

## **Scotia Bond Fund**

(Class A and Class I units)

### **Annual Information Form**

August 19, 2009

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

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

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## THE FUND

The Scotia Bond Fund (the “Fund”) was created pursuant to an amendment dated August 17, 2009 to Schedule A to the Master Declaration of Trust of the ScotiaFunds dated as of February 14, 2005 and amended and restated as of April 23, 2007 (the “Master Declaration of Trust”).

Scotia Securities Inc. (“SSI” or the “Manager”) is the trustee and manager of the Fund. The head office of the Fund and of SSI is located at 40 King Street West, 16<sup>th</sup> Floor, Toronto, Ontario M5H 1H1.

SSI is also the trustee and manager of other mutual funds (collectively with the Fund, the “ScotiaFunds”) which are offered under separate simplified prospectuses and annual information forms.

## INVESTMENT RESTRICTIONS AND PRACTICES

Except for the deviations described below, the Fund is subject to and follows the investment restrictions and practices outlined in applicable securities legislation, including National Instrument 81-102 *Mutual Funds* (“NI 81-102”). In particular, the Fund may use derivatives as well as enter into securities lending, repurchase and reverse repurchase transactions in accordance with NI 81-102. The risk factors associated with derivatives, securities lending, repurchase and reverse repurchase transactions and the way the risks are managed are disclosed in the simplified prospectus of the Fund. By following the investment restrictions and practices outlined in applicable securities legislation and NI 81-102, it is ensured that the Fund is administered properly and the Fund’s investment portfolios maintains a desirable level of diversity and liquidity. Please refer to the simplified prospectus of the Fund for a description of the investment objectives of the Fund. The fundamental investment objectives of the Fund may not be changed without the approval of a majority of voting unitholders.

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

The Fund is considered to be a “dealer-managed fund” for the purposes of NI 81-102 and so is subject to certain additional restrictions.

Unless the transaction is approved by the Independent Review Committee of the ScotiaFunds, the Fund 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 Fund’s 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 5% 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 Fund; does not have access prior to implementation of investment decisions made on behalf of the Fund; and does not influence (other than through research, statistical and other reports generally available to clients) the investment decisions made on behalf of the Fund.

Subject to certain conditions, the Fund has received an exemption from the Canadian Securities Administrators (“CSA”) to invest in certain debt securities which, in the absence of such exemption, would be prohibited under NI 81-102. Pursuant to the exemption, the Fund may 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 provided that the Independent Review Committee of the ScotiaFunds has approved the transaction and subject to certain other conditions. The Independent Review Committee has reviewed SSI’s policies and procedures related to trading in debt securities with related dealers and has given its approval, as a standing instruction, for the Fund to purchase debt securities from, or sell debt securities to, related dealers in the secondary market.

### **Related Party Investments**

The Fund is permitted to invest in securities of the Bank of Nova Scotia (“BNS”), which is the parent company of the Manager, and securities of other parties related to the Manager or to the portfolio advisor of the Fund, subject to certain conditions imposed by the Independent Review Committee of the ScotiaFunds. In addition, the Fund has received an exemption from the CSA that permits it to invest in debt securities of related entities in the secondary market, provided that the Independent Review Committee has approved the transaction and provided that the transaction complies with certain pricing requirements. The Independent Review Committee has reviewed SSI’s policies and procedures related to investing in securities of related parties and has given its approval, as a standing instruction, for the Fund to invest in such related party securities. Pursuant to this standing instruction and any conditions set out in the standing instruction or the exemption (if applicable), the Fund may purchase common shares and debt securities of BNS or any other related party to the Fund, its portfolio advisor or SSI.

### **Derivatives**

The Fund may use or invest in derivative instruments consistent with its investment objectives and as permitted by the CSA. The Fund may use derivatives to hedge against certain investment risks, such as currency and interest rate fluctuations and stock market volatility. The Fund may also invest in derivatives for non-hedging purposes, such as creating exposure to domestic and international financial markets, investing in financial market downturns and facilitating and reducing the cost of portfolio transactions.

