

*No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.*



**ANNUAL INFORMATION FORM**

**DATED AUGUST 21, 2009**

**OFFERING SERIES A, SERIES F, SERIES O AND SERIES P UNITS**

**OF**

**NORTHERN RIVERS CONSERVATIVE GROWTH FUND**  
(the "Fund")

**The Fund and Units of the Fund offered under this Annual Information Form are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.**

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## NAME, FORMATION AND HISTORY OF THE FUND

The Northern Rivers Conservative Growth Fund (the “Fund”) is an open-end unit trust established under the laws of Ontario by a declaration of trust dated August 27, 2007, as amended (the “Declaration of Trust”). Northern Rivers Capital Management Inc. is the trustee of the Fund (the “Trustee”).

Northern Rivers Capital Management Inc. (“we”, “us”, “our”, “NRC” or “Manager”) is also the manager of the Fund.

The Northern Rivers Evolution Fund merged into the Fund on April 30, 2009.

The registered office of the Fund and the Manager is located at Royal Bank Plaza, North Tower, Suite 2000, 200 Bay Street, Toronto, Ontario M5J 2J2. You can contact the Manager by calling us toll free at 1-866-902-7060 or via e-mail to [info@northernriversfunds.com](mailto:info@northernriversfunds.com). Information about the Fund may be obtained on the Manager’s website at [www.northernriversfunds.com](http://www.northernriversfunds.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Unless otherwise indicated herein, information about the Fund which may be obtained on the Manager’s website is not, and shall not be deemed to be, incorporated by reference in this Annual Information Form.

## INVESTMENT RESTRICTIONS AND PRACTICES OF THE FUND

### Investment Restrictions

The Fund is subject to certain standard investment restrictions and practices contained in securities legislation, including National Instrument 81-102 *Mutual Funds* (“NI 81-102”), which are designed, in part, to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. Except as noted below, the Fund is managed in accordance with these restrictions and practices.

The Fund has received an exemption from certain provisions of NI 81-102 to allow the Fund to engage in short selling. A short sale by the Fund involves borrowing securities from a lender which are then sold in the open market. At a future date, the securities are repurchased by the Fund and returned to the lender. While the securities are borrowed, the proceeds from the sale are deposited with the lender and the Fund pays interest to the lender. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund will make a profit on the difference (less any interest the Fund is required to pay the lender). The Fund will engage in short selling only within certain controls and limitations as described herein. Securities will be sold short only for cash and the Fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales will be through market facilities through which those securities are normally bought and sold. Securities sold short by the Fund will be liquid securities, a liquid security is a security that satisfies one of the following conditions; (i) (a) the security is either listed and posted for trading on a stock exchange the issuer of which has a market capitalization of at least CDN\$300 million (or the equivalent), or (b) which the Manager has pre-arranged to borrow for the purpose of such sale, or (ii) is a bond, debenture or other evidence of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the United States of America. At the time securities of a particular issuer are sold short, the aggregate market value of all securities of that issuer sold short by the Fund will not exceed 5% of the net assets of the Fund. The aggregate market value of all securities sold short by a Fund will not exceed 20% of the net

assets of the Fund on a daily marked-to-market basis. The Fund will place a “stop-loss” order with a dealer to immediately purchase for the Fund an equal number of the same securities if the trading price of the securities exceeds 120% (or such lesser percentage as the Manager may determine) of the price at which the securities were sold short. The Fund will deposit Fund assets with the borrowing agent (either the Fund’s custodian or a dealer) as security in connection with the short sale transaction. The Fund will keep proper books and records of all short sales and Fund assets deposited with borrowing agents as security. The Fund will hold “cash cover” (as defined in NI 81-102) in an amount, including the Fund assets deposited with borrowing agents as security in connection with short sale transactions, that is at least 150% of the aggregate market value of all securities sold short by the Fund on a daily marked-to-market basis. No proceeds from short sales by the Fund will be used by the Fund to purchase long positions in securities other than cash cover.

### **REGISTERED PLAN STATUS**

**Investors are encouraged to consult their tax advisors for full details of the tax implications of establishing, contributing to, amending and terminating retirement and savings plans.**

The Fund is a registered investment within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”). As a result, its units are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans (“RESPs”), registered disability savings plans (“RDSPs”) and tax-free savings accounts (“TFSA”) (collectively, “Registered Plans”). However, you may be subject to a penalty tax if the Units are a “prohibited investment” for the purposes of a TFSA as set out in the Tax Act. Unitholders should consult their own tax advisors in this regard.

An investor may establish a Retirement Savings Plan or Retirement Income Fund with CIBC Mellon Trust Company, as trustee for the purpose of purchasing units of the Fund. The Trustee will attend to registration of such plans under the provisions of the Tax Act, and, if applicable, under the provisions of any similar provincial legislation.

Units of the Fund may also be purchased by a self-administered Registered Plan.

No fees are charged for opening, administering or closing a Registered Plan sponsored by us.

### **DESCRIPTION OF UNITS**

The Fund is authorized to issue an unlimited number of units in an unlimited number of series. Series A units, Series F units, Series O units and Series P units have been created and are offered by the Simplified Prospectus. Series A units, Series F units, Series O units and Series P units are collectively referred to in this Annual Information Form as “Units”. At the date of this Annual Information Form, no other series of units is outstanding or offered. Without your consent or notice to you, the Manager may establish additional series of units of the Fund and may determine the rights as between these series. No unit of a series of the Fund has any preference or priority over another unit of the same series of the Fund. All units of each series of the Fund have equal rights and privileges. There is no fixed issue price.

No Unitholder owns any asset of the Fund. Unitholders have only those rights mentioned in this Annual Information Form, the Simplified Prospectus, and the Declaration of Trust. The Trustee may modify, alter, or add to the Declaration of Trust without notice to Unitholders, unless notice or approval of Unitholders is required under applicable law or notice is required under the Declaration of Trust.

Units of each series of the Fund have the following attributes:

1. equal participation in the distribution of net income and net realized capital gains (except in respect of management fee distributions - see Management Fee Distributions);
2. the units have no voting rights except as required by NI 81-102; as the Fund is a trust, there are no annual Unitholders' meetings;
3. on the termination of the Fund, the assets of the Fund will be distributed and all units will share in the remaining value of the Fund;
4. the units have redemption rights;
5. there are conversion rights in limited circumstances;
6. the units cannot be transferred, except in limited circumstances; and
7. the units may be sub-divided or consolidated by the Trustee.

All units are fully paid and non-assessable when issued. Fractions of units may be issued that have the rights, restrictions, conditions, and limitations attaching to whole units in the proportion that they bear to a whole unit, except that a fraction of a Unit does not carry the right to vote. Unitholders can redeem any or all of their units as described under *Redemptions*.

