

CANADIAN INCOME MANAGEMENT INC.

2010 ANNUAL INFORMATION FORM

March 25, 2011

TABLE OF CONTENTS

1.	SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION.....	1
2.	NAME, FORMATION AND HISTORY	1
3.	INVESTMENT OBJECTIVES AND RESTRICTIONS.....	4
4.	DESCRIPTION OF THE SECURITIES OFFERED	4
5.	VALUATION OF PORTFOLIO SECURITIES	6
6.	PURCHASES AND SWITCHES.....	7
7.	REDEMPTION OF SECURITIES	9
8.	RESPONSIBILITY FOR CORPORATE OPERATIONS	9
9.	AUDITOR.....	12
10.	CONFLICTS OF INTEREST.....	12
11.	FUND GOVERNANCE	13
12.	FEES AND EXPENSES	16
13.	INCOME TAX CONSIDERATIONS	17
14.	MATERIAL CONTRACTS	19
15.	LEGAL AND ADMINISTRATIVE PROCEEDINGS	20
16.	RISK FACTORS	20

CANADIAN INCOME MANAGEMENT INC.

1. SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form may contain forward-looking information relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate”, “may” and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. By its nature, forward-looking information requires us to make assumptions which include, among other things that (i) Canadian Income Management Inc. (the “Corporation”) will have sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by Sentry Select Capital Inc. (“Sentry” or “Sentry Investments”), (iii) Canadian Income Management Limited Partnership’s (the “Partnership”) portfolio will have sufficient assets to enable the Corporation to meet its obligations pursuant to the Debenture Indenture (as defined below) as they come due in 2012, and (iv) the markets will react and perform in a manner consistent with the Partnership’s investment strategies. Forward-looking information is subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking information will not prove to be accurate. We caution readers of this Annual Information Form not to place undue reliance on our forward-looking information as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking information.

Actual results may differ materially from management’s expectations as projected in such forward-looking information for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Corporation may invest and the risks detailed from time to time in the Corporation’s prospectus dated January 30, 2006 (the “Prospectus”). We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking information to make decisions with respect to investing in the Corporation, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking information. Due to the potential impact of these factors, the Corporation and Sentry do not undertake, and specifically disclaim, any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable law.

2. NAME, FORMATION AND HISTORY

The Corporation was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) (“ABCA”) on July 20, 2005 under the name 1182863 Alberta Ltd. On October 7, 2005, the Corporation changed its name to Canadian Income Management Inc. The Corporation was inactive from incorporation until its initial public offering (the “Initial Offering”) of unsecured subordinated debentures (the “Debentures”) on February 21, 2006. The Debentures trade on the Toronto Stock Exchange (the “TSX”) under the symbol CAI.DB.

The Corporation acquired, with the proceeds of the Offering (as defined below), 100% of the preferred partnership units (the “Preferred Partnership Units”) of the Partnership and 1% of the Partnership’s residual partnership units (the “Residual Partnership Units”). The Partnership was created on February 21, 2006 as a limited partnership under the laws of the Province of Alberta pursuant to a partnership agreement (the “Partnership Agreement”). The Corporation is the general partner (the “General Partner”) of the Partnership. Both Canadian Income Management Trust (the “Trust”) and the Corporation are the limited partners (the “Limited Partners”) of the Partnership.

The Preferred Partnership Units provide a preferred return in order to assist the Corporation to pay interest of 7.0% on the principal amount of its outstanding Debentures plus the costs and expenses incurred by the Corporation, including the management fee payable to Pro-Vest Financial Management Inc. (“Pro-Vest”).

The Corporation has retained Pro-Vest to manage the Partnership on behalf of the Corporation. Pro-Vest, in turn, has retained Sentry to provide investment management and advisory services (the “Investment Manager”) to the Corporation pursuant to the terms of an investment management agreement dated February 21, 2006, as subsequently amended (the “Investment Management Agreement”). Sentry is beneficially controlled by the controlling shareholder of Pro-Vest.

Sentry (in its role as administrator, the “Administrator”) provides management, administrative and other services to the Corporation pursuant to the terms of a corporation administration agreement dated February 21, 2006, as subsequently amended (the “Corporation Administration Agreement”) Prior to January 1, 2009 Sentry Select Capital Corp. (“SSCC”) provided such management, administrative and other services to the Corporation.

The Corporation’s business office is 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4. The fiscal year end of the Corporation is December 31.

The Corporation completed the Initial Offering on February 21, 2006 in conjunction with the Trust with the issuance of 307,700 bundled units (individually, a “Bundled Unit”), at a price of \$130 per Bundled Unit, for total gross proceeds of \$40,001,000. Each Bundled Unit consisted of \$100 principal amount of Debentures, 15 units of the Trust (individually, a “Unit”) and 15 Unit purchase warrants of the Trust.

On March 30, 2006, the Corporation and the Trust completed a second closing of 33,636 Bundled Units (the “Second Offering”) for total gross proceeds of \$4,376,210.

On April 27, 2006, the Corporation and the Trust issued an additional 37,591 Bundled Units for total gross proceeds of \$4,933,819 pursuant to the exercise by the offering agent of its over-allotment option (the “Over-allotment Offering”) (the Initial Offering, the Second Offering and the Over-allotment Offering, collectively the “Offering”).

On November 22, 2007, the Corporation announced that the TSX had accepted its notice of Debt Substantial Issuer Bid (“DSIB”) pursuant to which the Corporation offered to purchase up to the total amount of its issued and outstanding Debentures at a price of \$80 (plus any accrued but unpaid interest) per \$100 face value of each Debenture (the “Offer”). The Offer was intended to

provide liquidity to the holders of Debentures (“Debentureholders”) and was open for acceptance on December 27, 2007 from 10:00 a.m. EST until 12:00 p.m. EST. On December 27, 2007, 75,979 Debentures with a face value of \$7,597,000 were repurchased by the Corporation and cancelled for a total amount of \$6,081,226, including commissions. The repurchase was funded through a redemption of 75,979 Preferred Partnership Units for redemption proceeds of \$6,081,226. The leverage level will fluctuate as the market value of the securities held by the Partnership from time to time (the “Portfolio”) changes, with the leverage increasing or decreasing with an increase or decrease in the market value of the Portfolio.

