



MANAGED BY BLOOM INVESTMENT COUNSEL, INC.

## **BLOOM U. S. INCOME & GROWTH FUND**

### **ANNUAL INFORMATION FORM**

**Units**

**For the period ended December 31, 2014**

**March 4, 2015**

## **FORWARD-LOOKING STATEMENTS**

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect expectations of the Manager (as defined herein) regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect,” “intend” “may”, “plan,” “potential, “should,” “will,” and similar expressions have been used to identify these forward-looking statements. These statements reflect the Manager’s current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties.

In particular, this annual information form may contain forward-looking statements pertaining to distributable cash and distributions. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what the Manager believes to be reasonable assumptions, but no assurance can be given that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements.

These forward-looking statements are made as of the date hereof and the Manager assumes no obligation to update or revise them to reflect new events or circumstances.

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## GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

**“Additional Distribution”** means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31, in order that the Fund will generally not be liable to pay income tax.

**“Annual Redemption Date”** means the second last Business Day of October of each year, commencing in 2014.

**“Business Day”** means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

**“Class A Units”** means the transferable, redeemable units of the Fund designated as the “Class A Units” denominated in Canadian dollars.

**“Class U Units”** means the transferable, redeemable units of the Fund designated as the “Class U Units” denominated in U.S. dollars.

**“CDS”** means CDS Clearing and Depository Services Inc.

**“CDS Participant”** means a participant in CDS.

**“CRA”** means the Canada Revenue Agency.

**“Closing Market Price”** in respect of a security on a Monthly Redemption Date means the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last ask prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed).

**“Conversion Date”** means the first Business Day of each month.

**“Custodian”** means CIBC Mellon Trust Company in its capacity as custodian under the Custodian Agreement, as appointed from time to time by the Trustee.

**“Custodian Agreement”** means the master custodian agreement entered into by the Fund and the Custodian and certain of its affiliates as of March 21, 2013 and amended as of May 20, 2013, as it may be amended from time to time.

**“Declaration of Trust”** means the amended and restated declaration of trust governing the Fund, as it may be amended, restated or modified from time to time, as described in sections 1.0 and 1.1 of this Annual Information Form.

**“Distribution Date”** means a date on which the Fund makes a distribution, which date shall be within 15 Business Days following each Record Date for Distribution.

**“Extraordinary Resolution”** means a resolution passed by the affirmative vote of at least 66<sup>2/3</sup>% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

**“Fund”** means Bloom U.S. Income & Growth Fund.

**“Fund Property”** means the property and assets of the Fund.

**“Income Tax Act”** means the Income Tax Act (Canada), as now or hereafter amended, or successor statutes, and shall include regulations promulgated thereunder.

**“Investment Objectives”** means the investment objectives of the Fund as set forth in the Declaration of Trust as described in section 1.1.1 of this Annual Information Form.

**“Investment Policy”** means the Investment Objectives, Investment Strategies and Investment Restrictions.

**“Investment Strategies”** means the investment strategies of the Fund as set forth in the Declaration of Trust as described in section 1.1.2 of this Annual Information Form.

**“Investment Restrictions”** means the investment restrictions of the Fund as set forth in the Declaration of Trust, as described in section 2.0 of this Annual Information Form.

**“IRC”** means the Independent Review Committee established by the Manager for the Fund pursuant to NI 81-107.

**“Management Agreement”** means any agreement respecting the management and administration of the Fund between the Trustee and a third party appointed by the Trustee to act as manager of the Fund, as it may be amended from time to time and until the Trustee appoints such third party, shall mean the provisions of the Declaration of Trust pursuant to which the Manager will perform management functions for the Fund.

**“Management Fee”** means the fee payable to the Manager pursuant to the Declaration of Trust, as described in section 8.1.1 of this Annual Information Form.

**“Manager”** means the manager and administrator of the Fund, Bloom Investment Counsel, Inc., and any successor or assignee thereto.

**“Market Price”** in respect of a security on a Monthly Redemption Date means the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

**“Monthly Redemption Amount”** means the redemption price per Class A Unit equal to the lesser of : (i) 94% of the Market Price of a Class A Unit and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, and less and net realized capital gains or income of the Fund that is distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

**“Monthly Redemption Date”** means the second last Business Day of each month other than a month in which an Annual Redemption Date occurs.

**“Net Asset Value”** or **“NAV”** means, at any time, the net asset value of the Fund determined in accordance with section 5.0 of this Annual Information Form.

**“Net Asset Value per Unit”** or **“NAV per Unit”** means the Net Asset Value of the Fund attributable to the Class A Units or the Class U Units, as applicable, divided by the total number of Class A Units or Class U Units, as applicable, outstanding on the date on which the calculation is being made.

**“NI 41-101”** means National Instrument 41-101 - *General Prospectus Requirements* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

**“NI 81-102”** means National Instrument 81-102 – *Investment Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

**“NI 81-107”** means National Instrument 81-107 - *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

**“Notice Period”** means the period from September 15 until 5.00 p.m. (Toronto time) on the last Business Day of September of each year.

**“Ordinary Resolution”** means a resolution passed by the affirmative cost of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

**“Plan Agent”** means CST Trust Company, in its capacity as agent under the Reinvestment Plan.

**“Plan Participant”** means a Unitholder who is a participant in the Reinvestment Plan.

**“Portfolio”** means the portfolio of the Fund comprised of Portfolio Securities, the securities of which are to be acquired and adjusted by the Fund in accordance with the Investment Policy.

**“Portfolio Manager”** means the initial portfolio manager, Bloom Investment Counsel, Inc., appointed pursuant to the Declaration of Trust or such other portfolio manager as may be appointed from time to time by the Manager on behalf of the Fund.

**“Portfolio Securities”** means securities comprising the Portfolio from time to time.

**“Record Date for Distribution”** means the last Business Day of each month.

**“REIT”** means real estate investment trust.

**“Redemption Payment Date”** means the 15<sup>th</sup> Business Day of the month immediately following an Annual Redemption Date or the 15<sup>th</sup> Business Day immediately following a Monthly Redemption Date, as applicable.

**“Reference Exchange Rate”** means the Bank of Canada closing rate as found on [www.bankofcanada.ca/rates/exchange/](http://www.bankofcanada.ca/rates/exchange/).

**“Reinvestment Plan”** means the Fund’s distribution reinvestment plan that commenced with the July 15, 2013 Distribution Date.

**“Service Fee”** means the fee in respect of the Units that the Manager will pay to registered dealers in accordance with the Declaration of Trust, as described in section 8.1.2 of this Annual Information Form.

**“SIFT Rules”** means the provisions of the Income Tax Act providing for a tax on certain income earned by a “SIFT trust” or “SIFT partnership” as those terms are defined in the Income Tax Act.

**“Tax Proposals”** means all specific proposals to amend the Income Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

**“Termination Date”** means the date the Fund is terminated pursuant to the Declaration of Trust as described in section 3.4 of this Annual Information Form.

**“Total Assets”** means the aggregate value of the assets of the Fund calculated in accordance with the Declaration of Trust as described in section 4.0 of this Annual Information Form.

**“Trustee”** means Bloom Investment Counsel, Inc., in its capacity as trustee under the Declaration of Trust.

**“TSX”** means the Toronto Stock Exchange.

**“Unitholders”** means the owners of beneficial interest in the Class A Units and/or the Class U Units, as applicable.

**“Units”** means transferable, redeemable trust units of the Fund, and may be either Class A Units and/or Class U Units of the Fund, each Class A Unit and/or Class U Unit representing the proportionate interest of a Unitholder in the capital of the Fund attributable to the Class A Units and/or the Class U Units of the Fund, as applicable.

**“Valuation Date”** means each Business Day on which the Net Asset Value per Unit is calculated.

## **1.0 NAME, FORMATION AND HISTORY**

Bloom U.S. Income & Growth Fund is a closed-end investment trust with a registered office located at 150 York Street, Suite 1710, Toronto, Ontario M5H 3S5. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated February 25, 2013, amended and restated effective April 25, 2013.

Effective September 22, 2014, the Fund became subject to the requirements of NI 81-102. Accordingly, the terms of the declaration of trust or other agreements entered into prior to September 2014, should be considered in conjunction with NI 81-102.

The Fund commenced operations on March 21, 2013 under the name “Bloom U.S. Advantaged Income & Growth Fund”. The Fund was set up to achieve certain tax advantages for Unitholders, and was part of a structure comprising the Fund, a counterparty and BUIG Trust, a trust also managed by the Manager. Immediately upon its commencement, the Fund entered into forward purchase and sale agreements (“Forward Agreements”) with the counterparty in order to gain exposure to the Portfolio held by BUIG Trust. However, the federal Canadian budget dated March 21, 2013 introduced certain measures which precluded Unitholders from obtaining the envisaged tax advantages going forward. In response to this, the Fund completed a reorganization and amendment of the original Declaration of Trust on April 25, 2013, which included the termination of the Forward Agreements, the termination of BUIG Trust and the acquisition of the Portfolio by the Fund, resulting in operational cost savings through the avoidance of counterparty fees. The Fund also changed its name to “Bloom U.S. Income & Growth Fund”.

### **1.1 Declaration of Trust**

#### **1.1.1 Investment Objectives**

The Declaration of Trust provides that the Investment Objectives of the Fund are to preserve and enhance the Net Asset Value of the Fund through investment in an actively managed portfolio comprised primarily of publicly traded high dividend paying U.S. common equity securities, including REITs.

#### **1.1.2 Investment Strategies**

The Fund will seek to achieve its Investment Objectives by investing in the Portfolio. The Portfolio will be comprised primarily of U.S. high dividend paying securities such as NYSE-listed or NASDAQ eligible common equity securities, including REITs, focusing on undervalued investments.