NI 81-102 currently provides that subject to certain exceptions, the following changes cannot be made to the Fund without the consent of Unitholders by a majority of votes cast at a meeting of Unitholders;

1. the introduction of, or a change in the basis of the calculation of, a fee or expense that is charged to the Fund or directly to its Unitholders by the Fund or the Manager in connection with the holding of units, in a way that could result in an increase in charges to the Fund or the Unitholders and the Fund is not at arm's length to the person or company charging the fee or expense;
2. a change in the manager of the Fund unless the new manager is our affiliate;
3. a change in the fundamental investment objectives of the Fund;
4. a decrease in the frequency of calculating the net asset value per unit; or
5. in certain cases, if the Fund undertakes a reorganization with, or transfer of its assets to, another mutual fund or acquires another mutual fund's assets.

At any meeting of Unitholders or a series of Unitholders of the Fund, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name, except meetings at which the holders of another series are entitled to vote separately as a series. Unitholders of the Fund have no rights of ownership in the securities of any fund in which the Fund invests.

#### **CALCULATION OF NET ASSET VALUE AND VALUATION OF PORTFOLIO SECURITIES**

##### **Valuation of Portfolio Securities**

In calculating the net asset value of the Fund, the following valuation principles apply:

- (i) the value of any cash on hand or on deposit or on call, bills and notes, accounts receivable, prepaid expenses, dividends declared or distributions received (or to be received and declared to securityholders of record on a date before the date as of which the net asset value of the Fund is determined), and interest accrued and not yet received shall be deemed to be the full face amount thereof unless the Manager determines that any such call, bill, note, account receivable, prepaid expense, dividend declared or distribution received, or interest accrued is not worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Manager shall deem to be the fair value thereof;
- (ii) short-term investments including notes and money market instruments, shall be valued at amortized cost;
- (iii) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate;
- (iv) the value of any security that is listed or dealt with on a securities exchange shall be the closing sale price (unless it is determined by the Manager that this is inappropriate as a basis for valuation) or, if there is no closing sale price on that exchange, and in the case of securities traded on an over-the-counter (OTC) market, at the average of the closing ask price and the closing bid price or at a price no higher than the closing ask price and no lower than the closing bid price as determined by the Manager. If there are no bid or ask quotations in respect of securities listed on a securities exchange or traded on an OTC market, then a realistic and fair valuation will be made;
- (v) units of each mutual fund in which the Fund invests will be valued at the most recent net asset value quoted by the Trustee or manager of the mutual fund on the Valuation Date;
- (vi) unlisted securities are valued at the average of the most recent bid and asked prices quoted by a recognized dealer in such unlisted securities or such price as the Manager may from time to time determine more accurately reflects the fair value of these securities;
- (vii) restricted securities purchased by the Fund will be valued in a manner that the Manager reasonably determines to represent their fair market value;
- (viii) long positions in clearing corporation options, options on futures, OTC options, debt like securities, and listed warrants shall be at the current market value thereof;
- (ix) where a covered clearing corporation option, option on futures, or OTC option is written by the Fund, the premium received by the Fund will be reflected as a deferred credit that will be valued at an amount equal to the current market value of the clearing corporation option, option on futures, or OTC option that would have the effect of closing the position. Any difference resulting from revaluation will be treated as an unrealized gain or loss on investment; the deferred credit shall be deducted in arriving at the Net Asset Value of the Fund or any Series Net Asset Value per Unit. The securities, if any, that are the subject of a written covered clearing corporation option or OTC option will be valued in the manner described above for listed securities;
- (x) the value of a futures contract, forward contract, or swap will be the gain or loss, if any, that would be realized if, on the Valuation Date, the position in the futures contract, forward contract, or swap, as the case may be, were to be closed out, unless daily limits are in effect, in which case fair value, based on the current market value of the underlying interest, will be determined by the Manager;
- (xi) notwithstanding the foregoing, if securities are inter-listed or traded on more than one exchange or market, the Manager will use the last sale price or the closing bid price, as the case may be, reported on the exchange or market determined by the Manager to be the principal exchange or market for such securities;

- (xii) margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as margin;
- (xiii) other derivatives and margin shall be valued in a manner which the Manager reasonably determines to represent its fair market value;
- (xiv) all other assets of the Fund will be valued in accordance with the laws of the Canadian securities regulatory authorities and in a manner that, in the opinion of the Manager, most accurately reflects their fair value; and
- (xv) the value of any security or other property of the Fund for which a market quotation is not readily available or to which, in the opinion of the Manager, the above principles cannot be applied or for which, in the opinion of the Manager, the market quotations do not properly reflect the fair value of such securities, will be determined by the Manager by valuing the securities at such prices as appear to the Manager to most closely reflect the fair value of the securities. An example of an instance in the last three years where the Manager deviated from its usual valuation practices in order to determine the fair value of the Fund's assets occurred on January 21, 2008, where the Manager reduced the value of all assets trades on U.S. exchanges held in the Fund to account for a significant decrease in value experiences on exchanges globally. The Manager took this action because exchanges in the U.S. were closed for a national holiday.

The value of all assets of the Fund quoted in terms of a currency other than Canadian currency and liabilities payable in currency other than Canadian currency shall be converted into Canadian currency at the prevailing rate of exchange, as nearly as practicable, at the valuation time on the particular valuation date and as quoted by customary counterparties selected by the Manager.

Where the Manager is provided with a value, quotation, estimate or other information related to the value of any property of the Fund by a third party (collectively, "Third Party Data"), the Manager may rely on such Third Party Data and shall have no responsibility or liability, whatsoever, for any loss or damage arising out of or in connection with the Manager's reliance on such Third Party Data.

In the event of any inconsistency between the valuation principles set out above and the provisions of securities legislation, the provisions of securities legislation shall prevail. For greater certainty, if at any time the foregoing rules conflict with the valuation rules adopted under securities legislation, the Manager shall use the valuation rules adopted under securities legislation.

The Declaration of Trust contains details of the liabilities to be included in calculating the price for each unit of the Fund. The liabilities of the Fund include, without limitation, all bills, notes and accounts payable, all administrative or operating expenses payable or accrued, all contractual obligations for the payment of money or property, all allowances authorized or approved by us for taxes (if any) or contingencies and all other liabilities of the Fund. The Manager will determine in good faith whether such liabilities are series expenses or common expenses of the Fund.

On each valuation day, the Manager calculates a separate net asset value for each series of units of the Fund, based on the fair value of the assets in the Fund.

While National Instrument 81-106 - *Investment Fund Continuous Disclosure* requires investment funds, such as the Fund to use their fair value, it does not require investment funds to determine fair value in accordance with the Canadian Institute of Chartered accountants Handbook (the "CICA Handbook"). The Fund calculates the net asset value of the Units on the basis of the valuation principles set forth in this annual information form. Our valuation principles differ in some respects from the requirements of the CICA Handbook. The main difference is that we generally will determine the fair value of securities

traded on a stock exchange by using the closing price on the exchange rather than the bid price for securities traded in an active market as required under the CICA Handbook.

### **Calculation of Net Asset Value**

The purchase and redemption price of Units is based on the net asset value per unit of each series determined after the receipt of a purchase or redemption order. The series net asset value per Unit is calculated using the formula described below on each day that the Toronto Stock Exchange (“TSX”) is open for trading. The net asset value per unit for each series is determined by dividing the total net asset value of each series by the total number of units outstanding of that series. Expenses directly attributable to a series are charged to that series. Fund operating expenses, income, and realized and unrealized capital gains and losses are allocated proportionately to each series based on the relative net assets of each series.