On December 17, 2008, the Corporation announced that the TSX had accepted a second DSIB to purchase up to 100% of its total amount of issued and outstanding Debentures at a price of \$60 (plus any accrued but unpaid interest) per \$100 face value of each Debenture (the “Second Offer”). The Second Offer was made through the facilities of the TSX and was open for acceptance on January 21, 2009 from 10:00 a.m. EST to 12:00 p.m. EST. The Second Offer was intended to provide liquidity to the Debentureholders. Debentures with a face value of \$4,282,900 were repurchased by the Corporation and cancelled for a total amount of \$2,594,308, including commissions and accrued interest. The repurchase was funded through a redemption of 42,829 Preferred Partnership Units for redemption proceeds of \$2,594,308.

On October 9, 2008, the Corporation announced that due to market volatility and the leveraged component of the Partnership, if the Debentures were to mature on that date, the Partnership could repay approximately \$87 of the principal amount per Debenture. However, if the Debentures were to have matured on March 24, 2011, the Corporation would have repaid \$100 of the principal amount per Debenture.

On January 1, 2009, the Corporation announced that SSCC had assigned the Investment Management Agreement to Sentry.

On November 12, 2009, the Corporation announced that the TSX had accepted a third DSIB to purchase up to 100% of its total amount of issued and outstanding Debentures at a price of \$87.50 (plus any accrued but unpaid interest) per \$100 face value of each Debenture (the “Third Offer”). The Third Offer was made through the facilities of the TSX and was open for acceptance on December 18, 2009 from 10:00 a.m. EST to 12:00 p.m. EST. The Third Offer was intended to provide liquidity to the Debentureholders. Debentures with a face value of \$8,607,787 were repurchased by the Corporation and cancelled for a total amount of \$7,831,692, including commissions and accrued interest. The repurchase was funded through a redemption of 86,077 Preferred Partnership Units for redemption proceeds of \$7,831,692.

On September 8, 2010, the Corporation announced that the TSX had accepted a fourth DSIB to purchase up to 100% of its total amount of issued and outstanding Debentures at a price of \$96.00 (plus any accrued but unpaid interest) per \$100 face value of each Debenture (the “Fourth Offer”). The Fourth Offer was made through the facilities of the TSX and was open for acceptance on October 14, 2010 from 10:00 a.m. EST to 12:00 p.m. EST. The Fourth Offer was intended to provide liquidity to the Debentureholders in light of the Investment Manager’s view held at the time and presently that the current and anticipated future yield environment in respect of income and royalty trusts would/will raise difficulties in meeting the interest obligations of the Debentures and the repayment obligations upon maturity. Debentures with a face value of \$101,000 were repurchased by the Corporation and cancelled for a total amount of \$99,212

including commissions and accrued interest. The repurchase was funded through a redemption of 1,010 Preferred Partnership Units for redemption proceeds of \$99,212.

3. INVESTMENT OBJECTIVES AND RESTRICTIONS

The Corporation's investment objectives are to:

- (a) provide the Debentureholders with interest payments at a rate of 7.0% per annum payable semi-annually in arrears on June 30 and December 31 in each year;
- (b) preserve and potentially enhance the value of the Portfolio in order to repay the Debentures at the maturity of the Debentures on August 31, 2012;
- (c) pay to Pro-Vest the expenses payable by the Corporation as general partner of the Partnership pursuant to the partnership management agreement between Pro-Vest and the Corporation (the "Partnership Management Agreement");
- (d) pay to the Administrator the fees payable by the Corporation pursuant to the Corporation Administration Agreement; and
- (e) pay all other expenses and liabilities of the Corporation.

Pursuant to the Debenture Indenture (as defined below), the Corporation may not change its business or change its investment objectives from the foregoing. Further, the Corporation may not dispose, directly or indirectly, any of its interest in the Partnership.

4. DESCRIPTION OF THE SECURITIES OFFERED

The Corporation's authorized share capital consists of an unlimited number of common shares with no par value (the "Common Shares"). At December 31, 2010, there were 100 Common Shares outstanding. As at December 31, 2010, there were 174,042 Debentures outstanding.

Common Shares

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. Pro-Vest is the sole holder of the issued and outstanding Common Shares of the Corporation.

Rights, Restrictions, Conditions and Limitations

Each Common Share entitles its holder to receive notice of and to attend all meetings of the shareholders of the Corporation and to one vote at such meetings. The holders of Common Shares are, at the discretion of the board of directors of the Corporation and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the Common Shares. The holders of Common Shares are entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among its shareholders for the purpose of winding up its affairs. Accordingly, if any assets of the Corporation remain in the Corporation

following the dissolution of the Partnership and the repayment of the Debentures on the maturity date, such assets will be available for distribution to the holders of the Common Shares of the Corporation upon the liquidation or winding-up of the Corporation.

Debentures

Debentures were issued pursuant to a debenture indenture between the Corporation and Computershare Trust Company of Canada (the “Debenture Trustee”) dated as of February 21, 2006, amended and restated on May 17, 2006 and further amended as of May 24, 2006 (the “Debenture Indenture”). Debentures bear interest at 7.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year. The Debentures mature on August 31, 2012.

The Debentures are direct obligations of the Corporation and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to other liabilities of the Corporation as described below.

Payment Upon Maturity

At maturity, Debentureholders will be entitled to repayment of the indebtedness represented by the Debentures in an amount equal to the outstanding principal together with accrued and unpaid interest thereon.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the full and final prior payment of all Senior Indebtedness of the Corporation. “Senior Indebtedness” of the Corporation is defined in the Debenture Indenture as all indebtedness, liabilities and obligations of the Corporation (excluding the Debentures), whether outstanding at the date of the Debenture Indenture or thereafter, created, incurred or assumed, or for which it is liable in respect of any guarantee, indemnity, suretyship or joint and several liability, and renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations unless in each case it is prohibited by the terms of the instrument creating or evidencing such indebtedness, liability or obligations, that such indebtedness, liabilities or obligations are *pari passu* with or subordinate in right of payment to the Debentures.