## **UNITS OF THE FUND**

### **What are Units of the Fund?**

The Fund is authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the property of the Fund. All units of the Fund of the same class have equal rights and privileges with respect to the distribution of income and liquidation of the assets

of the Fund after deducting expenses allocated to that class of the Fund. There is no “par value” or similar fixed value for units of the Fund. Rather, the value of each unit will fluctuate proportionately with the market value of the assets of the Fund. The value of a unit of the Fund at any given time is called the “NAV per unit” and the procedures followed in calculating the NAV per unit are summarized below under “How the Units are Valued”.

When issued, the units of the Fund are fully paid and non-assessable and have no pre-emptive or conversion rights. Fractions of units may also be issued. As a holder of units of the Fund, you are entitled to require the Fund to redeem your units at the price described under “How to Sell Units”. Your units are generally redeemable without restriction. As a unitholder of the Fund, you have the right to exercise one vote for each whole unit held at all meetings of unitholders of that class of units of the Fund. Fractional units carry the rights and privileges and are subject to the restrictions and conditions described above for units in the proportions that they bear to one unit, except that any holder of a fractional unit is not entitled to vote in respect of such fractional unit.

Unitholders are entitled to receive notice of unitholder meetings. At unitholder meetings, unitholders are entitled to one vote for each whole unit owned by them. Subject to any exemption of the CSA obtained by the Fund, unitholders currently have the right to vote on:

1. the appointment of a new manager, unless the new manager is an affiliate of SSI;
2. a change in the fundamental investment objectives of the Fund;
3. a decrease in the frequency of calculating the NAV per unit of the Fund;
4. in certain limited circumstances, a merger of the Fund into another mutual fund managed by the Manager where the unitholders of the Fund will become the unitholders of the other mutual fund as a result of the merger; and
5. in certain limited circumstances, a merger of a mutual fund into the Fund where the merger would be a significant change for the unitholders of the Fund.

Because unitholders are not charged sales commissions or redemption fees when they invest in or redeem units of the Fund, unitholder meetings are not required to approve any increase in the fees or expenses charged to the Fund if unitholders are notified of the change at least 60 days before the effective date of the increase.

The Fund offers Class A and Class I units. Each Class A and Class I unit is an equal undivided interest in the assets of the Fund and ranks equally with all other units of the Fund with respect to income distributions and asset liquidation upon termination of the Fund. Expenses will, however, be allocated differently between the various classes.

Unitholders will be entitled to vote separately at any meeting of unitholders of that class if the matter concerns unitholders of that class only. All unitholders of the Fund, regardless of which class of units they hold, are entitled to vote at a meeting of unitholders whenever the matter concerns all unitholders of the Fund.

Upon liquidation or termination of the Fund, each unitholder is entitled to participate equally in the assets of the Fund after deducting the expenses of the Fund allocated to the class of units held.

### **How the Units are Valued**

The NAV per unit of the Fund represents the market value of all assets of the Fund less any liabilities, divided by the total number of units of the Fund outstanding at that time. The NAV per unit is the basis for all unit purchases from the Fund (including purchases on reinvestment of distributions) and all unit sales back to the Fund (redemptions or sell orders).

As the Fund issues more than one class of units, a separate NAV per unit is calculated for each class of units offered. In calculating the NAV of each class, two levels of expenses are taken into account. Expenses that are not class specific are allocated daily to each class based on the relative NAV of each class or as is equitable. Expenses that are class specific are charged daily specifically to the relevant class. The resulting class NAV is divided by the number of units outstanding in the class to arrive at the class NAV per unit. Units are purchased, distributions are reinvested and redemptions are processed at the class NAV per unit applicable to the transaction.

The NAV per unit of the Fund is determined as of the close of business on each business day unless the Fund has declared a suspension of the determination of the NAV as described under “How to Sell Units”. The term “business day” means a day on which the Toronto Stock Exchange is open for trading in securities and the term “close of business” means the actual time of the close of trading on the Toronto Stock Exchange. The NAV per unit so determined at any time remains in effect until the time as at which the next determination of NAV per unit is made.