The Portfolio will be invested primarily in publicly traded U.S. securities denominated in U.S. dollars. Substantially all of the U.S. dollar value of the Portfolio attributable to one or more classes of Units will be hedged back to the Canadian dollar.

In order to generate additional returns, the Fund may lend Portfolio securities in accordance with its Declaration of Trust and NI 41-101. Any securities lending by the Fund must be pursuant to a securities lending agreement to be entered into between the Fund and a securities borrower acceptable to the Fund pursuant to which the Fund will loan Portfolio securities to the securities borrower on the terms therein, which terms shall include that: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Income Tax Act; and (iii) the Fund will receive collateral security. The Manager will be responsible for setting and reviewing any securities lending agreements. If a securities lending agent is appointed for the Fund, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.



### **1.1.3 General**

The Declaration of Trust also provides for the administration of the Fund and governs matters including, without limitation, the powers of the Trustee, the issue and sale of Units, the registration and transfer of Units, the redemption and repurchase of Units, distributions to Unitholders, the provision of management and administration, investment management and custodial services to the Fund, the limitation on the liability of the Unitholders, the Trustee and other parties and the termination of the Fund.

Bloom Investment Counsel, Inc. is the Manager, Portfolio Manager and Trustee of the Fund, CIBC Mellon Trust Company is the custodian of the assets of the Fund and CST Trust Company is the transfer agent and registrar of the Fund.

## **2.0 INVESTMENT RESTRICTIONS**

The Fund is a non-redeemable investment fund and is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. While the Fund is subject to NI 81-102, it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. The Fund is managed in accordance with such applicable requirements and restrictions as well as the Investment Restrictions set out in the Declaration of Trust.

The Investment Restrictions set out in the Declaration of Trust provide that the Fund may not:

- a) have more than 10% of its Total Assets at the time of investment comprised of securities of private issuers;
- b) have more than 15% of its Total Assets at the time of investment comprised of U.S. mortgage REITs;
- c) borrow or enter into leverage transactions in excess of 25% of its Total Assets for a period exceeding 10 Business Days;
- d) take short positions other than to hedge currency risk;
- e) invest in limited partnerships, limited liability partnerships or limited liability companies;
- f) invest more than 10% of its Total Assets at the time of investment in the securities of any single issuer, other than securities issued or guaranteed by the Government of Canada, the Government of the United States or a province, state or territory thereof;
- g) invest more than 25% of its Total Assets in securities other than publicly traded high dividend paying U.S. common equity securities, including REITs;
- h) purchase securities of an issuer for the purposes of exercising control or direction, whether alone or in concert, over management of that issuer;
- i) with the exception of securities of the Fund's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its respective affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its respective affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with NI 81-107;
- j) purchase, own or control the securities of any Canadian issuer which constitute, or are convertible into or exercisable for, 10% or more of the outstanding voting or equity securities of that issuer or of any class of that issuer;

- k) purchase, own or control the securities of any non-Canadian issuer which constitute, or are convertible into or exercisable for, 5% or more of the outstanding voting or equity securities of that issuer or of any class of that issuer;
- l) engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- m) make or hold any investments in entities that would be “foreign affiliates” of the Fund for purposes of the Income Tax Act;
- n) make or hold any securities in a non-resident trust, other than an “exempt foreign trust” as defined in proposed section 94 of the Income Tax Act as set forth in the Tax Proposals (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);
- o) make or hold any investments that would prevent the Fund from qualifying as a “mutual fund trust” and a “unit trust” for purposes of the Income Tax Act;
- p) at any time, hold any property that is a “non-portfolio property” for purposes of the SIFT Rules;
- q) make or hold any investments that could require the Fund to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Income Tax Act as modified by the Tax Proposals (or pursuant to any amendments to such provisions, subsequent provisions as enacted into law, or successor provisions thereto);
- r) acquire any interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Income Tax Act as set forth in the Tax Proposals (or amendments to such proposals, provisions as enacted into law or successor provisions thereto); or
- s) invest in any security that is, or that would result in the Fund being, a “tax shelter investment” within the meaning of section 143.2 of the Income Tax Act.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs f), h), o) and p) above which must be complied with at all times and which may necessitate the selling of investments from time to time).

### **3.0 DESCRIPTION OF SECURITIES**

#### **3.1 The Units**

The Fund is authorized to issue an unlimited number of such classes of units, as the Trustee may determine from time to time, of transferable, redeemable units of beneficial interest, each of which evidences the proportionate ownership interest of a Unitholder of a class in the capital of the Fund attributable to that class. Units are freely transferable, except as restricted by the Trustee in order to comply with any applicable laws, regulations or other requirements imposed by regulatory authorities or to obtain, maintain or renew any licences, rights, status or powers pursuant to any applicable laws, regulations or other requirements imposed by any stock exchange or other applicable regulatory authority.

The Fund has issued two classes, designated as Class A Units and Class U Units. The Class A Units and the Class U Units shall be entitled to the rights and subject to the limitations, restrictions and conditions set out herein, and the interest of each Unitholder shall be determined by the number of Class A Units and/or Class U Units, as applicable, registered in the name of the Unitholder. Once issued, the number of outstanding Units may be consolidated, so that the number of outstanding Units may be decreased, or

subdivided, so that the number of outstanding Units may be increased, as the Trustee shall determine, provided that notice of any such consolidation or subdivision is first disseminated to the public by press release. Additional classes of units and other securities of the Fund may be created in the future at the Trustee's discretion and shall have the rights, privileges and attributes as the Trustee determines.

Each Unit of a class shall entitle the holder thereof to one vote at all meetings of the Unitholders and at all meetings of holders of that class. Each Unit of a class entitles the Unitholder to the same rights and obligations as any other Unitholder of such class and no Unitholder of a class is entitled to any privilege, priority or preference in relation to any other Unitholder of such class, except that to the extent it holds Units from time to time, the Manager shall not be entitled to vote the Units held by it in any vote of Unitholders respecting the Manager or the Management Agreement. Unitholders will have no voting rights in respect of securities of the Fund.

Each Unitholder of a class is entitled to participate equally with respect to any and all distributions to the class made by the Fund, including distributions of net income and net realized capital gains, if any. On redemption of Units, however, the Fund may, in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains or income realised by the Fund to fund the redemption price in the taxation year in which the redemption occurred.

On termination or liquidation of the Fund, Unitholders of record of a class are entitled to receive on a pro rata basis all of the assets of the Fund allocated to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund allocated to that class.

The Declaration of Trust permits that fractions of Units may be issued which will have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except that fractional Units will not have the right to vote.

On December 16, 2004, the Trust Beneficiaries' Liability Act, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer in each of the provinces and territories of Canada, and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

At no time may persons who are non-residents of Canada or partnerships which are not "Canadian partnerships" for the purposes of the Income Tax Act (or any combination thereof) ("non-residents") be the beneficial owners of a majority of the Units and the Trustee shall inform the registrar and transfer agent of the Fund of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that 45% or more of the Units then outstanding are beneficially held by non-residents, the Trustee shall send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such other manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof within a specified period of not less than 30 days to residents of Canada or partnerships which are "Canadian partnerships" for the purposes of the Income Tax Act. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may, on behalf of such Unitholders, dispose of such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such disposition, the affected Unitholders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of disposition of such Units.

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

### **3.2 Conversion of Class U Units**

A holder of Class U Units may convert such Class U Units into Class A Units on a monthly basis by delivering a notice and surrendering such Class U Units by 3:00 p.m. (Toronto time) at least ten Business Days prior to the applicable Conversion Date.

For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class U Unit converted to Canadian dollars using the Reference Exchange Rate as at the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as at the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units.

### **3.3 Distributions**

In accordance with the Investment Objectives, the Trustee will endeavour to declare and make payable monthly distributions to Unitholders of record on the Record Date for Distribution. Such distributions may consist of net income, net realized capital gains and returns of capital. Distributions to which Unitholders are entitled shall be determined by the Trustee. The Fund will not have a fixed monthly distribution amount. At least annually the Trustee will determine and communicate the expected distribution rate for the following 12 months. If the Trustee determines that it is in the best interest of the Unitholders, it may amend the targeted distribution amount. The Trustee will review such distribution policy from time to time and the distribution amount may change. Distributions are currently targeted to be 6.0% per annum on the subscription price of \$10.00 per Class A Unit or US\$10.00 per Class U Unit (\$0.05 per Class A Unit or US\$0.05 per Class U Unit per month or \$0.60 per Class A Unit or US\$0.60 per Class U Unit per annum.)

Distributions will be made to Unitholders who were Unitholders of record as of 5:00 p.m. (Toronto time) on the relevant Record Date for Distribution. The amounts to be paid to a Unitholder shall be the amounts determined by the Trustee divided by the total number of Units outstanding at 5:00 p.m. (Toronto time) on the applicable Record Date for Distribution multiplied by the number of Units held by the Unitholder as of 5:00 p.m. (Toronto time) on the applicable Record Date for Distribution. Distributions will be paid to such Unitholders no later than the 15th Business Day following the end of the month for which the distribution is payable.

Distributions will be paid out of revenue generated by the Portfolio and, if required, out of capital. Future distribution rates will be determined from time to time by the Manager. There can be no assurance that the Fund will make any distribution in any particular month.

If the Fund's net income for tax purposes, including net realized taxable capital gains, for any year exceeds the amount of the regular monthly distributions made in the year to Unitholders, the Fund will, on or before December 31 of that year, be required to pay or make payable one or more Additional Distributions in such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Income Tax Act (after taking into account all available deductions, credits and refunds.) Such Additional Distributions may be paid in the form of Units and/or cash. Any

Additional Distributions payable in Units of the Fund will increase the aggregate adjusted cost base of a Unitholder's Units.