Voting

There are no provisions associated with the Debentures that entitle debt holders to voting rights, except in that the Debenture Trustee or the Corporation may at any time and from time to time, and the Debenture Trustee shall, on receipt of a written request of the Corporation or a written request signed by the holders of not less than 10% of the principal amount of the Debentures then outstanding and upon receiving funding and being indemnified to its reasonable satisfaction by the Corporation or by the Debentureholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders.

5. VALUATION OF PORTFOLIO SECURITIES

As the Corporation is invested in the Partnership, the following discussion regards the Partnership.

In this part, “Trust Indenture” means the trust indenture dated November 9, 2005 and amended and restated as of February 21, 2006 and as further amended as of May 24, 2006, October 18, 2006 and May 18, 2007; and “Trustee” means initially Computershare Trust Company of Canada and its successors as provided in the Trust Indenture, in its capacity as trustee under the Trust Indenture.

The following rules shall apply to the valuation of the securities comprising the Portfolio and all other assets of the Partnership (the “Partnership Property”):

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Trustee determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Trustee determines to be the fair value thereof;
- (b) bonds, debentures, notes, money market instruments and other debt securities shall be valued by taking the bid price at 4:15 p.m. (Calgary Time) on the last Business Day (as defined in the Prospectus) of a calendar quarter (the “Valuation Time”);
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the sale price applicable to a board lot last reported at the Valuation Time on the principal stock exchange on which such security is traded or if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and ask price rather than the last quoted price;
- (d) on the last Business Day of a calendar quarter (the “Valuation Date”), any security that is listed or dealt in on a stock exchange shall be valued at the volume weighted average trading price of that security during the three consecutive trading days ending on the Valuation Date on the principal stock exchange on which such security is traded on such date or, if no trading takes place on such dates, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the last bid and ask price rather than the last quoted closing price;
- (e) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers’ commissions and other expenses, shall be treated as a liability of the Partnership;
- (f) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;

- (g) Restricted Securities (as defined in National Instrument 81-102 – *Mutual Funds*, or any successor policy rule or national instrument), as it may be amended from time to time, shall be valued at the lesser of:
 - (i) the value thereof based on reported quotations of such Restricted Securities in common use; and
 - (ii) that percentage of the market value of securities of the class or series of a class of which the Restricted Securities form part that are not Restricted Securities equal to the percentage that the Partnership’s acquisition cost was of the market value of such securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the Restricted Securities will cease to be Restricted Securities;
- (h) if any date on which net asset value (“NAV”) of the Trust is determined is not a Business Day, then the securities comprising the Portfolio and the other Partnership Property will be valued as if such date were the preceding Business Day;
- (i) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Trustee to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Trustee shall make such valuation as it considers fair and reasonable;
- (j) the value of all assets of the Partnership quoted or valued in foreign currency, the value of all funds on deposit and contractual obligations payable to the Partnership in foreign currency and the value of all liabilities and contractual obligations payable by the Partnership in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV of the Trust is determined; and
- (k) estimated operating expenses of the Partnership shall be accrued to the date as of which the NAV of the Trust is being determined.

For the purposes of the foregoing rules, quotations may be obtained from any report in common use, or from a reputable broker or other financial institution, provided always that the Trustee shall, in circumstances where such quotations are not available or the Trustee is of the opinion that they do not accurately reflect the value of the assets of the Partnership, retain sole discretion, acting reasonably, to use such information and methods as it deems necessary or desirable for valuing the assets of the Partnership, including the use of a formula computation.

6. PURCHASES AND SWITCHES

Book-Entry System for Debentures

Except as described below, the Debentures will be issued in “book-entry only” form and must be purchased or transferred through a participant (the “Participant”) in CDS Clearing and Depository Services Inc. (“CDS”). On the issuance of Debentures, the Debenture Trustee will

cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by a book-entry only certificate. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a “Beneficial Owner”) will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser’s interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the agent or other registered dealer from whom Debentures are purchased.

Neither the Corporation nor Canaccord Capital Corporation as agent, will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Corporation to CDS.

As indirect holders of Debentures, Debentureholders should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the “Debenture Certificates”) only if: (a) required to do so by applicable law; (b) the book-entry only system of CDS ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Corporation is unable to locate a qualified successor; (d) the Corporation, at its option, decides to terminate the book-entry only system through CDS; (e) after the occurrence of an Event of Default (as defined in the Debenture Indenture), Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture; or (f) the Corporation and the Debenture Trustee agree to issue a certificate or other instrument evidencing the interest of a Beneficial Owner in a Debenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture

Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as debentureholders under the Debenture Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Corporation and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal and the interest due, at maturity will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal and interest due, at maturity will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Debenture Indenture.

7. REDEMPTION OF SECURITIES

At maturity, the Trust will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures which have matured together with accrued and unpaid interest thereon.

The Corporation may, from time to time, offer to repurchase outstanding Debentures through the TSX.

8. RESPONSIBILITY FOR CORPORATE OPERATIONS

General

Pursuant to the Corporation Administration Agreement, the Administrator provides management, administrative and other services to the Corporation. The Administrator was incorporated on May 5, 2008. Prior to January 1, 2009, SSCC was the administrator of the Corporation. SSCC was incorporated on March 20, 1986. The Administrator is responsible for providing or arranging for required administrative services to the Corporation including, without limitation: authorizing the payment of interest on the Debentures and, at maturity of the Debentures, the repayment of the Debentures, authorizing the payment of operating expenses incurred on behalf of the Corporation; preparing financial statements and financial and accounting information as required by the Corporation; ensuring that Debentureholders are provided with financial statements (including unaudited semi-annual and audited annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Corporation complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Corporation's reports to Debentureholders and the Canadian securities regulatory authorities; and negotiating contractual agreements with third party providers of services, including registrars, transfer agents, auditors and printers.

