



**NOTICE AND MANAGEMENT INFORMATION CIRCULAR
FOR
ANNUAL MEETING OF SHAREHOLDERS**

OF

COVINGTON FUND II INC.

December 1, 2017

COVINGTON GROUP OF FUNDS

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF**

COVINGTON FUND II INC.

NOTICE IS HEREBY GIVEN that an annual meeting (the **%Meeting+**) of the shareholders of Covington Fund II Inc. (the **%Fund+**) will be held at the Novotel Toronto Centre, 45 The Esplanade, Toronto, Ontario, M5E 1W2 on Tuesday, January 16, 2018. The annual meeting of the Fund will be held at 10:00 a.m. (Toronto time) for the following purposes:

- (a) to receive the financial statements for the financial year ended August 31, 2017 for the Fund, together with the auditors report thereon;
- (b) to elect the directors of the Fund for the ensuing year;
- (c) to appoint auditors for the ensuing year and to authorize the directors to fix their remuneration; and
- (d) to transact such further and other business as may properly come before the meeting or any adjournment thereof.

This Notice is accompanied by a form of Proxy and a Management Information Circular which provides particulars of the matters set out in this Notice.

DATED at Toronto December 1, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF
COVINGTON FUND II INC.**

“Terrence B. Kulka”

Terrence B. Kulka
Director

At the Meeting, holders of the Class A Shares and Class B Shares are entitled to one vote per share. Shareholders who are unable to attend the Meeting are requested to complete, sign and return the enclosed form of proxy in the envelope provided for that purpose. In order to be voted, proxies must be received by CI Investments Inc. at CI Place, 15 York Street, 2nd Floor, Toronto, ON M5J 0A3 Attention: Third Party Administration either by mail or by fax at (416) 364-6299 in either case at any time up to 10:00 a.m. (Toronto time) on January 15, 2018 or 24 hours (excluding Saturday, Sunday and holidays) prior to any adjournment(s) of the Meeting.

COVINGTON GROUP OF FUNDS

COVINGTON FUND II INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of Covington Fund II Inc. (the "Fund") to be used at the annual meeting of the shareholders of the Fund (the "Meeting"), which is to be held at the Novotel Toronto Centre, 45 The Esplanade, Toronto, Ontario, M5E 1W2 on Tuesday, January 16, 2018, and at any adjournment or adjournments thereof for the purposes set forth in the Notice of Meeting. The Meeting of the Fund will be held at 10:00 a.m. (Toronto time). It is expected that such solicitation will be primarily by mail; however, proxies may also be solicited by the directors or officers of the Fund by means of telephone, facsimile or in person. The cost of the solicitation of proxies by management will be borne by the Fund. All information set forth herein unless otherwise stated is as at December 1, 2017.

APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors or nominees of management of the Fund. **A shareholder has the right to appoint any other person to represent him or her at the Meeting.** A shareholder may do so by inserting in the blank space provided in the said form of proxy the name of the person, who need not be a shareholder, who he or she wishes to appoint, or by completing another form of proxy and in either case, delivering the completed proxy to CI Investments Inc. at CI Place, 15 York Street, 2nd Floor, Toronto, ON M5J 0A3 Attention: Third Party Administration or by faxing the completed proxy to CI Investments Inc. at (416) 364-6299 at any time up to 10:00 a.m. (Toronto time) on January 15, 2018 or 24 hours (excluding Saturday, Sunday and holidays) prior to any adjournment(s) of the Meeting (the ~~%Deposit Deadline+~~).

Shareholders who are unable to attend the Meeting in person should complete and sign the enclosed proxy and return same in the enclosed envelope to CI Investments Inc. at CI Place, 15 York Street, 2nd Floor, Toronto, ON M5J 0A3 Attention: Third Party Administration or fax same to CI Investments Inc. at (416) 364-6299, in either case before the Deposit Deadline.

A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 148(4) of the *Canada Business Corporations Act* sets out a procedure for revoking proxies by the deposit of an instrument in writing at the registered office of the Fund at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of such Meeting on the day of the Meeting or any adjournment thereof or in any other manner permitted by law.

A shareholder attending a Meeting has the right to vote in person and if he or she does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The Chairman of a Meeting may conduct a vote on any matter by a show of hands of the shareholders and proxy holders present at the Meeting and entitled to vote unless a ballot is demanded by a shareholder present at the Meeting or by a proxy holder entitled to vote at the Meeting. Proxies in favour of management will be voted on any ballot that may be called for and, where instructions are given with respect to a particular matter to be acted upon, such proxies will be voted in accordance with such instructions. **If no instructions are given with respect to the particular matters to be acted upon, such proxies will be voted in favour of the motion described.**

The form of proxy confers discretionary authority in respect of amendments or variations to matters identified in the Notice of Meeting and other matters that may properly come before the Meeting.

