



## **RIDGEWOOD MUTUAL FUNDS**

**Ridgewood Canadian Bond Fund**

**Ridgewood Tactical Yield Fund**

### **Annual Information Form**

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

March 12, 2018

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## **Name, formation and history of the funds**

This Annual Information Form contains information about Ridgewood Canadian Bond Fund and Ridgewood Tactical Yield Fund (together, the “funds”).

The funds are both trusts established under the laws of Ontario. Each fund is governed by an amended and restated master declaration of trust dated September 1, 2008 (the “Master Trust Declaration”) and a fund declaration of the fund, in each case made by Ridgewood Capital Asset Management Inc. (“Ridgewood”), the trustee and manager of the funds. The fund declaration of Ridgewood Canadian Bond Fund was entered into on February 18, 1999 and was amended on September 1, 2008 and further amended on March 25, 2010. The fund declaration of Ridgewood Tactical Yield Fund was entered into on March 31, 2011. The trust document of a fund is comprised of the Master Trust Declaration and its applicable fund declaration.

Ridgewood Canadian Bond Fund was previously managed by Mulvihill Fund Services Inc. (“MFSI”). In connection with a transaction between Ridgewood and MFSI’s parent company, and in accordance with applicable securities law requirements, effective September 1, 2008 (the “Effective Date”), Ridgewood became the trustee and manager of, among other funds, Ridgewood Canadian Bond Fund. As of the Effective Date, the name of Ridgewood Canadian Bond Fund was changed to its current name and each of the material contracts of Ridgewood Canadian Bond Fund was amended to reflect the changes. In particular, the Master Trust Declaration was amended and restated on September 1, 2008 in order to reflect Ridgewood becoming trustee and manager of Ridgewood Canadian Bond Fund. The fund declaration of Ridgewood Canadian Bond Fund was also amended on that date to reflect the change in the fund’s name from “*Mulvihill Canadian Bond Fund*” to “*Ridgewood Canadian Bond Fund*”. Ridgewood Canadian Bond Fund’s fund declaration was further amended on March 25, 2010 to reflect a change to its investment objective.

Ridgewood is also the investment manager and principal distributor of each of the funds. RBC Investor Services Trust (“RBC Investor Services”) is the custodian of the funds. See “Organization of the funds” for more details.

The address, phone number, website address and email address of Ridgewood and the funds is 55 University Avenue, Suite 1020, Toronto, Ontario, M5J 2H7, 416-842-0227 or toll-free at 1-888-789-8957, [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca) and [contact@ridgewoodcapital.ca](mailto:contact@ridgewoodcapital.ca).

In this document, *we*, *us* and *our* refers to Ridgewood.

## **Description of units of the funds**

The funds are divided into units of participation (“units”) held by unitholders (“unitholders”). Each fund may issue an unlimited number of units, each of which represents an equal, undivided interest in the fund. The interest of a unitholder in a fund is equal to the number of units registered in the name of the unitholder.

All units of a fund have the same rights and privileges. A holder of one unit of a fund will have one vote at a meeting of unitholders and is entitled to participate equally with respect to any

distributions made by the fund and if the fund liquidates, dissolves or winds up. Fractions of units are proportionately entitled to all of these rights except voting rights.

Unitholders of a fund will receive annual audited financial statements and semi-annual unaudited financial statements for the fund.

The rights of the unitholders of a fund may only be changed in accordance with the Master Trust Declaration, the applicable fund declaration, and in accordance with applicable securities laws. See "Organization of the funds".

## **Organization of the funds**

### ***Trustee and Manager***

Ridgewood is the manager and trustee of the funds pursuant to the terms of the Master Trust Declaration and the applicable fund's fund declaration.

### ***Matters Requiring Unitholder Approval***

Ridgewood, as trustee of the funds, will not make any of the following changes to a fund without the consent of a majority of unitholders of the fund:

- a change of manager of the fund (other than to an affiliate of the manager)
- a change of trustee of the fund (other than to an affiliate of the trustee)
- a change of fundamental investment objectives of the fund
- a reorganization with, a transfer of assets to, or an acquisition of assets from, another mutual fund in certain circumstances
- a decrease in the frequency of calculating the net asset value of the fund
- a restructuring into a non-redeemable investment fund or an issuer that is not an investment fund.

As the funds are no load funds, unitholders are not required to approve any increases in a fee or expense that is charged to the fund. Any increase will only be made if notice is mailed to unitholders at least 60 days prior to the increase.

Ridgewood will give unitholders 30 days' written notice of any other change to the trust document of a fund, except that Ridgewood may make changes without the approval of, or notice to, unitholders of the fund if the changes are intended:

- to ensure regulatory compliance
- to maintain the status of the fund as a "mutual fund trust" for the purpose of the *Income Tax Act* (Canada) (the "Tax Act") or to respond to amendments to the Tax Act
- to provide additional protection to unitholders
- to remove conflicts or inconsistencies or to correct typographical, clerical or other errors, as long as such amendment is not prejudicial to the interests of unitholders.