We calculate the net asset value of the Fund and the series net asset value for each Unit of the Fund at the close of trading on the TSX every business day (usually 4 p.m. Eastern Time).

Investment portfolio purchases or sales effected by the Fund will be reflected in the computation of the net asset value of the Fund not later than the first computation of such net asset value made after the date on which such transaction becomes binding.

In calculating the series net asset value per Unit on any Valuation Date, Units to be redeemed on such date shall be included and Units to be issued on such date shall be excluded from such calculation.

The Fund is valued in Canadian dollars.

## **PURCHASES**

### **Purchases**

The Fund currently offers Series A units, Series F units, Series O units and Series P units.

Series A units: Available to all investors via their dealer.

Series F units: Available to investors who participate in fee-based programs through their dealer and whose dealer has signed a Series F agreement with us or to investors who have signed a Series F subscription agreement and are purchasing directly from us.

Series O: Available to investors who make the required minimum investments as determined by the Manager and whose dealer has signed a Series O agreement with us or to investors who have signed a Series O subscription agreement and are purchasing directly from us.

Series P units: Available to investors who make the required minimum investments as determined by the Manager, via the discount division of their dealer and whose dealer has signed a Series P agreement with us.

Series A units of the Fund may be purchased under the initial sales charge option or the low load option. Upon redemption you may have to pay a short-term trading fee if applicable.

You do not pay a sales charge when you purchase Series F units, Series O units or Series P units. Upon redemption, you may have to pay a short-term trading fee, if applicable.

Your dealer will receive different compensation depending upon the purchase option selected by you. See *Dealer Compensation* in the Simplified Prospectus for more information. The fees which you will pay and the time at which you will pay them will vary depending upon the purchase option selected by you. See *Fees and Expenses* in the Simplified Prospectus for more information.

#### ***Initial Sales Charge Option***

The initial sales charge option is available when purchasing Series A units of the Fund. Under the initial sales charge option, you may have to pay a sales charge to your dealer when you buy Series A units. You negotiate this charge with your dealer. The sales charge can be between 0 and 5% of the purchase price, payable to your dealer at the time of purchase. The sales charge you negotiate is deducted from the amount you invest, at the time of purchase, and paid to your dealer. Only the net amount is invested. Upon redemption, you do not pay a deferred sales charge, but you may have to pay a short-term trading fee, if applicable.

#### ***Low Load Option***

The low load option is available when purchasing Series A units of the Fund. Under the low load option, you do not pay a sales charge, but you may have to pay a deferred sales charge if you redeem your Series A units within 3 years of purchasing them. In addition, you may have to pay a short-term trading fee, if applicable.

The fees which you will pay and the time at which you will pay them will vary depending upon the purchase option selected by you. See *Fees and Expenses* in the Simplified Prospectus for more information. Your dealer will receive different compensation depending upon the purchase option selected by you. See *Dealer Compensation* in the Simplified Prospectus for more information.

If you do not choose a purchase option when you buy Series A units, you will be automatically deemed to have chosen the Initial Sales Charge Option.

#### **Processing Orders**

The Unit price on a purchase of Units is based on the Fund's first calculation of the applicable series net asset value for the Units after your purchase order has been received in good order.

If CIBC Mellon Global Securities Services Company receives a completed purchase order on or before 4:00 p.m. Eastern Time on a day that the TSX is open for business or before the TSX closes for the day, whichever is earlier, it will be processed at the series net asset value per Unit on that day. If a purchase order is received after that time, the order will be processed at the series net asset value per Unit calculated on the next business day.

The Fund has the right to accept or reject any purchase order within one business day of receiving the order. If the Fund rejects your order, any amounts received will be returned to your dealer immediately. If your cheque for the purchase of Units is not honoured, we may reverse the purchase order and hold you responsible for any costs involved.

We must receive payment for all purchases within three business days. If the payment and all necessary documents are not received within three business days, securities regulations require us to redeem the securities on the next business day. The proceeds of the redemption will be used to reduce any amount owing to the Fund. Any excess will belong to the Fund. Any shortfall will initially be paid to the Fund by us, but we will be entitled to collect such amount, together with the charges or expenses

incurred, with interest, from the dealer who placed the order. Your dealer has the right to collect these amounts from you.

If you purchase Units of the Fund during a period when the net asset value is suspended, you may either withdraw your purchase order prior to the end of the suspension period or receive the securities based on the series net asset value per Unit first calculated following the end of the suspension period.

## **SWITCHES**

### **Switches Between Series of the Fund**

Switching between series of the Fund is called a reclassification. You can reclassify units of one series of the Fund into units of another series of the Fund if you are eligible for that series. When you reclassify units of the Fund, the value of your investment won't change (except for any fees you pay to reclassify), but the number of units you hold will change. This is because each series has a different unit price. In general, a reclassification is not considered a disposition for tax purposes. No capital gain or loss will result solely as a result of the reclassification. Any redemption of units to pay for a switch fee charged by your dealer, however, will be considered a disposition for tax purposes and may result in a capital gain or loss, which may result in a tax liability. For a further discussion of the tax consequences, see *Income Tax Considerations*. If you bought Series A units under the low load option and you convert or reclassify them to another series, you'll have to pay any deferred sales charge that applies. See *Fees and Expenses Payable Directly by You* in the Simplified Prospectus. If you convert or reclassify from another series to Series A, you will be automatically deemed to have chosen the Initial Sales Charge option. See *Fees and Expenses Payable Directly by You* in the Simplified Prospectus.

## **REDEMPTIONS**

You may redeem your Units at any time so long as redemption rights have not been suspended. A short-term trading fee may apply. A redemption is a disposition for tax purposes and may result in a capital gain or capital loss, which may result in a tax liability. See *Income Tax Considerations* for more details.

The instructions for submitting an order to redeem your Units are contained in the Simplified Prospectus under the heading *Purchases, Switches and Redemptions*.

The unit price which you will receive for your redemption order is based on the applicable series net asset value next calculated after your redemption order has been received in good order. Your redemption request must be in writing. To protect you from fraud, for redemptions above certain dollar thresholds your signature on your redemption request must be guaranteed by a bank, trust company, member of a recognized stock exchange or other organization satisfactory to the Manager.

Your dealer must forward your redemption request on the same day it is received. Whenever possible, a dealer is required to transmit redemption requests by courier, priority post or telecommunications facilities, it is the responsibility of your dealer to transmit orders to us in a timely manner and to assume all associated costs. For security reasons, we may refuse to accept a redemption request sent by you directly through telecommunication facilities.

Redemption requests will be processed in the order in which they are received. The Fund will not process redemption requests specifying a forward date or specific price.

If the right to redeem Units of the Fund is suspended and you make a redemption request during that period, you may either withdraw your redemption request prior to the end of the suspension period or

your Units will be redeemed by the Fund in accordance with the redemption request at the NAV first calculated following the end of the suspension period. See *Redemptions* for more information.