At the time of printing this Circular the management of the Fund knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. **However, if other matters that are not known to the management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.**

A simple majority of the votes cast either in person or by proxy is sufficient to pass all the matters specified in the Notice of Meeting. In the case of an equality of votes, the Chairman of the Meeting shall be entitled to a second or casting vote.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Fund consists of an unlimited number of shares as listed below:

Fund	Class of Shares and Series	Authorized Number of Shares	Issued and Outstanding Number of Shares as of December 1, 2017
Covington Fund II Inc.	Class A Series I	Unlimited	10,153,363
	Class A Series II	Unlimited	6,688,975
	Class B	25,000	199
	Class C	Unlimited	Nil

At the Meeting, holders of all classes of shares, other than Class C shares, are entitled to one vote per share.

In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Fund has fixed the close of business on December 1, 2017 as the record date for the purpose of determining shareholders entitled to receive the Notice of Meeting. All shareholders of record as at the close of business on the record date, as specified in a list prepared as of the record date, will be entitled to vote at the Meeting.

At the date of this Circular, to the knowledge of management, no person or company owns of record, and management knows of no person or company who owns beneficially, directly or controls, directly or indirectly, more than 10% of the issued Class A Shares of the Fund. The directors and senior officers of the Fund, as a group, and the directors and senior officers of Covington Capital Corporation (**Covington Capital**) beneficially own, directly or indirectly, less than 1% of the issued and outstanding Class A Shares of the Fund. The Fund has two co-sponsors (the **Co-Sponsors**) who together own all of the issued and outstanding Class B Shares of the Fund: the Canadian Police Association (**CPA**) owns of record and beneficially 100 of the issued and outstanding Class B Shares of the Fund (or 50.3%); and the Association of Canadian Financial Officers (**ACFO**) owns through its wholly-owned subsidiary, ACFO/ACAF Sponsor Corp., 99 issued and outstanding Class B Shares of the Fund (or 49.7%).

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Presentation of Financial Statements

The financial statements for the year ended August 31, 2017 for the Fund and the auditors report thereon, which is contained in the Fund's annual report (the "**Financial Statements**"), will be placed before the Meeting. Copies of the Financial Statements will be sent to those shareholders that have requested to receive them pursuant to securities legislation.

Copies of the Financial Statements and annual and interim reports of fund performance which contain financial information about the Fund may be obtained from Covington Capital at 36 Distillery Lane, Suite 440, Toronto, Ontario M5A 3C4 or by telephoning 416-365-0060 or toll free 1-866-244-4714 or by visiting the website of the Fund at www.covingtonfunds.com or SEDAR at www.sedar.com.

2. Election of Directors

The articles of the Fund (the "Articles") provide that the holders of Class A Shares are entitled, as a class, to elect two (2) directors and the holders of the Class B Shares, are entitled, as a class, to elect the remaining directors. The size of the board has been fixed at seven (7) directors, therefore the holders of the Class B Shares are entitled, as a class to elect five (5) directors and the holders of the Class A Shares are entitled, as a class, to elect two (2) directors.

The board of directors of the Fund (the "Board") presently consists of seven (7) directors. All of the directors are deemed to retire at the Meeting but are eligible for re-election. Management proposes that seven (7) directors be elected at the Meeting for the ensuing year.

The holders of the Class B Shares are the Co-Sponsors of the Fund: the CPA and ACFO. Pursuant to a Co-Sponsor Agreement dated September 2, 2011 between the Co-Sponsors and the Fund (the "**Co-Sponsor Agreement**"), the CPA is entitled to elect four (4) directors. The ACFO is entitled to elect one (1) director. In addition, the ACFO is entitled to one board observer without compensation, other than reasonable expenses.

The management representatives designated in the enclosed form of proxy intend to vote in favour of the nominees whose names are set out below. Management does not contemplate that any of the proposed nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the management representatives designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting or until his or her successor is elected or appointed unless, prior thereto, he or she resigns or his or her office becomes vacant by reason of death or other cause under applicable law.