Where any decrease in the frequency of calculating NAV of the Fund is proposed, such decrease must be approved by the unitholders of the Fund, such approval to be expressed by at least a majority of the votes cast at a meeting of the unitholders duly called for the purpose of considering the same.

For the purpose of determining NAV at any time, the issue or redemption of units of the Fund shall be reflected in the computation of NAV of that Fund no later than the next computation of such NAV made after the time at which the NAV per unit is determined for the purpose of issue or redemption of such units of the Fund. Each transaction of purchase or sale of portfolio securities effected by the Fund shall be reflected in the first computation of such NAV made after the date on which the transaction becomes binding.

In making the calculation of NAV per unit of the Fund to determine the price for purchases and redemptions, as of the close of trading on any day:

- (a) the value of cash on hand or on deposit, Government of Canada treasury bills and short term paper or certificates of deposit of Canadian chartered banks shall be deemed to be the cost thereof;
- (b) the value of any security that is a debt obligation (other than the securities referred to in paragraph (a) above) which, at the time of acquisition, had a remaining term to maturity of one year or less shall be the amount paid to acquire the obligation plus the amount of any interest accrued on such obligation since the time of

acquisition. For the purposes of the foregoing, interest accrued will include amortization over the remaining term to maturity of any discount or premium from face value of any obligation at the time of its acquisition;

- (c) bonds, debentures and other obligations (other than the securities referred to in paragraph (a) above) which, at the time of acquisition, had a remaining term to maturity of more than one year, are valued by taking the average of the latest bid and ask quotations on that day;
- (d) floating rate bonds held by money market funds are valued at cost plus accrued interest and plus or minus amortization;
- (e) equity securities listed on a public securities exchange will be valued at their last sale price on that day or, if no sales are reported, at a price determined by the Manager but generally not higher than the closing asked price and not lower than the closing bid price. Where equity securities are listed or traded on more than one public securities exchange or are actively traded on over-the-counter markets while being listed or traded on such securities exchanges, such securities will be valued on the basis of the market quotation which, in the opinion of the Manager, most closely reflects their fair value. In calculating the value of foreign equity securities listed on securities exchanges outside of North America, the Manager will place values on such securities that appear to most closely reflect the fair value of such securities at the time of NAV calculation;
- (f) unlisted equity securities will be valued at their last ascertainable price or, in the absence of a price or if the Manager reasonably believes that the last ascertainable sale price does not properly reflect the value of a particular security, the mean of the most recently published bid and asked prices;
- (g) where the Fund invests in dividend-paying shares, the amount of dividends on such shares which have been declared but not yet received by the Fund will be added to the value of the Fund on the date that the shares are traded “ex-dividend”;
- (h) securities of the underlying fund(s) held by the Fund will be valued at their respective security values on the relevant valuation date. Where the underlying funds are not managed by SSI, the security values are communicated by the managers of the underlying funds to SSI;
- (i) long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and index, commodity and listed warrants shall be valued at the current market value thereof;
- (j) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit, which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss

on investment. The deferred credit shall be deducted in arriving at the NAV of the Fund. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at their current market value;

- (k) securities quoted in foreign currencies will be translated to Canadian dollars to reflect the exchange rate at the time as of which the NAV per unit is being determined;
- (l) securities which the Fund has agreed to purchase or sell shall be included or excluded as if the agreements were in fact fully carried into effect;
- (m) with respect to interest accrued but not yet received or other amounts receivable by the Fund, the amount of such accrued interest or other amounts shall be added to the value of the Fund;
- (n) with respect to management, trustee, custodian, and other expenses to be borne by the Fund, accrued but not yet paid, the amount of such accrued expenses shall be deducted from the value of the Fund;
- (o) futures contracts and forward contracts will be valued at their market value at the time NAV is calculated and any difference resulting from valuation will be treated as an unrealized gain or loss on investment;
- (p) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (q) the value of any precious metals (including coins, bullion and certificates and other evidences of precious metals) and other commodities will be their current market value generally based on prevailing market prices as reported on exchanges or other markets; and
- (r) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason), shall be the fair value thereof determined in such manner as the Manager may from time to time determine.