Immediately following payment of such an Additional Distribution in Units, the number of Units of that class outstanding will be automatically consolidated such that the number of Units of that class outstanding after such distribution will be equal to the number of Units of that class outstanding immediately prior to such distribution, except in the case of a non-resident Unitholder to the extent tax is required to be withheld in respect of the distribution. See section 11.0 of this Annual Information Form.

### **3.3.1 Distribution Reinvestment Plan**

The Fund has adopted the Reinvestment Plan, which provides that monthly cash distributions made by the Fund on the Class A Units shall, at the election of each Unitholder of Class A Units, be automatically reinvested in additional Class A Units on each such Unitholder's behalf in accordance with the terms of such Reinvestment Plan. Notwithstanding the foregoing, Unitholders who are not residents of Canada are not able to participate in the Reinvestment Plan and Unitholders who cease to be residents of Canada are required to terminate their participation in the Reinvestment Plan. All distributions to non-resident Unitholders are paid in cash and may not be re-invested.

In order to participate in the Reinvestment Plan, a Unitholder of Class A Units must enrol in the Reinvestment Plan through his or her CDS Participant in sufficient time for notice to be provided to the Plan Agent, as described below. Once a Class A Unitholder has enrolled in the Reinvestment Plan, participation continues automatically until the Fund terminates, unless terminated earlier in accordance with the terms of the Reinvestment Plan. Unitholders who do not hold Class A Units are not eligible to participate in the Reinvestment Plan.

A Unitholder of Class A Units may elect to become a Plan Participant by giving notice of such Unitholder's decision to become a Plan Participant for the relevant Record Date to the Plan Agent via the Unitholder's dealer/CDS Participant through which such Unitholder holds its Class A Units, which notice shall be provided to the CDS Participant no later than 4:00 p.m. (Toronto time) on such Record Date or otherwise in accordance with such CDS Participant's customary procedures. The CDS Participant will be required to provide notice to CDS in accordance with CDS' customary procedures. CDS in turn will provide a single notice to the Plan Agent prior to 10:00 a.m. (Toronto Time) on the Business Day immediately following the relevant Record Date.

Subject to the foregoing, all monthly cash distributions will be applied to purchase additional Class A Units on behalf of those Unitholders who are residents of Canada and who elect to participate in the Reinvestment Plan. Such distributions due to Plan Participants will be paid to the Plan Agent and applied to the purchase of Class A Units on the TSX (or such other stock exchange on which the Class A Units are listed, if the Class A Units are no longer listed on the TSX) at the Market Price. Participants that would otherwise be entitled to a fractional Class A Unit will receive cash in lieu of that fraction.

If the Class A Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash distributions by Unitholders of Class A Units in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. Class A Units purchased in the market will be allocated on a pro rata basis to the Plan Participants. The Plan Agent will furnish to each Plan Participant a report of the Class A Units purchased for the Plan Participant's account in respect of each distribution and the cumulative total purchased for that account. The Plan Agent's charges for administering the Reinvestment Plan and all brokerage fees and commissions in connection with purchases in the market pursuant to the Reinvestment Plan will be paid by the Fund. The automatic reinvestment of distributions

under the Reinvestment Plan will not relieve Plan Participants of any income tax considerations applicable to distributions by the Fund.

The Manager, on behalf of the Fund, will be able to terminate the Reinvestment Plan at any time in its sole discretion, upon not less than 30 days' notice to: (i) the Plan Participants via the CDS Participants through which the Plan Participants hold their Units, (ii) the Plan Agent, and (iii) if necessary, the TSX. The Manager, on behalf of the Fund, also reserves the right to amend or suspend the Reinvestment Plan at any time in its sole discretion, provided that any amendment to the Reinvestment Plan is subject to prior approval of any exchange upon which the Units are listed and posted for trading, but such action shall have no retroactive effect that would prejudice the interest of the Plan Participants. All Plan Participants will be sent written notice of any such amendment, suspension or termination, which notice may be given by the Fund by issuing a press release or in any other manner the Manager determines to be appropriate.

### **3.4 Take-Over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the aggregate of the Units (but not including any Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

In addition, if, prior to the termination of the Fund, a formal bid (as defined in the Securities Act (Ontario)) is made for all of the Class U Units and the offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class, taking into account the Reference Exchange Rate), for the Class A Units then the Fund will provide the holders of Class A Units the right to convert all or a part of their Class A Units into Class U Units and to tender such Class U Units to the offer. In such circumstances, the Fund will by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Class U Units and to tender such Class U Units to the offer.

### **3.5 Amending the Declaration of Trust**

#### **3.5.1 Amendment of the Declaration of Trust by the Trustee**

The Declaration of Trust provides that the Trustee is entitled to amend the Declaration of Trust without the consent of or notice to Unitholders including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) reflect changes to the Income Tax Act or bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the rights, privileges or the interests of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;

- (d) maintain the status of the Fund as a “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Income Tax Act, including providing the Fund with the right to acquire Units from any Unitholder, or to respond to amendments to such Act or to the interpretation or administration thereof;
- (e) divide the capital of the Fund into addition classes or series of Units and establish the attributes of each class or series; or
- (f) make any changes to the Declaration of Trust to provide added protection or benefits to Unitholders.

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

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

If the Manager determines that a merger is appropriate and desirable, the Manager can effect the merger, including any required changes to the Declaration of Trust, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least 30 days prior to the proposed effective date thereof disclosing details of the proposed merger.

While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

### **3.5.2 Amendment of the Declaration of Trust with Approval by the Unitholders**

Except as provided below, the Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by written consent in lieu of a meeting if there is only one Unitholder.

In addition to section 5.1(1) of NI 81-102, the Declaration of Trust provides that the following changes may be undertaken with the approval of the Unitholders by an Extraordinary Resolution:

- (a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (b) any change in the Investment Objectives, Investment Strategy or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) a change in the Manager except if the new manager is an affiliate of the Manager;
- (d) any increase in the Management Fee;
- (e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (f) any issue of Units (other than (i) pursuant to any warrants or rights issued by the Fund to existing Unitholders at a price no less than the aggregate of (A) the Net Asset Value per Unit of the Fund and (B) any expenses associated with the issuance of such warrants or rights, or (ii) the distribution reinvestment plan) when the net proceeds per Unit are less than the most recently calculated Net Asset Value per Unit prior to the date of setting the subscription price for such issuance calculated as more particularly described under “Description of the Units”.
- (g) any change in the frequency of calculating the Net Asset Value per Unit to less often than daily;
- (h) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund (other than in the ordinary course of business or a Permitted Merger);
- (i) a reorganization (other than a Permitted Merger) with, or transfer of assets to, a mutual fund trust, if:
  - i. the Fund ceases to continue after the reorganization or transfer of assets; and
  - ii. the transaction results in Unitholders becoming unitholders in a mutual fund trust;
- (j) a reorganization (other than a Permitted Merger) with, or acquisition of assets of, a mutual fund trust, if:
  - i. the Fund continues after the reorganization or acquisition of assets;
  - ii. the transaction results in the unitholders of the mutual fund trust becoming Unitholders; and
  - iii. the transaction would be a significant change to the Fund;
- (k) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interests of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust or in connection with a Permitted Merger; and
- (l) any amendment to the above provisions except as permitted by the Declaration of Trust.



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

### **3.6 Termination of the Fund**

The Fund does not have a fixed termination date. Pursuant to the Declaration of Trust, the Fund will terminate on the date specified in an Extraordinary Resolution calling for the termination of the Fund approved at a duly called meeting of the Unitholders or when terminated by the Manager as described below. In addition to such termination, the Declaration of Trust also provides that:

- (a) in the event that the Manager resigns and no new Manager is appointed by the Trustee within 90 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on a date which is no later than 60 days following the end of such 90 day period; and
- (b) the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders.

In each case, the Fund must first file a news release that discloses the termination and the Fund may not terminate earlier than 15 days or later than 90 days after the filing of such news release, unless the Fund undertakes a reorganization of, or transfers assets to, another investment fund, wherein (i) the Fund ceases to continue after the reorganization or transfer of assets and (ii) the transaction results in Unitholders becoming securityholders in the other investment fund.

The Manager will provide notice of such termination as described in (b) above upon at least 30 days' notice to the Unitholders of the termination date by way of press release. The Fund will issue a second press release at least 10 Business Days in advance of the termination date. Upon such a termination the Fund will liquidate the Portfolio and distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the termination date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

The Declaration of Trust provides that, prior to the termination of the Fund, the Manager will dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date of the Fund by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to the termination date of the Fund and the Manager determines that it would be in the best interests of the Unitholders to do so.

The Manager may also terminate the Fund in connection with a Permitted Merger.

### **4.0 VALUATION OF ASSETS INCLUDING PORTFOLIO SECURITIES**

Pursuant to the Declaration of Trust, the Total Assets on any Valuation Date is calculated as follows:

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the

Manager determines that any such deposit, is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

- (b) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities at consistent times on a Valuation Date;
- (c) short term securities including notes and money market instruments shall be valued at cost plus accrued interest;
- (d) the value of any security which is listed or dealt with on a recognized stock exchange shall be determined by taking the latest available sale price for a board lot at the time at which the valuation is calculated, or lacking any recent sales or any record thereof, the mean of the latest available ask price and the latest available bid price as at the close of business on the Business Day or if such a recognized stock exchange is not open for trading on that date, then on the last previous date on which such a recognized stock exchange was open for trading, all as reported by any means in common use;
- (e) the value of any security which is not dealt with on any public exchange shall be determined on the basis of such price or yield equivalent quotations (which may be public quotations or may be obtained from major market makers) as the Manager determines best reflect its fair value;
- (f) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the class or series of a class of which the restricted security forms part that are not restricted securities, equal to the percentage that the acquisition cost was of the market value of the securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the restricted securities will cease to be restricted securities;
- (g) the value of a forward contract or swap shall be the gain or loss on the contract that would be realized if, on the date that valuation is made, the position in the forward contract or swap were to be closed out;
- (h) margin paid or deposited on forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (i) all assets valued in a foreign currency and all liabilities and obligations payable in foreign currency shall be converted into Canadian currency on each Business Day on the basis of the foreign currency exchange rate obtained from the best available sources to the Manager including, but not limited to, an accounting agent appointed by the Manager or any affiliate of such accounting agent; and
- (j) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair and reasonable value thereof determined in such manner as the Manager from time to time provides.