Ridgewood manages both funds' investment portfolios and provides or arranges for the administrative services of the funds including valuation services, fund accounting and unitholder

records. Ridgewood receives a management fee in respect of each fund and is reimbursed for fund expenses pursuant to the terms of the trust documents. Please see “Fees and expenses” in the simplified prospectus of the funds.

### ***Replacement of Manager***

Ridgewood has the right to resign as manager or trustee of the funds by giving written notice to unitholders of the funds in accordance with the trust documents of the funds. The prior approval of the unitholders is required for the appointment of a successor manager unless the new manager is an affiliate of Ridgewood. If the trustee is removed as trustee by either Ridgewood or the unitholders, Ridgewood shall appoint a new trustee. If, for any reason, Ridgewood resigns or ceases to be manager or trustee of the funds and a new manager or trustee is not appointed, the funds will terminate and the property of the funds will be distributed in accordance with the trust documents of the funds.

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

The name and municipality of residence, position held with Ridgewood and occupation during the past five years of each of the directors and executive officers of Ridgewood are as follows:

<b><i>Name and Municipality of Residence</i></b>	<b><i>Office or Position with Ridgewood and Principal Occupation within the previous five years</i></b>
John H. Simpson Toronto, Ontario	Managing Director, Chairman, Chief Executive Officer, Secretary, Chief Compliance Officer and Director of Ridgewood
Paul W. Meyer Oakville, Ontario	Managing Director, President, Chief Financial Officer, Chief Investment Officer and Director of Ridgewood
Mark J. Carpani Oakville, Ontario	Senior Vice President and Director of Ridgewood

John H. Simpson and Paul W. Meyer each hold, directly or beneficially through their holding companies, 20,065.95 common shares, being approximately 30% of the voting securities of Ridgewood. John P. Mulvihill is the beneficial holder of 20 special shares of Ridgewood, being 20% of the voting securities of Ridgewood. Mark J. Carpani owns 6,579 common shares of Ridgewood, being 10% of the voting securities of Ridgewood. In the aggregate, the directors and senior officers of Ridgewood own 71% of the voting securities of Ridgewood.

### ***Portfolio Adviser***

Ridgewood provides portfolio management services to the funds pursuant to a master investment management agreement dated September 1, 2008, as amended on March 31, 2011, between Ridgewood, in its capacity as trustee of the funds, and Ridgewood, in its capacity as investment manager of the funds.

Ridgewood is an independent investment manager that manages approximately \$1.2 billion in assets for a diversified client base of high net worth individuals, foundations/endowments, First Nation mandates and institutional accounts. Ridgewood was incorporated under the laws of Canada in 2008 and subsequently acquired the wealth management, institutional management and mutual fund business of Mulvihill Capital Management Inc. Ridgewood manages the investment portfolio of the funds in accordance with the investment objectives, restrictions and

strategies of the funds described in the simplified prospectus of the funds. Ridgewood has the discretion to make investment decisions and arrange for the acquisition and disposition of portfolio investments, including all necessary brokerage arrangements. The investment management agreement may be terminated on 10 days' written notice. Ridgewood receives a fee for the portfolio advisory services it provides to the funds.

The following employee of Ridgewood primarily makes the investment decisions and is principally responsible for the day-to-day management of a material portion of the portfolio of the funds:

<b>Fund</b>	<b>Name</b>	<b>Title at Ridgewood</b>	<b>Length of Service with Ridgewood</b>
Ridgewood Canadian Bond Fund	Mark Carpani	Senior Vice President and Director	10 years
Ridgewood Tactical Yield Fund	Mark Carpani	Senior Vice President and Director	10 years

The business experience of Mr. Carpani for the past 5 years is described under the description of the executive officers and directors of Ridgewood above.

### ***Brokerage Arrangements***

Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions, are made on behalf of the funds by Ridgewood, the portfolio adviser of the funds, and are the ultimate responsibility of Ridgewood.

Ridgewood will make reasonable efforts to achieve best execution for portfolio transactions executed on behalf of the funds. The best net price, as represented by brokerage commissions, spreads, and other costs, is an important factor in the selection of a broker or dealer, but a number of other factors are considered including: the size of the transaction, the nature of the market of the security, the timing and impact of the transaction taking into account market prices and trends, confidentiality, speed and certainty of execution, clearance and settlement capabilities as well as the reputation, experience and financial stability of the broker or dealer, the quality of services rendered by the broker or dealer in other transactions and the permitted research goods and services to be provided to the funds.

