OCP Credit Trust to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act (as amended pursuant to the August 27, 2010 draft legislation or pursuant to any subsequent provisions as enacted into law, or successor provisions thereto); or
13. at any time, hold any property that is a “non-portfolio property” for the purposes of the rules in the Tax Act which apply to a SIFT trust and its unitholders (the “SIFT Rules”).

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or the Total Assets of OCP Credit Trust will not be considered a violation of the investment restrictions. If OCP Credit Trust receives from an issuer subscription rights to purchase securities of that issuer, and if OCP Credit Trust exercises those subscription rights at a time when OCP Credit Trust’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, OCP Credit Trust 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 restrictions in (10) to (13) above must be complied with at all times and may necessitate the selling of investments from time to time.

Unitholder approval is required to change the investment objectives, investment strategies or investment restrictions. See “Securityholder Matters – Matters Requiring Securityholder Approval”.

### **Variations From Investment Restrictions**

The Fund has not received the approval of the securities regulatory authorities to vary any of the investment restrictions and practices contained in securities legislation.

## **DESCRIPTION OF THE SECURITIES OF THE FUND**

### **The Units**

The Fund is authorized to issue an unlimited number of Units.

All Units have equal rights and privileges. Each Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable. In addition, the Fund may in the future issue additional classes or series of units with different rights and privileges.

### **Purchase for Cancellation**

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Units for cancellation subject to

applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated NAV per Unit (as hereinafter defined) immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed. The Fund commenced a normal course issuer bid on March 29, 2011 which permitted it to purchase up to 3,410,000 Units, representing 10% of the public float of the securities issued and outstanding. The Fund purchased 219,500 Units under this normal course issuer bid at an average price of \$8.69 per Unit (excluding commission).

The Fund commenced a normal course issuer bid on July 13, 2012 which permits it to purchase up to 3,203,287 Units, representing 10% of the public float of the securities issued and outstanding. Through March 22, 2013, the Fund purchased 377,500 Units under this normal course issuer bid at an average price of \$9.37 per Unit (excluding commission). The Fund intends to renew this normal course issuer bid in 2013.

### **Book Entry Only System**

Registration of interests in and transfers of the Units will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. ("CDS"). Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant (as hereinafter defined). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

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

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

## **SECURITYHOLDER MATTERS**

### **Meetings of Securityholders**

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 60% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders. The quorum at any meeting of all Unitholders is one Unitholder present in person or represented by proxy except for the purpose of any meeting called to consider item (e) below under "Matters Requiring Securityholder Approval" in which case the quorum shall be Unitholder(s) holding 15% of the outstanding Units. If no quorum is present at such meeting when called, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund does not hold annual meetings of Unitholders.

### **Matters Requiring Securityholder Approval**

Pursuant to the Declaration of Trust, the following matters require the approval of Unitholders by resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast at a meeting called and held for such purpose (an “Extraordinary Resolution”), other than item (f), which requires approval of Unitholders by a simple majority vote at a meeting called and held for such purpose (an “Ordinary Resolution”):

- a. a change in the investment objectives of the Fund;
- b. a change in the investment strategy of the Fund;
- c. a change in the investment restrictions of the Fund;
- d. any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund;
- e. except as described under “Organization and Management Details of the Fund and OCP Credit Trust— Manager of the Fund and OCP Credit Trust”, a change of the Manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- f. a change in the auditors of the Fund;
- g. a reorganization (other than a Permitted Merger (as hereinafter defined)) with, or transfer of assets to, a mutual fund trust, if
  - i) the Fund ceases to continue after the reorganization or transfer of assets; and
  - ii) the transaction results in Unitholders becoming securityholders in the mutual fund trust;
- h. a reorganization (other than a Permitted Merger (as hereinafter defined)) with, or acquisition of assets of, a mutual fund trust, if
  - i) the Fund continues after the reorganization or acquisition of assets;
  - ii) the transaction results in the securityholders of the mutual fund trust becoming unitholders of the Fund; and
  - iii) the transaction would be a material change to the Fund;
- i. a termination of the Fund, other than in accordance with the terms of the Declaration of Trust;
- j. an amendment, modification or variation in the provisions or rights attaching to the Units; and

- k. a reduction in the frequency of calculating the NAV per Unit.

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

- a. the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager (the “Affiliated Fund(s)”);
- b. Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Unit, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- c. the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager and by the manager of the Affiliated Fund(s) in their sole discretion;
- d. the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- e. 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
- f. the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for unitholders of each of the funds.

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

#### **Amendments to the Declaration of Trust**

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

- a. remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- b. make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- c. bring the Declaration of Trust into conformity with applicable laws, including the rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders;

- d. maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” and a “unit trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof;
- e. provide added protection to Unitholders; or
- f. effect a Permitted Merger.

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

### **Reporting to Securityholders**

The Fund's fiscal year will be the calendar year. The annual financial statements of the Fund are audited by the Fund's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing unaudited interim financial statements. The Fund will mail the financial statements and management reports of fund performance prepared for OCP Credit Trust to all of the Unitholders who receive the Fund's financial statements and management reports of fund performance.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

### **VALUATION OF PORTFOLIO SECURITIES OF THE FUND**

The “NAV” is the net asset value of the Fund or OCP Credit Trust, as applicable, as determined by subtracting the aggregate liabilities of the Fund or OCP Credit Trust, as applicable, from the Total Assets of the Fund or OCP Credit Trust, as applicable, in each case on the date on which the calculation is being made. NAV on a particular date equals the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV is calculated using the fair value of the Fund's assets and liabilities. The NAV is calculated by the Custodian (as hereinafter defined) or an affiliate. The “NAV per Unit” on any day is obtained by dividing the NAV of the Fund on such day by the number of Units of that class then outstanding.

In determining the NAV of the Fund or OCP Credit Trust, at any time, the Manager will take into account the following:

- 1. no value is assigned to goodwill;
- 2. accrued investment management fees, distributions and other fees are treated as liabilities on an accrual basis;



3. the fair value of investments is as follows: investments that are listed on an exchange and are freely transferable are valued at their last sales price on such exchange on the date of determination, or, if no sales occurred on such day, at the “bid” price at the close of business on such day and if sold short at the “asked” price at the close of business on such day. Investments traded over the counter which are freely transferable are valued at the “bid” price at the close of business on such day if held long, and at the “asked” price at the close of business on such day if held short, unless included in the NASDAQ National Market System, in which case they are valued based upon their sales price (if such prices are available). Notwithstanding the foregoing, if in the reasonable judgment of the Manager, the listed price for any investment held by the Fund does not accurately reflect the value of such investment, the Manager may value such investment at a price which is greater or less than the quoted market price for such investment;
4. units of any underlying fund are valued at the net asset value of such units as provided by such fund from time to time;
5. the value of any futures contract, forward contract or total return swap, including the Forward Agreement and the TRS Facility, is the gain or loss with respect thereto that would be realized if, at the Valuation Time (as hereinafter defined), the position in the futures contract, or the forward contract or total return swap, as the case may be, were to be closed out unless daily limits are in effect in which case fair value is based on the current market value of the underlying interest;
6. the value of all assets of the Fund or OCP Credit Trust, as applicable, quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund or OCP Credit Trust, as applicable, in foreign currency and the value of all liabilities and contractual obligations payable by the Fund or OCP Credit Trust, as applicable, in foreign currency is determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV is determined; and
7. all other assets of the Fund are valued in the manner determined by the Manager or its delegate(s) to reflect their fair market value.

Except as described below, NI 81-106 requires an investment fund, such as the Fund, to calculate its net assets in accordance with Canadian GAAP. Canadian GAAP was modified by the introduction of section 3855 Financial Instruments - Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 redefines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. The combined effect of NI 81-106 and section 3855 would require the Fund to determine the value of securities listed on a recognized public securities exchange or on NASDAQ using the fair value as defined by section 3855. However, NI 81-106 permits investment funds, such as the Fund, to calculate its net asset value in accordance with Canadian GAAP without giving effect to section 3855 for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Units.

