

## **Pinnacle Program Funds**

### **Annual Information Form**

#### **Money Market Fund**

Pinnacle Short Term Income Fund

#### **Bond Funds**

Pinnacle Income Fund

Pinnacle High Yield Income Fund

Pinnacle American Core-Plus Bond Fund

#### **Real Estate Fund**

Pinnacle Global Real Estate Securities Fund

#### **Balanced Fund**

Pinnacle Strategic Balanced Fund

#### **Canadian Equity Funds**

Pinnacle Canadian Value Equity Fund

Pinnacle Canadian Mid Cap Value Equity Fund

Pinnacle Canadian Growth Equity Fund

Pinnacle Canadian Small Cap Equity Fund

#### **Foreign Equity Funds**

Pinnacle American Value Equity Fund

Pinnacle American Mid Cap Value Equity Fund

Pinnacle American Large Cap Growth Equity Fund

Pinnacle American Mid Cap Growth Equity Fund

Pinnacle International Equity Fund

Pinnacle International Small to Mid Cap Value Equity Fund

Pinnacle Global Equity Fund

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

*The Pinnacle Program Funds and the units they offer under this annual information form are not registered with the U.S. Securities and Exchange Commission. Units of the Funds may be offered and sold in the United States only in reliance on exemptions from registration.*

December 20, 2007

## TABLE OF CONTENTS

	<b>Page</b>
NAME, FORMATION AND HISTORY OF THE FUNDS .....	1
INVESTMENT RESTRICTIONS AND PRACTICES.....	5
Self-Dealing Restrictions for Dealer-Managed Funds .....	5
Related Party Investments .....	6
DESCRIPTION OF UNITS OF THE FUNDS.....	6
Distribution Rights .....	6
Redemption Rights .....	6
Liquidation Rights .....	6
Voting Rights .....	6
HOW UNITS ARE VALUED.....	7
Calculation of Net Asset Value .....	7
Valuation of Portfolio Securities and Liabilities .....	8
PURCHASES AND SWITCHES OF UNITS .....	9
REDEMPTION OF UNITS .....	10
TAX TREATMENT OF YOUR INVESTMENT .....	11
Tax Treatment of the Funds .....	11
Tax Treatment of Unitholders .....	12
Tax Deferred Plans .....	14
HOW THE FUNDS ARE MANAGED AND ADMINISTERED .....	14
ScotiaMcLeod’s Roles .....	14
Portfolio Advisors .....	15
Brokerage Arrangements.....	23
Registrar and Transfer Agent .....	24
Custodian of Portfolio Securities .....	25
Auditor .....	25
Fund Governance .....	25
Securities Lending, Repurchase and Reverse Repurchase Transactions .....	26
Policies on Derivatives.....	27
Proxy Voting Policies and Procedures .....	27

OTHER STATUTORY INFORMATION ABOUT THE FUNDS.....	33
Principal Holders of Securities.....	33
Material Contracts .....	34
Legal and Administrative Proceedings.....	36

## NAME, FORMATION AND HISTORY OF THE FUNDS

This is the Annual Information Form of the Pinnacle Short Term Income Fund, Pinnacle Income Fund, Pinnacle High Yield Income Fund, Pinnacle American Core-Plus Bond Fund, Pinnacle Global Real Estate Securities Fund, Pinnacle Strategic Balanced Fund, Pinnacle Canadian Value Equity Fund, Pinnacle Canadian Mid Cap Value Equity Fund, Pinnacle Canadian Growth Equity Fund, Pinnacle Canadian Small Cap Equity Fund, Pinnacle American Value Equity Fund, Pinnacle American Mid Cap Value Equity Fund, Pinnacle American Large Cap Growth Equity Fund, Pinnacle American Mid Cap Growth Equity Fund, Pinnacle International Equity Fund, Pinnacle International Small to Mid Cap Value Equity Fund and Pinnacle Global Equity Fund (in this document we refer to these funds individually as a “**Fund**” or collectively as the “**Funds**”).

ScotiaMcLeod, a division of Scotia Capital Inc., is the manager and the trustee (“**ScotiaMcLeod**”, “**we**” or “**us**”) of the Funds. The head office and principal place of business of the Funds is the head office of ScotiaMcLeod, Scotia Plaza, 40 King Street West, P.O. Box 4085, Station “A”, Toronto, Ontario M5W 2X6. ScotiaMcLeod can also be contacted via telephone toll-free, at 1-800-530-0197 (416-506-8404 in Toronto) or via email through ScotiaMcLeod’s website at [www.scotiamcleod.com](http://www.scotiamcleod.com). Information regarding ScotiaMcLeod can be obtained on ScotiaMcLeod’s website at [www.scotiamcleod.com](http://www.scotiamcleod.com).

The following chart describes the manner in which each Fund was created:

Name of Fund	Jurisdiction	Creation and Amendments
Pinnacle Short Term Income Fund	Ontario	September 3, 1997 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> January 17, 2000 <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Scotia Investment Management Ltd. to RT Capital Management Inc. (now UBS Global Asset Management (Canada) Co.)</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> October 3, 2005 <ul style="list-style-type: none"> <li>• Portfolio advisor changed from UBS Global Asset Management (Canada) Co. to Scotia Cassels Investment Counsel Limited</li> </ul>
Pinnacle Income Fund	Ontario	September 3, 1997 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> October 1, 2007 <ul style="list-style-type: none"> <li>• Portfolio advisor changed name from YMG Capital Inc. to Fiera Capital Inc.</li> </ul>

Name of Fund	Jurisdiction	Creation and Amendments
Pinnacle High Yield Income Fund	Ontario	September 3, 1997 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>
Pinnacle American Core-Plus Bond Fund	Ontario	January 28, 2002 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> November 1, 2007 <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Delaware Investment Advisers to Logan Circle Partners, L.P.</li> </ul>
Pinnacle Global Real Estate Securities Fund	Ontario	January 28, 2002 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> October 22, 2007 <ul style="list-style-type: none"> <li>• Portfolio advisor changed from AllianceBernstein Canada, Inc. to Citigroup Alternative Investments LLC</li> </ul>
Pinnacle Strategic Balanced Fund	Ontario	September 3, 1997 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> January 16, 2006 <ul style="list-style-type: none"> <li>• Portfolio advisor changed from KBSH Capital Management Inc. to Connor, Clark &amp; Lunn Investment Management Ltd.</li> </ul>
Pinnacle Canadian Value Equity Fund	Ontario	September 3, 1997 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>

Name of Fund	Jurisdiction	Creation and Amendments
Pinnacle Canadian Mid Cap Value Equity Fund	Ontario	<p>January 28, 2002</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> <p>January 2, 2008</p> <ul style="list-style-type: none"> <li>• Portfolio advisor will change from Foyston, Gordon &amp; Payne Inc. to Montrusco Bolton Investments Inc.</li> </ul>
Pinnacle Canadian Growth Equity Fund	Ontario	<p>September 3, 1997</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>
Pinnacle Canadian Small Cap Equity Fund	Ontario	<p>September 3, 1997</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>December 16, 1997</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Ultravest Investment Counsellors Inc. to Acuity Investment Management Inc.</li> </ul> <p>December 2, 2002</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Acuity Investment Management, Inc. to Mawer Investment Management Ltd.</li> </ul> <p>December 11, 2002</p> <ul style="list-style-type: none"> <li>• Amendment to Declaration of Trust to change the name of the Fund from Pinnacle Canadian Small Cap Growth Equity Fund to Pinnacle Canadian Small Cap Equity Fund</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>
Pinnacle American Value Equity Fund	Ontario	<p>September 3, 1997</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>April 19, 1999</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from NWQ Investment Management Company Inc. to Equinox Capital Management, LLC</li> </ul> <p>December 2, 2002</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Equinox Capital Management, LLC to Metropolitan West Capital Management LLC</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>

Name of Fund	Jurisdiction	Creation and Amendments
Pinnacle American Mid Cap Value Equity Fund	Ontario	<p>January 28, 2002</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>March 21, 2005</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from State Street Research and Management Company to BlackRock Financial Management, Inc.</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul> <p>October 3, 2005</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from BlackRock Financial Management, Inc. to Integrity Asset Management, LLC</li> </ul>
Pinnacle American Large Cap Growth Equity Fund	Ontario	<p>January 18, 2001</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>December 2, 2002</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Dresdner RCM Global Investors, LLC to American Century Investment Management, Inc.</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>
Pinnacle American Mid Cap Growth Equity Fund	Ontario	<p>September 3, 1997</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>
Pinnacle International Equity Fund	Ontario	<p>September 3, 1997</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>March 21, 2005</p> <ul style="list-style-type: none"> <li>• Portfolio advisor changed from Bank of Ireland Asset Management (U.S.) Limited to Wellington Management Company, LLP</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>
Pinnacle International Small to Mid Cap Value Equity Fund	Ontario	<p>January 28, 2002</p> <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> <p>April 22, 2005</p> <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>

Name of Fund	Jurisdiction	Creation and Amendments
		November 1, 2007 <ul style="list-style-type: none"> <li>• Portfolio advisor changed from The Boston Company Asset Management, LLC to Munder Capital Management</li> </ul>
Pinnacle Global Equity Fund	Ontario	September 3, 1997 <ul style="list-style-type: none"> <li>• Declaration of Trust</li> </ul> April 22, 2005 <ul style="list-style-type: none"> <li>• Declaration of Trust amended and restated by Master Declaration of Trust</li> </ul>

## INVESTMENT RESTRICTIONS AND PRACTICES

The Funds' simplified prospectus contains detailed descriptions of the investment objectives, investment strategies and risk factors for each of the Funds. In addition, each Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102, (the "**Instrument**") which are designed in part to ensure that the investments of the Funds are diversified and relatively liquid and to ensure the appropriate administration of the Funds. Each Fund is managed in accordance with these restrictions and practices. Certain Funds requested permission from securities regulatory authorities to deviate from the Instrument and from certain provisions of securities legislation.