Ridgewood may in its discretion allocate brokerage transactions of a fund involving client brokerage commissions in return for "permitted" research goods and services which directly add value to an investment or trading decision, which are to the benefit of the fund and which provide the fund with reasonable benefit considering the use of the services provided by the broker or dealer and the amount of brokerage commissions paid. Any such allocations shall be pursuant to arrangements whereby Ridgewood will allocate a specific number of trades to a particular broker or dealer in return for order execution services and specified permitted research goods and services. Ridgewood has no outstanding contractual obligation to allocate the funds' brokerage transactions to any specific brokerage firm.

“Permitted” research goods and services and order execution goods and services, as defined in National Instrument 23-102 – *Use of Client Brokerage Commissions*, include: (i) advice as to the value of the securities and the advisability of effecting transactions in securities; (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends; and (iii) electronic tools, such as databases or software, that support (i) and (ii).

In certain circumstances, order execution and research goods and services may be provided to Ridgewood in a bundled form and may include items that are not considered “permitted” research goods and services. In such cases, Ridgewood will ensure the costs of such mixed-use services are unbundled and it will directly pay for those non-permitted goods and services.

Since March 17, 2017, Ridgewood has received research goods and services in the nature of electronic tools, such as databases or software, from brokers and dealers in return for directing brokerage transactions involving client brokerage commissions. Please call us, toll free, at 1-888-789-8957 or send us an email at [contact@ridgewoodcapital.ca](mailto:contact@ridgewoodcapital.ca) for a list of brokers and dealers to which brokerage transactions involving client brokerage commissions were directed by Ridgewood in exchange for any goods or service since March 17, 2017.

None of Ridgewood or either of the funds is affiliated with any broker or dealer.

### ***Principal Distributor***

Ridgewood is the principal distributor of units of the funds pursuant to the terms of a master distribution agreement dated September 1, 2008, as amended on March 31, 2011, between Ridgewood in its capacity as trustee of the funds, and Ridgewood, in its capacity as principal distributor of the funds. Pursuant to the terms of the master distribution agreement, Ridgewood distributes or arranges for the distribution of the units of the funds in Canada in accordance with the trust documents, securities laws and the simplified prospectus of the funds. The master distribution agreement can be terminated on 90 days’ prior written notice.

### ***Custodian***

RBC Investor Services of Toronto, Ontario is the custodian of the assets of the funds pursuant to a custodian agreement made on the 21<sup>st</sup> day of February, 2005 as amended on March 31, 2011. Pursuant to a consent and assignment agreement made the 1<sup>st</sup> day of September 2008, MFSI, the previous manager of Ridgewood Canadian Bond Fund, assigned all of its rights and obligations under the custodian agreement to Ridgewood. The custodian holds the assets of the funds in accordance with the terms of the custodian agreement and the instructions of Ridgewood, the trustee and manager of the funds. In addition, the custodian performs certain administrative services for the funds such as calculating net asset value. RBC Investor Services may appoint one or more sub-custodians for any assets of the funds held outside of Canada.

### ***Record Keeper***

RBC Investor Services is the record keeper of unitholders of the funds. The record keeper maintains the registers of the funds in Toronto, Ontario.

### ***Independent Auditor***

The independent auditor of the funds is Deloitte LLP of Toronto, Ontario.

### ***Promoter***

Ridgewood took the initiative in reorganizing the business of Ridgewood Canadian Bond Fund and organizing the business of Ridgewood Tactical Yield Fund and therefore is considered to be a promoter of each of the funds.

### ***Principal Securityholders***

As at February 28, 2018, other than as described below, no person or company owned of record or, to the knowledge of the relevant fund or manager, beneficially, directly or indirectly, more than 10% of the outstanding units of any of the funds. The directors and senior officers of Ridgewood do not own more than a *de minimis* amount of securities of persons or companies providing services to the funds or Ridgewood.

Members of the independent review committee (the “IRC”) do not, in aggregate, hold more than 10% of the units of any fund. Members of the IRC do not hold any voting or equity securities of Ridgewood, or any person or company that provides services to the funds or Ridgewood other than, in the case of persons or companies providing services to the funds or Ridgewood, a *de minimis* amount.

<b>Name of Fund</b>	<b>Name</b>	<b>Type of Ownership</b>	<b>Number of Units Owned</b>	<b>Percentage of Outstanding Units</b>
Ridgewood Canadian Bond Fund	Attawapiskat Trust	Registered and Beneficial	645,093.29	10.33%
Ridgewood Canadian Bond Fund	Métis Settlements General Council	Registered and Beneficial	855,876.55	13.71%
Ridgewood Tactical Yield Fund	Michroz Inc.	Registered and Beneficial	488,079.09	10.78%

### **Material contracts**

The material contracts pertaining to the funds are listed below:

- the trust documents referred to in the section entitled “Trustee and Manager”
- the investment management agreement referred to in the section entitled “Portfolio Adviser”
- the distribution agreement referred to in the section entitled “Principal Distributor”
- the custodian agreement referred to in the section entitled “Custodian”.

Copies of the material contracts may be inspected by prospective or existing unitholders during regular business hours at the offices of Ridgewood and are available on Ridgewood's website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca) or at [www.sedar.com](http://www.sedar.com).