The above principles are used to calculate the net asset value of the Fund to determine the price for purchases and redemptions of units. This valuation policy differs from the valuation method required for financial reporting under the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook"). The CICA Handbook requires that portfolio securities in an active market be valued using the bid price in financial statements. The primary differences between the methods in the Manager's valuation policy and the CICA Handbook are that the Manager will generally determine the fair value of equity securities traded on a stock exchange by using the closing price on the exchange. For bonds, debentures and other debt obligations, the Manager will generally use the average of the bid and ask prices to determine the fair value. While National Instrument 81-106 requires the net asset value of the Fund be determined using the fair

value of the Fund's assets and liabilities, it does not require the Fund to determine the fair value in accordance with the CICA Handbook for purposes other than financial reporting.

## **HOW TO PURCHASE AND SELL UNITS OF THE FUND**

### **How to Purchase Units**

Units of the Fund are offered for sale on a continuous basis at their NAV per unit from time to time, computed in the manner described under "How the Units are Valued". There are generally no sales commissions or other fees payable on the purchase of units. Class A units may be purchased directly from SSI, ScotiaMcLeod and ScotiaMcLeod Direct Investing (collectively, "ScotiaMcLeod") or Scotia Capital in such provinces and territories where SSI, ScotiaMcLeod or Scotia Capital are qualified to receive orders for purchase or with dealers and brokers qualified in your province or territory. Orders to purchase units of the Fund may also be placed with representatives of SSI at branches of BNS, Montreal Trust, National Trust and Scotiatrust. Class I units may only be purchased by eligible institutional investors and other qualified investors as determined by SSI.

All orders for units of the Fund will be forwarded to the Fund for acceptance or rejection and the Fund reserves the right to reject any order in whole or in part. Dealers and brokers must transmit an order for units to the head office of the Fund and must make such transmittal wherever practical by courier, priority post or telecommunications facility without charge to you on the same day your completed purchase order is received. As a security policy (which may be changed at the discretion of the Manager) the Fund, except as provided below, generally will not accept purchase orders placed by telephone or wire directly by an investor. The decision to accept or reject your purchase order will be made promptly and, in any event, within one business day of receipt of your order by the Fund. Telephone orders and Internet orders may be placed with SSI representatives at branches or call centres of the BNS Group. Speak to your registered investment professional for details. If your order is rejected, all monies received with your order will be returned to you immediately. A fee may also be imposed for short-term trading.

The minimum amount for initial purchases of Class A units of the Fund is \$500 (\$5,000 for Scotia RRIFs) and for each additional investment in Class A units of the Fund is generally \$50. For Class I units of the Fund, the minimum initial investment amount is generally \$1,000,000.

The minimum amounts may be varied or waived at any time without notice at the absolute discretion of the Manager. The Manager reserves the right to redeem your units if the NAV of your investment in the Fund falls below the applicable minimum for an initial purchase. Your dealer or broker may impose higher minimum initial or additional investment amounts.

The NAV per unit for the purpose of issuing units is the NAV per unit next determined following receipt of a purchase order. No unit certificates will be issued by the Fund.

Payment for all orders of units must be received at the head office of the Fund on or before the third business day from (but not including) the day the subscription price for the units is determined. Where payment of the subscription price is not received, the Fund is deemed to have received and accepted on the first business day following such period an order for

redemption of the units and the redemption proceeds are applied to reduce the amount owing to the Fund in respect of the purchase of the units. If the amount of the redemption proceeds exceeds the subscription price of the units, the Fund is permitted to retain the excess. If the amount of the redemption proceeds is less than the issue price of the units, SSI, as principal distributor of the Fund, must pay to the Fund the amount of the deficiency. SSI is entitled to collect such amounts together with its costs, charges and expenses in so doing and interest thereon from dealers or brokers making the order for units. Those dealers or brokers may, in turn, collect such amounts from the investor who failed to pay the subscription price. Where no dealers or brokers have been involved in an order for units, SSI is entitled to collect such amounts described above from the investor who has failed to make payment for the units ordered.