We will pay the redemption proceeds within three business days of receiving all necessary documentation. If all necessary documents are not received by us within ten business days of receiving a redemption request, you will be deemed, in accordance with securities regulations, to repurchase the Units on the tenth business day at the series net asset value per unit calculated that day. The redemption proceeds will be applied to the payment of the issue price of the Units. If the cost to repurchase the Units is less than the redemption proceeds, the difference will belong to the Fund. Any shortfall will initially be paid to the Fund by us. We will be entitled to collect such amount, together with the charges and expenses incurred, with interest, from the dealer who placed the redemption request. Your dealer has the right to collect these amounts from you.

Given the high cost of maintaining accounts of less than \$5,000, the Fund has the right to redeem your Units if the book value of your investment is less than \$5,000. You may be notified that the book value of your Units in the Fund is less than \$5,000 and given 30 days to make an additional investment to increase your investment in the Fund to \$5,000 or more before the redemption is processed.

We may suspend the right to redeem Units of the Fund or postpone the date of payment upon redemption: (i) during any period when normal trading is suspended on any exchange on which securities or specified derivatives are listed or traded which, in the aggregate, represent more than 50% by value or underlying market exposure of the total assets of the Fund without allowance for liabilities and if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) with the prior permission of the Canadian securities regulatory authorities. During any period of suspension there will be no calculation of series net asset value and no Units will be issued or redeemed by the Fund. The calculation of the series net asset value per Unit will resume when trading resumes on the exchange referred to in (i) or with the permission of the Canadian securities regulatory authorities.

## MANAGEMENT OF THE FUND

### The Manager

Pursuant to a management agreement (the “Management Agreement”), the Trustee has appointed the Manager to provide the Fund with all necessary administrative and management services. These services include providing, or arranging for the provision of, investment advice on the purchase and sale of portfolio securities, portfolio management and the calculation of net asset value of the Fund, where necessary. The Manager may provide these services directly or it may retain agents to perform these services.

The Management Agreement continues in effect from year to year unless: (a) the Fund is terminated; (b) the Manager resigns or is deemed to resign due to the fact (i) the Fund has not cured within 30 days a breach of the agreement; or (ii) the Manager becomes bankrupt, ceases to be resident in Canada for the purposes of the Tax Act or no longer holds the necessary licences or registrations to carry out its obligations; or (c) the Manager is removed in accordance with the provisions of the Management Agreement.

The Management Agreement permits the Manager to appoint agents to assist it in performing all necessary services required by the Fund. The Management Agreement may not be assigned by either party without the prior written consent of the other party to the Management Agreement, unless the assignment is to an affiliate of the Manager within the meaning of the *Securities Act* (Ontario).

As the investment manager of the Fund, the Manager is also responsible for the management of all of the portfolio assets of the Fund. This includes providing investment analysis or investment recommendations and making investment decisions.

The names and municipalities of residence of the directors and officers of the Manager, their positions and offices with the Manager, and their principal occupations during the preceding five years, are as follows:

<b>Name and Municipality of Residence</b>	<b>Position and Office with the Manager</b>	<b>Principal Occupation During Preceding Five Years</b>	
Robert Blakely Toronto, Ontario	President and Director	2001 - present	President, Northern Rivers Capital Management Inc. and President of its parent, Likrilyn Capital Corporation
Peter Blaiklock Toronto, Ontario	Vice-President, Secretary/Treasurer and Director	2001 - present	Vice-President, Secretary/Treasurer, Northern Rivers Capital Management Inc. and Executive Vice-President, Secretary of its parent, Likrilyn Capital Corporation
George A.A. Dickson Toronto, Ontario	Director	June 2006 - present  Jan. 2004 - June 2006	Director, Northern Rivers Capital Management Inc.  Retired
Douglas Cunningham Oakville, Ontario	Director	May 2007 - present  1998 - present	Director, Northern Rivers Capital Management Inc.  President, Network Research Inc.
Hugh Cleland Oakville, Ontario	Executive Vice-President, Portfolio Manager	2001 - present	Executive Vice-President, Portfolio Manager, Northern Rivers Capital Management Inc.
Alex Ruus Toronto, Ontario	Vice-President, Portfolio Manager	Oct. 2005 - present  June 2002 - Oct. 2005	Vice President, Portfolio Manager, Northern Rivers Capital Management Inc.  US Equity Manager, Cumberland Private Wealth Management
Scott Laskey Toronto, Ontario	Chief Financial Officer and Chief Compliance Officer	Mar. 2007 - present  Oct. 2005 - Mar. 2007  Apr. 2003 - Oct. 2005	Chief Financial Officer and Chief Compliance Officer  Controller and Chief Compliance Officer, Northern Rivers Capital Management Inc.  Accountant, Ontario Securities Commission

Name and Municipality of Residence	Position and Office with the Manager	Principal Occupation During Preceding Five Years	
Robyn Graham Toronto, Ontario	Vice-President, Sales and Marketing	Apr. 2006 - present  Dec. 2003 - Apr. 2006	Vice-President, Sales and Marketing, Northern Rivers Capital Management Inc.  Vice-President, Institutional Services, Natcan Investment Management Inc.

### Investment Manager

The Manager employs an internal investment manager, Mr. Alex Ruus, who is responsible for making and carrying out all investment decisions. His business experience during the last five years is as follows:

Name and Municipality of Residence	Position and Office with the investment manager	Business Experience During Preceding Five Years	
Alex Ruus Toronto, Ontario	Vice President, Portfolio Manager	Oct. 2005 - present  June 2002 - Oct. 2005	Vice President, Portfolio Manager, Northern Rivers Capital Management Inc.  US Equity Manager, Cumberland Private Wealth Management

### Brokerage Arrangements

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions, are made by the investment manager. In effecting portfolio transactions, the investment manager has a duty to seek best execution. To the extent that the executions and prices offered by more than one dealer or broker are comparable, the investment manager may, in their discretion, choose to effect portfolio transactions with dealers and brokers who provide investment decision-making services to the Fund through the investment manager, as the case may be. For this purpose, investment decision-making services (“Services”) means advice as to the value of securities and the advisability of effecting transactions in securities, analyses and reports concerning securities, portfolio strategy or performance, issuers, industries, or economic or political factors and trends, and data bases or software to the extent they are designed mainly to support those services.

Where the investment objectives and strategies of the Fund and other clients for which the investment manager provides its services are substantially similar and the investment manager has determined to buy or sell the same security for the Fund and for one or more other entities, the orders for all securities will be placed for execution by methods determined by the investment manager to be impartial and fair in order to seek favourable results for all of its clients. Generally, the investment manager pro-rates each client’s participation in an investment opportunity based upon the amount each client otherwise would have invested, taking into consideration each client’s investment portfolio and other factors present at the time.