## **Fund governance**

Ridgewood has adopted policies, procedures and guidelines concerning the governance of the funds and to ensure the proper management of the funds. These policies, procedures and guidelines aim to monitor and manage the business and sales practices, risks and internal conflicts of interest relating to the funds, and to ensure compliance with regulatory and corporate requirements.

Ridgewood has an asset mix committee consisting of the following employees: John H. Simpson, Paul Meyer, Mark Carpani, Eddie Wong, James McAughey, Jennifer Zabanah, Andrew Mitchell and Melissa Boulrice. The investment process for each fund begins at the asset mix committee. Members of this committee meet monthly to examine macro-economic variables and relationships within the dominant economic matters. This process culminates in an outlook for the various capital markets around the world and provides the fundamental basis for our long-term market outlook. These views are integrated into the investment decision making process at the portfolio management level. The asset mix committee of Ridgewood oversees investment decisions made by the portfolio manager of the funds. The asset mix committee reports to Mr. Simpson and Mr. Meyer, the Managing Directors of Ridgewood. Mr. Simpson is also the Chief Compliance Officer.

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

National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107") requires all publicly offered investment funds to establish an IRC to whom the manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC is required to be comprised of a minimum of three independent members, and is required to conduct regular assessments and provide reports to the manager and the funds' unitholders in respect of its functions.

The current members of the IRC are G. Tomlinson Gunn, Allen B. Clarke, and Marshall E. Nicholishen. Mr. Gunn serves as the Chair of the IRC. As compensation for services to the funds, the Chair is paid \$20,000 per year and each other member is paid \$15,000 per year. Each member, including the Chair, is also paid an additional \$300 for each meeting attended. For the year ended December 31, 2017, the total amount of fees and expenses payable by and charged to the funds in connection with the IRC was \$35,134.

### ***Short Term Trading***

A short term trade can be understood as a combination of a purchase and redemption (including switches) within a short period of time that may be detrimental to other investors in a mutual fund and which may take advantage of securities priced in other time zones or illiquid securities that trade infrequently.

Ridgewood does not, however, believe it necessary to impose any short term trading restrictions on the funds at this time. New purchases of units of a fund may only be made by clients who have opened discretionary managed accounts with Ridgewood. Ridgewood therefore may exercise a degree of control as to when purchases, switches and redemptions of units of a fund are made and can therefore largely ensure that the adverse effects of short term trading noted above do not occur in respect of the funds.

### ***Proxy Voting Guidelines***

Ridgewood has adopted proxy guidelines (the “Proxy Guidelines”) developed by ISS Governance Services (“ISS”), a subsidiary of RiskMetrics Group, to assist in determining how it will vote proxies received by it in respect of voting securities held by the funds. Ridgewood has retained ISS to administer and implement such Proxy Guidelines and to ensure that voting securities held by the funds are voted in accordance with the Proxy Guidelines. The Proxy Guidelines establish standing policies and procedures for dealing with routine and non-routine matters, as well as the circumstances under which deviations may occur from such standing policies. A general description of certain of such policies is outlined below.

### ***Auditor***

Ridgewood will vote for proposals to ratify the auditor except where non-audit-related fees paid to such auditor exceed audit-related fees.

### ***Board of Directors***

Ridgewood will vote for nominees of management on a case-by-case basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance positions, takeover activity, long-term company performance, excessive executive compensation, responsiveness to shareholder proposals and any egregious board actions. Ridgewood will withhold voting for any nominee who is an insider and sits on the audit committee or the compensation committee. Ridgewood will also withhold support for those individual nominees who have attended less than 75% of the board meetings held within the past year without a valid excuse for these absences.

### ***Compensation Plans***

Ridgewood will vote on matters dealing with share-based compensation plans on a case-by-case basis. Ridgewood will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. Ridgewood will generally vote for compensation plans only where the cost is within the industry maximum except where: (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation, or (ii) the plan provides for option re-pricing without shareholder approval. Ridgewood will generally vote against any proposals to re-price options, unless re-pricing is part of a broader plan amendment that substantially improves the plan and provided that: a value-for-value exchange is proposed; the top five paid officers are excluded; and options exercised do not go back into the plan or the company commits to an annual burn rate cap.

### *Management Compensation*

Ridgewood will vote on employee stock purchase plans (“ESPPs”) on a case-by-case basis. Ridgewood will generally vote for broadly-based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 80% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 20% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. Ridgewood will also vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account the issuer’s performance, absolute and relative pay levels as well as the wording of the proposal itself. Ridgewood will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all, options be tied to the achievement of performance hurdles.

### *Capital Structure*

Ridgewood will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case-by-case basis. Ridgewood will typically vote for proposals to approve increases where the issuer’s securities are in danger of being de-listed or if the issuer’s ability to continue to operate is uncertain. Ridgewood will vote against proposals to approve unlimited capital authorization.