### Self-Dealing Restrictions for Dealer-Managed Funds

Unless the transaction is approved by the Independent Review Committee, the Funds shall not knowingly make an investment in any class of securities of any issuer, other than those issued or fully and unconditionally guaranteed by the Government of Canada or of a Province (or by an agency thereof):

- (a) for which the Funds' portfolio advisor, or an associate or affiliate of the portfolio advisor, has acted as an underwriter in the distribution of such class of securities of the issuer (except as a member of the selling group distributing five percent or less of the securities underwritten) for a period of at least 60 days following the conclusion of the distribution of the underwritten securities to the public; or
- (b) of which any partner, director, officer or employee of the portfolio advisor or any partner, director, officer or employee of any affiliate or associate of the portfolio advisor is an officer or director, provided that this prohibition shall not apply where any such partner, director, officer or employee does not participate in the formulation of investment decisions made on behalf of the Funds; does not have access prior to implementation of investment decisions made on behalf of the Funds; and does not influence (other than through research, statistical and other reports generally available to clients) the investment decisions made on behalf of the Funds.



Subject to certain conditions, the Funds have received an exemption from the Canadian Securities Administrators (“CSA”) to purchase from, or sell to, related dealers that are principal dealers in the Canadian debt securities market, non-government debt securities or government debt securities in the secondary market.

In accordance with the terms and conditions of the exemption, the Funds will maintain policies and procedures with respect to such transactions.

Before a fundamental change is made to the fundamental investment objectives of a Fund, the prior approval of unitholders of such Fund is required. This approval must be given by a resolution passed by at least a majority of the votes cast at a meeting of unitholders of such Fund.

### **Related Party Investments**

The Independent Review Committee has reviewed ScotiaMcLeod’s policies and procedures related to investing in securities of related parties and has given its approval, as a standing instruction, for the Funds to invest in such related party securities. Pursuant to this standing instruction and any conditions set out in the standing instruction, the Funds may purchase common shares and other securities of The Bank of Nova Scotia (“**Scotiabank**”).

## **DESCRIPTION OF UNITS OF THE FUNDS**

Each of the Funds is authorized to issue an unlimited number of units (the “**Units**”), each of which represents an equal undivided interest in the property of the Fund. All Units of a Fund are of a single class. The Units have the following characteristics.

### **Distribution Rights**

Units of a Fund will generally be entitled to the net income of the Fund, which is all income and capital gains less expenses and losses of the Fund.

### **Redemption Rights**

Holders of Units of a Fund are entitled to require the Fund to redeem their Units as described under “**Redemption of Units**”.

### **Liquidation Rights**

Units of a Fund will be entitled to a distribution on liquidation equal to the net assets of the Fund, which are the assets less liabilities of the Fund.

### **Voting Rights**

Each unitholder of a Fund is entitled to vote on certain amendments to the Master Declaration of Trust in accordance with such document or where required by securities legislation. At a unitholder meeting called to vote on these issues, the unitholder will be entitled to one vote per Unit.

The following matters currently require unitholder approval pursuant to securities legislation:

- changing the basis of the calculation of a fee or expense that is charged to a Fund in a way that could result in an increase in charges to the Fund. No unitholder approval will be required if a Fund is at arm's length to the person or company charging the fee or expense and if written notice is sent to all unitholders at least 60 days before the effective date of the change that could result in an increase in charges to the Fund;
- introducing a fee or expense, to be charged to a Fund or directly to its unitholders by the Fund or the manager in connection with holding Units of the Fund, in a way that could result in an increase in charges to the Fund or its unitholders;
- changing the manager of a Fund other than to an affiliate of ScotiaMcLeod;
- changing the fundamental investment objectives of a Fund;
- decreasing the frequency of the calculation of net asset value (for description of net asset value, please see "**Calculation of Net Asset Value**");
- only in circumstances where the conditions of National Instrument 81-107 have not been complied with, where a Fund undertakes a reorganization with, or transfers its assets to another mutual fund, and the Fund ceases to continue after the reorganization and the transaction results in unitholders of the Fund becoming unitholders of the other mutual fund; and
- where a Fund undertakes a reorganization with, or acquires assets from another mutual fund, continues after such reorganization and the transaction results in the unitholders of the other mutual fund becoming unitholders of the Fund and the transaction would be a significant change to the Fund.

## **HOW UNITS ARE VALUED**

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

How much a Fund is worth is called its "**net asset value**". When a Fund calculates its net asset value, it determines the market value of all of its assets and subtracts all of its liabilities. The net asset value of a Unit is determined on any valuation date by dividing the net asset value of the Fund by the number of outstanding Units. A Unit's net asset value is very important because it is the basis on which Units of the Fund are purchased and redeemed. The net asset value per Unit of a Fund varies from day to day. However, as the net income of Pinnacle Short Term Income Fund is credited daily to investors, the net asset value per Unit of such Fund is expected to remain constant at \$10. Each Fund calculates the net asset value of the Units at the close of business on each valuation date. Every day that the Toronto Stock Exchange is open for trading or each other day required for tax, accounting or distribution purposes of each year is a

**“Valuation Date”**. In unusual circumstances, calculation of the net asset value per unit may be suspended, subject to obtaining any necessary regulatory approval.

### **Valuation of Portfolio Securities and Liabilities**

In calculating the net asset value of a Fund at any time:

1. the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends or distributions received (or to be received and declared to shareholders of record on a date as of which the net asset value is being determined) and interest, accrued and not yet received, shall be deemed to be the full amount thereof, unless ScotiaMcLeod has determined that any such amount is not worth the full amount thereof, in which event the value shall be the fair value as determined by ScotiaMcLeod;
2. the value of any security which is listed on a stock exchange or traded on an over-the-counter market will be (A) the closing sale price on that day or, (B) if there is no such closing price, the average of the bid and the ask price at that time, or (C) if no bid or ask price is available, the price last determined for such security for the purpose of calculating net asset value of the Fund. The value of interlisted securities shall be computed in accordance with directions laid down from time to time by ScotiaMcLeod. Notwithstanding the foregoing, if, in the opinion of ScotiaMcLeod, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of securities necessary to reflect any redemption of Units, the value thereof shall be the fair value of such securities as determined by ScotiaMcLeod. In calculating the value of foreign securities listed on securities exchanges outside of North America, ScotiaMcLeod will place values on such securities which appear to most closely reflect the fair value of such securities at the time of net asset value calculation;
3. the value of derivatives will be determined in accordance with applicable securities legislation;
4. the value of any restricted security shall be determined in accordance with applicable securities legislation;
5. the value of any security or other asset for which a market quotation is not readily available, will be its fair value on that day determined in such manner as ScotiaMcLeod deems to be appropriate; and
6. the liabilities of each Fund include:
  - all bills and accounts payable;
  - all other contractual obligations for the payment of money, including the amount of distributions declared and unpaid;

- all administrative expenses payable or accrued;
- all reserves authorized by ScotiaMcLeod for taxes or contingencies; and
- all other liabilities of the Fund.

For the purpose of any conversion of monies from any other or “the net asset value of an investment fund” currency to Canadian currency, the current rate of exchange as quoted to such Fund by its bankers as nearly as practicable at the time as of which the net asset value is being computed shall be used.

Canadian securities legislation requires net asset value to be calculated in accordance with Canadian generally accepted accounting principles (“GAAP”). Pursuant to National Instrument 81-106 (“NI 81-106”), investment funds are required to calculate their net asset value in accordance with Canadian GAAP, which was modified by the introduction of section 3855 of the Canadian Institute of Chartered Accountants Handbook. The CSA have provided relief from the requirement of NI 81-106 that investment funds calculate their net asset values in accordance with Canadian GAAP for any purpose, including redemptions, other than for purposes of financial statements in respect of the financial year commencing January 1, 2007 and for all financial years thereafter. As a result, the net asset value of each Fund will be calculated as described in this section for the purposes of purchases and redemptions, but will be calculated in accordance with Canadian GAAP for the purposes of each Fund’s financial statements. The financial statements of each Fund will include a reconciliation of the net asset value contained in the financial statements to the net asset value used for other purposes. Such relief will terminate on the earlier of September 30, 2008 or the date on which changes to NI 81-106 come into effect with respect to calculating net asset value. Depending on the outcome of this process, the method by which net asset value is calculated as described above may be changed and this may result in a change to the purchase and redemption price of each Fund.

### **PURCHASES AND SWITCHES OF UNITS**

Units of the Funds are offered for sale by ScotiaMcLeod on a continuous basis without any sales commissions or other sales charges payable by you on your purchase. The minimum initial investment per Fund is \$1,000. Only clients of ScotiaMcLeod who participate in the Pinnacle Program, or investors who are otherwise permitted by ScotiaMcLeod, may purchase Units of the Funds. Units will be issued at the net asset value per Unit next determined after the receipt by the Fund of the purchase order.

If the Fund has not received from you within three business days of the Valuation Date payment in full of the purchase price for your order, together with all necessary documents, then under applicable securities regulations and policies, the Fund will be deemed to have received from you and accepted on the next Valuation Date a redemption order for the same number of Units. If the amount of the redemption proceeds exceeds the purchase price of the Units, the surplus will be retained by the Fund. If the redemption proceeds are less than the purchase price, ScotiaMcLeod is required to pay to the Fund the amount of the deficiency. ScotiaMcLeod will be entitled to reimbursement from you of that amount together with any additional costs and expenses of collection.

ScotiaMcLeod may reject a purchase order from you if you've made several purchases and redemptions (including switches) of a Fund within a short period of time, usually 31 days.

No certificates for the Units will be issued.

Switches are permitted from Units of one Fund into Units of another Fund provided the minimum investment requirements are met. The rules applicable to purchases and redemptions of Units also apply to switches.

### **REDEMPTION OF UNITS**

You may require a Fund to redeem your Units of the Fund by delivering to us a request in writing that a specified dollar amount be redeemed. Units will be redeemed at the net asset value per Unit next determined after the receipt by the Fund of the redemption order. Redemption proceeds will be deposited into your account within three business days of receipt of the documents required to complete the redemption. Upon request, ScotiaMcLeod will mail to you a cheque representing the redemption proceeds or will deposit the proceeds into a designated account, provided that your cheque in payment for the purchase of any of the Units being redeemed has cleared.

If all necessary documents are not received by ScotiaMcLeod within ten business days, under applicable securities regulations and policies, ScotiaMcLeod will be deemed to have received and accepted, as at the tenth business day after the redemption, an order for the purchase of an equal number of Units. If the amount of the purchase price exceeds the redemption proceeds of the Units, ScotiaMcLeod is required to pay the Fund the amount of the deficiency. ScotiaMcLeod will be entitled to reimbursement from you of that amount together with any additional costs and expenses of collection. If the amount of the purchase price is less than the redemption proceeds, the surplus will be retained by the Fund.