Since the date of the last annual information form, Services may have been included as part of full-service brokerage services utilized by the investment manager, or provided separately by other service providers for utilization by the investment manager, by the following broker-dealers or service providers in return for an allocation of the total portfolio transactions of the Fund:

Acumen Capital Finance Partners Inc.  
Blackmont Capital Inc.  
BMO Nesbitt Burns Inc.  
Dominick & Dominick LLC  
Dundee Securities Corporation  
FirstEnergy Capital Corporation  
Frazer Mackenzie Limited  
Griffiths Mcburney Corp.  
Jennings Capital Inc.  
J.F. Mackie & Company Ltd.  
Merrill Lynch & Co., Inc.  
M Partners Inc.  
National Bank Financial Inc.  
Orion Securities Inc.  
Paradigm Capital Inc.  
Peters & Co. Limited  
Raymond James Financial Ltd.  
RBC Securities  
Research Capital Corporation  
Sprott Securities Inc.  
TD Securities  
Tristone Capital Inc.  
Wellington West Holdings Inc.

#### **Trustee**

We are the Trustee of the Fund. The Trustee has entered into the Declaration of Trust with respect to the Fund. The date of establishment of the Fund is set out under *Name, Formation and History of the Fund*. The Declaration of Trust may be amended in the manner described under *Description of Units*. No payments or reimbursements have been made by the Fund to us, as Trustee, up to the date of this Annual Information Form.

#### **Custodian**

The portfolio assets of the Fund are held under the custodianship of CIBC Mellon (“CIBC Mellon” or the “Custodian”) of Toronto, Ontario pursuant to a custodian agreement, as amended from time to time (the “Custodian Agreement”). Under the Custodian Agreement, through CIBC Mellon Global Securities Services Company (“CIBC GSS”) of Toronto, Ontario, CIBC Mellon is responsible for the safekeeping of the property of the Fund delivered to it. The Custodian Agreement may be terminated by either us or CIBC Mellon or CIBC GSS, upon at least 90 days’ written notice to the other or immediately if (i) the other party becomes insolvent, (ii) the other party makes an assignment for the benefit of creditors, (iii) a petition in bankruptcy is filed by or against that party and is not discharged within 30 days, or (iv) proceedings for the appointment of a receiver for that party are commenced and not discontinued within 30 days.

The cash, securities, and other assets of the Fund will be held by CIBC Mellon at its principal office or at one or more of its branch offices or at offices of sub-custodians appointed by the Custodian in other countries. All fees and expenses payable to the Custodian by the Fund will be payable by the Fund.

Where the Fund enters into a short sale or makes use of futures contracts or other derivatives, the Fund may deposit portfolio securities, cash or cash equivalents as cash cover or margin in respect of such transactions with the other party thereto, in any such case in accordance with the policies of the Canadian securities authorities.

**Auditor**

Ernst & Young LLP, Toronto, Ontario are the auditors of the Fund.

**Registrar and Transfer Agent**

CIBC GSS is the registrar and transfer agent of the Fund and maintains the register of Units at its principal office in Toronto, Ontario.

**Other Service Providers**

As Trustee, we have entered into a Fund Administration Services Agreement with CIBC GSS, pursuant to which CIBC GSS has agreed to provide certain services to the Fund, including fund valuation, financial reporting and tax return preparation. This Agreement may be terminated without penalty by us or CIBC GSS on at least 90 days' written notice to the other party or immediately if (i) the other party becomes insolvent, (ii) the other party makes an assignment for the benefit of creditors, (iii) a petition in bankruptcy is filed by or against that party and is not discharged within 30 days, or (iv) proceedings for the appointment of a receiver for that party are commenced and not discontinued within 30 days.

**Independent Review Committee**

In accordance with *National Instrument 81-107 Independent Review Committee for Investment Funds* ("NI 81-107"), the Manager has established an IRC in respect of each of the investment funds managed by the Manager, including the Fund, to which NI 81-107 applies. The IRC acts as an impartial and independent committee to review and, if appropriate, provide approvals or positive recommendations respecting any conflict of interest matters referred to it by the Manager. See *Fund Governance* for further information about the IRC.

**PRINCIPAL HOLDERS OF SECURITIES**

As of August 6, 2009, the only shareholders known to the Manager to own, of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding shares of the Manager are:

<b>Name</b>	<b>Number and Class of Shares</b>	<b>Type of Ownership</b>	<b>Percentage of Class</b>
Likrilyn Capital Corporation	7,600 Common Shares	Of record and beneficial	100%
Hugh C. Cleland	2,515 Class A Shares	Of record and beneficial	70.5%
Alex Ruus	734 Class A Shares	Of record and beneficial	20.6%

As of August 6, 2009, the senior officers of the Manager as a group beneficially owned, directly or indirectly, 100% of the Class A shares of the Manager.

As of August 6, 2009, the Unitholders known to the Manager to own, of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding units of any series of units of the Fund are:

Unitholder	Series	Number of Units Held	Type of Ownership	Percentage of Fund / Series of Units
Likrilyn Capital Corporation	Series F	30,546	Of record and beneficial	24.1%
Investor A*	Series F	16,639	Of record and beneficial	13.2%
Investor B*	Series F	16,092	Of record and beneficial	12.7%
Investor C*	Series F	17,970	Of record and beneficial	14.2%
Investor D*	Series P	3,903	Of record and beneficial	15.8%
Alex Ruus	Series P	3,868	Of record and beneficial	15.7%
Investor E*	Series P	4,766	Of record and beneficial	19.3%
Investor F*	Series P	6,954	Of record and beneficial	28.2%
Investor G*	Series P	3,710	Of record and beneficial	15.0%

\* To protect the privacy of these individual investors, the Manager has omitted the name of the unitholders. This information is available on request by contacting the Manager at the telephone number on the back of this Annual Information Form.

As of August 6, 2009, the directors and senior officers of the Manager as a group beneficially owned, directly or indirectly 3,868 Series P Units (15.7%) of the Fund.

As at August 6, 2009, members of the IRC beneficially owned, directly or indirectly, 19.3% of the Series P Units of the Fund.

## FUND GOVERNANCE

The responsibility for governance of the Fund lies with the Board of Directors of the Manager. A list of these directors is set out under *Management of the Fund - The Manager*. The Board of Directors currently consists of four individuals.

NRC is both Trustee and Manager of the Fund and is ultimately responsible for Fund governance. We have a Policies and Procedures Manual, which both establishes rules of conduct designed to ensure fair treatment of the Fund and its Unitholders and to ensure that at all times the interests of the Fund and its Unitholders are placed above personal interests of employees, officers and directors of the Manager. The objective is not only to remove any potential for real conflict of interest, but also to avoid any perception of conflict. The Policies and Procedures Manual addresses the area of investments, which covers personal trading by employees, conflict of interest, also addresses confidentiality, fiduciary duty, enforcement or rules of conduct and sanctions for violations.

### Policies Regarding Derivatives

The Fund may use specified derivatives, such as options, swaps, futures and forward contracts, to:

- hedge against the losses associated with rising interest rates;

- hedge against the default of particular issuers of a security;
- gain exposure to fixed income and equity instruments without actually investing in them directly (including when owning the derivative investment is more efficient or less costly than owning the fixed income or equity instrument itself);
- reduce the risk of currency fluctuations;
- enhance income; and
- provide downside risk protection against one or more securities.