### *Constituting Documents*

Ridgewood will generally vote for changes to constituting documents which are necessary and can be classified as “housekeeping”. The following amendments will typically be opposed:

- (i) the quorum for a meeting of shareholders is set below two persons holding 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but Ridgewood will oppose any quorum below 10%);
- (ii) the quorum for a meeting of directors is less than 50% of the number of directors; and
- (iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Proxy Guidelines also include policies and procedures pursuant to which Ridgewood will determine how to cause proxies to be voted on other non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues.

### *Conflict of Interest*

A conflict of interest may exist where Ridgewood, its employees or a related entity maintains a relationship (that is or may be perceived as significant) with the issuer soliciting the proxy or a third party with a material (real or perceived) interest in the outcome of the proxy vote. Ridgewood maintains a code of ethics that identifies conflicts of interests and requires, at all

times, that the best interests of unitholders be placed ahead of personal interests. The code of ethics provides for specific consequences to the individuals involved in the event the interests of the unitholders are not placed ahead of their own. Ridgewood will refer all conflict of interest matters (as defined in NI 81-107) to the IRC for its review and decision prior to taking action on any such matter.

The Proxy Guidelines are available upon request at no cost by calling toll-free at 1-888-789-8957 or by email at [contact@ridgewoodcapital.ca](mailto:contact@ridgewoodcapital.ca).

Ridgewood maintains annual proxy voting records for the funds for the period beginning July 1 and ending June 30 of each year. This record is available after August 31 of each year at no cost upon request by calling toll-free at 1-888-789-8957 or by email at [contact@ridgewoodcapital.ca](mailto:contact@ridgewoodcapital.ca).

## **Calculation of net asset value**

The issue and redemption of units of a fund is based on the net asset value of the fund determined after the receipt of a purchase or redemption order. The net asset value per unit of a fund ("unit value") is determined after the close of business on each valuation day. The funds will be valued as at the close of trading on each day the Toronto Stock Exchange is open for trading and December 31 or, if December 31 is not a business day, the immediately preceding business day. If a fund elects to have a December 15 year end for tax purposes, the fund will also be valued on December 15.

The unit value of a fund is computed by dividing the value of the assets of the fund less its liabilities by the total number of units outstanding. The custodian is the valuator for the funds. The net asset value and unit value for each fund are made available at no cost to the public on Ridgewood's website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca).

In calculating the unit value of a fund, the value of:

- cash, prepaid expenses, cash dividends or other cash distributions declared and interest accrued and not yet received is its face amount or such other reasonable amount determined by the custodian as fair value
- bonds, debentures and other debt obligations is the average of its bid and ask prices
- short term investments including notes and money market instruments is its cost plus accrued interest
- securities or other assets for which a market quotation is not readily available shall be its fair value as determined by the custodian
- securities, index futures or index options which are listed on an exchange is the closing price, provided that if there is no closing sale price, it is the average between the closing bid and closing asked price and if the stock exchange is not open for trading then it is determined on the last previous date on which such stock exchange was open for trading
- securities, the resale of which is restricted or limited, is the lesser of its reported value and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited, equal to the percentage that the fund's acquisition cost was of the market value of such securities at the time of acquisition, provided that a

gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known

- purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants is the fair market value
- premiums from clearing corporation options, options on futures or over-the-counter options are reflected as a deferred credit which is valued at an amount equal to the fair market value of such options that would have the effect of closing the position. Any difference resulting from revaluation is treated as an unrealized gain or loss on investment. The deferred credit is deducted in arriving at the unit value of the fund. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option are valued at their then fair market value
- futures contracts or forward contracts is the gain or loss that would be realized if, at the close of business (or such other time as is determined by the custodian) the position in such contracts were to be closed out unless daily limits are in effect in which case fair value is based on the current market value of the underlying interest
- margin paid or deposited in respect of futures contracts and forward contracts is reflected as an account receivable and margin consisting of assets other than cash is noted as being held as margin
- all fund property valued in a foreign currency and all liabilities and obligations of the fund payable by the fund in a foreign currency is converted into Canadian funds by applying the rate of exchange from the best available sources
- all expenses or liabilities (including fees payable to Ridgewood) of the fund are calculated on an accrual basis.

If the value of an investment cannot be determined according to these rules, value will be determined according to what is deemed fair and reasonable by Ridgewood. Neither Ridgewood, nor RBC Investor Services has exercised this discretion in the past three years. For the purposes of the foregoing rules, quotations may be obtained from any report in common use, or from a reputable broker or other financial institution, provided that RBC Investor Services shall retain the discretion to use such information and methods as it considers necessary or desirable for valuing the assets of the fund, including the use of a formula computation.