Financial statements of the Fund contain a reconciliation of the net assets per Unit reported in such financial statements in accordance with Canadian GAAP to the NAV per Unit used by the Fund for all other purposes.

## **Reporting of Net Asset Value**

The NAV and NAV per Unit are calculated as of 4:00 p.m. (Toronto time) or such other time as the Manager deems appropriate (the “Valuation Time”) on each business day, on the Annual Redemption Date (as hereinafter defined) and on such other dates as the Manager deems appropriate (each, a “Valuation Date”). Such information is provided by the Manager to Unitholders on request by calling toll-free 1-877-260-4055 or via the Internet at [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com).

## **DISTRIBUTION POLICY**

In accordance with the Fund’s investment objective to provide Unitholders with quarterly tax-effective cash distributions, the Fund intends to make quarterly distributions to Unitholders of record on the last business day of each of March, June, September and December (each, a “Distribution Record Date”). Distributions will be paid no later than the 15th day of the following month (each, a “Distribution Payment Date”). The current quarterly distributions are targeted to be \$0.125 per Unit (\$0.50 per annum representing an annual cash distribution of 5.0% based on the \$10.00 per Unit issue price). The Fund will not have a fixed quarterly distribution but will determine and announce at least each July an expected distribution amount for the following twelve months.

The Manager anticipates that, of the distributions anticipated to be made in the initial period of the Fund’s life, only a very small portion would represent capital gains, with the balance representing returns of capital. Thereafter, the Manager anticipates that the proportion of capital gains to returns of capital will increase as the Fund disposes of more Canadian Securities Portfolio securities on the partial settlement of the Forward Agreement. The actual amounts of capital gains distributed to Unitholders in each year will depend on the proceeds of disposition realized by the Fund on the disposition of Canadian Securities Portfolio securities under the Forward Agreement and the adjusted cost base of such securities. See “Income Tax Considerations”.

Amounts distributed on the Units that represent returns of capital are generally non-taxable to a Unitholder but reduce the Unitholder’s adjusted cost base of the Units for tax purposes. See “Income Tax Considerations”.

If the Fund’s net income for tax purposes, including net realized capital gains, for any year exceeds the aggregate amount of the regular quarterly distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (in cash or Units) in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Immediately following any such special distribution through the issuance of Units, the number of Units outstanding will be automatically consolidated such that the number of Units outstanding after the special distribution will be equal to the number of Units outstanding immediately prior to the distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See “Income Tax Considerations”.

There can be no assurance given as to the amount of targeted distributions, if any, in the future.

## **REDEMPTIONS**

### **Annual Redemption of Units**

Units may be surrendered annually for redemption during the period from the first business day in March until 5:00 p.m. (Toronto time) on March 15 in each year (the “Notice Period”) subject to the Fund’s right to suspend redemptions in certain circumstances. Units surrendered for redemption during the Notice Period will be redeemed on the last business day of May of each year (the “Annual Redemption Date”) and the Unitholder will receive payment on or before the 15th day following the Annual Redemption Date.

Redeeming Unitholders will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in connection with funding the redemption (the “Annual Redemption Amount”). The NAV per Unit will vary depending on a number of market factors, including interest rates and volatility in the equity and/or credit markets.

### **Monthly Redemption of Units**

Units may be surrendered for redemption in any month. Units properly surrendered for redemption by a Unitholder prior to 5:00 p.m. (Toronto time) on the 10th business day before the last business day of a month will be redeemed on the last day of that month (“Monthly Redemption Date”) and the Unitholder will receive payment on or before the 15th day following such Monthly Redemption Date, subject to the Fund’s right to suspend redemptions in certain circumstances. When Unitholders deposit Units during the Notice Period, they will be entitled to elect to receive the Monthly Redemption Amount (as hereinafter defined) rather than the Annual Redemption Amount.

A Unitholder who properly surrenders a Unit for redemption will receive the amount (the “Monthly Redemption Amount”), if any, equal to the lesser of (A) 94% of the weighted average trading price of the Units on the TSX during the 15 trading days preceding the applicable Monthly Redemption Date, and (B) the “closing market price” of the Units on the principal market on which the Units are quoted for trading on the applicable Monthly Redemption Date. The “closing market price” shall be an amount equal to (i) the closing price of the Units if there was a trade on the applicable Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of the Units if there was trading on the applicable Monthly Redemption Date and the market provides only the highest and lowest prices of the Units traded on a particular day; or (iii) the average of the last bid and last asking prices of the Units if there was no trading on the applicable Monthly Redemption Date.

### **Exercise of Redemption Right**

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a participant in CDS (“CDS Participant”) to deliver to CDS on behalf of the owner a written notice (the “Redemption Notice”) of the owner’s intention to redeem Units. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the registrar and transfer agent of the Fund in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the owner exercising the redemption privilege.

Except as provided under “Redemptions – Suspension of Redemptions”, by causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant or to the owner.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities in the Canadian Securities Portfolio or the Portfolio are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Total Assets, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) for a period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of OCP Credit Trust 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 to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first business day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

### **INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquired Units pursuant to the initial public offering of Units. This summary is applicable to a Unitholder who is an individual (other than a trust that is not a registered plan) 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 Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other “Canadian securities” owned or subsequently owned by them treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary is based on the assumptions that the Canadian

Securities Portfolio will consist solely of “Canadian securities” (within the meaning of the Tax Act) and that the Fund has elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, the Fund’s understanding of the current administrative policies and assessing practices of the CRA published in writing by it prior to the date hereof, and all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and relies upon advice from the Manager as to certain factual matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, as applicable, which may differ significantly from those described herein. This summary assumes that the Tax Proposals will be enacted as proposed, but there can be no assurance that any Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor’s particular circumstances, including the province or territory in which the investor resides or carries on business. Counsel express no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. **This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.**

This summary is based on the assumptions that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act and that the Fund has validly elected under the Tax Act to be a mutual fund trust from the date it was established.

To qualify as a mutual fund trust (i) the Fund must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units (the “minimum distribution requirements”). In this connection, (i) the Manager intends to cause the Fund to qualify as a unit trust throughout the life of the Fund, (ii) the Fund’s undertaking conforms with the restrictions for mutual fund trusts, and (iii) the Manager has no reason to believe that the Fund will not comply with the minimum distribution requirements at all material times. The Manager filed the necessary election so that the Fund qualified as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

If the Fund were subject to the SIFT Rules, it could be subject to tax on certain income. Provided the Fund complies with its investment restrictions it will not be subject to the tax imposed on SIFT trusts in section 122 of the Tax Act.

## **Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends and net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund intends to make distributions to Unitholders and to deduct, 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 made an election under subsection 39(4) of the Tax Act so that all securities included in the Canadian Securities Portfolio that are “Canadian securities” (as defined in the Tax Act) are deemed to be capital property to the Fund. In determining its income for tax purposes, the Fund will treat gains and losses on the disposition of securities in the Canadian Securities Portfolio under the Forward Agreement as capital gains and losses.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the amount paid on redemptions of Units during the year (the “Capital Gains Refund”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the disposition of securities included in the Canadian Securities Portfolio under the Forward Agreement in connection with the redemption of Units.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in the Fund’s income as a result of the acquisition of the Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Since the Fund has elected to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian securities will be taxed as capital gains or capital losses. If the obligations of the Counterparty are settled by making cash payments, a payment received by the Fund may be treated as an income receipt.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income used to prepay the purchase price under the Forward Agreement, subject to the October 2003 Proposals. The Fund may generally deduct the costs and expenses of the Offering paid by the Fund 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 Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act (including the October 2003 Proposals discussed below).