The Fund has an Audit Committee, a Valuation Committee and a Governance and Policy Review Committee and, if elected, the proposed directors will sit on these Committees as indicated in the following table, which table together with the notes thereto state the names and municipality of residence of such persons, and other positions and offices with the Fund now held by them, their principal occupations or employment, their periods of service as directors of the Fund and the approximate number of Class A Shares of the Fund beneficially owned or over which control or direction is exercised by each of them as of the date hereof. The Fund also has an Investment Committee upon which all of the members of the Board of Directors serve.

Name and Municipality of Residence	Major positions with the Fund	Principal Occupation	Director Since	Class A Shares Beneficially Owned as at December 1, 2017
R. Scott Colbran ^(**) Oakville, Ontario	Chair of Valuation Committee and Director	Company Director. Past President & CEO Look Communications Inc. (1999). Past President & COO, Rogers Cable TV (1996). Past President, MacLean Hunter Cable TV (1994).	2002	614
Milt Isaacs ^(*) ⁽²⁾ Halifax, Nova Scotia	Director	Chairman of the Association of Canadian Financial Officers	2011	Nil
Terrence B. Kulka ^(*) ⁽¹⁾ Ottawa, Ontario	Chair, Audit Committee Member, Valuation Committee Member, Governance & Policy Review Committee Chair and Director	Executive-in-Residence, University of Ottawa, Telfer School of Management.	2008	200
Mike McCormack ^(*) ⁽¹⁾ Toronto, Ontario	Governance & Policy Review Committee Member and Director	President and CEO of the Toronto Police Association. Director, Canadian Police Association.	2014	Nil
Michael Gendron ^(*) ⁽¹⁾ Ottawa, Ontario	Director	Communications Director, Canadian Police Association	2016	Nil
Henry J. Pankratz ^(**) Toronto, Ontario	Chair of Audit Committee, Valuation Committee Member and Director	Corporate Director since retiring as Deputy Chairman of Ernst & Young in 1999.	2003	200
Tom Stamatakis ^(*) ⁽¹⁾ Vancouver, British Columbia	Audit Committee Member, Governance & Policy Review Committee Member and Director	President, Canadian Police Association (2011 - present). President Vancouver Police Association. Director, Canadian Police Association	2011	Nil

(*) Class B Nominee
 (1) CPA Nominee
 (2) AFCA Nominee
 (**) Class A Nominee

Biographical Information for Nominees to the Board

The following is a brief biographical description, including a description of the principal occupations for the last five years of each of the proposed Board nominees:

R. Scott Colbran is a director of the Fund. Mr. Colbran is a long time telecommunications industry executive. He worked for Maclean Hunter Cable TV and was appointed President in 1994. He was also President of Rogers Cable TV and was the Founding President and CEO of Look Communications Inc. Mr. Colbran has also served as an Industry Consultant to a variety of Canada's largest cable, telephone and broadcast companies.

Milt Isaacs is currently the Chairman of the Co-Sponsor to the Fund, the ACFO. Milt is a professional accountant and has over 28 years of employment experience with the federal government as a

Comptroller and most recently as a Chief Finance Officer for the Department of National Defence Fleet Maintenance Facility, Cape Scott. Milt has also worked in private industry in various positions with financial responsibilities. As Chairman of the Co-Sponsor, Milt is actively involved as an advocate for improvements in the financial management framework of the federal government in order to ensure sound financial management of public funds.

Terrence B. Kulka is a director of the Fund. He is currently an Executive-in-Residence at University of Ottawa, Telfer School of Management. Previously, he was the Director of the Executive MBA Program at the Telfer School from 2005 to 2011 where he also taught courses in General Management, Strategy and Corporate Governance. Prior to joining the Telfer School of Management, Mr. Kulka spent 28 years in the telecom and technology sectors. Mr. Kulka obtained his B.A. at Aquinas College in Michigan (1973) and his M.A. (1975) and Ph.D (1980) at McGill University in Montreal.

Mike McCormack is the President and CEO of the Toronto Police Association (October 2009). Mr. McCormack has ultimate oversight of the Toronto Police Association's finances and investments. Mr. McCormack serves on several Toronto Police Association (TPA) Committees including the TPA Bargaining Committee (where he is Chair). Mr. McCormack is responsible for the operational and the strategic direction of the TPA. Mr. McCormack directs and maintains the TPA's public relations program with the media and liaises with all levels of government. Mr. McCormack serves as a Director on the Board of the Canadian Police Association.