National Instrument 81-106 - *Investment Fund Continuous Disclosure* (“NI 81-106”) requires investment funds to calculate net asset value based on the fair value of assets and liabilities of the fund. While investment funds are required to comply with the definition of fair value set out in NI 81-106 when calculating net asset value, funds may also look to the CPA Canada Handbook for guidance on the determination of fair value. The funds calculate the net asset value of the securities of the funds on the basis of the valuation principles set forth in this annual information form. The financial statements of a fund will contain an explanation of the difference in the amount of net assets reported in the financial statements, if any, in accordance with International Financial Reporting Standards and the net asset value used by the fund for all other purposes, including the purchases and sales of units of the fund.

## **Purchases, Switches and Redemptions of Units**

### ***How you can purchase, switch or redeem***

You may purchase or redeem units of a fund, or switch units of one fund for units of another fund if you are a client of Ridgewood. Existing unitholders that are not clients of Ridgewood may only redeem units of a fund. Such redemption requests must be made in writing to Ridgewood.

The funds are no load, which means you do not pay a fee when you purchase, switch or redeem units of a fund. Your initial investment in a fund must be at least \$100 and subsequent investments must be at least \$50. Due to the high cost of maintaining accounts of less than \$500, each fund reserves the right to redeem units of any unitholder if at any time the aggregate value of his or her units in the fund is less than \$500.

### ***The Unit Price***

If your purchase or redemption order for units of a fund is received before 4:00 p.m. (Eastern Time), then your order will be processed at the unit value of the fund on that day, otherwise it will be processed at the unit value on the next day. All purchases and redemptions of units of funds are in Canadian dollars.

### ***Processing orders***

We will only process a purchase order if it is complete. If we don't receive your payment for units of a fund and all required documents within three days of receipt of your order, we'll redeem your units and you may incur costs. All purchase orders for units of a fund are subject to acceptance or rejection by Ridgewood on behalf of the fund. The decision to accept or reject an order will be exercised by Ridgewood promptly and in any event within one business day of receipt of the order by Ridgewood. When an order is rejected, all monies received with the order will be refunded, without interest, to the subscriber immediately after such rejection.

Redemption orders must be in writing and we may require that any signature be guaranteed. As a security measure, we may refuse to accept a redemption order sent by fax directly by a unitholder. If your redemption order is complete, we will pay the redemption amount within three business days after we determine the redemption price. If we don't receive all the documentation we need from you to complete the redemption order within ten business days, the fund will repurchase your units and you may incur costs.

Redemption orders involving transfers to or from registered plans may incur additional delays if the transfer documents are not completed in the manner prescribed by the Canada Revenue Agency and release of the redemption proceeds cannot be made by the fund until all administrative procedures involved with such registered plans are complete.

### ***Suspension of Redemptions***

Under extraordinary circumstances, your right to redeem units of a fund may be suspended if normal trading is suspended on a market on which securities or specified derivatives representing

more than 50% by value, or underlying market exposure, of the fund's total assets are listed and traded and if those securities or specified derivatives are not traded on any other exchange that represents a reasonable practical alternative for the fund or with the consent of the Ontario Securities Commission. A fund will not calculate unit value nor accept any purchase orders during any period when the right to redeem units is suspended.

## **Investment restrictions**

The funds are subject to certain investment restrictions and practices contained in securities legislation, including National Instrument 81-102 - *Investment Funds*. These restrictions and practices are designed, in part, to ensure that the investments of the funds are diversified and relatively liquid and to ensure the proper administration of the funds. The funds are managed in accordance with these restrictions and practices.

A fund will not mix its investments with investments of other persons. The investments of each fund will be kept separate from the investments of and from all other property belonging to or in the custody of RBC Investor Services or any other custodian of assets of the fund.

The funds are mutual fund trusts under the Tax Act and Ridgewood Canadian Bond Fund is a registered investment under the Tax Act. Each fund will not engage in any undertaking other than the investment of its funds in property for the purposes of the Tax Act. The funds have not deviated in the previous year from the rules under the Tax Act relating to their relevant status as a qualified investment and, in the case of Ridgewood Canadian Bond Fund, its status as a registered investment.

Provided a fund is a mutual fund trust under the Tax Act or a registered investment under the Tax Act, units of the fund are qualified investments for Registered Plans (as defined below).

The prior approval of the unitholders of a fund is required for any change in the fundamental investment objectives of the fund.

## **Income tax considerations**

This section describes the principal Canadian federal income tax considerations that apply to the funds and only applies to individual investors who are residents of Canada and who hold units of the funds as capital property for tax purposes.

The summary takes into account the current provisions of the Tax Act and the regulations thereunder, as well as all publicly announced proposed amendments to the Tax Act and regulations ("Tax Proposals"). It also takes into account the currently publicly available published administrative practices and assessing policies of the Canada Revenue Agency.

The summary is not intended to be exhaustive. It does not address provincial or foreign tax considerations. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in their particular circumstances. In this summary the term "Registered Plan" means a trust governed by a registered retirement savings plan (RRSP), registered retirement income fund (RRIF), registered education savings plan (RESP), deferred

profit sharing plan (DPSP), registered disability savings plan (RDSP) or tax-free savings account (TFSA) each as defined in the Tax Act.