ScotiaMcLeod reserves the right to redeem Units in any Pinnacle Program account at the net asset value thereof if at any time the aggregate net asset value of such Units is less than \$100. ScotiaMcLeod will give 30 days written notice before redeeming such Units.

Each Fund reserves the right to suspend the right of redemption or to postpone the date of payment of redeemed Units: (i) for any period during which normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside Canada on which securities are listed and traded, or on which permitted derivatives are traded, which represent more than 50 percent by value or underlying market exposure of the total assets of the Fund without allowance for liabilities if those securities or specified derivatives are not traded on any other exchange that represents a reasonably practicable alternative for the Fund; or (ii) subject to the consent of the Canadian securities regulators, for any period during which ScotiaMcLeod determines that conditions exist as a result of which disposal of the assets owned by the Fund is not reasonably practicable or it is not reasonably practicable to determine fairly the value of its assets. In the case of suspension of the right of redemption, you may either withdraw your redemption request or receive payment based on the net asset value per Unit next determined after the termination of the suspension.

A Fund may charge you a short-term trading fee of up to two percent of the amount you redeem or switch, if you redeem or switch your Units within 31 days of buying them. This fee does not apply to the Pinnacle Short Term Income Fund or rebalancing that is part of an automatic rebalancing service offered by ScotiaMcLeod. If securities regulations mandate the adoption of specified policies relating to short-term trading, the Funds will adopt such policies if and when implemented by the securities regulators. If required, these policies will be adopted without amendment to the simplified prospectus or annual information form of the Funds and without notice to you, unless otherwise required by such regulations.

## **TAX TREATMENT OF YOUR INVESTMENT**

In the opinion of Torys LLP, legal counsel to the Funds, the following summary fairly describes the principal Canadian federal income tax considerations generally relevant to unitholders who, for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”), are resident in Canada, are individuals, other than a trust, hold their Units as capital property and deal at arm’s length with the Funds. This summary is based upon the current provisions of the Tax Act and regulations thereunder, all specific proposals to amend the Tax Act and such regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) (the “**Minister**”) prior to the date hereof, and counsel’s understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (“**CRA**”). This summary does not take into account or anticipate any other changes in the law whether by legislative, administrative or judicial action, and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which might differ from the federal considerations.

**This summary is not exhaustive of all possible federal income tax considerations. This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Investors are advised to consult their own tax advisors with respect to their individual circumstances.**

Counsel has been advised that the Funds will be “mutual fund trusts” within the meaning of the Tax Act at all material times and this summary assumes this will be the case.

### **Tax Treatment of the Funds**

Counsel has been advised that the policy of each Fund is to distribute its net income and net realized capital gains for each taxation year to unitholders to such an extent that it is not liable in any year for ordinary tax on its net income and net realized capital gains under Part I of the Tax Act (after taking into account any applicable losses and any capital gains refund to which the Fund is entitled).

Each Fund is required to compute its net income and net realized capital gains in Canadian dollars for purposes of the Tax Act. As a consequence, each Fund which holds foreign currency or foreign currency-denominated investments may realize gains or losses by virtue of changes in the value of foreign currency relative to the Canadian dollar.

Generally, a Fund is required to treat a gain or loss on forward contracts and other derivatives as being on income account for tax purposes rather than being a capital gain or

capital loss and will recognize such gain or loss for tax purposes at the time it is realized by the Fund.

Bill C-10 contains revised legislative proposals (the “**Tax Proposals**”) regarding the taxation of investments in foreign investments entities (“**FIE’s**”). These Tax Proposals will apply for taxation years beginning after 2006. In general, as currently released, these rules may require a Fund, if it invests in a “participating interest” (as defined in the Tax Proposals) of a FIE, to include in income for income tax purposes each year, one of (i) an amount equal to a prescribed percentage of the Fund’s designated cost of its participating interest in the FIE; (ii) if the Fund so elects and certain conditions are met, any gain or loss on such participating interest for the year on a mark-to-market basis, whether or not such gain has been realized; or (iii) if the Fund so elects and certain other conditions are satisfied, an amount equal to the Fund’s proportionate share of the FIE’s income or loss computed using Canadian tax rules. In limited circumstances, the resulting gain under the mark-to-market regime may be treated on capital account. Accordingly, a Fund may be required to include in income amounts that the Fund has not earned or received and unitholders will be taxable on the portion of such amounts payable to them by the Fund.

Recently enacted amendments to the Tax Act significantly change the income tax treatment of most publicly traded income trusts and limited partnerships (other than certain REITs) and distributions or allocations, as the case may be, from these entities to their investors. In particular, certain income earned by these entities will be taxed in a manner similar to income earned by a corporation and distributions or allocations made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. This dividend will be deemed as an eligible dividend for the enhanced dividend tax credit if paid or allocated to a resident of Canada. These new rules are effective for the 2007 taxation year for income trusts and limited partnerships that commenced public trading after October 31, 2006, but will be delayed until the 2011 taxation year for income trusts and limited partnerships that were publicly traded prior to November 1, 2006, provided there is no “undue expansion” of the income trust or limited partnership in the intervening period.

### **Tax Treatment of Unitholders**

In computing income for a taxation year for tax purposes, a unitholder of a Fund is required to include the portion of the Fund’s net income and the taxable portion of the Fund’s net realized capital gains (each computed in Canadian dollars) paid or payable by the Fund to the unitholder in the year (whether or not those amounts are reinvested in Units of the Fund). To the extent that distributions to a unitholder by a Fund in a year, other than as proceeds of disposition, exceed the unitholder's share of the Fund's net income and net realized capital gains, the excess will be a return of capital. A return of capital will not be taxable in the hands of the unitholder, but will reduce the adjusted cost base of the unitholder's units. If the adjusted cost base of a unitholder's units 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 units and the adjusted cost base of the units will be increased by the amount of such gain. If the Tax Proposals referred to above are enacted as proposed, the amounts of such distributions may include amounts required to be included in a Fund’s income under these proposals. The price of a Unit of a Fund may include income and/or capital gains that the Fund has earned, but not yet realized and/or distributed. If

you buy Units of a Fund before it makes a distribution, you will be taxed on that distribution, even though the Fund earned the amount before you owned it. For example, many Funds make their only, or most significant, distribution of capital gains in December. If you buy Units late in the year, you may have to pay tax on the income and capital gains the Fund earned for the whole year. That will mean that you will pay tax on Fund earnings that you had no benefit from.

Each Fund will designate, to the extent permitted by the Tax Act and in respect of eligible dividends, the CRA's administrative practice, the portion, if any, of the net income distributed to unitholders as may be reasonably considered to consist of respectively, (i) taxable dividends received by the Fund on securities of taxable Canadian corporations; (ii) eligible dividends and (iii) net taxable capital gains of the Fund. Any such designated amount is deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend, an eligible dividend and as a taxable capital gain, respectively. In the case of a unitholder who is an individual, the dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation and eligible dividends designated by a taxable Canadian corporation will apply to such dividends. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains. In addition, each Fund may similarly make designations in respect of income from foreign sources so that, for the purposes of computing any foreign tax credit to a unitholder, the unitholder is deemed to have paid as tax to the government of a foreign country the portion of the tax paid by the Fund to that country that is equal to the unitholder's share of the Fund's income from sources in that country. Counsel has been advised that unitholders will be advised each year of the composition of amounts distributed to them.

Fees payable by unitholders to ScotiaMcLeod may be deductible by unitholders for tax purposes to the extent such fees are reasonable and represent fees for services provided to unitholders in respect of the administration and management of their assets. Unitholders should contact their own tax advisors with respect to the extent to which fees payable by them to ScotiaMcLeod may be deductible.

Upon the actual or deemed disposition of a Unit of a Fund, including the redemption of a Unit on a switch between one Fund and another Fund and including the redemption of Units to fund payment of the Pinnacle Program Fee, a capital gain (or a capital loss) is generally realized to the extent that the proceeds of disposition of the Unit exceed (or are exceeded by) the adjusted cost base to the unitholder of the Unit and any reasonable costs of disposition. Unitholders of a Fund must calculate the adjusted cost base separately for Units of each Fund owned. In general, the adjusted cost base of each Unit of a particular Fund is the total amount paid for all Units of that Fund (including the amount of Fund distributions reinvested in additional Units of that Fund) divided by the total number of Units of that Fund held by the unitholder.

Generally, one-half of a capital gain or capital loss is taken into account in determining taxable capital gains and allowable capital losses. Allowable capital losses may only be deducted against taxable capital gains, subject to detailed rules in the Tax Act.



## **Tax Deferred Plans**

Counsel has been advised that each of the Funds is, or is expected to be, a “mutual fund trust” for purposes of the Tax Act at all material times. In addition, counsel has been advised that all Funds are registered investments for tax purposes. Units of the Funds are therefore “qualified investments” for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability savings plans.

## **HOW THE FUNDS ARE MANAGED AND ADMINISTERED**

### **ScotiaMcLeod’s Roles**

ScotiaMcLeod, a division of Scotia Capital Inc., is the manager, trustee and principal distributor of each Fund. Scotia Capital Inc. is a subsidiary of Scotiabank.

As manager, ScotiaMcLeod is responsible for providing the services and facilities necessary for the operation of the Funds, as well as all general management and administrative services.

As trustee, ScotiaMcLeod has full control and authority over the assets, business, and affairs of the Funds on the terms outlined in the Master Declaration of Trust.

As principal distributor, ScotiaMcLeod has the exclusive right to distribute and arrange for distribution of Units of the Funds anywhere in Canada where they qualify for sale.

### ***Directors of Scotia Capital Inc.***

The names, municipalities of residence and principal occupations during the preceding five years for each of the directors of Scotia Capital Inc. are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position(s) Held</u></b>	<b><u>Principal Occupation</u></b>
Robert Leslie Brooks Oakville, Ontario	Director	Vice-Chairman & Group Treasurer The Bank of Nova Scotia
Hamish B. Angus Toronto, Ontario	Managing Director and Director	Head of ScotiaMcLeod, Scotia Capital Inc.
Laurent Mareschal Toronto, Ontario	Director	Managing Director and Chief Financial Officer, Scotia Capital
James Michael Durland Oakville, Ontario	Director	Head, Capital Markets Group and Deputy Head, Global Capital Markets, Scotia Capital Inc.