Other than the short-term trading fee described below, the Fund does not charge for redemptions, but reserves the right to impose redemption fees from time to time, upon providing unitholders 60 days written notice of the amount and particulars of such fee. The Fund currently has no intention to impose such fees during the next 12 months.

### **Sales Charges**

You may pay a sales charge or other fee if you buy units of the Fund through a dealer other than SSI or ScotiaMcLeod. You negotiate any charge or fee directly with your dealer.

### **Sales Commissions**

The Manager may pay employees of SSI an up-front sales commission of up to 1% of the amount invested by a unitholder.

### **Service Fees and Sales Incentive Programs**

The Manager may pay its employees, registered brokers and dealers a service fee on Class A units of the Fund. This fee is calculated daily and paid monthly and, subject to certain conditions, is based on the value of the Class A units you hold. The Manager does not pay service fees on Class I units. From time to time, prizes such as cash or merchandise, may be awarded in connection with sales of units of the Fund to individual employees or to BNS, Montreal Trust, National Trust or Scotiatrust branches to be distributed to or used for the general benefit of branch employees. See “Dealer compensation” in the Fund’s simplified prospectus for details about service fees and sales incentive programs.

In addition, BNS may also include sales of units of the Fund in its general employee incentive programs which involve many different BNS products.

### **How to Switch**

You can switch from the Fund to another ScotiaFund as long as you are eligible to hold the particular class of the ScotiaFund into which you switch. When your order is received, the units of the Fund are sold, and the proceeds are used to buy units of the other ScotiaFund. If you switch units within 31 days of buying them, you may have to pay a short-term trading fee.

Switches from a class of units of another ScotiaFund purchased under the deferred sales charge option or low load sales charge option to Class A or Class I units of the Fund may be subject to a redemption fee. You may only switch between funds valued in the same currency. If you hold your units in a non-registered account, you may realize a capital gain or loss. Capital gains are taxable.

### **How to Reclassify Units**

You can change your units of one class to another class of units of the Fund, as long as you are eligible to hold that class. Your dealer may charge you a fee to reclassify your units.

### **How to Sell Units**

You may at any time sell your units back to the Fund by following the procedures described in the following section, unless at that time the Fund's obligation to purchase your units has been temporarily suspended by the Fund with, where necessary, the prior consent of the Ontario Securities Commission. Your request to have the Fund buy back your units constitutes a "redemption" by the Fund when completed and may be referred to in this annual information form as a "sell order" to the Fund. The redemption price for the units which are the subject of your sell order will be the NAV next determined following receipt of your sell order by the Fund. Payment for your units sold will be issued by cheque within three business days after receipt by the Fund of your sell order. **The Manager cannot accept sell orders specifying a forward date or price, and sell orders will not be implemented before the Manager has actually received payment for units issued to you under a prior purchase order.**

Short-term trading (including "market-timing" trading) can increase the Fund's expenses, which affects all unitholders of the Fund. The Manager has systems in place to monitor for short-term trades. These systems have the capability to detect and mark any redemption or switching that occurs within 31 days of the purchase of the relevant units. The Manager reviews the marked transactions on a regular basis and determines whether any further action is required. If it is determined that a redemption or switch constitutes a short-term trade, the Fund may charge a fee of 2% of the amount redeemed or switched. This short-term trading fee is retained by the Fund. The Manager may waive the fee. While the fee will generally be paid out of the redemption proceeds of the Fund in question, SSI has the right to redeem units of other ScotiaFunds in your account without notice to you to pay for the short-term trading fee. SSI may, in its sole discretion, decide which units should be redeemed and the manner in which to do so.

The Manager may cause the redemption of all outstanding units of the Fund held by a unitholder after giving 10 days written notice if the aggregate NAV of such units in the Fund declines below the minimum initial purchase amounts described under "How to Purchase Units".

### **How to Submit a Sell Order**

The following is a summary of the procedure that you must follow when submitting a sell order. The Manager, however, may from time to time adopt additional permissible procedures and, if so, will advise all unitholders of such procedures.