On October 31, 2003 the Department of Finance announced a Tax Proposal (the “October 2003 Proposals”) relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of

Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. To date, no such alternative proposal has been released.

### **Taxation of Unitholders**

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Unitholder's share of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income, but will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable dividends, if any, received or deemed to be received, by the Fund on shares of taxable Canadian corporations as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Amounts designated as taxable dividends will be subject to the gross-up and dividend tax credit rules, including the enhanced gross-up and tax credit applicable to designated eligible dividends.

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 Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount (other than the non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Unitholder in a taxation year). To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition.

For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. A consolidation of Units following a distribution paid in the form of additional

Units will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder of Units.

One-half of any capital gain (a “taxable capital gain”) realized on the disposition of Units will be included in the Unitholder’s income and one-half of any capital loss (an “allowable capital loss”) realized may be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains 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 in accordance with the provisions of the Tax Act.

If a Unitholder would otherwise realize a capital loss on the disposition of a Unit and the Unitholder, the Unitholder’s spouse or another person affiliated with the Unitholder (including a corporation controlled by the Unitholder) acquires Units within 30 days before or after the disposition which are considered to be “substituted property”, the Unitholder’s capital loss may be deemed to be a superficial loss. If so, the Unitholder will not be allowed to recognize the capital loss and it will be added to the adjusted cost base to the owner of the Units that are substituted property.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Unitholders on the disposition of Units may increase the Unitholder’s liability for alternative minimum tax.

### **Taxation of Registered Plans**

Amounts of income and capital gains included in a Plan Trust’s income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the Plan Trust. See “Income Tax Considerations - Status of the Fund”. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan Trust.

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

The NAV per Unit will, in part, reflect any income and gains of the Fund that have accrued or been realized but not made payable at the time Units were acquired. A Unitholder who acquires Units, including on a distribution in the form of Units, may become taxable on the Unitholder’s share of income and capital gains of the Fund that accrued before Units were acquired. While it is expected that the term of the Forward Agreement will be not more than five years, distributions of gains realized under the Forward Agreement will be made on an annual or more frequent basis with the result that there may be income and gains at any point in time. To the extent such distributions are made less frequently than monthly, the amount of accrued gains will generally increase as the gains realized under the Forward Agreement accumulate. The consequences of acquiring Units late in the calendar year will generally depend on the amount of distributions throughout the year and whether a special distribution to Unitholders as described under “Distribution Policy” is necessary to ensure that the Fund will not be liable for non-refundable income tax on such amounts under the Tax Act.

### **Eligibility for Investment**

Provided that the Fund qualifies, and continues at all times to qualify, as a “mutual fund trust” within the meaning of the Tax Act, the Units will be qualified investments for trusts



governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax free savings accounts (“TFSA”).

If the Units are “prohibited investments” for a TFSA, RRSP or RRIF, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Units will not be “prohibited investments” on the date of this annual information form provided the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, for purposes of the Tax Act, (i) deals at arm’s length with the Fund, (ii) does not have a “significant interest” in the Fund or (iii) does not have a “significant interest” in a corporation, partnership or trust that does not deal at arm’s length with the Fund. A significant interest generally means the ownership of 10% or more of the value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with whom the holder or the annuitant does not deal at arm’s length. Tax Proposals released on December 21, 2012 propose to delete the condition in (iii) above. Investors intending to hold Units in a TFSA, RRSP or RRIF should consult their own advisors as to whether Units would be a prohibited investment in their particular circumstances.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND AND OCP CREDIT TRUST**

### **Manager of the Fund and OCP Credit Trust**

The Manager performs the management functions of the Fund pursuant to the management agreement dated October 25, 2010 between the Manager and the Fund (the “Management Agreement”). The Manager performs the management functions of OCP Credit Trust pursuant to the management agreement dated October 25, 2010 between the Manager and OCP Credit Trust (the “OCP Management Agreement”). The Manager provides all administrative services required by the Fund and OCP Credit Trust. The Manager carries on business at 910 Sylvan Avenue, Englewood, New Jersey 07632.

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

Pursuant to the Management Agreement and the OCP Management Agreement, as applicable, OCP is the manager of the Fund and OCP Credit Trust and, as such, is responsible for making all investment decisions of the Fund and OCP Credit Trust in accordance with the investment objectives, strategy and restrictions of the Fund and OCP Credit Trust, respectively, and for arranging for the execution of all Portfolio transactions. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Fund or OCP Credit Trust, as applicable, to do so. The Manager’s duties include, without limitation: authorizing the payment of operating expenses incurred on behalf of the Fund and OCP Credit Trust; preparing financial statements and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Fund complies with regulatory requirements; preparing the Fund’s reports to Unitholders and the Canadian securities regulatory authorities; determining the amount of distributions to be made by the Fund; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

The Manager also provides investment advisory and portfolio management services with respect to the Canadian Securities Portfolio and the Portfolio.

## Details of the Management Agreements

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

Unless the Manager resigns or is removed as described below, the Manager will continue as Manager until the termination of the Fund and/or OCP Credit Trust, as applicable. The Manager may resign if the Fund or OCP Credit Trust, as applicable, is in breach or default of the provisions of the Management Agreement or the OCP Management Agreement, as applicable, and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent. The Manager may not be removed as Manager of the Fund other than by the approval of Unitholders by a resolution passed by at least 66 2/3% of the votes cast at a meeting called and held for such purpose. In the event that the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager as manager of the Fund and appoint a successor Manager.

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

## Officers and Directors of the Manager of the Fund

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

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with Manager</u></b>	<b><u>Principal Occupation</u></b>
MICHAEL GELBLAT Old Bethpage, New York	Co-Founder, Chief Executive Officer, Chief Investment Officer and Director	Co-Founder, Chief Executive Officer, Chief Investment Officer and Director
PAUL MARHAN Glen Ridge, New Jersey	Portfolio Manager	Portfolio Manager

PAUL TRAVERS Westport, Connecticut	Portfolio Manager	Portfolio Manager
STEVEN GUTMAN Irvington, New York	General Counsel, Chief Compliance Officer and Secretary	General Counsel, Compliance Officer and Secretary
JOSHUA SPIERER Staten Island, New York	Chief Financial Officer	Chief Financial Officer
RALPH DELLA ROCCA West Orange, New Jersey	Director of Operations	Director of Operations
CHRISTOPHER GOVAN Oakville, Ontario	Director	Managing Director, Onex Corporation
STUART KOVENSKY Armonk, New York	Co-Founder and Director (no longer working full time)	Co-Founder and Director (no longer working full time)
SETH MERSKY Toronto, Ontario	Director	Managing Director, Onex Corporation

The following is a brief description of the background of the individuals listed above:

**Michael Gelblat.** Mr. Gelblat is a Co-Founder, Chief Executive Officer, Chief Investment Officer, Director and member of the Management and Investment Committees of the Manager. He oversees all activities of the Manager. Mr. Gelblat has over 27 years of experience. Before forming the Manager, Mr. Gelblat accumulated over a decade of experience as a portfolio manager and securities analyst for the event-driven and distressed debt alternative strategies of John A. Levin Co., Inc., as a principal of Redwood Capital Management and as a director of SG Cowen, where he managed a proprietary trading group focused on distressed securities. Mr. Gelblat has also held positions with Société Générale, European American Bank, ABN AMRO Bank N.V., Standard Chartered Bank and BancBoston Financial Company. Mr. Gelblat earned his B.S. from the State University of New York at Albany.

**Paul Marhan.** Mr. Marhan is a Portfolio Manager and member of the Management and Investment Committees of the Manager. Mr. Marhan has over 20 years of experience. Before joining the Manager, Mr. Marhan was a Senior Managing Director in Bear Stearns' Distressed/Special Situations Group where he was responsible for the identification, analysis and management of distressed opportunities in various sectors. He was also Managing Director and Senior Consultant at Kahn Consulting where he worked on restructuring and crisis management engagements and began his career at Ernst & Whinney. Mr. Marhan earned his B.A. from James Madison University, his M.B.A. from New York University's Stern School of Business and is a Certified Public Accountant.