The Manager has not exercised its discretion to deviate from the valuation practices noted above during the years ended December 31, 2014 or 2013.

## **5.0 CALCULATION OF NET ASSET VALUE**

The Manager calculates, or arranges for the calculation of, the NAV and NAV per Unit of each class of Unit of the Fund as at the close of business on each Valuation Date. At a minimum, the Valuation Date is each Business Day, and includes any other date on which the Manager elects, in its discretion, to calculate the NAV and NAV per Unit of each class.

Pursuant to the Declaration of Trust, the NAV of any class of Units on any Valuation Date is equal to the aggregate fair value of the Total Assets of the Fund less the aggregate fair value of the accrued liabilities of the Fund, including any income, net realized capital gains or other amounts made payable to Unitholders on or before such Valuation Date, in each case attributable to that class of Units, expressed in Canadian dollars. The NAV per Unit of any class of Units on any Valuation Date day is obtained by dividing the NAV of that class of Units on such Valuation Date by the number of Units of the class outstanding at the time the calculation is made on such Valuation Date.

The NAV per Unit is calculated at 6.00 p.m. (Toronto time) on each Valuation Date. The NAV and NAV per Unit are available on request, at no cost, at [www.bloomfunds.ca](http://www.bloomfunds.ca).

The NAV and NAV per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The NAV per Unit determined in accordance with the principles set out above may differ from net assets per Unit determined under International Financial Reporting Standards.

## **6.0 PURCHASES OF FUND UNITS**

### **6.1 General**

The Class A Units are listed for trading on the TSX under the symbol BUA.UN and may be purchased through the facilities of the TSX. The Class U Units are not listed for trading on any exchange but may be converted to Class A Units on a monthly basis.

Registration of interests in and transfers of Units are made only through the book-based system administered by CDS and Units must be purchased, converted, transferred, and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled are made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, Unitholders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the securities are purchased, and do not have the right to receive physical certificates evidencing their ownership in the Units. A dealer may make provision in arrangements that it has with an investor that will require the investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of Units by such investor.

### **6.2 Issuer Bid**

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements.

The Fund received approval from the TSX on June 25, 2013 for a normal course issuer bid program from June 27, 2013 to June 26, 2014, allowing the Fund to purchase for cancellation up to 361,271 Class A Units on the TSX if they trade below NAV per Class A unit. 138,300 Class A Units were purchased and

cancelled by the Fund under this normal course issuer bid at a cost of \$1,253,498, excluding commissions, or \$9.0636 per Class A Unit.

The Fund received approval from the TSX on June 25, 2014, for a normal course issuer bid program for the period from June 27, 2014 to June 26, 2015, allowing the Fund to purchase for cancellation up to 354,980 Class A Units on the TSX if they trade below NAV per Class A Unit. 29,900 Class A Units were purchased and cancelled by the Fund under this normal course issuer bid during the period between June 27, 2014 and the date of this Annual Information Form at a cost of \$281,530, excluding commissions, or \$9.4157 per Class A Unit. Unitholders may obtain a copy of the Fund's notice of intention to make a normal course issuer bid by contacting the Manager.

## **7.0 REDEMPTION OF SECURITIES**

### **7.1 General**

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described below. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the redemption deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the applicable notice date described below.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the redemption date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expenses associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

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

Pursuant to the Declaration of Trust of the Fund, the Fund may allocate and designate as payable any capital gains realized by the Fund to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations will reduce the redemption price paid to the redeeming Unitholder.

#### **7.1.1 Annual Redemption**

Units may be redeemed annually on the Annual Redemption Date. Commencing in October 2014, Units may be surrendered annually for redemption during the Notice Period, subject to the Fund's right to suspend redemptions as set out in section 7.2 of this Annual Information Form. Units properly surrendered for redemption during the Notice Period will be redeemed on the Annual Redemption Date

and the Unitholder will receive a redemption price per Unit equal to 100% of the NAV per Unit as determined on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, and less any net realised capital gains or income of the Fund that is distributed to Unitholders concurrently with the redemption proceeds. Payment of the redemption price will be made on or before the Redemption Payment Date.

### **7.1.2 Monthly Redemptions**

In addition to the annual redemption right, Unitholders may choose to redeem Units on a Monthly Redemption Date, subject to certain conditions including the Fund's right to suspend redemptions in certain circumstances as set out in section 7.2 of this Annual Information Form. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date. Concurrently with, and as part of, the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains or income of the Fund realized by it to fund the payment of the redemption price.

Unitholders surrendering a Class A Unit for redemption on a Monthly Redemption Date will receive a redemption price equal to the Monthly Redemption Amount. Unitholders surrendering a Class U Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Unit of a Class U Unit and the denominator of which is the most recently calculated Net Asset Value per Unit of a Class A Unit. For such purpose, the Fund will utilize the Reference Exchange Rate current at, or as nearly as practicable to, the Monthly Redemption Date in respect of a monthly redemption of Class U Units.

## **7.2 Suspension of Redemptions**

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

## **8.0 RESPONSIBILITY FOR FUND OPERATIONS**

### **8.1 Manager**

The Declaration of Trust provides that the Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager pursuant to the terms of the Declaration of Trust.

Bloom Investment Counsel, Inc. was incorporated on May 30, 1985 under the laws of Ontario. Its head office is located at Suite 1710, 150 York Street, Toronto, Ontario M5H 3S5. Its telephone number is (416) 861 9941, its email address is info@bloomfunds.ca and the website address for the funds managed by Bloom Investment Counsel, Inc. is www.bloomfunds.ca. The Manager specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts.

Pursuant to the Declaration of Trust, the Manager is responsible for the execution of the investment decisions of the Fund in accordance with the Investment Objectives, Investment Strategies and Investment Restrictions and for arranging for portfolio transactions. The Manager is also responsible for providing and arranging for the provision of required management and administrative services to the Fund, and may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interest of the Fund and the Unitholders to do so.

The Manager is also the Portfolio Manager of the Fund.

### **8.1.1 Management Fee**

Pursuant to the terms of the Fund's Declaration of Trust, the Manager receives a Management Fee from the Fund aggregating to 1.55% per annum of the NAV of the Fund, comprised of 1.15% per annum of the NAV of the Fund, calculated daily and payable monthly in arrears, plus an amount to be paid by the Manager to registered dealers equal to the Service Fee. No additional fee is payable to the Manager in its capacity as the Portfolio Manager.

### **8.1.2 Service Fee**

The Manager is paid a Service Fee by the Fund for the purpose of paying the Service Fees payable to registered dealers, plus applicable taxes, based on the number of Units held by clients of such registered dealers at the end of each quarter. The Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) is equal to 0.40% per annum of the Net Asset Value attributable to the Units held by clients of such registered dealers at the end of each quarter.

### **8.1.3 Termination of the Manager**

The Manager may be terminated at any time by the Trustee on 30 days' written notice with the approval of the Unitholders by an Extraordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Extraordinary Resolution.

In the event the Manager is in material breach or default of the provisions of the Declaration of Trust or the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor Manager.

The Manager is deemed to have resigned if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors or in the event the Manager, or the general partner of the Manager if the Manager is a limited partnership, ceases to be a resident of Canada for purposes of the Income Tax Act.

The Manager may resign (i) upon 60 days' notice to Unitholders and the Fund; and (ii) upon 20 Business Days' written notice to the Fund if the Fund is in breach or default of the provisions of the Declaration of Trust or the Management Agreement and, if capable of being cured, such breach or default has not been cured within 20 Business Days' notice of such breach or default to the Fund.

In the event that the Manager is terminated as provided above, the Trustee shall promptly appoint a successor Manager to carry out the activities of the Manager.

If, within 90 days from the notice of resignation or removal of the Manager, the Trustee has not appointed a replacement manager, the Units will be redeemed and the Fund terminated.

Any subsequent Manager so appointed will be subject to removal or termination with the approval of the Unitholders by an Extraordinary Resolution approved at a meeting of Unitholders called for that purpose in accordance with the provisions set forth in the Declaration of Trust.

#### **8.1.4 Directors and Officers of the Manager**

The name, municipality of residence, position held with the Manager and principal occupation of each director and officer of the Manager are set out below:

<b><u>Name and Municipality of Residence and Position with the Manager</u></b>	<b><u>Principal Occupation and Positions Held During the Last 5 Years</u></b>
M. PAUL BLOOM Toronto, Ontario Director, President, Secretary and Portfolio Manager	President of the Manager since May 1985.
ADINA BLOOM SOMER Toronto, Ontario Director, Vice-President and Portfolio Manager	Vice-President of the Manager and Portfolio Manager since May 2010.
BEVERLY LYONS Jerusalem, Israel Director	Director and Management Consultant since July 2008; Chair, Audit Committee and Chair, Special Committee at Lorex Technology Inc from November 2009 to December 2012.
ELI PAPAKIRYKOS Whitby, Ontario Vice-President, Portfolio Manager	Portfolio Manager with the Manager since February 2015; Vice-President of the Manager since January 2015; Investment Analyst with the Manager from February 2011 to February 2015; Research Associate at TD Securities from February 2005 to February 2011.
SARA N. GOTTLIEB Toronto, Ontario Vice-President, Portfolio Manager	Vice-President of the Manager and Portfolio Manager since 1998.
FIONA E. MITRA Toronto, Ontario Chief Financial Officer	Chief Financial Officer of the Manager since June 2011.