Your sell order must be in writing and bear an authorized signature from your bank, trust company or investment dealer and such other evidence of proper authority as the Fund may reasonably require. Any sell order by a corporation, trust, partnership, agent, fiduciary, surviving joint owner or estate must be accompanied by customary documentation evidencing the signatory's authority. Sell orders are effective only when all documentation is in order and received by the head office of the Fund. Any of these requirements may be waived at any time without notice in the absolute discretion of the Manager. Your sell order may be submitted to SSI, ScotiaMcLeod or Scotia Capital in such provinces and territories where SSI, ScotiaMcLeod or Scotia Capital are qualified to sell units of the Fund. Sell orders may also be submitted to your registered dealer or broker. You may also submit your sell order to representatives of SSI at branches of BNS, Montreal Trust, National Trust and Scotiatrust. Dealers and brokers must transmit the particulars of a sell order to the Fund on the same day it is received at no charge to the investor and to make such transmittal wherever practical by courier, priority post or telecommunications facility. As a security policy (which may be changed at the discretion of the Manager), the Fund will generally not accept sell orders placed by telephone, wire or by other electronic means directly from unitholders.

If a unitholder fails to provide the Fund with a duly completed sell order within ten business days of the date on which the NAV was determined for purposes of the sell order, the Fund is deemed to have received and accepted, as of the close of business on the tenth business day, an order for the purchase of the equivalent number of units being redeemed and will apply the amount of the redemption proceeds to the payment of the issue price of such units. If such amount is less than the redemption proceeds, the Fund is permitted to retain the excess. If such amount exceeds the redemption proceeds, SSI, as principal distributor of the Fund, must pay the Fund the amount of the deficiency. SSI is entitled to collect such amount together with its costs and interest thereon from dealers or brokers placing the redemption order and those dealers or brokers may collect such amounts from the investor who failed to provide the duly completed sell order. Where no dealers or brokers have been involved in a redemption order, SSI is entitled to collect such amounts described above directly from the investor who failed to provide the duly completed sell order.

All sell orders will be processed in the order in which they are received. Sell orders involving transfers to or from Registered Plans (defined below) may incur delays if the transfer documents are not completed in the sequence prescribed by Canada Revenue Agency, and release of the sale proceeds cannot be made by the Fund until all administrative procedures involved with such Registered Plans are complete.

## **INVESTMENT OPTIONS**

### **Pre-Authorized Contributions**

You can set up regular pre-authorized contributions for Class A units of the Fund provided that you meet the minimum investment amounts indicated under "How to Purchase Units". You select the frequency of your purchases, which may be weekly, bi-weekly, semi-monthly, monthly, bi-monthly, quarterly, semi-annually or annually, by pre-authorizing payments from your bank account at BNS or any other major Canadian financial institution.

By written notice to the Fund, you may change the amount of each purchase or the frequency of purchase or you may discontinue the plan at any time without penalty. Forms used to begin pre-authorized contributions can be obtained when you place your order. Similar automatic investment plans for Class A units of the Fund may be available through ScotiaMcLeod and other dealers.

The Fund received an exemption from the requirement to deliver a renewal simplified prospectus (and any amendment thereto) to investors purchasing units of the Fund under pre-authorized contributions or similar plans. For more information, refer to “Pre-authorized Contributions” in the Fund’s simplified prospectus.

### **Registered Plans**

You may open a Scotia RRSP, RRIF, LIRA, LRSP, LIF, LRIF, PRIF, RESP or TFSA (which, collectively with DPSPs and RDSPs, are referred to as “Registered Plans”) for units of the Fund. Minimum initial and subsequent deposits for a Scotia Registered Plan are the same as those set out under “How to Purchase Units”. These minimum deposits may be varied or waived at any time, without notice, in the discretion of the Manager. Units of the Fund may also be held in a self-directed RRSP or RRIF (or other Registered Plan) with any other financial institution as may be approved by the Manager, but such plans may be subject to fees.

You may open a Scotia Registered Plan (or other similar plans that may be offered by the Manager) by completing an application form and declaration of trust which you may obtain directly from branches of BNS, Montreal Trust, National Trust and Scotiatrust or from the offices of a participating dealer appointed by SSI in certain provinces and territories.