Pursuant to the terms of the Corporation Administration Agreement, the Corporation pays for all costs and expenses incurred by the Administrator in connection with the management and administration of the Corporation. All fees and expenses are paid in cash. In addition, the Administrator and each of its directors, officers, employees and agents will be indemnified by the Corporation 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 Administrator or any of its officers, directors, employees or agents in the exercise of its duties

under the Corporation Administration Agreement, if they do not result from the Administrator's wilful misconduct, bad faith, negligence or breach of its obligations under the Corporation Administration Agreement and the Corporation has reasonable grounds to believe that the action or inaction that gave rise to the claim was in the best interests of the Corporation.

Directors and Officers

The name, municipality and province of residence of each of the applicable directors, applicable officers and senior management of the Corporation and their principal occupations at, or within the five years preceding the date of this Annual Information Form, are as follows:

Name, Municipality and Province of Residence	Office	Principal Occupation for the Last Five Years
JOHN F. DRISCOLL Toronto, Ontario	Chairman, President, Chief Executive Officer and Director	Chairman, Chief Executive Officer and Director, Sentry since January, 2011. Chairman, President, Chief Executive Officer and Director, Sentry from May, 2008 to January, 2011. Chairman, President, Chief Executive Officer and Director, SSCC since January, 2004. President and Chief Executive Officer, NCE Resources Group since September, 1990.
JACK F. MCOUAT, P.ENG. Toronto, Ontario	Director	Retired Businessman since 2004; prior thereto, President of Watts, Griffis & McOuat Limited (a mining consulting firm).
FRANK POTTER Toronto, Ontario	Director	Chairman, Emerging Market Advisors Inc. (consulting firm).
RICHARD ZARZECZNY Stouffville, Ontario	Director	President of Canadian Enerdata Limited (an energy and economic consulting firm).
RICHARD D'ARCHIVIO Vaughan, Ontario	Chief Financial Officer, Vice-President and Treasurer	Chief Financial Officer, Vice-President and Treasurer, Sentry since May, 2008. Chief Financial Officer, Vice-President and Treasurer, SSCC since January, 2008. Vice-President, Finance, SSCC from July, 2005 to December, 2007. Senior Manager, Deloitte & Touche LLP (accounting firm) from June, 2002 to July, 2005.

Name, Municipality and Province of Residence	Office	Principal Occupation for the Last Five Years
RYAN CAUGHEY Toronto, Ontario	Corporate Secretary	<p>General Counsel and Corporate Secretary, Sentry since January, 2009.</p> <p>Associate General Counsel and Corporate Secretary, Sentry from May, 2008 to January, 2009.</p> <p>Corporate Secretary, SSCC since January, 2009.</p> <p>Associate General Counsel and Corporate Secretary, SSCC from January, 2008 to January, 2009.</p> <p>Corporate Secretary and Legal Counsel, SSCC from December, 2006 to January, 2008.</p> <p>Legal Counsel, SSCC from July, 2006 to December, 2006.</p> <p>Lawyer, Osler, Hoskin & Harcourt LLP (law firm) from September, 2003 to June, 2006.</p>

Notes:

- (a) The term of office of all directors will expire on the date of the next annual meeting of holders of Common Shares of the Corporation. Currently, Pro-Vest holds 100% of the Common Shares of the Corporation.
- (b) Peter N. Thomson Sr. resigned from his position as a director effective November 30, 2010.

None of the directors and officers of the Corporation or their associates own, directly or indirectly, any Common Shares of the Corporation other than John F. Driscoll, who, indirectly, holds all (100%) of the outstanding shares of Pro-Vest, which holds all (100%) of the outstanding Common Shares of the Corporation.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or promoter of the Corporation has, within the last 10 years, been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

Penalties or Sanctions

No director, officer or promoter of the Corporation, within the last 10 years, has been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Conflicts of Interest

Directors and officers of the Corporation may, from to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict may arise.

Compensation of Executive Officers and Directors of the Corporation

The executive officers of the Corporation are not paid any compensation for acting in such capacity.

Each director of the Corporation receives a quarterly retainer of \$5,000 (\$20,000 per annum). In addition, each director of the Corporation also receives a fee of \$1,000 for each regularly scheduled meeting of the board of directors attended and \$1,500 for each special meeting of the board of directors attended. Directors are also reimbursed for all reasonable expenses incurred in order to attend meetings.

9. AUDITOR

The auditors of the Corporation are Deloitte & Touche LLP, Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2V1.

10. CONFLICTS OF INTEREST

Principal Debentureholders

The Administrator is 100% controlled by John F. Driscoll, Chairman, President, Chief Executive Officer and director, and members of his family.

As at March 25, 2011, CDS & CO. was the holder of record of 100% of the outstanding Debentures.

To the knowledge of the Administrator, as at March 25, 2011, no person beneficially owned, either directly or indirectly, or exercised control or direction over, more than 10% of the outstanding Debentures.

To the knowledge of the Administrator, as at March 25, 2011, the directors and senior officers of the Administrator beneficially owned, in the aggregate, directly or indirectly, less than 10% of the outstanding Debentures.

To the knowledge of the Administrator, as at March 25, 2011, the members of the Corporation's Independent Review Committee ("IRC") beneficially owned, in the aggregate, directly or indirectly, less than 10% of the outstanding Debentures.

Conflicts of Interest

The management and administration services of Sentry under the Corporation Administration Agreement are not exclusive and nothing in the Corporation Administration Agreement prevents Sentry from providing similar management and administrative services to other trusts and other clients (whether or not their investment objectives and policies are similar to those of the Corporation) or from engaging in other activities. Investments in securities purchased by Sentry on behalf of the Corporation and other investment funds or trusts managed by Sentry (collectively, the “Other Accounts”) will be allocated to the Corporation and the Other Accounts managed by Sentry on a *pro rata* basis according to the size of the order and the applicable investment restrictions and policies of the Corporation and the Other Accounts.

Any question or matter arising before the Administrator that may involve or create a conflict of interest or potential conflict of interest, or a related party transaction with Sentry, or any of its affiliates, as determined solely by the board of directors of Sentry, shall only be passed by a resolution of the board of directors. Notwithstanding the foregoing, if any securities laws come into effect dealing with the independent review of conflicts of interest for investment funds then the Corporation will conform to such securities laws instead of the foregoing.