Michael Gendron is the Government Affairs Officer for the Canadian Police Association, a position he assumed in 2010. In this role, Michael is responsible for maintaining relationships with Members of Parliament and government representatives. Prior to joining the CPA, Michael served in a variety of positions on Parliament Hill, including as a legislative assistant to a member of the Senate Standing Committee on Banking, Trade and Commerce, as well as the Senate National Finance Committee. For the CPA, Michael also serves as the Association's Communications Officer, where he is responsible for maintaining positive relationships with the National Media corps, and internal communications with the over 200 member associations.

Henry J. Pankratz is a director of the Fund. Mr. Pankratz retired as Deputy Chairman from Ernst & Young in 1999 after serving 38 years with the firm.

Tom Stamatakis is a director of the Fund. He is President of the Canadian Police Association representing over 54,000 front-line police officers across Canada. He has served on the CPA Board since 2003 and in the role of Vice President since 2005. He also serves as President of both the Vancouver Police Union and British Columbia Police Association. He has been a Constable with the Vancouver Police Department for approximately 23 years where he has specialized training and acts as an instructor in the areas of control tactics, crisis negotiation, surveillance, firearms and crowd control.

Pursuant to the requirements of National Instrument 81-107 - *Independent Review Committees for Investment Funds*, the Fund has an independent review committee whose current members are: Henry J. Pankratz (Chair), R. Scott Colbran and Terrence Kulka.

3. Appointment of Auditors

The persons designated in the enclosed form of proxy intend to vote for the reappointment of Ernst & Young LLP, EY Tower, 100 Adelaide Street West, P.O. Box 1, Toronto, Ontario M5H 0B3, as auditors of the Fund and to authorize the directors to fix the auditors' remuneration. Ernst & Young LLP was first appointed as auditors of the Fund at its inception.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The executive officers of the Fund receive no direct compensation or benefits, in cash or otherwise, from the Fund. The services of the Chief Executive Officer and the Chief Financial Officer of the Fund are to be provided at the expense of Covington Capital.

Compensation of Directors

Directors of the Fund are entitled to an annual fee of \$35,000 each (\$50,000 per annum prior to June 1, 2017). No additional fees are paid to the members of any Committees or for attending meetings. All directors are entitled to be reimbursed for expenses incurred in attending meetings of the board of directors or any committee thereof. The compensation paid to the directors for the Fund's most recently completed financial year is summarized below.

Director	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
R. Scott Colbran	46,250	-	-	-	-	-	46,250
Milt Isaacs	46,250	-	-	-	-	-	46,250
Terrence B. Kulka	46,250	-	-	-	-	-	46,250
Mike McCormack	46,250	-	-	-	-	-	46,250
Michael Gendron	46,250	-	-	-	-	-	46,250
Henry J. Pankratz	46,250	-	-	-	-	-	46,250
Tom Stamatakis	46,250	-	-	-	-	-	46,250

Compensation of Independent Review Committee

The Independent Review Committee for the Fund is also the Independent Review Committee of other funds for which Covington acts as the Manager. The members of the Independent Review Committee were paid an annual fee of \$12,500 per annum per member for sitting on the Independent Review Committee as well as a meeting fee of \$1,500 per meeting and, in the case of the Chair, \$2,000 per meeting. The Independent Review Committee expenses paid by a fund are allocated based on that fund's percentage of total net assets under management of the total net assets under management by Covington. In addition, there may be incremental insurance and legal costs involved in operating the Independent Review Committee.

For their services as members of the IRC, the IRC members are paid an annual fee (as set out in the table below) and are reimbursed for their expenses. For the most recently completed calendar year, the IRC members received the following amounts in fees and in reimbursement of expenses, in aggregate for all of the investment funds managed or administered by the Manager or its affiliates:

Director	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Henry J. Pankratz	14,500	-	-	-	-	-	14,500
R. Scott Colbran	14,000	-	-	-	-	-	14,000
Terrence Kulka	14,000	-	-	-	-	-	14,000

The Fund does not have any other compensation plans (including in respect of a termination of employment or a change in responsibilities following a change of control) or any stock option plans for its executive officers or directors.

MANAGEMENT OF THE FUND

Covington Capital Corporation

Covington Capital was established in 1994 to act as manager of Covington Fund I Inc. Since that time Covington Capital has taken on management responsibilities for a number of labour-sponsored investment funds in Ontario. Covington Capital is a wholly-owned subsidiary of RC Capital Management Inc. (**RC Capital**) RC Capital is owned equally by two trusts of which Scott D. Clark and Philip R. Reddon are the sole trustees. The head office of Covington Capital is at 36 Distillery Lane, Suite 440, Toronto, Ontario M5A 3C4.