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position(s) Held</u></b>	<b><u>Principal Occupation</u></b>
Stephen Douglas McDonald Toronto, Ontario	Co-Chief Executive Officer and Co-Chairman	Co-Head, Scotia Capital  Head, Global Corporate and Investment Banking, The Bank of Nova Scotia
Charles John Schumacher Toronto, Ontario	Co-Chief Executive Officer and Co-Chairman	Co-Head, Scotia Capital  Head, Global Capital Markets, The Bank of Nova Scotia
John Francis Madden Pickering, Ontario	Managing Director and Director	Deputy Chair, Co-Head, Capital Markets Group, Scotia Capital Inc.
Christopher Joseph Hodgson Toronto, Ontario	President and Director	Executive Vice-President & Head of Domestic Personal Banking, The Bank of Nova Scotia
Mary Cecilia Williams Mississauga, Ontario	Secretary and Director	Managing Director and Head of Compliance, Wealth Management, The Bank of Nova Scotia and Scotia Capital Inc.
Michael Kenneth Warman Milton, Ontario	Chief Financial Officer and Director	Chief Financial Officer, Scotia Capital Inc.

During the past five years, all of the directors of Scotia Capital Inc. have held their present principal occupations (or other positions with their present employer or its affiliates) with the following exceptions: Stephen Douglas McDonald was not employed between April 2002 and October 2003; Christopher Joseph Hodgson was employed by Altamira Investment Services Inc., serving as President and CEO until July 2003; and Mary Cecilia Williams was employed by Canadian Imperial Bank of Commerce, serving as Vice President, Business Controls, CIBC Private Wealth Management and Imperial Service from August 2002 to September 2004.

### **Portfolio Advisors**

The portfolio advisors analyze potential investments and make investment decisions. They are responsible for managing the investment portfolios of the Funds. We list the portfolio advisors, the Funds they manage, and details about the individuals at the portfolio advisors who are principally responsible for managing the Funds. The day-to-day investment decisions made by the portfolio advisors are not subject to the approval of ScotiaMcLeod.

Some of the portfolio advisors are registered in the category of international advisor or non-Canadian advisor in Ontario. The name and address of the agent for service for each of these portfolio advisors are available from the Ontario Securities Commission. Notwithstanding registration in Ontario, these portfolio advisors are not fully subject to the requirements of the

Securities Act (Ontario). These portfolio advisors are located outside of Canada and all or a substantial portion of their assets may be situated outside of Canada, which may make it difficult for clients to enforce their legal rights against these portfolio advisors.

Scotia Cassels Investment Counsel Limited (“**Scotia Cassels**”), Toronto, Ontario, is the portfolio advisor of Pinnacle Short Term Income Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Nicholas Van Sluytman	Senior Fixed Income Trader	18 years	Senior Fixed Income Trader, Scotia Cassels Investment Counsel Limited
Romas Budd, MBA	Managing Director, Fixed Income	17 years	From March 2003 to present - Managing Director, Fixed Income Investments, Scotia Cassels Investment Counsel Limited Prior to March 2003 - Vice President and Director, Fixed Income Investments, Scotia Cassels Investment Counsel Limited

Fiera Capital Inc. (“**Fiera**”), Toronto, Ontario is the portfolio advisor of Pinnacle Income Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Art Yeates, MBA, CFA	Lead Portfolio Manager	8 years	Lead Portfolio Manager for active core Canadian fixed income investment strategies
Gaetan Dupuis, M.Sc.	Co-Manager	6 years	Co-Manager for active core Canadian fixed income investment strategies

Guardian Capital LP (“**Guardian**”), Toronto, Ontario is the portfolio advisor of Pinnacle High Yield Income Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Steve Kearns	Managing Director	14 years	Managing Director, Guardian Capital LP. Prior to 2005 - Senior Portfolio Advisor, Guardian Capital LP
Peter Hargrove	Managing Director	12 years	Managing Director, Guardian Capital LP
J. J. Woolverton	Chief Operating Officer	14 years	Chief Operating Officer, Guardian Capital LP

Logan Circle Partners, L.P. (“**Logan**”), Conshohocken, Pennsylvania, is the portfolio advisor of Pinnacle American Core-Plus Bond Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Jude T. Driscoll	Founder	5 months	Founder, Logan Circle Partners, L.P.  January 2003 to April 2007 - President & CEO, Delaware Investment Advisers  Prior to January 2003 - Head of Fixed Income, Delaware Investment Advisers
Ryan K. Brist, CFA	Chief Investment Officer	5 months	Chief Investment Officer, Logan Circle Partners, L.P.  Prior to April 2007 - Co-Head of Fixed Income Department, Delaware Investment Advisers
Stephen R. Cianci, CFA	Senior Portfolio Manager	5 months	Senior Portfolio Manager, Logan Circle Partners, L.P.  Prior to April 2007 - Senior Portfolio Manager, Delaware Investment Advisers

Citigroup Alternative Investments LLC (“**Citigroup**”), New York, New York is the portfolio advisor of Pinnacle Global Real Estate Securities Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Dan Pine	Managing Director and Head, Citigroup Property Investors	3 years	Managing Director and Head, Citigroup Property Investors - Global Real Estate Securities  Prior to 2004 - Senior Vice President, Real Estate Research and Portfolio Management, AllianceBernstein
Corrado Russo	Director and Portfolio Manager	2 years	Director and Property Manager, Citigroup Property Investors  Prior to September 2005 - Portfolio Manager, Empire Life  Prior to 2004 - Senior Equity Analyst, Investors Group Asset Management

Connor, Clark & Lunn Investment Management Ltd. (“**CC&L**”), Toronto, Ontario is the portfolio advisor of Pinnacle Strategic Balanced Fund. The individuals providing advice will be as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Gord MacDougall	Co-Head of Fundamental Equities and Head, Client Solutions Team	24 years	Director, Connor, Clark & Lunn Investment Management Ltd.
Martin Gerber	Head of Quantitative Equities	16 years	Director, Connor, Clark & Lunn Investment Management Ltd.
Brian Eby	Co-Head of Fixed Income	9 years	Partner, Connor, Clark & Lunn Investment Management Ltd.
Gary Baker	Co-Head of Fundamental Equities	4 years	Partner, Connor, Clark & Lunn Investment Management Ltd. Prior to July 2003 – Head of Technology Research, Raymond James Financial
Sophie Lyttelton	Portfolio Manager	6 years	Portfolio Manager, New Star Institutional Managers Ltd. and predecessor companies
Tim Bray	Portfolio Manager	22 years	Director, New Star Institutional Managers Ltd. and predecessor companies

BonaVista Asset Management Ltd. (“**BonaVista**”), Toronto, Ontario is the portfolio advisor of Pinnacle Canadian Value Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Terry Bacinello	President and Portfolio Manager	29 years	President and Portfolio Manager, BonaVista Asset Management Ltd.

Foyston, Gordon & Payne Inc. (“**Foyston**”), Toronto, Ontario, is the portfolio advisor of Pinnacle Canadian Mid Cap Value Equity Fund until January 2, 2008. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
James Martin	President and Chief Investment Officer	18 years	President, Foyston, Gordon & Payne Inc.
Brian Goldstein	Vice President	17 years	Vice President, Foyston, Gordon & Payne Inc.

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
James Houston	Vice President	18 years	Vice President, Foyston, Gordon & Payne Inc.

Montrusco Bolton Investments Inc. (“**Montrusco**”), Montreal, Quebec, will become the portfolio advisor of Pinnacle Canadian Mid Cap Value Equity Fund on January 2, 2008. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Christian Godin, MSc	Senior Vice President, Canadian Equities & Director of Research	6 years	From January 2006 to present - Senior Vice President, Canadian Equities & Director of Research  Prior to January 2006 - Senior Analyst
Peter Harrison, MBA, CFA	Senior Vice President, Canadian Equities	10 years	Senior Vice President, Canadian Equities

Aurion Capital Management Inc. (“**Aurion**”), Toronto, Ontario is the portfolio advisor of Pinnacle Canadian Growth Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Bob Decker	Managing Partner	18 years	Managing Partner, Portfolio Manager, Equities - Aurion Capital Management Inc.
Greg Taylor	Portfolio Manager	8 years	Portfolio Manager, Equities, Aurion Capital Management Inc.
Craig MacAdam	Portfolio Manager	7 years	Portfolio Manager, Equities – Aurion Capital Management Inc.

Mawer Investment Management Ltd. (“**Mawer**”), Calgary, Alberta is the portfolio advisor of Pinnacle Canadian Small Cap Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Craig Senyk	Principal and Director of Portfolio Management	10 years	Principal and Director of Portfolio Management, Mawer Investment Management Ltd.  Prior to 2005 - Portfolio Manager, Mawer Investment Management Ltd.

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Jim Hall	Principal and Portfolio Manager	10 years	Principal, Portfolio Manager and Director, Canadian Equities, Mawer Investment Management Ltd.
Martin Ferguson	Principal and Portfolio Manager	11 years	Principal, Portfolio Manager and Director, Canadian Equities, Small Cap Canadian Equities, Mawer Investment Management Ltd.
Paul Moroz	Analyst	3 years	Equities Analyst, Mawer Investment Management Ltd. Prior to 2004 - Student.

Metropolitan West Capital Management, LLC (“**Metropolitan**”), Newport Beach, California is the portfolio advisor of Pinnacle American Value Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Howard Gleicher, CFA	Chief Executive Officer and Chief Investment Officer (Lead Strategist)	10 years	Chief Executive Officer and Chief Investment Officer, Metropolitan West Capital Management, LLC
Gary Lisenbee	President	10 years	President, Metropolitan West Capital Management, LLC
David Graham	Senior Vice President	7 years	Senior Vice President, Metropolitan West Capital Management, LLC

Integrity Asset Management, LLC (“**Integrity**”), Louisville, Kentucky is the portfolio advisor of Pinnacle American Mid Cap Value Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Adam I. Friedman	Senior Portfolio Manager	4 years	Portfolio Manager, Integrity Asset Management, LLC  Prior to 2003 - Portfolio Manager, National City Investment Management Company
Dan G. Bandi	Chief Investment Officer	4 years	Portfolio Manager, Integrity Asset Management, LLC  Prior to 2003 - Portfolio Manager, National City Investment Management Company

American Century Investment Management, Inc. (“**American Century**”), Kansas City, Missouri is the portfolio advisor of Pinnacle American Large Cap Growth Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Gregory Woodhams	Vice President and Senior Portfolio Manager	10 years	Vice President and Senior Portfolio Manager, American Century Investment Management, Inc.
Prescott Legard	Vice President and Portfolio Manager	8 years	Vice President and Portfolio Manager, American Century Investment Management, Inc.