11. FUND GOVERNANCE

Independent Review Committee

The Corporation’s IRC, established pursuant to National Instrument 81-107 - *Independent Review Committee for Investment Funds*, has three members. The IRC reviews conflict of interest matters referred to it by the Administrator, including any related policies and procedures, and provides recommendations or approvals, as applicable, to the Administrator regarding whether the proposed action of the Administrator in respect of a conflict of interest matter achieves a fair and reasonable result for the Corporation. With respect to certain conflict of interest matters, the IRC may also issue standing instructions. The Administrator is not required to refer a conflict of interest matter nor its proposed action to the IRC if the Administrator complies with the terms of a standing instruction that is in effect.

The Corporation’s IRC is currently comprised of the following members: Michael Gourley (Chair), David Gavsie and Marie Rounding. The Chair of the IRC receives \$50,000 per annum, and each other member of the IRC receives \$40,000 per annum, as compensation for their services. In addition, each member of the IRC is paid \$1,500 for each IRC meeting that he or she attends. This compensation is in connection with their services for all investment funds managed by Sentry, including the Corporation. For the financial year of the Corporation ended December 31, 2010, the aggregate amount of fees and expenses paid to members of the IRC for all investment funds managed by Sentry was \$188,524.56.

Exercise by Corporation of Voting Rights Attached to Limited Partnership

Pursuant to the Debenture Indenture, the Corporation has covenanted not to vote, or cause to be voted, the preferred units of the Partnership and the residual units of the Partnership, held by the Corporation (the “Limited Partnership Units”) to authorize:

- (a) any change in the investment restrictions contained in the Partnership Agreement as described under “Investments of the Partnership”;
- (b) any change in the basis of calculating fees or other expenses that are charged to the Partnership, which could result in an increase in charges to the Partnership other than a fee or expense charged by a person or company that is at arm’s length to the Partnership, the Trust and the Corporation and their respective affiliates;
- (c) a change of the investment manager of the Partnership, other than a change resulting in an affiliate of such person assuming such position;
- (d) a change in the auditors of the Partnership;
- (e) an amendment, modification or variation in the provisions or rights attaching to the Limited Partnership Units;
- (f) the termination of the Partnership Management Agreement for reason other than Pro-Vest committing a material breach of its obligations under the Partnership Management Agreement and such default has not been cured within 30 days after notice of same has been given to Pro-Vest or the investment manager retained by Pro-Vest to provide investment advisory services to the Partnership pursuant to the Partnership Management Agreement committing a material breach of its obligations under the Investment Management Agreement and such default has not been cured within 30 days after notice of same has been given to such investment manager;
- (g) the termination of the Investment Management Agreement for reason other than the Investment Manager committing a material breach of its obligations under the Investment Management Agreement (including the Investment Manager ceasing to be authorized to act as an investment adviser under the *Securities Act* (Alberta)) and such default has not been cured within 30 days after notice of same has been given to the Investment Manager;
- (h) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of the Partnership, other than a transaction as a result of which the Partnership has the same, or substantially similar, interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization;
- (i) any amalgamation, arrangement, merger or other transaction, as the case may be, of the Partnership with any other entity;
- (j) the dissolution or termination of the Partnership prior to August 31, 2012; or
- (k) any material amendment to the Partnership Agreement in a manner which may be prejudicial to a holder of Residual Partnership Units or Preferred Partnership Units;

without approval by Debentureholders by an Extraordinary Resolution (as described in the Debenture Indenture).

Governance of the Administrator

The Administrator has adopted a Code of Ethics for Personal Investing to ensure the fair treatment of the Trust and their investors when applicable “access persons” make personal trades.

Senior management of the Administrator and internal compliance staff monitor compliance with all internal policies and procedures which are reviewed and updated at least annually.

Senior management ensures that the investment management activities of the Trust comply with the Trust’s investment objectives and restrictions at quarterly meetings with portfolio managers. At these meetings, portfolio holdings, performance, concentration and other risk measures are discussed in addition to the compliance with objectives and restrictions. Day-to-day monitoring of the Trust is undertaken by the Risk and Compliance team in conjunction with Sentry’s Investment Committee (the “Investment Committee”, which consists of the Chief Investment Officer, the senior portfolio managers and representatives of the compliance and legal departments). Derivative transactions on behalf of the Trust may be initiated only by authorized investment personnel approved by the Investment Committee who ensure that these individuals have the necessary proficiency to use derivatives. Derivative positions will be monitored daily to ensure compliance with all regulatory requirements, including cash cover requirements. As any use of derivatives by the Trust will be limited, the Administrator will not conduct simulations to test the portfolio under stress conditions. Senior management will also review any use of derivatives at the quarterly meetings with the Investment Department.

The Administrator has no policies to monitor, detect or deter short-term trades in Debentures and/or Units.

The Audit Committee of the board of directors of the Corporation consists of three directors who are independent of management of the Corporation.

Other Service Providers

SSCC provides certain day-to-day administrative services to the Administrator pursuant to an administrative services agreement dated January 1, 2009. The members of the board of directors of SSCC are John F. Driscoll (Chairman), H. Garfield Emerson, Hon. Michael A. Meighen, N. Frank Potter, Simon B. Scott and Donald J. Worth.

Proxy Voting Guidelines

Sentry’s proxy voting guidelines can be summarized as follows:

Sentry believes the right to vote is one of the most effective tools for promoting good corporate governance. Promoting sound corporate governance policies in the companies in which Sentry invests is a responsibility it takes very seriously. Sentry sees strong corporate governance as an

essential element in the realization of growth potential of companies which, ultimately, increases shareholder value.

Sentry has developed guidelines to illustrate how it intends to vote on both routine issues and on issues that are not routine and, in fact, may be potentially contentious. Generally, Sentry attempts to vote all proxies:

- on routine, or commonly raised issues, the portfolio manager for the investment fund will usually vote according to management's recommendations. This standing policy will be deviated from if Sentry believes there is sufficient and worthy reason to suspect that the management recommendation should not be supported in that it is not in the best interests of the shareholders of that particular company.
- on non-routine issues, and issues which may be potentially contentious, the matter is delegated to the portfolio manager for the investment fund for further consideration and, if necessary, the matter will be directed to the Investment Committee. At that time, the issue is reviewed in detail. It is then the Investment Committee's decision on whether to consult with, and obtain the opinion of, external industry experts or independent proxy research services. Ultimately, the Investment Committee is responsible for making the judgment as to how to vote or to refrain from voting.