The Fund may hold money market instruments or cash to meet its obligations under derivatives contracts.

Risk management procedures in connection with the objectives and goals for derivatives trading described above are regularly reviewed by the investment manager for the Fund. The Fund follows the investment restrictions and practices set forth in NI 81-102 with respect to the use of derivatives for hedging and non-hedging purposes. The investment manager for the Fund is responsible for establishing trading limits and other controls on derivatives trading.

Except as described above, there are no other written policies with respect to derivatives use. The risk exposure of the Fund's derivatives trades are not generally independently monitored and the investment manager does not employ risk measurement procedures or simulations to test the portfolios under stress conditions.

### **Short Selling**

The Fund will, from time to time, engage in short selling as described under *Investment Restrictions* on page 1. Written policies and procedures regarding objectives and risk management procedures have been adopted by the Manager. Such policies and procedures have been developed, implemented and monitored by senior management of the Trustee and will be formally reviewed at least annually by the Trustee and its board of directors. The authorization of short selling transactions will be the responsibility of the investment manager with post-trade review conducted by the Manager's compliance department. No risk measurement procedures or simulations are used to test the portfolio under stress conditions.

### **Policies Regarding Proxy Voting**

All securities voting responsibilities in respect of the securities held by the Fund have been assigned to the Manager for the Fund. The Manager is expected to exercise its responsibility in accordance with the best interests of the Fund and the Fund's investors. Generally, the Manager will vote for proposals that enhance the investment value of the relevant security and against proposals that increase the risk level and reduce the overall investment value. The Manager is required to act in the best interests of a Fund in any vote that involves a conflict of interest between the Fund on the one hand, and the Manager, or any affiliate or associate of the Fund or the Manager, on the other hand.

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

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

- (a) the Manager will generally vote with management on routine matters relating to the operation of an issuer that are not expected to have a significant economic impact on the issuer and/or its shareholders unless it is determined that supporting management's position would not be in the best interests of the Unitholders;
- (b) the Manager will review and analyze on a case-by-case basis, non-routine proposals that are more likely to affect the structure or operation of the issuer and to have a greater impact on the value of the investment; and
- (c) the Manager may abstain from voting a proxy if it concludes that (i) the effect on Unitholders' economic interests or the value of the portfolio holding is indeterminable or insignificant or (ii) the cost of voting is disproportionate to the economic impact the vote would have on the security.

The policies and procedures that the Fund follow when voting proxies relating to portfolio securities are available on request, at no cost, by calling us toll-free at 1-866-902-7060 or e-mailing us at [info@northernriversfunds.com](mailto:info@northernriversfunds.com). The Fund's proxy voting record for the most recent period ended June 30 of each year will be available free of charge to any Unitholder of the Fund upon request at any time after August 31 of that year. The Fund's proxy voting record will also be available on our website at [www.northernriversfunds.com](http://www.northernriversfunds.com).

#### **Independent Review Committee**

The Manager has established an IRC in respect of each of the investment funds managed by it, including the Fund, to which NI 81-107 applies. The IRC acts as an impartial and independent committee to review and, if appropriate, provide approvals or positive recommendations respecting any conflict of interest matters referred to it by the Manager. Such approvals or recommendations may be given in the form of standing instructions that are effective on an ongoing basis. Pursuant to NI 81-107, the Manager is required to have policies and procedures relating to conflicts of interest.

Responsibilities of the IRC will include, no less frequently than annually, reviewing and assessing the adequacy and effectiveness of:

- the Manager's policies and procedures relating to conflict of interest matters in respect of the Fund;
- any standing instructions it has provided to the Manager pertaining to conflict of interest matters in respect of the Fund;
- the Manager's and the Fund's compliance with any conditions imposed by the IRC in a recommendation or approval; and
- any subcommittee to which the IRC has delegated any of its functions.

Sue Bochner, Harvey Botting and Paula David are the members of the IRC. Sue Bochner is the chair of the committee. The composition of the IRC may change from time to time, without notice.

#### **Short-Term Trading Policies**

The Manager has adopted certain restrictions to deter short-term trading. For example, the Manager may restrict purchases if an investor engages in such short-term trading. The Manager's

restrictions also include charging a fee of up to 3% of the net asset value of the units of the Fund that are redeemed within 180 days of purchasing them. These fees are payable to the Fund. They are in addition to any deferred sales charge that may apply and will reduce the amount otherwise payable to you on the redemption.

CIBC Mellon, on behalf of the Manager, monitors and detects short-term trading. CIBC Mellon automatically charges a short-term trading fee to any redemption of units that is made within 180 days of the purchase of units of the Fund. The Manager assesses the short-term trading fee charged to an investor on a case-by-case basis and may, at its absolute discretion, reverse a short-term trading fee that has been charged to an investor. The short-term trading fees will not be charged for a redemption of units: (i) acquired through automatic reinvestment of all distributions of net income or capital gains by the Fund; (ii) through the exercise of statutory redemption rights; or (iii) in the absolute discretion of the Manager as described above. For purposes of the short-term trading fee, units will be considered to be redeemed on a first-in first-out basis.

While these restrictions and our monitoring attempt to deter short-term trading, the Manager cannot ensure that such trading will be completely eliminated.

#### **MANAGEMENT FEE DISTRIBUTIONS**

If you make a large investment in the Fund, we may reduce our usual management fee and/or incentive fee if applicable that would apply to the Fund in respect of your investment. In such circumstances we will negotiate a separate agreement with you setting out the basis (such as the size of the investment, the expected level of account activity, your total investment with us, and the competitive rates charged by the industry). An amount equal to the difference in the amount of the management fee and/or incentive fee will be distributed by the Fund to applicable investors as a distribution of additional Units. These are called management fee distributions (a “Management Fee Distribution”). The amount of Management Fee Distributions to certain investors may be increased or decreased from time to time.

#### **DISTRIBUTIONS**

The Fund will distribute sufficient of its annual net investment income and net taxable capital gains as will generally result in no ordinary income tax being payable by the Fund. You may also receive a return of capital as part of your distributions. Distributions from the Fund will be automatically reinvested in additional Units of the same series, unless you (except in the case of a Registered Plan) request in writing that distributions be paid by cheque or deposited into your designated bank account. Distributions from the Fund with respect to Units held in a Registered Plan will automatically be reinvested in additional Units of the same series. Additional Units acquired pursuant to an automatic reinvestment of a distribution will be deemed to be acquired under the same purchase option as the Units to which the distribution was attributable were acquired.