Officers and Directors

The name, municipality of residence and office of each of the directors and officers of Covington Capital are set out below:

Name and Municipality of Residence	Position with Covington Capital
Scott D. Clark Toronto, Ontario	Director, President and Chief Executive Officer
Philip R. Reddon Burlington, Ontario	Director and Managing Director
Stephen G. Campbell Toronto, Ontario	Chief Financial Officer

Management Agreements

Covington Capital is the manager of the Fund pursuant to an agreement dated September 2, 2011 (the **Management Agreement**) to identify investment opportunities, investigate, structure and negotiate prospective investments, make recommendations, provide certain administrative services, marketing and investor relations services. The Management Agreement provides that Covington Capital is to receive an annual fee of 1.35% of the net asset value of the Fund plus, in certain circumstances, an incentive participation amount (**IPA**).

During the year ended August 31, 2017, total fees (exclusive of HST) of \$1,500,000 were paid or payable along with \$2,045,000 in IPA to Covington Capital pursuant to the Management Agreement.

VenGrowth Contract Amounts

Pursuant to the acquisition by the Fund of the assets of certain VenGrowth funds (the **“VenGrowth Transaction”**) on September 2, 2011, the Fund assumed certain commitments to VenGrowth Capital Management Inc. and its affiliated companies (the **“VenGrowth Managers”**) for the elimination of existing management agreements in connection with the disposal of their business as more fully described in the Fund’s most recently filed annual information form which is available on SEDAR at www.sedar.com.

The structure results in the following payments by the Fund to the VenGrowth Managers: (1) under five separate Conveyance and Assumption Agreements, an amount equal to 1.40% per annum of the net asset value of the Fund paid monthly for 8 years from the closing of the VenGrowth Transaction, (2) Capital maintenance payments of 1.15% or 1.65% per annum paid monthly on account of certain predecessor shares of the VenGrowth funds. These are to reimburse for finance and administration costs paid upfront by the VenGrowth Managers related to sales commission financing and (3) The VenGrowth Managers are also entitled to receive 35% of any IPA until July 2013 and 50% of any IPA, if any, thereafter. Payment of these amounts was approved by shareholders pursuant to the VenGrowth Transaction.

During the year ended August 31, 2016, the VenGrowth Managers were paid or payable the following pursuant to the VenGrowth Contract Amounts: \$1,555,000 under the General Conveyance and Assumption Agreements, \$25,000 for capital maintenance payments and IPA of \$1,769,000.

Fund Administrator

CI Investments Inc. (**“CI”**) provided administration, reporting, shareholder relations and transfer agency services to the Fund pursuant to a fund administrator agreement with the Fund (the **“Fund Administrator Agreement”**). The Fund Administrator Agreement provides that the CI is to receive an annual fee of 0.45% of the net asset value of Fund. The head office of CI is located at 15 York Street, 2nd Floor, Toronto, ON M5J 0A3.

For the year ended August 31, 2017, total fees of \$500,000 were paid or payable to CI pursuant to the Fund Administrator Agreement.

Sponsorship Agreements

On September 2, 2011, the Fund entered into the Co-Sponsor Agreement with the CPA and ACFO with respect to acting as co-sponsors of the Fund and the holding and voting of Class B Shares of the Fund. The Fund pays the Co-Sponsors an aggregate annual fee at the rate of 0.16% of the net asset value of the Fund. The sponsor fee is calculated and paid monthly based on the average net asset value for the month. The Fund pays the CPA and the ACFO 0.05% and 0.11% respectively. A copy of the Sponsorship Agreement is found on SEDAR under the Fund’s profile and is described in the Fund’s most recent renewal prospectus at www.sedar.com.

For the year ended August 31, 2017, total fees of \$55,542 were paid or payable to the CPA and \$122,192 were paid or payable to the ACFO pursuant to the Co-Sponsor Agreement.

GENERAL

Management knows of no other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. HOWEVER, IF ANY OTHER MATTERS WHICH ARE NOT NOW KNOWN TO MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING THE PROXY.

BOARD APPROVAL

The contents and sending of the Notice of Meeting and this Circular have been approved by the directors of the Fund.

**BY ORDER OF THE BOARD OF DIRECTORS OF
COVINGTON FUND II INC.**

"Terrence B. Kulka"

Terrence B. Kulka
Director

DATED at Toronto December 1, 2017