Sentry's proxy voting guidelines are not viewed by it as a strict set of rules but, rather, are utilized as guidance regarding Sentry's treatment of most issues that result in a vote. Ultimately, these guidelines communicate Sentry's general voting practice on most matters.

The policies and procedures that Sentry follows when voting proxies relating to securities in the Portfolio are available on request, at no cost, by calling 1-888-730-4623 or by writing to Sentry Investments, 130 King Street West, The Exchange Tower, Suite 2850, Toronto, Ontario, M5X 1A4.

Sentry's proxy voting record for the most recent period ended June 30, 2010 is available free of charge to any Debentureholder upon request at any time. The information is also available on the Internet site of Sentry at www.sentry.ca.

12. FEES AND EXPENSES

Pursuant to the terms of the Corporation Administration Agreement, the Corporation will pay for all costs and expenses incurred by the Administrator in connection with the management and administration of the Corporation.

Pursuant to the terms of a Partnership Management Agreement, Pro-Vest was initially entitled to a fee payable by the General Partner for its own account at an annual rate equal to 2.0% of the NAV of the Partnership as determined by Pro-Vest, acting reasonably. This fee was reduced to 1.5% effective July 1, 2006, and suspended until further notice effective January 1, 2007. Effective June 11, 2008, the management fees payable to Pro-Vest for management services

provided to the Partnership under the terms of the Partnership Management Agreement, were partially reinstated to 0.75% of the NAV of the Partnership per annum.

Pursuant to the terms of the Investment Management Agreement, the Investment Manager, is entitled to a fee payable by Pro-Vest. The Investment Manager is also responsible for providing or arranging certain administrative services relating to the Partnership on behalf of Pro-Vest. For the purposes of determining these fees the NAV of the Partnership is determined before deducting the preferred units of the Partnership, which for accounting purposes meets the definition of a liability.

13. INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Considerations

The following summary fairly describes, as of the date hereof, the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “Tax Act”) relating to the holding and disposition of Debentures generally applicable to an individual Debentureholder (other than a trust) who, at all relevant times and for purposes of the Tax Act is a resident in Canada, holds Debentures as capital property and deals at arm’s length, and is not affiliated, with the Corporation.

Generally, Debentures will constitute capital property to a Debentureholder unless such Debentures are held in the course of carrying on a business or have been acquired in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Debentureholders whose Debentures might not otherwise qualify as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Debentures, and any other “Canadian security” (as defined in the Tax Act) owned in the taxation year in which the election is made and all subsequent taxation years, deemed to be capital property. Debentureholders who do not hold their Debentures as capital property should consult their own tax advisors.

This summary is based upon the provisions of the Tax Act in force as of the date hereof and, based on publicly available published materials, on the current administrative policies and assessing practices of the Canada Revenue Agency (“CRA”), all in effect as of the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”). There is no assurance that the Proposed Amendments will be enacted in the form announced or at all. This summary does not otherwise take into account or anticipate any changes in the law, whether by judicial, regulatory or legislative decision or action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations. This summary is of a general nature only and is not intended to be legal or tax advice to any particular Debentureholder. Debentureholders should consult their own tax advisors for advice with respect to the income tax consequences of the acquisition, holding and disposition of Debentures based on their personal circumstances, including the application

and effect of the income and other tax laws of any country, province, territory, state or local tax authority.

Taxation of Debentureholders

Interest on Debentures

A Debentureholder will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Debentureholder in that taxation year (depending upon the method regularly followed by the Debentureholder in computing income), except to the extent that the interest was included in the Debentureholder's income for a preceding taxation year. In addition, although the Debentures will generally not be "investment contracts" (as defined in the Tax Act) in relation to a Debentureholder, if at any time a Debenture should become an "investment contract" in relation to a Debentureholder, such Debentureholder will be required to include in computing income for a taxation year any interest that accrues to the Debentureholder on the Debenture to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Debentureholder's income for that year or a preceding year.

A transferor of a Debenture will generally be required to include as interest, and not as proceeds of disposition, the amount of accrued but unpaid interest on such Debenture at the time of transfer except to the extent such amount was otherwise included in the transferor's income. The computation of the amount of such interest on a transfer of Debentures is complex, and in some circumstances unclear. Sellers or transferors of Debentures should consult their own advisors regarding the tax consequences applicable to them.

Redemption or Repayment of Debentures

If the Corporation redeems a Debenture prior to maturity or repays a Debenture upon maturity, the Debentureholder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Debentureholder (other than the amount received as or in lieu of unpaid interest) on such redemption or repayment. The Debentureholder may realize a capital gain or capital loss computed as described below under "Other Dispositions of Debentures".

Other Dispositions of Debentures

A disposition or deemed disposition by a Debentureholder will generally result in the Debentureholder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Debentureholder's adjusted cost base thereof and any reasonable costs of disposition.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will generally be excluded in computing the Debentureholder's proceeds of disposition of the Debenture.

Taxation of Capital Gains and Losses

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

Eligibility of Investment

Provided that the Debentures are listed on the TSX (or other designated stock exchange), the Debentures will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

Notwithstanding the foregoing, provided that the holder of a tax-free savings account does not hold a significant interest (as defined in the Tax Act) in the Trust or any person or partnership that does not deal at arm’s length with the Trust within the meaning of the Tax Act, and provided that such holder deals at arm’s length with the Trust within the meaning of the Tax Act, the Debentures will not be prohibited investments for a trust governed by such tax-free savings account. Debentureholders should consult their own tax advisors in this regard.

14. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Corporation since its incorporation to the date hereof which can reasonably be regarded as presently material to the issuer are the following:

1. the Partnership Agreement dated February 21, 2006 as amended;
2. the Investment Management Agreement dated February 21, 2006;
3. the Partnership Management Agreement dated February 21, 2006 as amended;
4. the Debenture Indenture dated February 21, 2006 as amended; and
5. the Corporation Administration Agreement dated February 21, 2006 as amended.