#### **8.1.5 Independent Review Committee**

The members of the IRC are Lea M. Hill, Helen Kearns and Anthony P. L. Lloyd. Mr. Lloyd is the Chair of the IRC and is the primary IRC member who interacts with the Manager.

The mandate and responsibilities of the IRC are set out in its charter. The IRC is responsible for carrying out those responsibilities required to be undertaken by an IRC under NI 81-107, in particular:

- (a) reviewing and providing input into the Manager's policies and procedures regarding conflict of interest matters, including any amendments to such policies and procedures referred to the IRC by the Manager;
- (b) approving or disapproving each conflict of interest matter referred by the Manager to the IRC for its approval;
- (c) providing its recommendation as to whether the Manager's proposed action on a conflict of interest matter referred by the Manager to the IRC for its recommendation achieves a fair and reasonable result for the Fund;
- (d) together with the Manager, providing orientation to new members of the IRC as required by NI 81-107;
- (e) conducting regular assessments as required by NI 81-107; and
- (f) reporting to the Unitholders of the Fund, to the Manager and to regulators as required by NI 81-107.

## **8.2 Portfolio Manager**

The Declaration of Trust appoints the Manager as initial Portfolio Manager. The Portfolio Manager makes investment decisions with respect to the Fund Property, in accordance with the Investment Policy and subject to the Investment Restrictions.

### **8.2.1 Principal Investment Managers**

The principal investment managers of Bloom Investment Counsel, Inc. who are responsible for the investment management of the Fund are M. Paul Bloom, Adina Bloom Somer and Eli Papakirykos. The municipalities of residence, position with the Manager, principal occupation and positions held during the last 5 years are as detailed in section 8.1.4 of this Annual Information Form.

Paul Bloom has overall responsibility for overseeing the investment management activities of the Portfolio Manager. Ms. Bloom Somer and Mr. Papakirykos have extensive day-to-day management responsibilities for the Portfolio.

Investment decisions are made on a team basis by Mr. Bloom, Ms. Bloom Somer and Mr. Papakirykos with input from the firm's investment analyst, where applicable. Investment decisions are not subject to the oversight, approval or ratification of a committee. The ultimate responsibility for all decisions and their consequences resides with Mr. Bloom.

## **8.3 Brokerage Arrangements**

The Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments. The primary consideration in all Portfolio transactions is the prompt execution of orders in an efficient manner at the most favorable



price. In selecting and monitoring dealers, the Manager considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. Although the Manager does receive investment research from certain brokers, the Manager has no soft dollar or other brokerage arrangements. The Manager's allocation of brokerage business is based on decisions made by the portfolio managers of the Manager in accordance with the Manager's policies and procedures.

#### **8.4 Trustee**

The Manager will also act as Trustee of the Fund pursuant to the provisions of the Declaration of Trust of the Fund. The Trustee is responsible for certain aspects of the day-to-day management of the Fund as described in the Declaration of Trust of the Fund, including calculating, or arranging for the calculation of NAV, net income and net realized capital gains of the Fund, and executing instruments on behalf of the Fund.

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

The Trustee of the Fund may resign upon 60 days' written notice to Unitholders and may be removed by Extraordinary Resolution approved at a duly called meeting of Unitholders called for such purpose. The Trustee will resign if requested to do so by the Manager (if the Manager is not then the Trustee) and the Manager proposes a replacement trustee concurrently with submitting the resignation request. In these circumstances, the proposed replacement shall become the trustee of the Fund upon such resignation. In addition, in the event that the Trustee becomes bankrupt or insolvent or ceases to be a resident of Canada for the purposes of the Tax Act or otherwise cease to qualify as Trustee, the Trustee shall be deemed to have resigned and no prior notice shall be required in such circumstances. Notwithstanding the foregoing, any such resignation or removal shall only become effective upon the acceptance of appointment by a successor Trustee.

The address of the Trustee is 150 York Street, Suite 1710, Toronto, Ontario, M5H 3S5.

#### **8.4 Custodian**

The Manager has appointed CIBC Mellon Trust Company as Custodian of the Fund pursuant to the Custodian Agreement. The Custodian's principal place of business in respect of the Fund is Toronto, Ontario.

In the Custodian Agreement, the Custodian covenants, when carrying out its duties in respect of the safekeeping of and dealing with the assets of the Fund, to exercise, at a minimum, the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Custodian

agrees to hold, or direct its sub-custodians to hold, for the account of the Fund, all securities, collateral security and other non-cash property (other than securities which are held in a book-based system). The Fund may employ sub-custodians as considered appropriate in the circumstances.

Pursuant to the Custodian Agreement, the Custodian is indemnified out of the Fund's assets in certain circumstances, including from and against any direct loss, liability, claim or expense (including reasonable legal counsel fees and disbursements) suffered or incurred by the Custodian arising from or in connection with the performance of its duties under the agreement except with respect to any costs, expenses, damages, liabilities and losses resulting primarily from bad faith, wilful default, fraud or negligence of the Custodian or any of its employees, directors or officers. The address of the Custodian is 320 Bay Street, P.O. Box 1, 6th Floor, Toronto, Ontario, M5H 4A6.

#### **8.4.1 Custodian Fees**

In consideration for its services, the Fund pays to the Custodian such compensation as agreed upon in writing between the Manager and the Custodian, from time to time, and reimburses the Custodian for all reasonable costs and expenses incurred by the Custodian on behalf of the Fund.

#### **8.4.2 Termination of the Custodian Agreement**

The Custodian Agreement may be terminated by either party without penalty at any time on 90 days prior written notice. Prior notice is not required and termination will be immediate if either party is declared bankrupt or becomes insolvent or proceedings for the appointment of a receiver for that party are commenced, and such status is not cured within 30 days, or the Manager has resigned, has been replaced or has otherwise been terminated as the manager of the Fund.

#### **8.5 Valuation Services**

The Manager, on behalf of the Fund, has appointed CIBC Mellon Global Securities Services Company in Toronto, Ontario to provide the Fund with valuation services. Such services include the calculation of the Fund's Net Asset Value, calculated in accordance with the Fund's valuation parameters described in section 4.0 of this Annual Information Form.

#### **8.6 Auditor, Registrar, Transfer Agent and Distribution Agent**

The auditor of the Fund is PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, Toronto, Ontario. The auditor of the Fund can be changed by an Ordinary Resolution of the Unitholders. CST Trust Company is the registrar, transfer agent and distribution agent for the Units. The register and transfer ledger are kept by the Registrar and Transfer Agent at its offices located in Toronto.

### **9.0 CONFLICTS OF INTEREST**

#### **9.1 Principal Holders of Securities and Affiliated Entities**

As of the date hereof, Mr. Bloom owns 100% of the voting securities and preferred shares of the Manager. He is also a trustee and, along with Ms. Bloom Somer and Ms. Gottlieb, a beneficiary of a trust which owns the common share capital of the Manager. Mr. Bloom, Ms. Bloom Somer and Ms. Gottlieb accordingly benefit from the fees paid to the Manager under the terms of the Declaration of Trust, as described herein and disclosed in the audited financial statements of the Fund.

The Declaration of Trust acknowledges that the Trustee may act as the Manager. The services of the Custodian and the officers and directors of the Custodian are not exclusive to the Fund. The Custodian

and its affiliates and associates (as defined in the Securities Act (Ontario)) may, at any time, engage in any other activity.

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with investment objectives similar to the Fund. The Manager acts as the investment advisor or manager for other funds and may in the future act as the investment advisor to other funds which are considered competitors of the Fund. The services of the Manager are not exclusive to the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager, as applicable.

No person or entity that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager.

## **9.2 Securities Held by Members of the Independent Review Committee**

As at December 31, 2014, the members of the IRC did not hold any securities of the Manager or the Fund. In addition, the percentage of securities of each class or series of voting securities beneficially owned, directly or indirectly, in aggregate, by all members of the IRC in any service provider or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or the Manager is less than 1%.

## **10.0 FUND GOVERNANCE**

The Manager supports good governance practices for the Fund. The Fund is administered by the Manager and consequently, the board of directors (the “Board”) referred to is the board of directors of the Manager. The Board is responsible for the overall stewardship of the business and affairs of the Fund. Details regarding the names, principal occupations and committee memberships of the Board members are set out in section 8.1.4 of this Annual Information Form. The Board believes that the number of directors is appropriate. The Board includes one director, Ms. Lyons, who is independent of the Manager.

The responsibilities of the Board include review of the Fund’s financial statements and the annual audit performed by PwC, the auditor of the Fund, and oversight of internal controls and of the Fund’s compliance with tax laws and regulations. PwC reports to the Board and the Board and PwC have direct communication channels to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund’s approach to governance issues. To ensure the proper management of the Fund and compliance with regulatory requirements, the Board has adopted policies, procedures and guidelines relating to business practices, risk management control and internal conflicts of interest. As part of managing its business practices, the Board has adopted a whistleblower policy, a privacy policy and a proxy voting policy. The whistleblower policy establishes a procedure for the receipt, retention and treatment of complaints or concerns regarding accounting, compliance or any other matters pertaining to the Manager’s business as a Portfolio Manager and an Investment Fund Manager. The privacy policy dictates the manner in which the Fund and the Manager may collect, use and disclose personal information regarding the Unitholders. The proxy voting policy is described in section 10.2 of this Annual Information Form. As part of its risk management, the Board has adopted a disclosure policy. The disclosure policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Board has adopted a code of business ethics, an insider trading policy and a conflicts of interest policy. The code of business ethics and insider trading policy address, among other things, ethical business practices, the

handling of material information and purchasing or selling of securities by insiders. The conflicts of interest policy provides guidance and procedures to be followed in the identification and reporting of conflicts of interest matters, as required by NI 81-107.