**Paul Travers.** Mr. Travers is a Portfolio Manager and a member of the Management and Investment Committees of the Manager. Mr. Travers has over 30 years of experience. Before joining the Manager, he was a Principal at DiMaio Ahmad Capital, where he built and managed the firm's \$2.5 billion CLO business. Previously, he worked at Credit Agricole Indosuez, where as a Managing Director he managed the bank's \$2.3 billion CLO/CBO business, and at Merrill Lynch Asset Management, where as Portfolio Manager and Managing Director he managed the firm's floating rate mutual funds with assets over \$10 billion. He also held positions at Bear Stearns & Co., BHF Bank, BAI Banking Corp and Chase Manhattan Bank. Mr. Travers earned his B.A. in Economics from State University of New York at Albany and his M.B.A from Fordham University.

**Steven Gutman.** Mr. Gutman is the General Counsel, Chief Compliance Officer and member of the Management and Investment Committees of the Manager. As General Counsel, he is

responsible for all legal matters related to the firm in addition to assisting in structural and legal matters pertaining to investments held in portfolios managed by the Manager. As Chief Compliance Officer, Mr. Gutman develops, communicates, and enforces the Manager's compliance policies and procedures. Mr. Gutman has over 32 years of experience in the financial services industry. Before joining the Manager in 2006, Mr. Gutman practiced finance and insolvency law at Luskin, Stern & Eisler LLP. He also held various positions over 13 years with affiliates of ABN AMRO Bank N.V., including that of general counsel for European American Bank and for North America Special Credits. Mr. Gutman earned his B.A. from the University of Rochester and his J.D. from Washington University School of Law.

**Joshua Spierer.** Mr. Spierer is the Chief Financial Officer and member of the Management Committee of the Manager. Mr. Spierer has overall responsibility for financial matters at the Manager, including oversight of operations, reporting and internal controls, and the asset settlement and valuation process. Mr. Spierer reviews data analysis, performs due diligence on service providers, and works closely with the Chief Investment Officer to ensure resources are effectively employed toward the achievement of the firm's strategic plan. He directs the preparation and submission of annual financial and budgetary reports, as well as internal audit functions. Mr. Spierer has over 17 years of experience in the financial services industry. Before joining the Manager, Mr. Spierer was the Controller for event-driven funds for John A. Levin & Co. where he worked for six years with both Michael Gelblat and Stuart Kovensky. He also spent four years at Eisner LLP in various positions, including Senior Accountant. Mr. Spierer earned his B.A. from Queens College and is a Certified Public Accountant.

**Ralph Della Rocca.** Mr. Della Rocca is the Director of Operations of the Manager. Mr. Della Rocca oversees and coordinates operations across the firm. Mr. Della Rocca has over 25 years of experience. Before joining the Portfolio Manager, Mr. Della Rocca was a Director at Markit, where he collaborated on product development and client interaction initiatives. Previously he was a Principal and Director of Operations at Callidus Capital Management where he created, staffed and managed a portfolio operations department and where he was responsible for developing and implementing policies and procedures and managing all day-to-day middle and back office operations. Prior to that, Mr. Della Rocca was Director of Portfolio Operations and Compliance at start up Katonah Capital where he was recruited to create and manage the company's portfolio operations department. He previously held positions at BHF Capital Corporation and Bear Stearns. Mr. Della Rocca earned a B.S. from Syracuse University.

**Christopher Govan.** Mr. Govan a Managing Director of Onex Corporation ("Onex"), is responsible for corporate administration and fund operations of Onex and actively leads Onex' tax function. He also provides advice on corporate structure, taxation, financing and due diligence for both new acquisitions and existing subsidiaries. Mr. Govan was instrumental in the strategy and planning for the acquisition of Lantic Sugar by Rogers Sugar Income Fund, Onex' acquisition of Loews Cineplex and the subsequent initial public offering of the Cineplex Galaxy Income Fund. He serves as a Director of the Manager. Mr. Govan also serves on the University of Waterloo's School of Accounting and Finance Advisory Council. Prior to joining Onex, Mr. Govan was a Senior Tax Manager in Arthur Andersen's Toronto office. Mr. Govan is a Chartered Accountant and holds Masters of Accounting and B.A. degrees from the University of Waterloo.

**Stuart Kovensky.** Mr. Kovensky is a Co-Founder, Director and member of the Investment Committee of the Manager, no longer working full-time. Mr. Kovensky has over 23 years of experience. Before forming the Manager, Mr. Kovensky worked as a portfolio manager and securities analyst for the event-driven and distressed debt alternative strategies of John A. Levin & Co., Inc. He also worked at Murray Capital Management for five years where he was a principal and the head of research. Earlier in his career, he worked for six years at Chase Manhattan Bank,

N.A. and Chase Securities, Inc. During that period, he held positions in corporate and international finance and in the high-yield finance group, where he was involved with originating debt transactions across a wide range of industries. Mr. Kovensky earned his B.S. with honors from Binghamton University in management with a concentration in finance and his M.B.A. from New York University's Stern School of Business.

**Seth Mersky.** Mr. Mersky is a Senior Managing Director of Onex. Since joining Onex, Mr. Mersky has led a number of private equity transactions, including the acquisition and subsequent realization of BC Sugar; the acquisition of Sitel Worldwide; the purchase and subsequent IPOs of Spirit AeroSystems and Allison Transmission; and most recently, the acquisition of Tomkins, Plc. Mr. Mersky serves on the boards of Sitel Worldwide, Allison Transmission, Gates Corporation, Hawker Beechcraft and the Manager. As well, Mr. Mersky serves on the boards of the Mount Sinai Hospital Foundation and Village Community Schools. Prior to joining Onex, he was Senior Vice-President, Corporate Banking, at Bank of Nova Scotia. Mr. Mersky holds a B.S. in Accounting and Philosophy from the University of Delaware.

### **The Portfolio Advisor**

OCP is also the portfolio advisor to the Fund and OCP Credit Trust.

OCP is the exclusive credit investing platform of Onex. OCP has an eleven year track record of successfully managing investment strategies focused on senior debt that have generated attractive risk adjusted returns. The firm currently manages approximately US\$2.8 billion in senior credit strategies for institutional and individual investors globally.

Onex Corporation is one of the oldest private equity firms with a 28-year track record and a disciplined, value-oriented approach to investing. Onex was founded by Gerald W. Schwartz in 1984 and currently manages approximately US\$15 billion in assets (as of December 31, 2012) and operates from offices in Toronto, New York and London. Onex shares have been publicly listed on the Toronto Stock Exchange since 1987.

### **The Trustee**

Computershare Trust Company of Canada is the trustee of the Fund under the Declaration of Trust, and is responsible for certain aspects of the Fund's administration. The address of the Trustee is 100 University Avenue, Toronto, Ontario M5J 2Y1.

Pursuant to the Declaration of Trust, the Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. 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 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. The Declaration of Trust provides that the Trustee may delegate certain powers to the Manager.

The Trustee is entitled to fees for its services under the Declaration of Trust as described under “Fees and Expenses — Ongoing Fees and Expenses” and will be reimbursed by the Fund for all reasonable costs and expenses incurred by it on behalf of the Fund.

### **The Custodian**

Citibank Canada (the “Custodian”) is custodian of the assets of the Fund and OCP Credit Trust pursuant to a custodian agreement between the Fund and the Custodian (the “Custodian Agreement”) dated November 19, 2010. The Custodian's principal place of business in respect of the Fund and OCP Credit Trust is Toronto, Ontario. The Custodian Agreement provides that the Custodian, except as described below, will receive and hold all cash, portfolio securities and other assets of the Fund and OCP Credit Trust for safekeeping. The Custodian receives fees for custodial services provided to the Fund and OCP Credit Trust. The Custodian may appoint sub-custodians who are qualified to act as such. In addition, the Custodian or an affiliate will calculate the NAV of the Fund.