Copies of the foregoing agreements may be inspected during business hours on any Business Day at the business office of the Corporation upon reasonable prior notice and are available on SEDAR at www.sedar.com.

15. LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no legal proceedings or regulatory actions to which the Corporation is a party or to which any of its property is subject which are material to the Corporation, and the Corporation is not aware of any such proceedings which are contemplated or pending.

16. RISK FACTORS

An investment in Debentures is subject to certain risk factors, including, but not limited to, the following:

Risks Related to the Partnership

Performance and Availability of Income Funds

The value of the Portfolio will vary according to the value of the Income Fund securities in which the Partnership invests, which will depend, in part, upon the performance of the issuers of such securities. The value of the Portfolio will also depend on the availability of Income Funds (as defined in the Partnership Agreement) suitable for investment, as a number of Income Funds have converted to other corporate structures as tax rules came into effect for Income Funds in 2011. Additionally, external economic forces can affect the competitive strength and profitability of the businesses represented by these securities which would significantly affect the value of such securities. The amount of distributions available for payment by the Partnership to the Corporation and the Trust will depend in part on the amount of distributions paid by the issuers of the securities held by the Partnership in the Portfolio. The Partnership cannot predict when or if distributions on such securities will be made.

Real Estate Investments

The Partnership's investment in real estate investment trusts ("REITs") are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors.

The value of a real property and any improvements thereto may also depend on the credit and financial stability of the tenants. A REIT's income and funds available for distributions to its unitholders would be adversely affected if a significant number of tenants were to become unable to meet their obligations to the REIT or if the REIT was unable to lease a significant amount of available space in its properties on economically favourable lease terms.

Commodity Price and Currency Fluctuations

The operations and financial condition of oil and gas trusts in which the Partnership may invest and, accordingly, the amount of distributions paid on their securities will be dependent on, among other things, prices applicable to oil and gas. Prices for oil and gas may vary and are determined by supply and demand factors, including weather and general economic and political

conditions and other conditions or circumstances beyond the control of the issuers of these securities. A decline in oil and gas prices could have an adverse effect on the operations and financial condition of such issuers and the value of, and amount of distributions paid on, their securities. In addition, energy prices are denominated generally in U.S. dollars. Accordingly, a decrease in the value of the U.S. dollar against the Canadian dollar could reduce the amount of distributions paid on such securities.

As the Portfolio may include securities traded in U.S. dollars or other foreign currencies, the cash available for distribution by the Partnership to the Corporation and the Trust, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar.

Composition of Portfolio

The composition of the Portfolio taken as a whole may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Portfolio being less diversified than anticipated.

Foreign Market Exposure

The Portfolio may, at any time, include securities of issuers established in jurisdictions outside Canada. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian issuers, some issuers outside Canada or the U.S. may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian issuer.

Investments Restrictions

Changes to the asset value of the Portfolio may require the Partnership to sell investments to comply with its investment restrictions. Such sales may be required to be consummated at prices which may adversely affect the value received and the resulting value of the Partnership's total assets.

Reliance on the General Partner

The Corporation and the Trust are entirely dependent on the General Partner, the Administrator, Pro-Vest and the Investment Manager with respect to the management and administration of all matters relating to the Partnership. The loss of the services of key individuals who currently comprise the directors and officers of the Administrator, the General Partner and Pro-Vest and the management team of the Investment Manager could have a detrimental effect on the Partnership.

The General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners (the Corporation and the Trust) against losses, liabilities, expenses and damages suffered if the Limited Partner's respective liabilities are not limited as provided in the Partnership Agreement, provided that the loss of limited liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the

performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. However, such indemnity will apply with respect to losses in excess of the agreed capital contribution of the Limited Partner and the amount of this protection is limited by the extent of the net assets of the General Partner and such assets may not be sufficient to fully cover any actual loss. The General Partner has, and is expected to have, only nominal assets and, therefore, the indemnity of the General Partner may have nominal value.

Possible Loss of Limited Liability and Liability for Return of Capital

Maintenance of the limited liability of a Limited Partner requires compliance with certain legal requirements in jurisdictions in which the Partnership will operate and there is a risk that Limited Partners could lose their limited liability in certain circumstances.

Where a Limited Partner has received a distribution from the Partnership, such Limited Partner may be liable to return to the Partnership or, if the Partnership is dissolved, to its creditors any amount, not in excess of the amount distributed to such Limited Partner with interest, as may be necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before such distribution.

Management Services

The management services of Pro-Vest under the Partnership Management Agreement and of Sentry under the Investment Management Agreement will not be exclusive and nothing in the Partnership Management Agreement or the Investment Management Agreement will prevent Pro-Vest or Sentry from providing similar management services to other partnerships, corporations, investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Partnership) or from engaging in other activities.

Risks Specifically Related to the Debentures

Payment of Interest and Principal

Although the Corporation intends to make timely payments of interest and principal on the Debentures, there is no guarantee that the Corporation will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The actual amount of cash which the Corporation will be able to utilize to pay principal and interest on the Debentures will depend on various factors, including income received from the Partnership on the Corporation's interest in the Partnership and the other liabilities of the Corporation, including the amounts payable to Sentry pursuant to the Partnership Management Agreement and the Corporation Administration Agreement.

Market Price of Debentures

The market value of the Debentures will be dependent on various factors, including income received from the Partnership on the Corporation's interest in the Partnership which is represented by the Residual Partnership Units and the Preferred Partnership Units, the underlying assets and liabilities of the Partnership and the ability of the Partnership to effect long-term

growth in the value of the Portfolio. The market price of the Debentures is sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and currency fluctuations. Changes in market conditions may adversely affect the trading price of the Debentures.

Prior Ranking Indebtedness; Absence of Covenant Protection; Credit Risk

The Debentures are subordinate to all Senior Indebtedness of the Corporation and to trade creditors of the Corporation. The Debentures are also effectively subordinate to claims of creditors of the Corporation's subsidiaries except to the extent the Corporation is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

The Debentures are unsecured obligations of the Corporation. Therefore, if the Corporation becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Corporation's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its Senior Indebtedness and liabilities to trade creditors in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.