In accordance with NI 81-107, the Manager has appointed the IRC to deal with potential conflict of interest matters between the Manager and the Fund. See section 8.1.5 of this Annual Information Form.

The Manager maintains a website for the Fund at [www.bloomfunds.ca](http://www.bloomfunds.ca). The Manager has an investor relations line to respond to inquiries from Unitholders, which is 1-855-BLOOM18.

### **10.1 Composition of the Independent Review Committee**

As indicated in section 8.1.5 of this Annual Information Form, the IRC is comprised of three members, who were appointed by the Manager in accordance with NI 81-107. Subsequent to this initial appointment by the Manager, the IRC shall, taking into consideration any recommendation of the Manager, fill vacancies of the IRC, provided that if for any reason the IRC has no members, the Manager shall fill the vacancies.

### **10.2 Proxy Voting Policy**

The Portfolio is managed by Bloom Investment Counsel, Inc. and, pursuant to the Declaration of Trust, the Manager is authorized to exercise all rights and privileges incidental to ownership for the Portfolio. The Fund has adopted the Manager's proxy voting policy (the "Proxy Voting Policy"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. The ultimate decision as to how to cast a vote rests with the Manager, based on what the Manager believes to be in the best interests of the Fund and in accordance with its Investment Objectives, Investment Policies and Investment Restrictions.

Generally:

- (a) the Manager will vote with management on routine issues such as the election of directors, reappointment of auditors and the acceptance of the auditor's report. Any votes against management proposals requires the approval of two portfolio managers;
- (b) non-routine matters including executive compensation, stock options, director compensation and shareholder rights plans are reviewed on a case by case basis. The Manager believes that matters relating to a company's labour practices, environmental policies and non-discrimination policies are management issues and that management is in the best position to determine appropriate practices in the context of a company's business;
- (c) where the Manager is aware of an actual, potential, or perceived conflict of interest between its interests and the interests of the Unitholders, the Manager may choose to seek out and follow the voting recommendation of an independent proxy research and voting service.

The policies and procedures that the Fund follows when voting proxies relating to Portfolio Securities are available on request, at no cost, by calling 1-855-BLOOM18 or by writing to the Manager at Suite 1710, 150 York Street, Toronto, Ontario M5H 3S5.

The Fund's proxy voting record for the period ended June 30 of each year is available free of charge to any Unitholder upon request at any time after August 31 of that year. The Fund makes its proxy voting record available on its website at [www.bloomfunds.ca](http://www.bloomfunds.ca).

### 10.3 Securities Lending

In order to generate additional returns, the Manager has appointed the Canadian Imperial Bank of Commerce, located in Toronto, Ontario, as the securities lending agent (the "Agent"), pursuant to the terms of an Amended and Restated Securities Lending Authorization (the "Security Lending Agreement") dated as of March 21, 2013, among the Manager, CIBC Mellon Global Securities Services Company ("GSS"), CIBC Mellon Trust Company ("CMT"), the Agent and The Bank of New York Mellon ("BNY") to provide various securities lending services relating to the Fund Property.

The Manager manages the risks associated with securities lending by requiring the Custodian, pursuant to the Securities Lending Agreement, to:

- enter into securities lending, repurchase or reverse purchase transactions with reputable and well established Canadian and foreign brokers, dealers and institutions ("counterparties");
- maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall;
- ensure that no more than 50% of the Total Assets of the Fund are out on loan at one time;
- ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund; and
- obtain mutual indemnification from GSS, CMT, the Agent, and BNY in respect of all losses, damages, liabilities, costs or expenses (including reasonable counsel fees and expenses but excluding consequential damages) arising from:
  - The failure to perform any obligations under the Security Lending Agreement;
  - Any inaccuracy of any representation or warranty made in the Security Lending Agreement; or
  - Fraud, bad faith, willful misconduct or reckless disregard of duties.

Each lending transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions and the Security Lending Agreement may be terminated at any time at the option of either the Manager or the Agent (i) upon 30 days prior notice to the other parties or (ii) immediately upon notice to all other parties in the event of a material breach by any party.

The Manager has written procedures that set out the objectives, goals and risk management practices with respect to securities lending arrangements which are reviewed annually by the Manager's board of directors.

With respect to collateral, by the close of the Business Day on which loaned securities are delivered to a borrower, the Agent shall obtain from such borrower one or more types of collateral as outlined below in an amount equal, as of such day, to 105% or such other percentage as reflects the best market practices in the market in which the securities are being lent but shall never be less than 102% of the market value of the loans, including any accrued interest. Types of acceptable collateral include: federal, provincial and sovereign debt that is issued or fully and unconditionally guaranteed as to the principal and interest; evidence of indebtedness that is issued or guaranteed by a financial institution whose short term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency; corporate debt or corporate commercial paper; convertible securities; and cash.

The Securities Lending Agreement was approved by senior officers of the Manager and securities lending arrangements and risks are monitored by the Manager. The Custodian conducts simulations to test the portfolio under stress conditions.

#### **10.4 Short-Term Trades**

The Fund's Class A Units trade on the TSX. The Fund does not have policies and procedures in place to monitor, detect and deter short-term trading given that:

- (a) the Fund is a closed-end investment trust; and
- (b) redemptions require more than 4 weeks to process from the date a holder notifies CDS of their redemption request to the date the redemption proceeds are paid out.

#### **11.0 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Income Tax Act generally applicable to a Unitholder who is an individual (other than a trust), who holds Units and who, for the purposes of the Income Tax Act, and at all relevant times, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units as capital property. Generally, the Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" as defined in the Income Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Income Tax Act. This summary does not apply to a Unitholder that has entered into a "derivative forward agreement", as defined in the Income Tax Act, in respect of Units.

This summary is based on the facts set out in this Annual Information Form, the current provisions of the Income Tax Act, all Tax Proposals, and an understanding of the current administrative policies and assessing practices of the CRA publicly available prior to the date hereof.

This summary assumes that the Tax Proposals will be enacted as currently proposed although no assurance can be given that the Tax Proposals will be enacted in the form publicly announced or at all. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law or administrative policy and assessing practice, whether by way of legislative, governmental or

judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations.

This summary also assumes that none of the issuers of the Portfolio Securities will be foreign affiliates of the Fund or of any Unitholders and that none of the Portfolio Securities will be a “tax shelter investment” within the meaning of section 143.2 of the Income Tax Act. Further, this summary assumes that none of the Portfolio Securities will be an “offshore investment fund property” that would require the Fund to include amounts in the Fund’s income pursuant to section 94.1 of the Income Tax Act, or an interest in a trust which would require the Fund to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Income Tax Act, or an interest in a non-resident trust other than an exempt foreign trust as defined in proposed section 94 of the Income Tax Act.

This summary is also based on the assumption that the Fund will at no time be a SIFT trust as defined in the SIFT Rules. Provided that the Fund does not hold “non-portfolio property” as defined in the SIFT Rules, it will not be a SIFT trust. Based upon its investment restrictions, as described in section 2.0 of this Annual Information Form, the Fund should not hold any “non-portfolio properties”.

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

The Units are qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans (collectively, “Registered Plans”). During 2014, the Fund did not deviate from the rules under the Income Tax Act that apply to the status of the Units qualifying for inclusion in such Registered Plans.

## **Status of the Fund**

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

### **11.1 Taxation of the Fund**

The taxation year of the Fund is generally the calendar year. The Fund will be subject to tax in each taxation year under Part I of the Income Tax Act on the amount of its income for the year, including net realized 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 of the

Fund in a taxation year if it is paid to the Unitholder in that year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount. The Fund intends to make distributions to Unitholders as described in section 3.3 of this Annual Information Form and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Income Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

In computing its income for tax purposes, the Fund is required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a Portfolio Security.

The Fund is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by the Fund and not reimbursed are deductible by the Fund ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. Generally, the Fund is also entitled to deduct reasonable administrative expenses subject to the limitations in the Income Tax Act. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules in the Income Tax Act.

Upon the actual or deemed disposition of a Portfolio Security, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund purchases the Portfolio Securities with the objective of receiving distributions and income thereon and takes the position that gains and losses realized on the disposition thereof are capital gains and capital losses.

One-half of the amount of any capital gain (a “taxable capital gain”) realized by the Fund in a taxation year on the disposition of Portfolio Securities that are capital property of the Fund must be included in computing the Fund’s income for the year, and one-half of the amount of any capital loss (an “allowable capital loss”) realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted by the Fund in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Income Tax Act.

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

The Portfolio will consist of securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Income Tax Act in Canadian dollars. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may use derivative instruments for converting non-Canadian currency exposure to the Canadian dollar. In accordance with the published administrative practice of the CRA, gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such



derivatives are not “derivative forward agreements” as defined in the Income Tax Act and are sufficiently linked with and hedge currency exposure in respect of, underlying securities, be treated and reported for purposes of the Income Tax Act on capital or income account depending on the nature of the securities to which the hedge is linked and designations with respect to its income and capital gains will be made and reported to Unitholders on this basis.