Subject to certain exceptions as set out in the Custodian Agreement, the Custodian will not be liable for any act or omission in the course of, or connected to, rendering services under the Custodian Agreement or for loss to, or diminution of, the Fund's property. In no event shall the Custodian be liable for any consequential or special damages. The Fund indemnifies and saves harmless the Custodian, and its affiliates, subsidiaries and agents, and their directors, officers, and employees from and against all legal fees, judgments and amounts paid in settlement incurred by such indemnified parties in connection with custodial or sub-custodial services provided under the Custodian Agreement except to the extent incurred as a result of breach of the above standard of care.

### **Auditor**

The auditors of the Fund are Collins Barrow Toronto LLP at its principal office located at 11 King Street West, 7th Floor, Toronto, Ontario M5H 4C7.

### **Servicer**

FA Administration Services Inc. (the “Servicer”) provides certain administrative services to the Manager, the Fund and OCP Credit Trust pursuant to separate servicing agreements entered into as of November 19, 2010 (the “Servicing Agreements”). The Servicing Agreements provide that the Servicer will provide certain bookkeeping, investor relations and other services to the Manager, the Fund and OCP Credit Trust, as applicable. The fees of the Servicer are paid by the Manager and not the Fund or OCP Credit Trust, as applicable. The Servicer will be reimbursed by the Fund or OCP Credit Trust, as applicable, for all reasonable out-of-pocket expenses incurred by the Servicer.

## **FUND GOVERNANCE**

### **Policies on Proxy Voting**

The Manager has established a proxy voting policy (the “Proxy Voting Policy”) that provides that the Manager votes the securities in the Portfolio in the best interests of the Unitholders of the Fund. The Proxy Voting Policy provides that routine, uncontested matters to be considered at annual general meetings will generally be voted in accordance with management's recommendations. More complex, non-routine matters (i.e. certain issues related to the compensation and liability of directors, amendments to the constating documents of an issuer, share

and debt issuances, related party transactions, reorganizations, restructurings, shareholder proposals and proposals relating to corporate social responsibility) will be decided on a case-by-case basis.

The Proxy Voting Policy also provides procedures for dealing with potential conflicts of interest, the delegation of proxy voting services to third party service providers such as Institutional Shareholder Services Canada Corp. and recordkeeping obligations whereby the Manager will maintain records of all votes cast by OCP Credit Trust. The Manager will publish these records on an annual basis on the Fund's web site at [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com). A copy of the Proxy Voting Policy is available on request by contacting the Manager at 1-877-260-4055.

### **Independent Review Committee**

The Manager has appointed the following members to its independent review committee, which will also act as the independent review committee for OCP Credit Trust.

**Eamonn McConnell:** Eamonn McConnell has a background of over 25 years of senior investment management and investment banking experience in North America, Europe, and Asia.

He is currently the Portfolio Manager on the Investment Committee of Kensington Capital, based in Toronto. He is a senior member of the Hedge Fund division of Kensington Capital. He also serves as a Founding Partner of Gryphus Capital, a private equity firm based in Singapore, a position he has held since the firm's spin off from Deutsche Bank in 2000.

Prior to founding Gryphus Capital, Mr. McConnell spent many years with Deutsche Bank, where he held Managing Director positions in London and Hong Kong heading the firm's European and Asian Debt Syndicate groups. Prior to that, he spent many years working in the UK, Asia and Canada for various firms including Wood Gundy, Merrill Lynch and Barclays Global.

Mr. McConnell is also a Director of Independent Review Inc. where he sits on several Independent Review Committees and is active with on-going education seminars. He holds an MBA from McGill University in Montreal and a Diploma in the International Management Program from École des Hautes Commerciales in France. He also has completed the requirements for the Chartered Alternative Investment Analyst (CAIA) designation. Mr. McConnell was elected Deputy Chair of the Canadian chapter of the Alternative Investment Management Association (AIMA) in September 2008 and remained on the AIMA Canada's executive committee until early 2013.

**W. William Woods:** W. William Woods is a lawyer, admitted to practice in Bermuda, England, Wales and Hong Kong. He was a solicitor with Linklaters & Paines in Hong Kong where he specialized in corporate finance work.

For three years he acted as Legal Counsel to the Stock Exchange of Hong Kong. He then co-founded the International Securities Consultancy, a consulting group based in Hong Kong and London that specializes in advising on the development of both emerging and mature securities markets. From August 1995 to December 2001 he was the CEO of the Bermuda Stock Exchange.

He is currently the President and CEO of Independent Review Inc. based in Toronto, Canada. Mr. Woods serves as an independent director on the boards of a number of offshore hedge funds and as a member of several independent review committees for public investment funds in Canada.

**Michael M. Boyd:** Michael Boyd has spent his career in the Canadian financial services industry. Early in his career he was trained as a term lender at RoyNat. Mr. Boyd then joined the Toronto Dominion Bank's venture capital group, TD Capital Group, in the late 1970's and subsequently started a venture capital group at Citibank Canada. In 1984 Mr. Boyd was a founding partner of BG Acorn Capital Fund, a \$20 million pool of venture capital. Among its successful investee companies was MOSAID Technologies Incorporated and Trojan Technologies Inc.

Mr. Boyd worked for several years as an Executive Vice President with Marleau Lemire Securities Inc. doing corporate finance for Canadian small cap public companies and as head of syndication. At HSBC Capital ( Canada ) Inc. from 1997 to 2002 Mr. Boyd was involved with raising and investing an \$85 million private equity fund and in bridge financing transactions. Mr. Boyd formed Argosy Bridge Fund L.P. I in November, 2002. The Bridge Fund was an institutionally funded \$29 million limited partnership doing only bridge lending transactions. Over four years The Bridge Fund approved and lent over \$50 million.

Mr. Boyd serves on the Boards of a number of public and private companies. Mr. Boyd received his MBA from the Richard Ivey School of Business in 1976.

The mandate and responsibilities of the IRC are set out in its charter. In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Fund. The Manager is required under NI 81-107 to identify conflicts of interest inherent in its management of the Fund, and request input from the IRC on how it manages those conflicts of interest, as well as on its written policies and procedures outlining its management of those conflicts of interest.

The Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC's prior approval, but in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager's proposed action provides a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Manager with standing instructions.

The IRC consists of three members. The members of the IRC are indemnified by the Fund, in keeping with NI 81-107. The IRC members will not be responsible for the investments made by the Fund, or for the performance of the Fund. The members of the IRC may serve in a similar capacity in respect of other funds managed by the Manager.

The fees and expenses of running the IRC are paid by the Fund as discussed below. In addition, the IRC has the authority, pursuant to NI 81-107 to retain independent counsel or other advisors, at the expense of the Fund, if the members deem it necessary to do so.

The Fund shares its IRC with other investment funds managed by the Manager, and the fees and expenses associated with the IRC are shared among these funds. The relationship with the IRC is administered by the Servicer. 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 by the Manager or its affiliates:



<i>IRC Member</i>	<i>Aggregate Annual Fees*</i>	<i>Expenses Reimbursed</i>	<i>Indemnities Paid</i>
Eamonn McConnell**	\$17,000.00	None	None
W. William Woods	\$14,000.00	None	None
Michael M. Boyd	\$14,000.00	None	None

\* Plus applicable taxes

\*\* Chair of the IRC

The IRC will report at least annually to the Unitholders of the Fund on its activities, as required by NI 81-107. The reports of the IRC will be available free of charge from the Manager on request by contacting the Manager at its office and will be posted on the Fund’s website at www.ocpseniorcredit.com. The annual report of the IRC will be available on or before March 31 in each year.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager will receive the fees described under “Fees and Expenses” for its services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with the operation and administration of the Fund.