The Debenture Indenture will not limit the ability of the Corporation to incur additional debt or liabilities (including Senior Indebtedness) or to repay its debt and other liabilities. The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Corporation and its creditworthiness.

Reliance on Corporation and Sentry

Debentureholders are dependent on the Corporation and Sentry with respect to the management and administration of all matters relating to the Corporation. The loss of the services of key individuals who currently comprise the directors and officers of the Corporation and the management team of Sentry could have a detrimental effect on the Corporation.

Management and Administrative Services

The management and administration services of Sentry under the Corporation Administration Agreement are not exclusive and nothing in the Corporation Administration Agreement prevents Sentry from providing similar management services to other corporations and other clients (whether or not their investment objectives are similar to those of the Corporation) or from engaging in other activities.

Investment Management Agreement

If Pro-Vest fails to fulfill its obligations under the Partnership Management Agreement, Debentureholders may be unable to recover the resulting damages from Pro-Vest as Pro-Vest does not have significant assets. If the Investment Manager fails to fulfill its obligations under the Investment Management Agreement, Debentureholders will be dependent upon Pro-Vest to sue the Investment Manager as the Investment Manager's direct contractual relationship is with Pro-Vest, not the General Partner.

Stability Rating

The Corporation does not have a stability rating and has no current plans to apply for a stability rating.

Risks Specifically Related to the Structure of the Trust

Nature of Units

The Units do not represent a traditional investment and should not be viewed as “shares” in the Trust or the Partnership. The Units represent a fractional interest in the Trust. 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. The Trust’s sole assets are the Trust Partnership Interest (as defined in the Prospectus) and its share in Canadian Income Management CIM Limited (“Trust Opco”) a corporation that has been delegated certain powers of the trustee of the Trust pursuant to the Trust Indenture. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of the *Canada Deposit Insurance Corporation Act* or any other legislation.

Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Distributions

Although the Trust intends to make distributions to Unitholders from the net income of the Trust (net of administrative and certain other expenses described herein), these cash distributions are not assured. The actual amount distributed will depend on various factors, including income received from the Partnership on the Trust Partnership Interest.

Market Price of Trust Securities

The market value of the Trust Securities (as defined in the Prospectus) will be a function of anticipated income from the Partnership on the Trust Partnership Interest, the underlying assets and liabilities of the Partnership and the ability of the Investment Manager to effect long-term growth in the value of the Portfolio. The market price of the Trust Securities is sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and currency fluctuations. Changes in market conditions may adversely affect the trading price of the Trust Securities.

Other Investment Considerations

There is no assurance that an investment in the Trust will earn any positive return in the short or long term.

Redemptions and purchases of Units will reduce the cash available for distribution to Unitholders.

Reliance on Trust Opco and Sentry

Unitholders are entirely dependent on Trust Opco and Sentry with respect to the management and administration of all matters relating to the Trust. The loss of the services of key individuals who currently comprise the directors and officers of Trust Opco and the management team of Sentry could have a detrimental effect on the Trust.

Management and Administrative Services

The management and administration services of Sentry under the Trust Administration Agreement (as defined in the Prospectus) are not exclusive and nothing in the Trust Administration Services Agreement prevents Sentry from providing similar management services to other trusts and other clients (whether or not their investment objectives are similar to those of the Trust) or from engaging in other activities.

Trust's Status Under Tax Laws

Income tax laws may in the future be changed or interpreted in a manner that adversely affects the Corporation or the Debentureholders.

Status of Income Funds in the Portfolio under Tax Laws

There can be no assurance that Canadian Federal income tax laws and administrative policies respecting the treatment of Income Funds will not be changed in a manner that has a material adverse effect on the investment returns from and value of Income Funds within the Portfolio.

Stability Rating

The Trust does not have a stability rating and has no current plans to apply for a stability rating.

Redemption

Cash payments for Units surrendered for redemption are subject to limitations and any notes in lieu of a cash payment will not be listed on any stock exchange and no market is expected to develop for such notes.

Other Risks

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation and Trust Opco will be subject in connection with the business and operations of the Corporation and the Trust whose operations may, from time to time, be in direct competition with those of the Corporation or the Trust or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation or the Trust. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the

director shall disclose his interest in such contract or agreement and shall refrain from voting of any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

The management services of Sentry under the Partnership Management Agreement, the Corporation Administration Agreement and the Trust Administration Agreement are not exclusive and nothing in such agreements prevents Sentry from providing similar management services to other partnerships, corporations, investment funds, trusts and other clients (whether or not their investment objectives and policies are similar to those of the Partnership, the Corporation or the Trust) or from engaging in other activities. Investments in securities purchased by the Investment Manager on behalf of the Partnership and other partnerships, corporations, investment funds or trusts managed by the Investment Manager will be allocated to the Partnership and such other partnerships, corporations, investment funds or trusts on an equitable basis, taking into account such factors as the size of the order and the applicable investment restrictions and policies of the Partnership and the other partnerships, corporations, investment funds or trusts. Such considerations may result in the allocation of such investments among the Partnership and such other partnerships, corporations, investment funds or trusts on other than a *pari passu* basis.

Certain directors of the Investment Manager are insiders of certain Income Funds and, as such, may from time to time have knowledge of undisclosed material information with respect to such Income Funds. The Investment Manager has implemented and maintains policies and procedures to prevent any such director from making or influencing investment decisions made by the Investment Manager and to prevent the transmission of such information to those officers and employees of the Investment Manager who make or participate in making such investment decisions including those made on behalf of the Partnership.

CANADIAN INCOME MANAGEMENT INC.

Additional information about the Corporation is available in the Corporation's management reports of fund performance and financial statements.

You can get a copy of these documents, including a statement of portfolio transactions, at no cost by calling 1-888-730-4623, or from your dealer or by e-mail at info@sentry.ca.

These documents and other information about the Corporation, such as information circulars and material contracts, are also available on the Administrator's Internet site at www.sentry.ca or at www.sedar.com.

Sentry Select Capital Inc.

130 King Street West, The Exchange Tower, Suite 2850
Toronto, Ontario
M5X 1A4
Telephone: 1-888-730-4623