#### **INCOME TAX CONSIDERATIONS**

The following is a fair summary of the principal Canadian federal income tax considerations with respect to the acquisition, ownership and disposition of Units of the Fund generally applicable as at the date of this Annual Information Form to a Unitholder who is an individual (other than a trust) who, for the purposes of the Tax Act, is resident in Canada, is not affiliated with the Fund, deals at arm’s length with the Fund, and holds Units of the Fund as capital property.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and the current published administrative practices and policies of the Canada Revenue Agency (“CRA”) and, except as otherwise noted, also takes into account all specific proposals to amend the Tax Act and

the regulations thereunder publicly announced by, or on behalf of, the Minister of Finance (Canada) (the “Minister”) prior to the date hereof (the “Tax Proposals”). Except for the foregoing, this summary does not take into account or anticipate any changes in law whether by legislative, regulatory, administrative or judicial actions. Furthermore, this summary does not take into account provincial, territorial or foreign income tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor’s particular circumstances including the province or provinces in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

This summary assumes that the Fund is a “unit trust” and a “registered investment” under the Tax Act and will continue to be such at all material times. The Manager has advised that the Fund is a registered investment under the Tax Act and the Manager does not expect this registration to be revoked at any time. The Manager will provide or cause to be provided to each Unitholder transaction statements and annual tax information slips reporting income and net realized capital gains and returns of capital.

This summary is based on the assumption that none of the issuers of the securities held by the Fund are or will be foreign affiliates of the Fund or of any Unitholder and that none of the securities held by the Fund are or will be a “tax shelter investment” within the meaning of the Tax Act.

On October 31, 2003, the Department of Finance released, for public consultation, draft proposed amendments (the “October 31 Proposals”) to the Tax Act that would require, for taxation years commencing after 2004, that there be a reasonable expectation of cumulative profit from a business or property in order for a taxpayer to claim a loss in a particular taxation year from the business or property, and that would make it clear that “profit” for this purpose does not include capital gains. The October 31 Proposals could, among other things, adversely affect a Unitholder who has borrowed funds in connection with the acquisition of Units or the Fund’s ability to claim certain deductions. In the Canadian federal budget tabled in the House of Commons on February 23, 2005 by the Minister, it was announced that the Department of Finance (Canada) would replace the October 31 Proposals with a revised legislative initiative which is to be released for public comment. No such revised initiative has been released to date. This summary does not take into account the effect of the October 31 Proposals on the deduction of interest and other expenses by the Fund and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units and any such Unitholders should consult their own tax advisors in this regard.

### **Taxation of the Fund**

Generally, the Fund is subject to taxation under Part I of the Tax Act in each taxation year on the amount of its income for the taxation year, including net taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. The Manager has advised that the Fund intends to distribute in each year, including by way of management fee distributions, where applicable, sufficient of its net income and net taxable capital gains (computed in Canadian dollars) so that it will not be liable for tax in any year under Part I of the Tax Act (after taking into account all applicable losses), except for any alternative minimum tax for which the Fund may be liable (as described below). The Fund is required to compute its income and gains for tax purposes in Canadian dollars and may therefore realize foreign exchange gains or losses that will be taken into account in computing its income for tax purposes. Capital or income losses incurred by the Fund cannot be allocated to

Unitholders but may, subject to certain limitations under the Tax Act be deducted by the Fund from capital gains or net income realized in subsequent years.

The Fund will be required to include in its income for a taxation year all dividends received in the year on shares of corporations.

Generally, the Fund will include gains and deduct losses on income account in connection with its derivative activities, except where such derivatives are used to hedge investments held on capital account, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

In computing its income for tax purposes, the Fund may generally deduct reasonable administrative and other expenses incurred to earn income. All of the Fund's deductible expenses, including expenses common to all series of the Fund and management fees and other expenses specific to a particular series of the Fund, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

The Fund does not currently qualify as a "mutual fund trust" as defined in the Tax Act. A fund that does not qualify as a mutual fund trust: (a) could be subject to tax under Part XII.2 of the Tax Act; (b) could be subject to alternative minimum tax; and (c) will not be entitled to claim a capital gains refund. Part XII.2 of the Tax Act provides that certain trusts (excluding mutual fund trusts) that have an investor who is a "designated beneficiary" under the Tax Act at any time in the taxation year are subject to a special tax under Part XII.2 of the Tax Act on the trust's "designated income" under the Tax Act. "Designated beneficiaries" generally include non-resident persons, non-resident owned investment corporations, certain trusts, certain partnerships and certain tax-exempt persons in certain circumstances where the tax-exempt person acquires units from another beneficiary. "Designated income" generally includes income from business carried on in Canada (including from derivatives) and from Canadian real estate, timber resource properties and Canadian resource properties, and taxable capital gains from dispositions of taxable resource properties, and taxable capital gains from dispositions of taxable Canadian property. Unitholders who are resident in Canada will be eligible for a tax credit in respect of their proportionate amount of any such tax. The Fund may be subject to alternative minimum tax. To compute income subject to the alternative minimum tax, various adjustments are made to a fund's income, including adjustments with respect to the realized capital gains and dividends from taxable Canadian corporations. Accordingly, such income may affect the Fund's liability for alternative minimum tax. A fund that does not qualify as a mutual fund trust for purposes of the Tax Act is also not entitled to claim the capital gains refund that would otherwise be available to it if it were a mutual fund trust throughout the year. As a consequence, non-redeeming Unitholders of such trusts for a particular taxation year will be allocated and subject to tax on the amount of net realized capital gains that would have otherwise been reduced or refunded as a capital gains refund in respect of redeeming units throughout the year.

#### **SIFT Rules**

Recently enacted amendments to the Tax Act significantly change the income tax treatment of most publicly traded trusts and partnerships (other than certain real estate investment trusts) and distributions or allocations, as the case may be, from these entities to their investors. In particular, certain income earned by these entities is taxed in a manner similar to income earned by a taxable Canadian corporation, and distributions or allocations of such income made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. These distributions or allocations will be deemed to be eligible dividends for the enhanced dividend tax credit if paid or allocated to a resident of Canada. These rules are effective commencing for the 2007 taxation year for trusts and partnerships that commenced public trading after October 31, 2006, but will not commence until the 2011 taxation year for such trusts and partnerships that were publicly traded prior to November

1, 2006, provided there is no “undue expansion” of the trust or partnership in the intervening period. If and when the SIFT Rules apply to any trust or partnerships in which the Fund invests, such trusts or partnerships will be subject to tax on certain income regardless of whether this income is distributed or allocated to investors and such distributions or allocations will be considered to be received by the Fund as dividends from federal Canadian corporations.

### **Foreign Investment Entity**

On November 9, 2006, the Minister introduced revised Tax Proposals regarding the taxation of investments in foreign investment entities (“FIEs”). These Tax Proposals will generally apply for taxation years beginning after 2006. In general, these rules may require the Fund, if it invests in a “participating interest” (as defined in the Tax Proposals) of a FIE, to include in income for income tax purposes each year, (i) an amount equal to a prescribed percentage of the Fund’s designated cost of its participating interest in the FIE; (ii) if certain conditions are met, any gain on such participating interest for the year on a mark-to-market basis whether or not such gain has been realized; or (iii) if certain other conditions are met, the Fund’s proportionate share of the FIE’s income (or loss) calculated using Canadian rules. In limited circumstances, the resulting gain under the mark-to-market regime may be treated on capital account. Accordingly, if these Tax Proposals apply to the Fund, the Fund may be required to include in income amounts that the Fund has not earned or received and Unitholders will be taxable on the portion of such amounts payable to them by the Fund as described below. In the January 27, 2009 Canadian federal budget, the Minister announced that the Government of Canada will continue to review these Tax Proposals in light of submissions it has received before proceeding with their implementation.