### **CONFLICTS OF INTEREST**

The Manager and its affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Manager under the Management Agreement and the OCP Management Agreement are not exclusive and nothing in those agreements prevent the Manager or any of its affiliates from providing similar services to other investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other activities. OCP’s investment decisions for the Fund and OCP Credit Trust will be made independently of those made for other persons and independently of its own investments.

Whenever OCP proposes to make an investment, the investment opportunity will be allocated, on an equitable basis between OCP Credit Trust and any other fund for which the proposed investment would be within such fund’s investment objectives, as required by the Management Agreement and the OCP Management Agreement.

Where the Manager or its affiliates otherwise perceives, in the course of its business, that it is 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 the Manager as soon as possible. See “Fund Governance – Independent Review Committee”.

### **TRANSFER AGENT AND REGISTRAR**

Computershare Investor Services Inc., at its principal office in Toronto, is the registrar, transfer agent and distribution agent for the Units pursuant to a registrar, transfer agency and distribution agency agreement entered into as of November 19, 2010.

## MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material contracts of the Fund:

1. the Declaration of Trust described under “Organization and Management Details of the Fund and OCP Credit Trust”, “Overview of the Investment Structure” and “Securityholder Matters”;
2. the Management Agreement described under “Organization and Management Details of the Fund and OCP Credit Trust”;
3. the Forward Agreement described under “Overview of the Investment Structure”;
4. the Custodian Agreement described under “Organization and Management Details of the Fund and OCP Credit Trust”; and
5. the Servicing Agreement described under “Organization and Management Details of the Fund and OCP Credit Trust”.

Copies of the agreements referred to above are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## FEES AND EXPENSES

### **Fees and Expenses of the Fund**

#### *Management Fee*

Pursuant to the terms of the Declaration of Trust, the Manager is entitled to an annual management fee (the “Management Fee”) of 0.50% of the NAV of the Fund (as noted below, a management fee of 1.0% is also payable by OCP Credit Trust for a total overall management fee of 1.5%) accrued daily and paid monthly in arrears, plus an amount equal to the Servicing Fee (as hereinafter defined), plus applicable taxes, is paid to the Manager.

#### *Ongoing Fees and Expenses*

The Fund pays for all ordinary expenses incurred in connection with its operation and administration and bears indirectly all ordinary expenses incurred in connection with the operation and administration of OCP Credit Trust. These expenses include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to the registrar and transfer agent; premiums for directors’ and officers’ insurance coverage for the directors and officers of the Manager and members of the Independent Review Committee; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Fund and OCP Credit Trust including an allocable share of the cost of portfolio management and analysis software; fees payable to the auditors and legal advisors of the Fund; regulatory filing, licensing fees; costs associated with currency hedging; any fees related to investments made or considered including leverage expenses and research expenses; and any expenditures incurred upon the termination of the Fund. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Fund (as described under “Organization and Management Details of the Fund — Manager of the Fund”).

### *Counterparty Fees*

The Fund pays to the Counterparty a fee under the Forward Agreement, accrued daily and payable quarterly in arrears, of up to 0.30% per annum of the NAV of OCP Credit Trust.

### *Trustee Fee*

The Trustee is entitled to receive a fee from the Fund, currently \$9,000 per annum, plus applicable taxes.

### *Servicing Fee*

A servicing fee (the “Servicing Fee”) is payable by the Manager to each dealer whose clients hold Units. The Servicing Fee accrues daily and is paid quarterly in arrears in an amount equal to 0.40% annually of the NAV per Unit, plus applicable taxes.

## **Fees and Expenses of OCP Credit Trust**

### *OCP Credit Trust Management Fee*

An annual management fee of 1.0% of the NAV of OCP Credit Trust accrues daily and is paid monthly in arrears, plus applicable taxes, to the Manager.

### *Operating Expenses of OCP Credit Trust*

OCP Credit Trust will pay for all ordinary expenses incurred in connection with its operation and administration.

## **OTHER MATERIAL INFORMATION**

### **Risk Factors**

In addition to the considerations set out elsewhere in this annual information form, the following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing any Units.

### **No Assurances of Achieving Investment Objectives**

There is no assurance that the Fund will be able to achieve its investment objectives. The funds available for distribution to Unitholders will vary according to, among other things, the interest and distributions paid on the investments in the Portfolio and the value of the securities in the Portfolio. There is no assurance that the Portfolio will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV per Unit will appreciate or even be preserved.

It is possible that, due to declines in the market value of the securities in the Portfolio or the distributions made thereunder, the Fund will have insufficient assets to achieve in full its investment objectives, including that of long-term total returns.

## **Risks Associated with Investments in Commercial Loans**

An investment in interests in syndicated, commercial bank loans, whether acquired through assignment or participation (“Loan Participation”), may involve certain risks. Under the agreements governing most syndicated loans, should OCP Credit Trust, as a holder of an interest in a syndicated loan, wish to call a default or exercise remedies against a borrower, it could not do so without the agreement of at least a majority of the lenders. Further, actions could be taken by a majority of the other lenders, or in some cases, a single agent bank, without the consent of OCP Credit Trust. OCP Credit Trust would, nevertheless, be liable to indemnify the agent bank for OCP Credit Trust’s rateable share of expenses or other liabilities incurred in such connection and, generally, with respect to the administration and any renegotiation or enforcement of the syndicated loans. Moreover, an assignee or participant in a loan may not be entitled to certain gross-up payments in respect of withholding taxes and other indemnities that otherwise might be available to the original holder of the loan.

When purchasing exposure to loans under the TRS Facility, when the provider of the TRS Facility has chosen to hedge its exposure by purchasing an assignment of a loan, the provider of the TRS Facility may choose to disregard instructions given by OCP Credit Trust in the administration of a loan.

OCP Credit Trust may invest in corporate secured and unsecured loans acquired through assignment or Loan Participations. While OCP Credit Trust will favour acquiring loans through assignment (rather than Loan Participations), it may not always be able to do so. In purchasing Loan Participations, OCP Credit Trust will usually have a contractual relationship only with the selling institution, and not the borrower. OCP Credit Trust generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to, or waivers under, the loan agreement agreed to by the selling institution. OCP Credit Trust may not directly benefit from the collateral supporting the related secured loan and may be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof OCP Credit Trust may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution’s interest in, or the collateral with respect to, the secured loan. Consequently, OCP Credit Trust may be subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or Loan Participations may be governed by the law of a jurisdiction other than a United States jurisdiction which may present additional risks as regards the characterization under such laws of such Loan Participation in the event of the insolvency of the selling institution or the borrower.

### *Risks from Insufficient Collateral Securing Senior Loans*

Although the Senior Loans in the Portfolio will generally be secured by specific collateral, there can be no assurance the liquidation of such collateral would satisfy a borrower’s obligation in the event of borrower default or that such collateral could be readily liquidated under such circumstances. In the event of bankruptcy of a borrower, delays or limitations could be experienced with respect to the ability to realize the benefits of any collateral securing a Senior Loan.

### *Agent Risk*

A financial institution's employment as an agent under a Senior Loan might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor agent would generally be appointed to replace the terminated agent, and assets held by the agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the terminated agent for the benefit of OCP Credit Trust were determined to be subject to the claims of the agent's general creditors, the Portfolio might incur certain costs and delays in realizing payment on a Senior Loan or Loan Participation and could suffer a loss of principal and/or interest.

### *Other Risks Associated with Senior Loans*

Many Senior Loans included in the Portfolio may not be rated by an approved credit rating organization, will not be registered or prospectus qualified for securities law purposes and will not be listed on any securities exchange. In addition, the amount of public information available with respect to Senior Loans generally may be less extensive than that available for registered or exchange listed securities. Economic and other events (whether real or perceived) can reduce the demand for certain Senior Loans or Senior Loans generally, which may reduce market prices and cause OCP Credit Trust's net asset value to fall.