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

## **11.2 Taxation of Unitholders**

A Unitholder is generally required to include in computing income for a particular taxation year of the Unitholder such portion of the net income of the Fund for that particular taxation year, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Unitholder (whether in cash or in Units or reinvested in additional Units pursuant to the Reinvestment Plan). Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the taxable dividends, if any, received or deemed to be received, by the Fund on shares of taxable Canadian corporations and (iii) income of the Fund from foreign sources 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 Income Tax Act. A Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes under and subject to detailed foreign tax credit rules contained in the Income Tax Act and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder. Amounts designated as taxable dividends are subject to the gross-up and dividend tax credit rules, including the enhanced gross-up and tax credit applicable to designated eligible dividends.

Under the Income Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This enables the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder’s income. However, the adjusted cost base of the Unitholder’s Units will be reduced by such amount. The non-taxable portion of the Fund’s net realized capital gains, the taxable portion of which was designated to a Unitholder for a taxation year, paid or payable in the year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Unitholder’s share of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income, but will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased by the amount of such deemed capital gain to zero.

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

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), a Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder’s proceeds of

disposition (other than any amount of capital gains made payable by the Fund to the Unitholder which represent capital gains realized by the Fund in connection with its disposition of securities in order to fund the redemption) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution or as a reinvestment of a distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units. If a Unitholder participates in the Reinvestment Plan and acquires a Unit from the Fund at a price that is less than the fair market value of the Unit, it is the CRA's administrative position that the Unitholder must include the difference in income and increase the cost of such Unit by the corresponding amount. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. See section 3.3 of this Annual Information Form.

Based on the current published administrative policies and assessing practices of the CRA, a conversion of Class U Units into Class A Units will constitute a disposition of such Class U Units for the purposes of the Income Tax Act. The cost and proceeds of disposition of Class U Units must be computed in Canadian dollars using the exchange rate at the time of acquisition or disposition, respectively.

The NAV per Unit of the Fund, in part, reflects any income and gains of the Fund that have been earned or been realized, but have not been made payable at the time Units were acquired. Accordingly, a Unitholder of the Fund who acquires Units of the Fund, including on a distribution of Units or a reinvestment in additional Units pursuant to the Reinvestment Plan, may become taxable on the Unitholder's share of such income and gains of the Fund. In particular, an investor who acquires Units of the Fund at any time in the year but prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units.

If, at any time, the Fund delivers Portfolio Securities to any Unitholder on the termination of the Fund, the Unitholder's proceeds of disposition of the Units will generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition of such distributed property. The cost of any property distributed by the Fund in specie will generally be equal to the fair market value of such property at the time of the distribution. Such distributed property may or may not be a qualified investment for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans, and tax-free savings accounts (each, a "plan trust"). If such distributed property is not a qualified investment for plan trusts, such plan trusts (and, in the case of certain plan trusts, the annuitants, subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of registered education savings plans, revocation of such plan trusts.

One-half of any capital gain (a "taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income in the year of disposition and one-half of any capital loss (an "allowable capital loss") realized must be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains in accordance with the provisions of the Income Tax Act.

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

## Eligibility for Investment

Provided that, at all relevant times, the Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act, or in the case of the Class A Units, if such Units are listed on a “designated stock exchange” within the meaning of the Income Tax Act (which includes the TSX), the Units will be qualified investments under the Income Tax Act for plan trusts.

The Units will not be a “prohibited investment” for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund unless the holder of the tax-free savings account or the annuitant under the registered retirement savings plan or registered retirement income fund, as applicable, (i) does not deal at arm’s length with the Fund for purposes of the Income Tax Act, or (ii) has a “significant interest” as defined in the Income Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm’s length. In addition, the Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Income Tax Act for trusts governed by a tax-free savings account, registered retirement savings plan or registered retirement income fund.

Holders or annuitants should consult their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be “excluded property”.

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

The Manager is paid the Management Fee as disclosed in section 8.1.1 of this Annual Information Form. The directors and officers of the Manager do not receive any fees from the Fund.

Each member of the IRC receives \$10,000 per annum (\$12,500 for the Chair of the IRC) and the Fund pays the expenses of the IRC members and the Board incurred on behalf of the Fund. No such expenses were paid in 2014.

The Trustee does not receive any remuneration from the Fund in its capacity as Trustee.

### **13.0 MATERIAL CONTRACTS**

The Fund and/or the Manager, on behalf of the Fund, is party to the Declaration of Trust and the Custodian Agreement. Copies of these material contracts may be accessed by prospective or existing Unitholders at [www.sedar.com](http://www.sedar.com) under the Fund’s profile. They are also available at the Fund’s office during normal business hours. Details regarding each of these contracts are provided in section 1.1 of this Annual Information Form, in the case of the Declaration of Trust, and in section 8 of this Annual Information Form, in the case of the Custodian Agreement.

### **14.0 OTHER MATERIAL INFORMATION**

#### **14.1 Risk Factors**

Certain risk factors relating to the Fund and the Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund could be materially adversely affected.

## **No Assurances on Achieving Investment Objectives**

There can be no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there can be no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the NAV of the Fund will appreciate or be preserved. It is possible that, due to declines in the market value of the assets in the Portfolio, the Fund will have insufficient assets to achieve its distribution, capital preservation and growth objectives.

The Fund does not currently use leverage to pursue its investment objectives and based on the current projections for 2015, assuming no leverage, the Portfolio will be required to generate an average total return of approximately 9.49% in order for the Fund to achieve its targeted monthly distributions for the Units. Based on the composition of the Portfolio as at December 31, 2014, the Portfolio has a weighted average current cash yield of approximately 5.62% and accordingly, the Portfolio would be required to generate additional returns in excess of its current cash yield through the sale of securities or other returns, including securities lending income, in order for the Fund to achieve its initial targeted monthly distributions for the Units. If the return on the Portfolio (including capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund monthly distributions and the Manager returns a portion of the capital of the Fund to ensure the distribution is paid, the NAV per Unit would be reduced.

Increasing leverage would decrease the average total return required on the Portfolio. The Manager intends to use leverage as necessary to pursue suitable investing opportunities and expects to do so during 2015.

## **Loss of Investment**

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses.

## **No Guaranteed Return**

There can be no guarantee that an investment in the Fund will earn any positive return in the short or long term.

## **Performance and Marketability of Portfolio Securities**

The NAV of the Fund will vary in accordance with the value of the securities included in the Portfolio. The Portfolio Securities will be purchased at their prevailing market price, but such prices will vary, potentially substantially, over time. The Fund and the Manager have no control over the factors that affect the value of the assets in the Portfolio, such as general economic and market conditions, political conditions and fluctuations in interest and exchange rates, and factors unique to issuers of the Portfolio Securities and their business, such as liquidity and funding conditions, legal and compliance risks, operational risks, tax-related risks, changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, and other events that may affect the value of their securities. In the case of resource-oriented royalty and income trusts, such factors include the financial performance of the respective issuers, commodity prices, exchange rates, interest rates, the hedging policies employed by such issuers, issues relating to the regulation of the natural resource industry and operational risks relating to the resource sector and other financial market conditions. In the case of REITs, such factors include the quality of the REIT's property portfolio, the perception of and the abilities of the REIT's advisor, the prospects for the U.S. commercial real estate market and the economy in general, including the level and likely direction of interest rates.

There can be no assurance that an adequate market will exist for securities acquired by the Fund. The issuers of securities which the Fund may acquire may have limited operating histories. The Manager cannot predict whether the securities held by the Fund will trade at a discount to, a premium to, or at their net asset value.

### **Distributions**

The Fund intends to make monthly cash distributions on all Units. The Fund will not have a fixed monthly distribution amount. The Manager will review such distribution policy from time to time and accordingly, the distribution amount will be subject to change.

If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid, and accordingly the NAV per Unit would be reduced.

### **Sensitivity to Interest Rates**

It is anticipated that the market price for Units and the value of the Portfolio Securities at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units and increase the costs of borrowing to the Fund, if any.

### **Investments in Equity Securities**

The Fund will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. In addition, issuers of equity securities may reduce or eliminate dividends.

### **Commodity Price Fluctuations**

The operations and financial condition of the issuers of certain of the Portfolio Securities which will be held by the Fund and, accordingly, the amount of distributions paid on such securities will be dependent on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on such securities.

### **Oil and Gas Energy Investments**

Oil and gas prices have fluctuated widely during recent years and are affected by supply and demand, political events, weather and economic conditions, among other things, which can adversely affect the value of oil and gas and energy related investments. A decline in oil and gas prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on such investments.

### **Real Estate Investments**

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

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

### **Investments in U.S. Mortgage REITs**

U.S. mortgage REITs that invest primarily in mortgage-backed securities and/or other mortgage related securities are subject to certain risks that could reduce the value of their securities, including: the risk that borrowers may prepay their mortgage loans at faster than expected rates, which may adversely affect a U.S. mortgage REIT's profitability; the risk that falling interest rates may result in borrowers prepaying their mortgage loans at faster than expected rates, which may adversely affect a U.S. mortgage REIT's profitability; default risk resulting from a U.S. mortgage REIT that invests in mortgage-backed securities which are not backed by the full faith and credit of the U.S. government, as a result of which the maximum potential liability of such entities may greatly exceed their current resources and such entities may not be able to meet their obligations in the future; the risk that borrowers may prepay their mortgage loans at slower than expected rates, thereby adversely affecting a U.S. mortgage REIT's profitability; the risk that rising interest rates may result in borrowers prepaying their mortgage loans at slower than expected rates, which may adversely affect a U.S. mortgage REIT's profitability; rising interest rates, which will result in the value of a U.S. mortgage REIT's investment in fixed-rate obligations falling; changes in U.S. government policies, including changes that result in the winding down, nationalization, privatization, elimination or reduction in government support for certain U.S. governmental agencies that provide financial support for mortgages, may create market uncertainty and have the effect of reducing the actual or perceived credit quality of securities issued or guaranteed by U.S. governmental agencies and could increase the risk of loss on investments held by a U.S. mortgage REIT; and exposure to credit risk, which is the possibility that a borrower will be unable and/or unwilling to make timely interest payments and/or repay the principal on a loan to the U.S. mortgage REIT when such payments are due and, in the event of any default of a mortgage loan, the U.S. mortgage REIT bears the risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the loan.