TCW Investment Management Company (“**TCW**”), Los Angeles, California is the portfolio advisor of Pinnacle American Mid Cap Growth Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Husam Nazar	Managing Director, U.S. Equities	12 years	Member of the Small and Mid Cap Growth Equities team since 2000.  Senior Portfolio Manager of the TCW Small Cap Growth and TCW SMID Cap Growth strategies.  Founded SMID Cap Growth in 2003 and began leading Small Cap Growth in January 2005.
R. Brendt Stallings	Group Managing Director, Managing Director and Portfolio Manager	11 years	Group Managing Director, Managing Director and Portfolio Manager, TCW Funds Management, Inc.  Prior to 2005 - Lead Portfolio Manager, Growth and Mid Cap Growth Equities, TCW Funds Management, Inc.

Wellington Management Company, LLP (“**Wellington**”), Boston, Massachusetts is the portfolio advisor of Pinnacle International Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
James Shakin	Senior Vice President	21 years	Portfolio Manager (Europe), Wellington Management Company



<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Sean Lenihan	Director	2 years	Prior to joining Wellington in 2005, Sean was a Director and Lead Portfolio Manager with Deutsche Trust Bank in Tokyo.
David Barnard	Senior Vice President	11 years	Sub-Portfolio Manager (Japan), Wellington Management Company
Lay Keong Tan	Vice President	7 years	Sub-Portfolio Manager (Asia Pacific), Wellington Management Company

Munder Capital Management (“**Munder**”), Birmingham, Michigan is the portfolio advisor of the Pinnacle International Small to Mid Cap Value Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Daniel B. LeVan, CFA	Director, International Small-Cap Equity	2 months	Director, International Small-Cap Equity, Munder Capital Management  Prior to August 2007 - Senior Vice President and Portfolio Manager, The Boston Company
Remi J. Browne, CFA	Managing Director, International Equity Team	2 months	Managing Director, International Equity Team, Munder Capital Management  Prior to August 2007 - Senior Vice President and Portfolio Manager, The Boston Company
Peter S. Carpenter, CFA	Senior Portfolio Manager	2 months	Senior Portfolio Manager, Munder Capital Management  Prior to August 2007 - Senior Portfolio Manager, The Boston Company

Harding, Loevner Management, L.P. (“**Harding**”), Somerville, New Jersey is the portfolio advisor of Pinnacle Global Equity Fund. The individuals providing advice are as follows:

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
David Loevner	Chief Executive Officer	18 years	Chief Executive Officer, Harding, Loevner Management, L.P.
Simon Hallett	Chief Investment Officer	16 years	Chief Investment Officer, Harding, Loevner Management, L.P.

<b>Portfolio Advisor</b>	<b>Current Title</b>	<b>Length of Service with Portfolio Advisor</b>	<b>Principal occupation in the last 5 years</b>
Ferrill Roll	Portfolio Manager and Analyst	11 years	Portfolio advisor, Harding, Loevner Management, L.P.
Peter Baughan	Portfolio Manager and Analyst	10 years	Portfolio advisor, Harding, Loevner Management, L.P.
Yang Xiang	Portfolio Manager and Analyst	7 years	Portfolio advisor, Harding, Loevner Management, L.P.

Generally, we can end our Portfolio Management Agreements (as defined below) by giving 90 days written notice.

### **Brokerage Arrangements**

The purchase and sale of portfolio securities for a Fund is arranged through registered brokers and dealers selected by the portfolio advisor. Each portfolio advisor is required to seek to obtain prompt execution of orders on the most favourable terms available. If Scotia Capital Inc. is active in the market where the securities trade, and if otherwise consistent with best execution in the opinion of the portfolio advisors, portfolio transactions may from time to time be executed with Scotia Capital Inc. Where purchases of the same security are being made by the portfolio advisor for the Fund and other accounts, the portfolio advisor is required to effect transactions on an equitable basis according to the size of the respective purchase commitments. In circumstances where price and other terms are comparable, brokerage transactions may be allocated to those brokers who provide the Fund with research, informational, statistical and similar services consistent with applicable securities commission guidelines. Since the date of the Funds' last annual information form, the following companies provided such services in exchange for brokerage business:

Alpha Equity Research	Haywood Securities
Banc of America/BOE Group	Instinet
Bank of America	ITG Inc.
Bank of New York	Jefferies Securities
Bear Stearns	Jennings Capital
Blackmont Capital	JP Morgan
Bloomberg Tradebook	Lehman Brothers
BMO Nesbitt Burns	Lynch, Jones & Ryan
BNY ESI & Co.	MacDougall & Mactier
Boston Institutional Services	MGI Securities
Brick Securities	Merrill Lynch
Bridge Trading	Morgan Stanley

Canaccord Capital	National Bank Financial
CIBC Wood Gundy	Octagon Securities
CIBC World Markets	Orion Securities
Citigroup	Pacific International Securities
Citigroup Global Markets Inc.	Paradigm Capital
Clarus Securities	PCS Securities, Inc.
Commission Direct	Peters & Company
Credit Suisse First Boston	Raymond James & Associates
Desjardins Securities	RBC Dominion Securities
Deutsche Bank	Research Capital
Dominick & Dominick	Rochdale Securities Corp.
Donaldson & Co.	Salman Partners
Dundee Securities	Salomon Smith Barney
E*Trade	Scotia Capital Inc.
FactSet	SG Cowan/Westminster
Fidelity Brokerage Services	S&P's Securities, Inc
First Associates	Sprott Securities
First Energy	Toronto Dominion Securities
Frank Russell	Tristone Capital
Fraser Mackenzie Ltd.	UBS
Glazer & Co.	UBS Securities Canada
Genuity Capital Markets	UBS Warburg
Griffiths McBurney	Vandam Securities
G-Trade Services	Westminster Securities Inc.
Goldman Sachs	Westwind Partners
Harris Partners	William O'Neill & Co.
Middlefield Securities	Wilshire Associates

### **Registrar and Transfer Agent**

International Financial Data Services (Canada) Limited, Toronto, Ontario, is the registrar and transfer agent of the Funds and maintains the register of Units of the Funds at its principal office in Toronto, Ontario.

### **Custodian of Portfolio Securities**

The Custodian for the Funds is State Street Trust Company Canada, Toronto, Ontario.

Where a Fund makes use of futures, over-the-counter options or forward contracts, the Fund may deposit portfolio securities or cash as margin in respect of such transactions with a dealer or with the other party thereto, in any such case in accordance with the policies of Canadian securities authorities.

The Custodian Agreement permits State Street Trust Company Canada to appoint subcustodians. Although no principal sub-custodians have been appointed as of the date of this annual information form, State Street Trust Company Canada may appoint sub-custodians on the same terms and conditions it has with each of the Funds.

### **Auditor**

The independent auditor of all Funds is PricewaterhouseCoopers LLP whose office is located in Toronto, Ontario.

### **Fund Governance**

ScotiaMcLeod, the trustee and manager of the Funds, is responsible for the day-to-day administration and management of the Funds. ScotiaMcLeod has retained the services of an independent investment consulting firm, NT Global Advisors, Inc. to assist in the monitoring of portfolio advisors. Each portfolio advisor is required to operate within the limits of the investment objectives, restrictions and any supplemental guidelines developed from time to time by ScotiaMcLeod.

ScotiaMcLeod complies with National Instrument 81-105 *Mutual Fund Sales Practices*. ScotiaMcLeod has a code of ethics for personal investing (the “**Code**”) which addresses certain potential conflicts of interest with respect to the Funds. In addition, ScotiaMcLeod has adopted guidelines for business conduct, which also addresses certain internal conflicts.

### *Independent Review Committee*

On May 1, 2007, ScotiaMcLeod appointed an Independent Review Committee (“**IRC**”), the governance agency for the Funds as contemplated by National Instrument 81-107 *Independent Review Committee for Investment Funds* (“**NI 81-107**”). The IRC became operational under NI 81-107 on November 1, 2007 and its current members are Eric F. Kirzner, Robert S. Bell and D. Murray Paton. The members of the IRC are independent from, and not associates or affiliates of, ScotiaMcLeod, Scotiabank or any of the Funds’ portfolio advisors. The IRC must act in the best interests of the Funds’ unitholders.

The mandate of the IRC is to:

- (a) review a conflict of interest matter, including any related policies and procedures, referred to it by ScotiaMcLeod and make recommendations to ScotiaMcLeod

regarding whether the proposed action of ScotiaMcLeod in respect of the conflict of interest matter achieves a fair and reasonable result for the applicable Funds;

- (b) consider and approve, if deemed appropriate, ScotiaMcLeod's decision on a conflict of interest matter that ScotiaMcLeod refers to the IRC for approval; and
- (c) perform such other duties and provide such other recommendations and approvals as may be permitted under applicable securities laws.

NI 81-107 also requires that ScotiaMcLeod have policies and procedures related to conflicts of interest.

Each member of the IRC will receive a fee for each meeting of the IRC attended by the member as well as an annual retainer and will be reimbursed for reasonable expenses incurred. These fees and expenses will be allocated among the Funds in a manner considered fair and reasonable by ScotiaMcLeod. Details of any consideration paid by the Funds to the IRC members during the most recently completed financial year of the Funds will be available once the current financial year of the Funds has been completed.

### **Securities Lending, Repurchase and Reverse Repurchase Transactions**

To increase returns, certain Funds may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions in accordance with applicable securities legislation.

In a securities lending transaction, a Fund will loan portfolio securities it owns to a borrower for a fee. The borrower promises to return an equal number of the same securities at a later date. In a repurchase transaction, a Fund sells portfolio securities for cash and agrees to buy them back later at a specified price with the expectation of a profit. In a reverse repurchase agreement, a Fund buys securities for cash at one price and agrees to sell them back to the same party with the expectation of a profit.