### **Use of Leverage**

One element of OCP Credit Trust's investment strategy is the utilization of total return swaps including those entered into pursuant to the TRS Facility or other forms of leverage to gain economic exposure to additional instruments. The obligations under the swap or other forms of leverage may be secured by the assets of OCP Credit Trust. By adding additional leverage, these strategies have the potential to enhance returns but also involve additional risks. There can be no assurance that the leveraging strategy employed for OCP Credit Trust will enhance returns. The use of leverage may reduce returns (both distributions and capital) to holders of Units. If the instruments in the Portfolio suffer a substantial decrease in value, the leverage component will magnify the decrease in value of the Units. If a loan facility is called by a lender, or if assets of OCP Credit Trust have to be liquidated in order to comply with the terms of the TRS Facility, OCP Credit Trust may have to liquidate its assets at a time when market conditions are not favourable, resulting in a loss.

The expenses and fees incurred in respect of a total return swap or other forms of leverage may exceed the incremental capital gains/losses and income generated by the incremental investment for the Portfolio. In addition, OCP Credit Trust may not be able to renew the TRS Facility, a loan facility or other forms of leverage on acceptable terms at the expiry of its term or in the event of early termination.

In order to employ leverage, OCP Credit Trust may enter into agreements that include covenants that may include, but are not limited to, limits on OCP Credit Trust's ability to: (i) incur liens or pledge assets of OCP Credit Trust; (ii) change its investment objectives or investment restrictions without the approval of leverage providers; (iii) make changes in any of its business objectives, purposes or operations that could result in a material adverse effect on OCP Credit Trust or on its ability to fulfil its obligations under the related agreement; (iv) make any changes in its capital structure; (v) amend OCP Credit Trust documents in a manner which could adversely affect the rights, interests or obligations of any of the leverage providers; (vi) engage in any business other than the business currently engaged in; and (vii) create, incur, assume or permit to exist certain debt except for certain specific types of debt.

## **Derivatives Risk**

OCP Credit Trust may use various hedging transactions and may purchase and sell derivative instruments. OCP Credit Trust's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in loans and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk, trading execution risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. Hedging with derivatives may not always be successful and could limit OCP Credit Trust's ability to participate in increases in the value of the Senior Loans in the Portfolio through the TRS Facility. OCP Credit Trust may not be able to obtain or close out a derivative contract when OCP believes it is desirable to do so, which may prevent OCP Credit Trust from making a profit or limiting a loss. When OCP Credit Trust invests in a derivative instrument, it could lose more than the principal amount invested. Amounts paid by OCP Credit Trust as premiums and cash or other assets held in margin accounts are not otherwise available to OCP Credit Trust for investment purposes.

## **Foreign Currency Exposure**

As the Portfolio will be invested primarily in obligations traded in US dollars, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the US dollar relative to the Canadian dollar. OCP Credit Trust may not be fully hedged and distributions received on the Portfolio may not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent OCP's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to OCP Credit Trust and therefore the Fund if OCP's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

## **Futures Contracts**

OCP Credit Trust may invest in futures contracts to hedge currency. Futures markets are highly volatile and are influenced by numerous factors, such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events, and changes in rates and prices. In addition, because of the low margin deposits required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the trader. Futures trading may also be illiquid. Certain futures exchanges do not permit trading in particular contracts at prices that represent a fluctuation in price during a single day's trading beyond certain specified limits. If prices fluctuate during a single day's trading beyond those limits (which conditions have in the past sometimes lasted for several days in certain contracts) the trader could be prevented from promptly liquidating unfavourable positions and thus be subject to substantial losses.

## **Interest Rates**

OCP Credit Trust's investments may be subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decline. Conversely, as interest rates decline, the market value of fixed income securities tends to rise. This risk will be greater for long-term securities than for short term securities. Moreover, the risk is mitigated to the extent that the Portfolio consists of assets bearing floating rates of interest, including most syndicated loan facilities.

## **Foreign Market Exposures**

Investments in the Portfolio may, at any time, include investments in issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and US companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or US company. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

## **Reliance on OCP**

Unitholders are dependent on the ability of the Manager to manage the Fund and OCP Credit Trust in a manner consistent with the investment objectives, strategy and restrictions of the Fund. Performance of the investments in the Portfolio will be dependent on the investments chosen by OCP, which provides portfolio management services to the Fund and OCP Credit Trust. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the Fund and OCP Credit Trust will continue to be employed by OCP. OCP does not believe that the loss of any individual would materially and adversely affect its ability to perform its obligations to the Fund and OCP Credit Trust.

## **Liquidity of the Assets in the Portfolio**

Due to restrictions on transfers in loan agreements and the nature of the private syndication of Senior Loans including, for example, the lack of publicly-available information, some Senior Loans are not as easily purchased or sold as publicly-traded securities. Some Senior Loans and other Portfolio investments are very thinly traded or no market for them exists, which may make it difficult for OCP Credit Trust to value them or dispose of them at an acceptable price when it wants to. Direct investments in Senior Loans and, to a lesser degree, investments in Loan Participation interests in, or assignments of, Senior Loans may be limited.

## **Credit Default Swaps**

The buyer of a credit default contract is obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation or entity. Certain credit default contracts may also require the buyer or the seller to make an up-front payment. Generally, a credit event means bankruptcy, failure to pay, cross default/acceleration, obligation acceleration,

repudiation/moratorium or restructuring. OCP Credit Trust may be the seller in a transaction. As a seller, OCP Credit Trust receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation which may have little or no value. The value of credit default contracts may also change over the term of the contract as changes occur in the perceived risk of a credit event with respect to an underlying reference obligation or entity.

In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. Swap contracts have historically not traded on exchanges and are not otherwise regulated, and as a consequence investors in such contracts do not benefit from regulatory protections. The selling of credit default swaps involves greater risks than if OCP Credit Trust had invested in the reference obligation directly. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value. The buyer of credit default swaps will incur a loss if the seller fails to perform on its obligation should a credit event occur. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if deliverable security is unavailable or illiquid in a case where the credit default swaps are not settled by auction.

### **Restrictions on Trading Due to Status**

It is possible that OCP may deem it necessary to seek representation for OCP Credit Trust on the Board of Directors of, or on an official or unofficial creditors' committee for, a distressed company in order to better monitor the financial condition of the distressed company or developments in the proceeding and/or to be in an improved position of advocacy during any negotiations. Such representation could, however, cause OCP Credit Trust to be deemed to be an "insider" or a "fiduciary" of the distressed company or of a creditors' committee, and the ability of OCP Credit Trust to trade in the securities and claims of such company could be restricted. Similarly, in connection with the acquisition of bank debt, OCP Credit Trust may receive confidential information concerning the company prior to making an investment, in which case the ability of OCP Credit Trust to trade securities or claims of such company could be restricted.

### **Fluctuations in Net Asset Value and Market Price of Units**

The NAV and the funds available for distribution will vary according to, among other things, distributions paid on the Units, the value of the Forward Agreement by virtue of the value of the investments that comprise the Portfolio, which depend, in part, upon the performance of the debt security market generally and interest rates. Additionally, external economic forces can affect the competitive strength and profitability of the borrowers of Senior Loans which would significantly affect the value of such Senior Loans. The value of the investments in the Portfolio may be affected by factors beyond the control of OCP.