### ***Taxation of the funds***

Each fund is a mutual fund trust under the Tax Act. Each fund will continue to qualify as a mutual fund trust under the Tax Act provided that it meets, among other items, prescribed conditions relating to the number of its unitholders. The balance of the summary assumes that each fund will continue to so qualify. Ridgewood Canadian Bond Fund is a registered investment under the Tax Act.

A fund will not be liable for tax under the Tax Act in respect of its net income or net capital gains for a taxation year to the extent that such net income and net capital gains are distributed to unitholders in the year.

As a mutual fund trust, a fund may be entitled to retain (i.e., not distribute) certain capital gains without being subject to tax thereon.

Losses incurred by a fund cannot be allocated to unitholders but may be carried forward and deducted by the fund in future years.

Each fund is required to calculate its net income and net realized capital gains in Canadian dollars for purposes of the Tax Act, and may, as a consequence, realize income or capital gains from changes in the value of the U.S. dollar or other relevant currencies relative to the Canadian dollar.

The Tax Act contains “loss restriction event” (“LRE”) rules that could potentially apply to certain trusts including the funds. In general, a LRE occurs to a fund if a person (or group of persons) acquires more than 50% of the fair market value of the fund. If a LRE occurs (i) the fund will be deemed to have a year-end for tax purposes, (ii) any net income and net realized capital gains of the fund at such year-end will be distributed to unitholders of the fund, and (iii) the fund will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE. However, a fund will be exempt from the application of the LRE rules in most circumstances if the fund is an “investment fund” which requires the fund to satisfy certain investment diversification rules.

### ***Taxation of unitholders***

A unitholder of a fund will be required to include in income the net income and the taxable portion of the net capital gains (or the *taxable capital gains*) of the fund distributed to the unitholder in the year, whether the unitholder receives the distributions in cash or reinvests them in additional units. If a unitholder’s share of distributions from a fund in a year exceeds the unitholder’s share of the fund’s net income and net capital gains for the year, the excess will not be taxable but will reduce the adjusted cost base of the unitholder’s units in the fund. To the extent that the adjusted cost base of the unitholder’s units in a fund is less than zero, such negative amount will be deemed to be a capital gain realized by the unitholder and the adjusted cost base of the units will be increased by such amount.

Each fund intends to make designations so amounts treated as foreign income, net capital gains and taxable dividends from Canadian corporations retain their identity for tax purposes in the hands of unitholders when distributed to them. Where foreign income has been so designated, the unitholder will be treated as having paid the unitholder's proportionate share of foreign taxes paid by the fund on that income and may be entitled to claim a foreign tax credit. To the extent that amounts are designated as taxable dividends from Canadian corporations, the gross-up and dividend tax credit rules will apply including an enhanced dividend gross-up and tax credit in respect of "eligible dividends."

Gains realized by a fund from the use of derivative securities generally will result in the distribution of income rather than capital gains.

If an investor owns units of a fund on a distribution date, the investor will receive a share of the net income and net capital gains distributed by the fund on that date. The investor will be required to pay tax on the distribution even if the investor just bought the units and the net income and net capital gains arose before the units were purchased. A distribution reduces a fund's unit value.

### ***Redemption and issue of units***

On a redemption, switch or other disposition of a unit of a fund, a unitholder will realize a capital gain to the extent that the proceeds of disposition of the unit exceed the unitholder's adjusted cost base of the unit and any costs of disposition. If the adjusted cost base of the unit and any costs of disposition exceed the proceeds of disposition, the unitholder will realize a capital loss. One-half of a capital gain or a capital loss is generally taken into account in determining taxable capital gains and allowable capital losses. Allowable capital losses may only be deducted against taxable capital gains.

The adjusted cost base of a unit of a fund will generally be the weighted average cost of all units of the fund, including units purchased on the reinvestment of distributions. Accordingly, when a unit of a fund is acquired, its cost will generally be averaged with the adjusted cost base of the other units of the fund owned by the unitholder to determine the adjusted cost base of each unit of the fund then owned by such unitholder.

A switch of units from one fund to a second fund is a redemption of units of the first fund and a purchase of units of the second fund. Consequently, a capital gain or capital loss may be realized on the redemption of units of the first fund. The cost of the units of the second fund will be averaged with the adjusted cost base of any units of the second fund already owned for the purpose of calculating their adjusted cost base thereafter.

In certain situations where a unitholder disposes of units of a fund and would otherwise realize a capital loss, the loss will be denied. This may occur if the unitholder, the unitholder's spouse or another person affiliated with the unitholder (including a corporation controlled by the unitholder) has acquired units of the same fund (which are considered to be "substituted property") within 30 days before or after the unitholder disposed of the unitholder's units. In these circumstances, the unitholder's capital loss may be deemed to be a "superficial loss" and denied. The amount of the denied capital loss will be added to the adjusted cost base to the owner of the units which are substituted property.