### **Registered Investments**

The Fund will be liable for a penalty tax under subsection 204.6(1) of the Tax Act if, at the end of any month, the Fund holds any investments that are not qualified investments for Registered Plans. The tax for a month is equal to 1% of the cost of the non-qualified investments held at the end of the month.

### **Taxation of Unitholders**

A Unitholder of the Fund generally will be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year and the taxable portion of the Fund’s net realized capital gains, paid or payable, or deemed to be paid or payable, to the Unitholder in the taxation year and deducted by the Fund in computing its income for tax purposes, whether received in cash, in additional Units or otherwise. The non-taxable portion of the net realized capital gains of the Fund paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year. Any amount in excess of the Unitholder’s share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year generally will not be included in the Unitholder’s income for the year but will reduce the adjusted cost base of the Unitholder’s Units of the Fund. To the extent that the adjusted cost base of a Unit becomes less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will then be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund; and (ii) the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Any such designations may increase a Unitholder’s liability for alternative minimum tax. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and

dividend tax credit rules will apply. An “eligible dividend” as defined in the Tax Act will be entitled to an enhanced gross-up and dividend tax credit. The Manager has advised that to the extent permitted under the Tax Act and CRA’s administrative practice, the Fund will pass on to Unitholders in respect of eligible dividends, the benefit of the enhanced gross-up and dividend tax credit. In addition, the Fund may similarly make designations in respect of its income from foreign sources and foreign taxes paid so that for the purpose of computing any foreign tax credit to a Unitholder, the Unitholder will be deemed to have paid as tax to the government of a foreign country that portion of the taxes paid by the Fund to that country that is equal to the Unitholder’s share of the Fund’s income from sources in that country.

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

The reclassification of Units of the Fund as Units of another series of the same Fund will not be considered to be a disposition for tax purposes and, accordingly, the Unitholder whose Units are reclassified will realize neither a gain nor a loss solely as a result of a reclassification. The Unitholder’s adjusted cost base of the Units received for the Units of another series will equal the adjusted cost base of the latter Units.

For the purpose of determining the adjusted cost base to a Unitholder of the Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that time.

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

The Net Asset Value of Units of a series acquired by a Unitholder may reflect income and gains that have accrued in the Fund, but which have not yet been realized or distributed. Distributions made by the Fund to the Unitholder may include such income and gains, with the result that the Unitholder will be required to include these amounts in income, even though they formed part of the purchase price of the Unitholder’s Units.

### **Qualification for Investment**

The Fund is a registered investment within the meaning of the Tax Act such that Units of the Fund are qualified investments for trusts governed by Registered Plans. However, you may be subject to a penalty tax if the Units are a “prohibited investment” for the purposes of a TFSA as set out in the Tax Act. Unitholders should consult their own tax advisors in this regard. Investors who choose to purchase Units of the Fund through a Registered Plan should consult their own professional advisors regarding the tax treatment of contributions to and acquisitions of property by such Registered Plan.

## **REMUNERATION OF DIRECTORS, OFFICERS, TRUSTEES AND IRC MEMBERS**

The Fund does not directly employ any directors, officers or Trustees to carry out their fund operations. Although NRC has directors and officers, NRC, as manager and Trustee of the Fund, provides all personnel necessary to conduct the Fund's operations.

For the year ended December 31, 2008, IRC members received annual fees and meeting fees in the amount of \$9,200 in connection with performing their duties. These fees, and expenses of the IRC, were allocated among all of the funds managed by NRC to which NI 81-107 applies, including the Fund, in a manner that was considered by NRC to be fair and reasonable. For a description of the role of the IRC and the names of the IRC members, please refer to *Fund Governance – Independent Review Committee*.

## **MATERIAL CONTRACTS**

The material contracts for the Fund are as follows:

1. the Declaration of Trust;
2. the Management Agreement; and
3. the Custodian Agreement.

Copies of the material contracts mentioned above may be inspected during ordinary business hours on any business day at the registered office of the Fund.

## AUDITORS' CONSENT

We have read the simplified prospectus and annual information form of the Northern Rivers Conservative Growth Fund (the "Fund") dated August 21, 2009 relating to the issue and sale of Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above mentioned simplified prospectus and annual information form of our report to the unitholders and trustee of the Fund on the schedule of investments as at December 31, 2008, the statement of net assets as at December 31, 2008 and 2007, and the statement of operations and statement of changes in net assets for the period from January 1, 2008 to December 31, 2008 and the period from August 27, 2007 to December 31, 2007. Our report is dated March 5, 2009.

Toronto, Canada  
August 21, 2009

*"Ernst & Young LLP"*  
Ernst & Young LLP  
Chartered Accountants  
Licensed Public Accountants

**CERTIFICATE OF  
NORTHERN RIVERS CONSERVATIVE GROWTH FUND**

**(THE “FUND”),  
MANAGER AND PROMOTER**

August 21, 2009

This annual information form, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada (except Quebec), and do not contain any misrepresentations.

*“Robert Blakely”*

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Robert Blakely  
President acting in the capacity of Chief  
Executive Officer  
Northern Rivers Capital Management Inc.  
(as Trustee, Manager and Promoter of the Fund)

*“Scott Laskey”*

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Scott Laskey  
Chief Financial Officer  
Northern Rivers Capital Management Inc.  
(as Trustee, Manager and Promoter of the  
Fund)

**On behalf of the Board of Directors of Northern Rivers Capital Management Inc. in its capacity as  
Trustee, Manager and Promoter of the Fund**

*“Douglas Cunningham”*

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Douglas Cunningham  
Director

*“Peter Blaiklock”*

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Peter Blaiklock  
Director



**NORTHERN RIVERS CONSERVATIVE GROWTH FUND**  
(the "Fund")

**ADDITIONAL INFORMATION**

Additional information about the Fund is available in the Fund's Simplified Prospectus, management reports of fund performance and financial statements.

You can get a copy of these documents at no cost by calling us toll free at 1-866-902-7060 or by e-mail to [info@northernriversfunds.com](mailto:info@northernriversfunds.com) or from your dealer.

These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Manager's website at [www.northernriversfunds.com](http://www.northernriversfunds.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Unless otherwise indicated herein, information about the Fund which may be obtained on the Manager's website is not, and shall not be deemed to be, incorporated by reference in this Annual Information Form.

**MANAGER OF THE FUND**

Northern Rivers Capital Management Inc.  
Royal Bank Plaza, North Tower  
Suite 2000, 200 Bay Street  
Toronto, Ontario  
M5J 2J2

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[info@northernriversfunds.com](mailto:info@northernriversfunds.com)  
[www.northernriversfunds.com](http://www.northernriversfunds.com)

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