### **Composition of the Portfolio**

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

### **Risks Associated with the Use of Leverage**

The Fund may employ leverage of up to 25% of the value of the Portfolio (equivalent to up to 331/3% of the Net Asset Value). As a result of fluctuations in the prices of the assets in the Portfolio, leverage may temporarily, and from time to time, exceed 25%. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Fund will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the assets in the Portfolio, the leverage will cause a decrease in the Net Asset Value of the Fund in excess of that which would otherwise be experienced if no leverage was utilized. Under certain conditions, leverage may be reduced or discontinued.

## **Reliance on the Manager**

The Manager will manage the Portfolio in a manner consistent with the Investment Policy of the Fund. The officers of the Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios; however, there can be no certainty that such individuals will continue to be employees of the Manager until the termination of the Fund. The performance of the Fund (and therefore the return to Unitholders) will be dependent on, among other things, the ability of the Manager to successfully execute the Investment Policy of the Fund.

## **Securities Lending**

The Fund may engage in securities lending. Although it will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

## **Trading Price of Class A Units**

The Class A Units may, and there can be no assurance that the Class A Units will not, trade in the market at a discount to the Net Asset Value per Class A Unit. Units will be redeemable at 100% of Net Asset Value per Unit on an Annual Redemption Date less any costs associated with the redemption. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts of the Class A Units.

## **Not a Trust Company**

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

## **Nature of the Units**

The Units share certain attributes common to both equity securities and debt instruments. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. The Units represent a fractional interest in the assets of the Fund. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

## **Class U Units will not be Listed**

The Class U Units will not be listed on any stock exchange. It is expected that liquidity for Class U Units will be obtained primarily by means of conversion of Class U Units into Class A Units and the subsequent sale of such Class A Units. A conversion of Class U Units into Class A Units will be a disposition of the Class U Units for purposes of the Tax Act.

## **Illiquid Securities**

There can be no assurance that an adequate market will exist for the assets included in the Portfolio and it cannot be predicted whether the assets included in the Portfolio will trade at a discount or premium to the latest price at which they are valued in the Portfolio. Certain Portfolio Securities may trade infrequently or no market for them may exist at all, which may make it difficult for the Manager to value such securities or to dispose of them at an acceptable price, if at all, when it wants to.

If the Manager is unable, or determines that it is inappropriate, to dispose of some or all of the Portfolio Securities prior to the termination of the Fund, Unitholders may, subject to applicable securities laws, receive distributions of securities in specie upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration. In addition, if the Manager determines that it is appropriate to acquire certain securities for the Portfolio, the Manager may be unable to acquire such securities in quantities or at prices which are acceptable to the Manager, if the market for such securities is particularly illiquid.

### **Taxation of the Fund**

In determining its income for tax purposes, the Fund will recognize gains and losses realized on the disposition of securities held by it as capital gains and capital losses in accordance with the CRA's published administrative practice. The CRA's practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for, or received from, the CRA. If some or all of the transactions undertaken by the Fund were treated on income rather than capital account, the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase.

The Income Tax Act contains rules that target certain financial arrangements (referred to as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. These rules are broadly drafted and could apply to other agreements or transactions, including certain forward currency contracts. If such rules were to apply to certain derivatives to be utilized by the Fund, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains.

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

U.S. REITs are subject to special U.S. federal tax requirements. Unlike corporations, U.S. REITs do not have to pay income taxes if they meet certain requirements set forth in the U.S. Internal Revenue Code of 1986, as amended. To qualify, a U.S. REIT must distribute at least 90% of its taxable income to its shareholders and receive at least 75% of that income from rents, mortgages and sales of property. A U.S. REIT's failure to comply with these requirements may subject it to U.S. federal income taxation. This may adversely impact upon the U.S. REIT's performance.

### **Status of the Fund**

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. As a result, some of the protections provided to investors in mutual funds under these laws will not be available to investors in the Fund and restrictions imposed on mutual funds do not apply to the Fund. The Fund is a mutual fund trust for purposes of the Tax Act.

### **Conflicts of Interest**

The Manager and its respective directors and officers and their respective affiliates may engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager devote his or her full time to the undertaking and affairs of the Fund, each devotes as much time as is



necessary to supervise the management of (in the case of the directors), or to manage the business and affairs of (in the case of officers), the Fund and the Manager, as applicable.

### **Changes in Legislation**

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act will not be changed in a manner which adversely affects the Fund or Unitholders. Any such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Portfolio.

### **Recent and Future Global Financial Developments**

Global financial markets have experienced increased volatility in the last several years, along with the deterioration of the financial condition of certain market economies and concerns with respect to the borrowing capacity of certain governments. More recently the sharp reduction in the price of oil has precipitated further instability in a number of economies including Canada's. No assurance can be given that continued volatility or instability in the capital markets may not adversely affect the prospects of the Fund and the value of portfolio securities. A substantial reduction in the value of the markets in which the Fund invests could be expected to have a negative effect on the Fund.

### **Currency Exposure**

While the Portfolio and the dividends and distributions from the Portfolio are denominated in U.S. dollars, Class A Units are priced in Canadian dollars. Substantially all of the U.S. dollar value of the Portfolio attributable to the Class A Units will be hedged back to Canadian dollars. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### **Withholding Tax Risks**

As the Portfolio will consist of securities issued by foreign issuers, distributions received by the Fund on the securities in the Portfolio may be subject to foreign withholding tax. The return on the Portfolio will be net of such foreign withholding tax (although Unitholders will be entitled to a foreign tax credit or deduction in respect of foreign withholding tax paid by the Fund).

In 2010, the United States enacted legislation, generally referred to as the "Foreign Account Tax Compliance Act" ("FATCA"). On February 5, 2014, the United States and Canada entered into the Canada-United States Enhanced Tax Information Exchange Agreement (the "IGA"), which modifies the application of FATCA to certain Canadian entities including registered brokers and dealers and certain investment entities. On June 19, 2014, Canada enacted amendments to the Income Tax Act to implement the IGA as part of Canadian law. These amendments were added as Part XVIII of the Income Tax Act. The dealers through which Unitholders hold their Units are subject to registration, information collection and reporting obligations contained in Part XVIII of the Income Tax Act and the IGA with respect to "financial accounts" such dealers maintain for their clients. Unitholders will generally be requested to provide their dealer with information related to their citizenship, residency and, if applicable, a U.S. federal tax identification number. If a Unitholder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if a Unitholder does not provide the requested information, Part XVIII of the Income Tax Act and the IGA will generally require information about the Unitholder's

investment in the Fund to be reported to the CRA, unless the investment is held within a Registered Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

### **No Ownership Interest in Portfolio Securities**

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund.

### **Redemptions**

The purpose of the annual redemption right is to prevent Units from trading at a substantial discount to the NAV per Unit and to provide investors with the ability to realize on their investment without such trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Units trade at a significant discount to their NAV per Unit, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable NAV per Unit and the discounted market price at which the Units are purchased. If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under “Redemption of Units – Suspension of Redemptions”.

## **14.2 Accounting Changes**

International Financial Reporting Standards (“IFRS”) replaced Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers, for fiscal periods beginning on or after January 1, 2014. The Fund adopted IFRS for the fiscal period beginning January 1, 2014 and issued its initial financial statements in accordance with IFRS, including comparative information, for the interim period ended June 30, 2014.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement (“IFRS 13”), which defines fair value, sets out a single framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 only applies when IFRS requires or permits fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, IFRS 13 requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. IFRS 13 allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This has resulted in the reduction of the current difference between the net assets per unit (calculated for financial statement purposes) and NAV per unit (calculated for operational purposes) at the financial statements reporting dates to an immaterial amount.

In addition, a statement of cash flows is now included in the financial statements in accordance with the requirements of IFRS 1 First-time adoption of International Financial Reporting Standards, and prepared in line with IAS 7 Statement of Cash Flows.

The criteria contained within IAS 32 – Financial Instruments Presentation may also require Unitholders’ equity to be classified as a liability within the Fund’s Statements of Net Assets, unless certain conditions are met. The Manager has assessed the Fund’s Unitholders’ structure and has confirmed that the liability treatment does apply to the Fund’s Unitholders’ equity.

Other than changes described above, the impact of IFRS to the financial statements has been limited to additional note disclosures.

The final version of IFRS 9, Financial instruments (“IFRS 9”) was issued by the International Accounting Standards Board in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. IFRS 9 has not yet been adopted by the Fund but is expected to be relevant to the Fund. The Fund has not yet begun the process of assessing the impact that the standard will have on its financial statements and has not yet determined when it will adopt the new standard.

IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

## **ANNUAL INFORMATION FORM FOR BLOOM U.S. INCOME & GROWTH FUND**

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### **ADDITIONAL INFORMATION:**

Additional information about the Fund is available in the Fund’s management report of fund performance and financial statements. Copies of these documents may be obtained at no cost by calling collect at (416) 861-9941 or toll-free at 1-855-BLOOM18, or directly from your dealer.

Copies of these documents and other information about the Fund, such as information circulars and material contracts, are also available on the Fund’s website at [www.bloomfunds.ca](http://www.bloomfunds.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).