ScotiaMcLeod will appoint the Funds' custodian or sub-custodian to act as the agent of the Funds to enter into securities lending transactions, repurchase transactions and reverse repurchase transactions on behalf of the Funds. The agency agreement will provide for the types of transactions that may be entered into by a Fund, types of portfolio assets that may be used, collateral requirements, limits on transaction sizes, permitted counterparties to the transactions and investment of any cash collateral. The agency agreement will provide for, and the agent will develop, policies and procedures which provide that securities lending, repurchase and reverse repurchase transactions will be entered into in accordance with the standard investment restrictions and practices set out above. Further, the agent will:

- ensure that collateral is provided in the form of cash, qualified securities or securities that can be converted into the securities which are the subject of the securities lending, repurchase or reverse repurchase transactions;
- value the loaned or purchased securities and the collateral every day to ensure that the collateral is worth at least 102 percent of the value of the securities;

- invest any cash collateral in accordance with the investment restrictions specified in the agency agreement;
- invest no more than 50 percent of the total assets of a Fund in securities lending or repurchase agreements at any one time; and
- assess the creditworthiness of the counterparties to securities lending, repurchase and reverse repurchase transactions.

The securities lending transactions of a Fund may be terminated by a Fund at any time. Repurchase and reverse repurchase transactions of the Funds will have a maximum term of 30 days.

ScotiaMcLeod and the Custodian of each Fund will review the agency agreement and the agent's policies and procedures on an annual basis to ensure that they comply with applicable laws.

ScotiaMcLeod is responsible for managing the risks associated with securities lending, repurchase and reverse repurchase transactions.

### **Policies on Derivatives**

All of the Funds may use derivatives for hedging purposes. Some Funds may also use derivatives to gain exposure to financial markets or invest indirectly in securities or other assets. For information about how the Funds use derivatives, refer to “**About Derivatives**” in the Funds' simplified prospectus.

### **Proxy Voting Policies and Procedures**

Pursuant to the portfolio management agreements between ScotiaMcLeod and each of the portfolio advisors (each a “**Portfolio Management Agreement**”), ScotiaMcLeod delegates proxy voting responsibility in respect of the securities held by the Funds to each Funds' portfolio advisor. The following is a summary of each of the portfolio advisors' proxy voting policies. The proxy voting policies and procedures in respect of the Funds are available upon request and at no charge by calling 1-800-530-0197 (416-506-8404 in Toronto), or by writing to ScotiaMcLeod at the address on the back cover of this annual information form. Proxy voting records for the most recent period ending June 30 in each year are available upon request and at no charge after August 31 of that year. The proxy voting record is also available at [www.scotiamcleod.com](http://www.scotiamcleod.com).

#### *Pinnacle Short Term Income Fund*

Scotia Cassels has retained the services of a third party consultant with expertise on proxy voting matters to provide proxy voting guidance. Scotia Cassels reviews each proxy, along with the recommendations made by the consultant with respect to proxy issues and may vote in accordance with such recommendations if appropriate and if consistent with its policies and procedures. When a proxy relates to relatively routine matters, such as the regular appointment of auditors and the election of directors, proxies are generally voted in accordance with

management's recommendations. When a proxy relates to non-routine matters, such matters are brought to the attention of Scotia Cassels' Chief Investment Officer or a senior Director of Scotia Cassels on a case-by-case basis for consideration and final approval. The Chief Investment Officer or senior Director may determine that communication with management of an issuer is required in order to properly evaluate the matter prior to voting. Scotia Cassels' proxy voting policies strive to eliminate conflicts of interest between the interests of the firm (and its affiliates and associates) and those of the Fund and its unitholders. For example, when an employee normally responsible for reviewing proxy materials has an interest in the issuer in respect of which the proxy relates, the employee must disclose such interest to a senior Director within Scotia Cassels who will assume responsibility for voting the proxy. If a proxy is for a related issuer, the recommendation of the third party proxy consultant will generally be followed.

#### *Pinnacle Income Fund*

When voting proxies, Fiera considers financial criteria over any other factors. For routine matters, Fiera will generally vote in accordance with the recommendation of management. Fiera will consider takeover bids on a case-by-case basis, using the best interest of unitholders as its primary criterion. All proxies will be delivered by the Fiera Administration Department upon receipt to those portfolio managers designated with responsibility for voting proxies. The Fiera proxy administrator shall vote proxies pursuant to the proxy manager's instructions, date and initial the paper form of proxy. Details of the vote for each proxy shall be recorded in a proxy voting log, accessible by the proxy manager. The paper form of the proxy and proxy voting log shall be retained for a period of two years.

#### *Pinnacle High Yield Income Fund*

Guardian subscribes to a proxy review and voting service which provides a professional review of all proxies issued by the companies held within its Canadian equity portfolios. This service will vote proxies in accordance with Guardian's detailed proxy voting guidelines which are designed to ensure the optimization of long-term value of the investments in respect of which it is voting. Proxy voting decisions in respect of boards of directors, executive compensation, takeover protection and shareholder rights are based on the publication entitled "Corporate Governance Standards" published by the Pension Investment Association of Canada.

#### *Pinnacle American Core-Plus Bond Fund*

Logan retains a third party to record, track, file, and vote all proxy solicitations. The third party will coordinate the proxy process for both registered and beneficial investors, offering a variety of voting options via mail, phone and internet and provides the ability to maintain voting guidelines and vote comments. Logan's Proxy Voting Committee reviews the meeting agenda and internal research to determine how to vote in the best interests of clients and in accordance with the proxy guidelines. Where a material conflict of interest has been identified and the matter is addressed in the proxy guidelines, the proxies shall be voted by the third party in accordance with the proxy guidelines. Where a material conflict of interest has been identified and the matter is not covered in the proxy guidelines, Logan's Chief Operating Officer shall follow the recommendation of the third party, or disclose the conflict to the client and advise the client that its securities will be voted in accordance with the representative's written discretion.

In determining how to vote individual proxies, Logan will rely on the third party's opinion and advice on the matter in which proxies or particular matters should be voted for each client, taking into account the best interest of that client and Logan's proxy voting guidelines. Logan, through the third party, shall maintain all records required by applicable law, copies of proxy statements received, a record of each vote cast, a copy of any written material used as the basis for or created in connection with proxy voting report sent to a client. All proxies will be voted, with the exceptions listed below:

- i. If a client no longer holds the security, Logan will not vote a proxy, as voting would not add value to the client's account; and
- ii. If a proxy is received after a client has terminated Logan's services, Logan will not vote the proxy but will forward it directly to the client.

#### *Pinnacle Global Real Estate Fund*

For routine matters, Citigroup will generally vote in accordance with the recommendation of management, as applicable, unless, in Citigroup's opinion, such recommendation is not in the best interest of the Fund. Non-routine matters involve a variety of issues and may be proposed by management. Voting decisions with respect to non-recurring extraordinary matters generally will be made in support of management, unless, in Citigroup's opinion, such recommendation is not in the best interest of the Fund. On a case-by-case basis, Citigroup will decide non-recurring or extraordinary matters, taking into account the proxy voting policies and factors relevant to each proxy. Citigroup has implemented procedures to deal with conflicts of interest when voting a proxy. Citigroup will be responsible for determining whether each proxy is for a routine matter or not. All proxies identified as "routine" will be voted by Citigroup in accordance with the proxy voting policies. Any proxies that Citigroup determines are not clearly "routine" will be handled according to the provisions of the Fund's governing documents involving conflicts of interests. Citigroup's Compliance Officer will maintain, or have available, written copies of each proxy statement and of each executed proxy.

#### *Pinnacle Strategic Balanced Fund*

CC&L retains the services of an independent proxy review firm for proxy voting guidance. CC&L reviews each proxy, along with the recommendations made by the independent firm, and determines how to vote. CC&L does not distinguish between routine and non-routine matters when reviewing proxies and although CC&L may vote in accordance with the recommendations of management on routine matters, each proxy issue is considered separately and voted in accordance with the best interests of the Fund. Should a conflict of interest arise, CC&L's compliance officer will be involved with the proxy vote to ensure proxies are voted in a Fund's best interest.

#### *Pinnacle Canadian Value Equity Fund*

When a proxy relates to relatively routine matters in respect of the board of directors, BonaVista applies the principle that a strong board is one that embodies the principles of independence, accountability and effectiveness. BonaVista will generally support management's decisions in respect of auditors unless there is knowledge of a conflict of interest. BonaVista's



proxy voting policies in respect of executive compensation and takeover protection are based on the principles that compensation and takeover decisions should be tied to long-term corporate performance and the enhancement of long-term shareholder value. In respect of social and ethical issues, BonaVista reviews each proposal on a case-by-case basis in order to determine the position that best represents the interests of shareholders.

*Pinnacle Canadian Mid Cap Value Equity Fund*

When voting proxies on behalf of the Fund, Foyston will vote for or against a proposal on a case-by-case basis, exercising its discretion in order to enhance shareholder value. In cases when Foyston's portfolio advisor determines that it is appropriate to vote in a manner contrary to Foyston's proxy voting guidelines, the portfolio advisor must consult with Foyston's investment committee. When the subject matter of the proxy vote is related to corporate governance matters, Foyston follows the principles published by the Investment Council Association of Canada.

Monrusco in its Discretionary Account Management Agreement normally receives authorizations from each client to exercise voting rights over the securities on the client's behalf. Accordingly, the following responsibilities apply:

- i. For each client, there is a clear delineation of the proxy voting responsibilities between Monrusco and the client.
- ii. If Monrusco has proxy voting authority, it takes steps that are reasonable under the circumstances to verify that it actually receives the proxies for which it has voting authority.
- iii. The client who has delegated proxy voting authority to Monrusco may not decide how the proxies are to be voted.
- iv. In voting proxies, Monrusco acts prudently, solely in the interest of clients, and for the exclusive purpose of providing benefits to them. Monrusco will consider those factors that would affect the value of the client's investments and may not subordinate the interests of clients to unrelated objectives, such as social considerations.

Monrusco has contracted with a third party to administer the proxy voting and reporting processes of Monrusco. A member of Monrusco's legal and compliance department will periodically review Monrusco's proxy voting guidelines and make recommendations where required. Documentation of all proxy voting and authorizations will be kept on file for at least seven years.