### ***Alternative minimum tax***

Distributions by a fund that are designated as taxable dividends from Canadian corporations or net capital gains, and capital gains realized on a disposition of units, may increase a unitholder's liability for alternative minimum tax.

### ***Statements***

Unitholders will receive an annual statement with information relating to distributions from the funds in which they hold units in order to complete their income tax returns. Unitholders should keep records of the cost of units acquired so that they can calculate any capital gain or loss on the redemption or other disposition of units.

### ***Registered tax plans***

Units of the funds are qualified investments for Registered Plans. Provided that units of a fund are qualified investments for Registered Plans, no tax will be payable on net income and net capital gains distributed by a fund on units held by a Registered Plan, or on any capital gains that the plan makes when it redeems units, as long as the proceeds remain in the plan.

Generally, you will be taxed if you withdraw money from such plans (other than withdrawals from a TFSA and certain withdrawals from a RESP or RDSP).

Foreign withholding taxes may apply to investments made by the funds. Such taxes are not recoverable by Registered Plans.

If units of a fund are "prohibited investments" for a Registered Plan a person who is a holder, subscriber or annuitant of, or under a Registered Plan (the "Controlling Individual") that holds units of the fund will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the Controlling Individual, or in which the Controlling Individual has a significant interest, which, in general terms, means the ownership of 10% or more of the value of a trust's outstanding units by the Controlling Individual, either alone or together with persons and partnerships with whom the Controlling Individual does not deal at arm's length. Controlling Individuals are advised to consult their own tax advisors in this regard.

### ***Enhanced Tax Information Reporting***

Each fund is a "Reporting Canadian Financial Institution" for purposes of the Canada-U.S. Enhanced Tax Information Exchange Agreement (the "IGA") and Part XVIII of the Tax Act, and intends to satisfy its obligations under Canadian law for enhanced tax reporting to the Canada Revenue Agency ("CRA"). Consequently, unitholders may be requested to provide information to a fund or their registered dealer relating to their citizenship, residency and, if applicable, a U.S. federal tax identification number or such information relating to the controlling person(s) in the case of certain entities. If a unitholder or any of the controlling person(s) of certain entities is identified as a U.S. taxpayer (including a U.S. citizen who is resident in Canada) or if the unitholder does not provide the requested information, the IGA and Part XVIII of the Tax Act will generally require certain account information and payments made with respect to the

unitholder to be reported to the CRA, unless the investment is held in a registered plan. The CRA is then required to provide the information to the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Income Tax Treaty. Part XIX of the Tax Act contains similar rules in respect of other non-Canadian investors in the Fund.

The Tax Act also includes provisions that require procedures to be in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information would be exchanged on a reciprocal, bilateral basis with the countries that have agreed to a bilateral information exchange with Canada in which the account holders or such controlling persons are resident. Unitholders may be required to provide certain information regarding their investment in the funds for the purposes of such information exchange, unless the investment is held within a registered plan.

## Certificate of the Manager and Promoter of the Funds

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, Northwest Territories, Yukon Territory and Nunavut and do not contain any misrepresentations.

Dated: March 12, 2018

*“John H. Simpson”*

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John H. Simpson  
Chief Executive Officer  
Ridgewood Capital Asset Management Inc.

*“Paul W. Meyer”*

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Paul W. Meyer  
Chief Financial Officer  
Ridgewood Capital Asset Management Inc.

On behalf of the Board of Directors  
of Ridgewood Capital Asset Management Inc. as Trustee and Manager of the funds

*“Mark J. Carpani”*

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Mark J. Carpani  
Director  
Ridgewood Capital Asset Management Inc.

On behalf of Ridgewood Capital Asset Management Inc.  
as Promoter of the funds

*“John H. Simpson”*

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John H. Simpson  
Managing Director, Chairman, Chief Executive Officer,  
Secretary, Chief Compliance Officer and Director

## **Certificate of the Principal Distributor of the Funds**

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, Northwest Territories, Yukon Territory and Nunavut and do not contain any misrepresentations.

Dated: March 12, 2018

*“John H. Simpson”*

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John H. Simpson  
Managing Director, Chairman, Chief  
Executive Officer, Secretary, Chief  
Compliance Officer and Director of  
Ridgewood Capital Asset Management Inc.

## **Ridgewood Canadian Bond Fund**

## **Ridgewood Tactical Yield Fund**

Additional information about the funds is available in the funds' Fund Facts, management reports of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll-free at 1-888-789-8957 or by e-mail at [contact@ridgewoodcapital.ca](mailto:contact@ridgewoodcapital.ca).

The financial statements and other information about the funds, such as information circulars and material contracts, are also available on Ridgewood's website at [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca) or at [www.sedar.com](http://www.sedar.com).

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