Units may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that Units will trade at a price equal to the NAV per Unit. Units of closed-end investment trusts frequently trade at a discount from their net asset value, which creates a risk of loss for investors when they sell units purchased in the initial public offering. This characteristic is a risk separate and distinct from the risk that the value of loans held in the Portfolio could decrease as a result of the investment activities with respect to the Portfolio. The NAV will be reduced by any costs associated with any borrowings or other leverage transactions. Whether Unitholders will realize gains or losses upon a sale of Units will depend not upon the NAV but entirely upon whether the market price of Units at the time of sale is above or below the Unitholder's purchase



price for the Units. The market price of the Units will be determined by factors in addition to NAV such as relative supply of and demand for the Units in the market, general market and economic conditions, and other factors beyond the control of OCP. OCP cannot predict whether the Units will trade at, below or above NAV or at, below or above the initial public offering price.

### **Counterparty Risk**

The Fund is exposed to the credit risk associated with the Counterparty. The Counterparty may be the issuer of securities in the Portfolio or may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund or OCP Credit Trust. Depending on the value of the Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty will default on its obligations under the Forward Agreement or that the proceeds from the sale of securities acquired under the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of securities acquired under the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of OCP Credit Trust or the Counterparty and the Counterparty is not responsible for the returns of the Portfolio. In addition, the Fund's recourse to the Counterparty will be limited to that of a general unsecured creditor. There is also a risk that the Fund will not be able to enter into a new forward agreement on commercially reasonable terms following the Forward Termination Date and therefore the Fund may be terminated at such time.

In addition OCP Credit Trust is exposed to the credit risk of the provider of the TRS Facility which may or may not also be the Counterparty. Depending on the amount drawn under the TRS Facility, the exposure of OCP Credit Trust to the credit risk of the provider of the TRS Facility could be substantial.

### **Status of the Fund for Securities Law Purposes**

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

### **High-Yield Securities**

OCP Credit Trust may make investments in "high-yield" bonds that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities.

In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities.

High-yield securities that are rated BB or lower by Standard and Poor or Ba or lower by Moody's Investor Services Inc. are often referred to in the financial press as "junk bonds" and may include securities of issuers in default. "Junk bonds" are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to

economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

### **Debt Obligations of Stressed Issuers**

OCP Credit Trust may invest in debt and equity securities and derivatives thereon, accounts and notes payable, loans, private claims and other financial instruments and obligations of non-investment grade and troubled companies which may result in significant returns to OCP Credit Trust, but which involve a substantial degree of risk. OCP Credit Trust may lose its entire investment in a troubled company, may be required to accept cash or securities with a value less than its investment and may be prohibited from exercising certain rights with respect to such investment. Troubled company investments may not pay current interest and may not show any returns for a considerable period of time. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Troubled company investments may be adversely affected by state, provincial and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation.

Some troubled companies in the United States may take advantage of the Chapter 11 reorganization process, often a lengthy and contentious process, seeking to achieve a consensual reorganization. In order to achieve a consensual plan and expedite distributions, secured and other senior debt holders may agree to allocate value, which would otherwise be allocated to them on a strict priority basis, to junior creditors who would not otherwise be entitled to such value or even anything at all. If this occurs, secured and other senior creditors may receive smaller distributions than they would otherwise be entitled to under a strict priority plan, although the present value of the reduced distributions could exceed the present value of full distributions made some years later.

On the other hand, in some circumstances, holders of senior claims are unwilling to forego their absolute priorities. Senior claim holders may attempt to have their plan of reorganization approved by using the "cram down" process described below despite the risk of protracted litigation and the consequent delay in receiving distributions. A proposed plan of reorganization will be confirmed by a bankruptcy court, if, among other things, every class of creditors accepts the plan. A class of creditors has accepted a plan if at least two-thirds in amount and more than one-half in number of the allowed claims of voting creditors in such class vote to accept the plan. Acceptance by a class binds each creditor in such class. A proposed plan of reorganization will be confirmed despite the rejection by one or more dissenting classes if at least one class of creditors has accepted the plan and the plan provides that all remaining classes are dealt with based on the seniority of their claims, with each class to be paid in full before the next junior class of creditors are paid anything. In this "cram down" scenario, to the extent that the Fund holds claims that are junior to those of any dissenting class or classes, it could realize little or nothing on such claims.

The market prices of such instruments issued by troubled companies are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

OCP Credit Trust may have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to OCP Credit Trust of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which OCP Credit Trust may invest, there is a potential risk of loss by OCP Credit Trust of its entire investment in such companies. In connection with such transactions (or otherwise), OCP Credit Trust may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when OCP Credit Trust enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

### **Risks Related to Redemptions**

The purpose of the annual redemption right is to prevent Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to their NAV, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable NAV and the discounted market price at which they purchased their Units.

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under “Redemptions – Suspension of Redemptions”.

Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

### **Potential Conflicts of Interest**

The Manager and its directors and officers and its affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the assets held by OCP Credit Trust.

Although officers, directors and professional staff of the Manager will devote as much time to the Fund and OCP Credit Trust as is deemed appropriate to perform their duties, the staff of the Manager may have conflicts in allocating their time and services among the Fund, OCP Credit Trust and the other funds and assets managed by the Manager.

## **Residency of the Manager**

The Manager is resident outside Canada and all or a substantial portion of its assets are located outside Canada. As a result, anyone seeking to enforce legal rights against it may find it difficult to do so.

## **Changes in Legislation**

There can be no assurance that income tax, securities and other laws or the interpretation and application of such laws by courts or governmental authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders or the taxation of the Fund or Unitholders generally.

## **Taxation of the Fund**

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

The SIFT Rules will apply to a mutual fund trust that is a SIFT trust. The Fund will not be a SIFT trust for the purposes of these rules because it will not hold any “non-portfolio property” (as defined in the Tax Act). If the SIFT Rules were to apply to the Fund, they may have an adverse impact on the Fund including on the distributions received by Unitholders.

## **Treatment of Proceeds of Disposition**

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains and losses on the disposition of securities in the Canadian Securities Portfolio acquired under the Forward Agreement as capital gains and losses and the Fund has made the election under the Tax Act to treat each of its “Canadian securities” as defined in subsection 39(6) of the Tax Act as capital property. No advance income tax ruling has been requested or obtained from CRA regarding the timing or characterization of the Fund’s income, gains or losses. If, contrary to advice of counsel for the Fund and the Agents, whether through the application of the general anti-avoidance rule or as a result of a change of law, or otherwise, the acquisition of the Canadian Securities Portfolio securities under the Forward Agreement were a taxable event or if gains realized on the sale of the Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced. The Federal Budget tabled in Parliament on March 21, 2013 by the Minister of Finance (Canada) proposes to amend the Tax Act to tax as ordinary income (rather than as capital gains) gains and losses realized on property acquired or sold under certain derivative forward agreements. These changes are generally applicable to agreements entered into on or after March 21, 2013. As proposed, these changes will not apply to gains or losses realized by the Fund on the disposition by the Fund of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement, since the Forward Agreement was entered into prior to the Budget Date. There can be no assurance that these Tax Proposals will not be amended such that they apply to the Forward Agreement. The Manager will review these Tax Proposals to determine their application, if any, to the Fund and Unitholders.

## U.S. 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), (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 Units are not regularly traded on an established securities market, 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. It is expected, however, that the Units will be regularly traded on an established securities market and, therefore, the Fund will not be required to request such information from any Holder. In addition, regardless of whether the Units are regularly traded on an established securities market, 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 Units 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. However, depending on future guidance provided by the IRS, a portion of payments made with respect to the securities in the Fund’s portfolio may constitute a non-US source payment that will be subject to withholding under FATCA after December 31, 2016. 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 Units, including the

potential future release of an intergovernmental agreement between the United States and Canada to implement the provisions of FATCA.

### **Not a Trust Company**

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

### **Nature of Units**

The Units are neither fixed income nor traditional equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.



### **ADDITIONAL INFORMATION**

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements. These documents and other information, such as information circulars and material contracts are available by visiting the website at [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). You can also obtain copies of these documents at no cost by calling us at 1-877-260-4055, or from your dealer or by email at [info@ocpfunds.com](mailto:info@ocpfunds.com).