*Pinnacle Canadian Growth Equity Fund*

When voting proxies on behalf of the Fund, Aurion considers the context of the industry in which the issuer operates and the stage of the issuer's lifecycle. Aurion's approach to proxy voting is to insist on transparency and fair dealing. Aurion receives e-mails triggered from the on-line ADP proxy voting system that flags all upcoming proxy voting deadlines. Aurion votes each proxy with reference to three documents which provide guidelines and are used to develop

positions on proxy voting standards: Pension Investment Association of Canada's Corporate Governance Standards (2001), Toronto Society of Financial Analysts Proxy Voting Guidelines (1994) and Canadian Coalition of Good Governance ("CCGG") Guidelines (2003). In cases when there are issues or concerns, Aurion incorporates several approaches to supplement its conclusions; these include direct discussions with the firm involved and/or utilizing the analysis from the CCGG research. Once a voting position is determined, the rationale for non-routine issues is documented. All votes on the proxy ballot are executed electronically.

#### *Pinnacle Canadian Small Cap Equity Fund*

Mawer has adopted a proxy voting guideline with respect to recurring issues. All proxies pertaining to non-routine matters are considered on a case-by-base basis, with the primary objective to maximize the investment return of the Fund, subject to an acceptable level of risk. Mawer's voting decisions are based on its statement of guidelines and procedures on proxy voting and a reasonable judgment of what will serve the best interests of the Fund and its unitholders. Mawer evaluates shareholder and stakeholder proposals on a case-by-case basis. Generally proposals that place arbitrary or artificial constraints on the issuer, its board or management will be voted against. Proxy voting forms are received by Mawer's Proxy Administrator and are logged as received. Proxy voting forms and accompanying documentation are forwarded to the relevant decision maker for direction on how to vote. For each vote the portfolio manager will make an appropriate voting recommendation taking into consideration Mawer's proxy voting policy. The Proxy Administrator receives this direction and votes all proxies for the issuer in question by phone, fax or other appropriate means. Copies of Mawer's proxy forms and voting recommendations are retained on file by the Proxy Administrator.

#### *Pinnacle American Value Equity Fund*

Metropolitan votes proxies in accordance with its written policies and procedures. However, Metropolitan will deviate from its guidelines if it determines that it is in the Fund's and its unitholders' best interests to do so. When a proxy relates to relatively routine matters, proxies are generally voted in accordance with management's recommendations provided they are in the best interests of the Fund and its unitholders. When a material conflict of interest exists between the interests of Metropolitan and the Fund, Metropolitan will vote in accordance with the guidelines when Metropolitan does not have discretion to deviate from those guidelines. Alternatively, Metropolitan will obtain voting direction from an independent third party or disclose the conflict of interest to the Fund and abstain from voting or obtain the Fund's consent prior to voting the securities.

#### *Pinnacle American Mid Cap Value Equity Fund*

In order to facilitate the process of voting proxies, Integrity has retained the services of ISS. To eliminate possible conflicts of interest between Integrity and the Fund, Integrity exclusively uses all of ISS's recommendations for proxy voting purposes, including case-by-case voting issues. When a proxy is in respect of board matters, ISS bases its decisions on the principles of independence of the board and long-term issuer performance.

*Pinnacle American Large Cap Growth Equity Fund*

In respect of relatively routine matters, proxies are generally voted in accordance with management's recommendations provided they are in the best interests of the Fund and its unitholders. In cases when the Fund is a significant holder of an issuer's voting securities, management's recommendations will be reviewed with the Fund or an appropriate fiduciary responsible for the Fund. Case-by-case determinations are made by American Century staff, which is overseen by the General Counsel of American Century, in consultation with equity managers. To ensure that conflicts of interest do not affect proxy votes cast for the Fund, American Century's proxy voting personnel regularly catalogue issuers with whom American Century has significant business relationships; all discretionary (including case-by-case) voting in respect of these issuers will be voted by ScotiaMcLeod or an appropriate fiduciary responsible for the Fund.

*Pinnacle American Mid Cap Equity Fund*

TCW has established a proxy voting committee to oversee its proxy voting guidelines and procedures. The committee meets at least annually to review these guidelines as well as other proxy voting issues. TCW also retains a third party proxy voting service provider to assist in the management of the proxy voting process. The service provider facilitates TCW's proxy voting in accordance with TCW's guidelines and assists in the maintenance of TCW's proxy voting record. In certain circumstances, such as potential conflicts of interest, the third party service provider may also be requested to help decide certain proxy votes. TCW's proxy voting guidelines cover a range of matters that are frequently presented for shareholder votes, some of which may be considered routine. Depending on the issue, TCW guidelines set out when it will vote in favour of or against a proposal or when a case-by-case evaluation is required. TCW may determine to deviate from the guidelines in its discretion when such deviation is deemed to be in the Fund's best interests. Non-routine matters are evaluated and voted upon on a case-by-case basis, generally following consultation with the appropriate portfolio manager.

*Pinnacle International Equity Fund*

Wellington's proxy voting policies and guidelines require Wellington to vote in the best interests of the Fund and its unitholders' so as to maximize economic value. While the proxy voting guidelines set forth general guidelines for voting proxies, each proposal is evaluated on its merits and thus, a vote entered on the Fund's behalf with respect to a particular proposal may differ from Wellington's proxy voting guidelines. Wellington identifies and attempts to resolve all material proxy-related conflicts of interest between the firm and the Fund in the best interest of the Fund. As such, Wellington regularly reviews its voting records to ensure that proxies are voted in accordance with Wellington's proxy policies and procedures. Wellington has a proxy committee that is responsible for the review and approval of the firm's written proxy policies and procedures and its proxy voting guidelines, and for providing advice and guidance on specific proxy votes for individual issuers. If a proxy is identified as presenting a material conflict of interest, the matter must be reviewed by the designated members of the proxy committee, who will resolve the conflict and direct the vote. Any proxy committee member who is himself or herself subject to the identified conflict will not participate in the decision on whether and how to vote the proxy in question.

*Pinnacle International Small to Mid Cap Value Equity Fund*

Munder has adopted and implements proxy voting policies and procedures to ensure that Munder votes any proxy or other beneficial interest in an equity security over which Munder has discretionary proxy voting authority prudently and solely in the best interest of its clients and their beneficiaries considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Munder has retained a third party to review proxies received by client accounts and provide a recommendation on how to vote proxies. Munder will review solicited recommendations from such third party at least monthly as part of its fiduciary duty to ensure that it votes proxies consistent with the best interests of its clients. Munder generally is willing to vote with recommendations of management on matters of a routine administrative nature. Munder is not willing to vote with management on proposals that have the potential for major adverse economic impact on the Fund without independent analysis. Munder believes that such proposals should be carefully analyzed and decided on a case-by-case basis.

*Pinnacle Global Equity Fund*

Harding has implemented written proxy voting policies and procedures designed to ensure that proxies are voted, and conflicts resolved, in the best interests of the Fund and its unitholders. Meeting information is obtained from Proxy Edge's and ISS's websites and is maintained in an internal proxy voting database. A proxy voting form, listing agenda items to be voted upon at a meeting, is generated and provided to a designated member of Harding's investment committee. Each vote is cast on a case-by-case basis considering contractual obligations under the Portfolio Management Agreement and other relevant circumstances at the time of the vote. If the investment committee member elects to vote against management on an item, he or she is required to document the basis for the decision. All voting decisions are recorded in the proxy voting database. A designated member of the investment committee is responsible for the administration and oversight of Harding's proxy voting procedures. Harding's Chief Compliance Officer assists the investment committee in development, implementing and updating proxy voting policies and procedures.

**OTHER STATUTORY INFORMATION ABOUT THE FUNDS**

**Principal Holders of Securities**

As at November 27, 2007 no person or company owns beneficially, directly or indirectly, or exercises control or direction over more than ten percent of the outstanding Units of a Fund.

As at November 27, 2007, IRC members in aggregate, did not own beneficially, directly or indirectly, more than ten percent of the outstanding Units of a Fund. As at November 27, 2007, IRC members did not own any securities of ScotiaMcLeod or a service provider to the Funds or ScotiaMcLeod, other than common shares of Scotiabank. Such holdings represented less than 1% of the outstanding common shares of Scotiabank.

## **Material Contracts**

Copies of the Master Declaration of Trust, the master management agreement between Scotia Capital Inc. and each of the Funds (the “**Master Management Agreement**”), the Portfolio Management Agreements, the Distribution Agreements and the Custodian Agreement (collectively, the “**Material Contracts**”), are available for inspection at the head office of ScotiaMcLeod during normal business hours.

### ***Portfolio Management Agreements***

The Portfolio Management Agreements between Scotia Capital Inc. and each of the portfolio advisors named above are dated as follows:

<b>Name of Fund</b>	<b>Date of Portfolio Management Agreement</b>
Pinnacle Income Fund Pinnacle High Yield Income Fund Pinnacle Canadian Value Equity Fund Pinnacle Canadian Growth Equity Fund Pinnacle American Mid Cap Growth Equity Fund Pinnacle Global Equity Fund	September 3, 1997
Pinnacle Canadian Mid Cap Value Equity Fund	February 14, 2002 (new Portfolio Management Agreement with Monrusco Bolton Investments Inc. is anticipated to be entered into on January 2, 2008)
Pinnacle Canadian Small Cap Equity Fund Pinnacle American Value Equity Fund Pinnacle American Large Cap Growth Equity Fund	December 2, 2002
Pinnacle International Equity Fund	March 21, 2005
Pinnacle Short Term Income Fund Pinnacle American Mid Cap Value Equity Fund	October 3, 2005
Pinnacle Strategic Balanced Fund	January 16, 2006
Pinnacle Global Real Estate Securities Fund	October 22, 2007
Pinnacle International Small to Mid Cap Value Equity Fund Pinnacle American Core-Plus Bond Fund	November 1, 2007

ScotiaMcLeod is responsible for the fees paid to the portfolio advisors. The Portfolio Management Agreements may be terminated by (i) either party giving the other party 90 days prior written notice; (ii) by either party if the other party is in breach of any of the terms of the Portfolio Management Agreements and has not remedied the breach within 30 days of receipt of written notice requiring the breach to be remedied; (iii) immediately in the event of a bankruptcy

or winding-up of a party; or (iv) by ScotiaMcLeod if there is a change of legal or de facto control of the portfolio advisor or if there is a change in the key personnel.

The Material Contracts for each Fund, with the exception of the Portfolio Management Agreements, are dated as follows:

Name of Fund	Date of Material Contracts
Pinnacle Short Term Income Fund	September 3, 1997 (Distribution Agreements and Custodian Agreement)
Pinnacle Income Fund	April 16, 2005 (Master Management Agreement)
Pinnacle High Yield Income Fund	April 22, 2005 (Master Declaration of Trust)
Pinnacle Strategic Balanced Fund	
Pinnacle Canadian Value Equity Fund	
Pinnacle Canadian Growth Equity Fund	
Pinnacle Canadian Small Cap Equity Fund	
Pinnacle American Value Equity Fund	
Pinnacle American Mid Cap Growth Equity Fund	
Pinnacle International Equity Fund	
Pinnacle Global Equity Fund	
Pinnacle American Large Cap Growth Equity Fund	January 18, 2001 (Distribution Agreement and Custodian Agreement)
	April 16, 2005 (Master Management Agreement)
	April 22, 2005 (Master Declaration of Trust)
Pinnacle American Core-Plus Bond Fund	January 28, 2002 (Distribution Agreements and Custodian Agreement)
Pinnacle Global Real Estate Securities Fund	April 16, 2005 (Master Management Agreement)
Pinnacle Canadian Mid Cap Value Equity Fund	April 22, 2005 (Master Declaration of Trust)
Pinnacle American Mid Cap Value Equity Fund	
Pinnacle International Small to Mid Cap Value Equity Fund	

***Master Declaration of Trust***

Scotia Capital Inc. is signatory to the Master Declaration of Trust as trustee and manager.

ScotiaMcLeod may terminate a Fund at any time by giving each unitholder at least 60 days prior written notice. During this 60 day period, and with the approval of the Ontario Securities Commission, the right of unitholders of the Fund to require payment for their Units may be suspended.

### ***Master Management Agreement***

The Master Management Agreement is negotiated between Scotia Capital Inc. and each of the Funds. No fees are payable to ScotiaMcLeod by the Funds under the Agreement. However, the Funds pay all of their operating expenses, which will not exceed 0.50 percent of the net assets of a Fund in a year, excluding brokerage commissions, interest charges and taxes of all types, including sales tax and GST. The Master Management Agreement may be terminated by ScotiaMcLeod giving the Funds 90 days prior written notice or such shorter number of days as ScotiaMcLeod and the Funds may agree. The Master Management Agreement may be terminated by the Funds by a resolution passed by two-thirds of the votes cast by unitholders of a Fund at a meeting called for this purpose. For such a meeting, a quorum of unitholders representing at least one-third of the Units of a Fund is required. Lastly, the Agreement may be terminated immediately in the event of a bankruptcy or winding-up of Scotia Capital Inc. or the Funds.

### ***Distributorship Agreements***

The Distributorship Agreements are between Scotia Capital Inc. and each of the Funds. No fees are payable to ScotiaMcLeod by a Fund under these Agreements. The Distributorship Agreements may be terminated by ScotiaMcLeod giving the Fund 90 days prior written notice or such shorter number of days as ScotiaMcLeod and the Fund may agree. The Distributorship Agreements may also be terminated by a Fund by a resolution passed by two-thirds of the votes cast by unitholders of the Fund at a meeting called for this purpose. For such a meeting, a quorum of unitholders representing at least one-third of Units of the Fund is required. Lastly, the Agreements may be terminated immediately in the event of a bankruptcy or winding-up of Scotia Capital Inc. or the Funds.

### ***Custodian Agreements***

The Custodian Agreement for the Funds is between the Funds and State Street Trust Company Canada.

The Funds pay the Custodian all reasonable fees and expenses for custodial services, including safekeeping and administrative services. The Custodian Agreement may be terminated by either party giving 90 days prior written notice to the other party.

### ***Legal and Administrative Proceedings***

There are no ongoing legal and administrative proceedings against ScotiaMcLeod relating to investors in the Funds or the Funds themselves.

## AUDITORS' CONSENT

Pinnacle Short Term Income Fund  
Pinnacle Income Fund  
Pinnacle High Yield Income Fund  
Pinnacle American Core-Plus Bond Fund  
Pinnacle Global Real Estate Securities Fund  
Pinnacle Strategic Balanced Fund  
Pinnacle Canadian Value Equity Fund  
Pinnacle Canadian Mid Cap Value Equity Fund  
Pinnacle Canadian Growth Equity Fund  
Pinnacle Canadian Small Cap Equity Fund  
Pinnacle American Value Equity Fund  
Pinnacle American Mid Cap Value Equity Fund  
Pinnacle American Large Cap Growth Equity Fund  
Pinnacle American Mid Cap Growth Equity Fund  
Pinnacle International Equity Fund  
Pinnacle International Small to Mid Cap Value Equity Fund  
Pinnacle Global Equity Fund  
(collectively, the "Funds")

We have read the simplified prospectus and annual information form of the Funds dated December 20, 2007 relating to the sale and issue of mutual fund units of the Funds. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use through incorporation by reference in the above-mentioned simplified prospectus, of our report to the unitholders of the Funds on the statements of investment portfolio as at December 31, 2006, the statements of net assets as at December 31, 2006 and 2005, and the statements of operations and changes in net assets for the years then ended. Our report is dated March 8, 2007.

*"Pricewaterhouse Coopers LLP"*

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

December 20, 2007



**CERTIFICATES OF THE FUNDS,  
THE PROMOTER AND THE MANAGER**

December 20, 2007

Pinnacle Short Term Income Fund	Pinnacle Canadian Small Cap Equity Fund
Pinnacle Income Fund	Pinnacle American Value Equity Fund
Pinnacle High Yield Income Fund	Pinnacle American Mid Cap Value Equity Fund
Pinnacle American Core-Plus Bond Fund	Pinnacle American Large Cap Growth Equity Fund
Pinnacle Global Real Estate Securities Fund	Pinnacle American Mid Cap Growth Equity Fund
Pinnacle Strategic Balanced Fund	Pinnacle International Equity Fund
Pinnacle Canadian Value Equity Fund	Pinnacle International Small to Mid Cap Value Equity Fund
Pinnacle Canadian Mid Cap Value Equity Fund	Pinnacle Global Equity Fund
Pinnacle Canadian Growth Equity Fund	(collectively, the "Funds").

This annual information form, the financial statements of the Funds for the financial period ended December 31, 2006 and the auditors' report on those statements, the interim financial statements of the Funds for the interim period ended June 30, 2007, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus and do not contain any misrepresentation.

"Stephen Douglas McDonald"

Stephen Douglas McDonald  
Co-Chief Executive Officer  
Scotia Capital Inc.

"Charles John Schumacher"

Charles John Schumacher  
Co-Chief Executive Officer  
Scotia Capital Inc.

"Michael Kenneth Warman"

Michael Kenneth Warman  
Chief Financial Officer  
Scotia Capital Inc.

**ON BEHALF OF**

the Board of Directors of Scotia Capital Inc.,  
as Promoter, Manager and Trustee of the Funds

"Mary Cecilia Williams"

Mary Cecilia Williams  
Director

"Christopher Joseph Hodgson"

Christopher Joseph Hodgson  
Director

## CERTIFICATE OF PRINCIPAL DISTRIBUTOR

December 20, 2007

Pinnacle Short Term Income Fund

Pinnacle Income Fund

Pinnacle High Yield Income Fund

Pinnacle American Core-Plus Bond Fund

Pinnacle Global Real Estate Securities Fund

Pinnacle Strategic Balanced Fund

Pinnacle Canadian Value Equity Fund

Pinnacle Canadian Mid Cap Value Equity Fund

Pinnacle Canadian Growth Equity Fund

Pinnacle Canadian Small Cap Equity Fund

Pinnacle American Value Equity Fund

Pinnacle American Mid Cap Value Equity Fund

Pinnacle American Large Cap Growth Equity Fund

Pinnacle American Mid Cap Growth Equity Fund

Pinnacle International Equity Fund

Pinnacle International Small to Mid Cap Value Equity Fund

Pinnacle Global Equity Fund

(collectively, the "Funds").

To the best of our knowledge, information and belief, this annual information form, the financial statements of the Funds for the financial period ended December 31, 2006 and the auditors' report on those statements, the interim financial statements of the Funds for the interim period ended June 30, 2007, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus and do not contain any misrepresentation.

Scotia Capital Inc., as principal distributor  
of the Funds

"Michael Kenneth Warman"  
Michael Kenneth Warman  
Chief Financial Officer

## **PINNACLE PROGRAM FUNDS**

### **Money Market Fund**

Pinnacle Short Term Income Fund

### **Bond Funds**

Pinnacle Income Fund

Pinnacle High Yield Income Fund

Pinnacle American Core-Plus Bond Fund

### **Real Estate Fund**

Pinnacle Global Real Estate Securities Fund

### **Balanced Fund**

Pinnacle Strategic Balanced Fund

### **Canadian Equity Funds**

Pinnacle Canadian Value Equity Fund

Pinnacle Canadian Mid Cap Value Equity Fund

Pinnacle Canadian Growth Equity Fund

Pinnacle Canadian Small Cap Equity Fund

### **Foreign Equity Funds**

Pinnacle American Value Equity Fund

Pinnacle American Mid Cap Value Equity Fund

Pinnacle American Large Cap Growth Equity Fund

Pinnacle American Mid Cap Growth Equity Fund

Pinnacle International Equity Fund

Pinnacle International Small to Mid Cap Value Equity Fund

Pinnacle Global Equity Fund

Managed by:

ScotiaMcLeod  
Scotia Plaza  
40 King Street West

P.O. Box 4085, Station "A"  
Toronto, Ontario  
M5H 1H1

Toll Free: 1-800-530-0197  
(416-506-8404 in Toronto)

Additional information about the Funds is available in the Funds' management reports of fund performance and financial statements. You can get a copy of these documents at your request, and at no cost, by calling toll free 1-800-530-0197, or from your dealer by e-mail through ScotiaMcLeod's website at [www.scotiamcleod.com](http://www.scotiamcleod.com).

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