**You are urged to consult your own tax advisor for full particulars of the tax implications of establishing, amending and terminating Registered Plans under the Income Tax Act (Canada) (the “Tax Act”) and applicable provincial tax legislation.** It is your responsibility as a holder of a Registered Plan to determine the consequences to you under relevant income tax legislation. The Fund assumes no liability as a result of Scotia Registered Plans being made available.

### **Automatic Withdrawal Plan**

Unitholders may establish an automatic withdrawal plan under which sufficient units of the Fund will be redeemed on a periodic basis in order to provide these unitholders with regular cash payments. To establish and maintain an automatic withdrawal plan for the Fund, you must have a minimum balance of \$5,000 to start the plan and you must withdraw a minimum of \$50 each time. These minimum initial balance and withdrawal amounts may be varied or waived at any time without notice in the absolute discretion of the Manager.

You may amend or terminate your automatic withdrawal plan without charge upon written notice to the Manager. This amendment or termination will be effective within 30 days of receipt of that notice.

Under a withdrawal plan, if the regular withdrawals are in excess of distributions other than capital distributions, these withdrawals will encroach on or exhaust the capital you have invested. Automatic withdrawal plans are not available for RRSP and other Registered Plans.

You may realize tax consequences on any redemption or other transfer of units. See “Tax Treatment of Your Investment”.

## **TAX TREATMENT OF YOUR INVESTMENT**

The following summarizes the principal Canadian federal income tax considerations generally applicable to the Fund and its Canadian resident unitholders who are individuals (other than trusts) and who hold their units as capital property. The summary is based on the current provisions of the Tax Act and the regulations made under the Tax Act (the “Regulations”), proposals to amend the Tax Act and the Regulations publicly announced prior to the date hereof (the “Proposals”) and the current published administrative practices and assessing policies of the Canada Revenue Agency. This summary is not exhaustive of all possible income tax considerations and is based upon the Fund qualifying as a mutual fund trust under the Tax Act effective at all material times. The Manager expects that the Fund will so qualify. Prospective purchasers of units are advised to consult their own tax advisor about their particular circumstances.

### **Tax Status of the Fund**

The Fund will distribute to its unitholders in each year its net income and net realized capital gains, if any, to such an extent that it will not be liable in any taxation year for income tax under Part I of the Tax Act (taking into account any entitlement to a capital gains refund). Capital or income losses incurred by the Fund cannot be allocated to unitholders but may, subject to certain limitations, be deducted by the Fund from capital gains or net income realized in subsequent taxation years. All of the Fund’s deductible expenses will be taken into account in determining the income or loss of the Fund as a whole. Income derived from foreign sources may be subject to foreign withholding taxes which, to the extent designated by the Fund and permitted by the Tax Act, may be claimed as a credit by unitholders. Generally, gains from derivatives will be taxed as income as opposed to capital gains.

### **Tax Status of Unitholders**

Unitholders must include in income the net income and the taxable portion of net realized capital gains, if any, payable to them in a year by the Fund, whether paid in cash or by reinvestment in additional units. To the extent that distributions to a unitholder by the Fund in any year exceed that unitholder’s share of the net income and the net realized capital gains of the Fund, such distributions will be a return of capital and will not be taxable but will reduce the adjusted cost base of the unitholder’s units. If the adjusted cost base of a unitholder’s units is reduced to less than zero, the unitholder will be deemed to realize a capital gain to the extent of the negative amount and the adjusted cost base of the units will be increased to nil. When a unitholder acquires units of the Fund, the NAV of the units may reflect amounts on account of accrued but undistributed income, realized but undistributed capital gains, and unrealized capital gains. When these amounts are distributed to unitholders, they must be included in the unitholder’s income even though they accrued to the Fund prior to the time that the unitholder acquired units of the Fund.

The Fund will make designations, to the extent permitted by the Tax Act, such that taxable capital gains, taxable dividends from taxable Canadian corporations and foreign source

income will retain their character in the hands of unitholders for tax purposes. An enhanced dividend tax credit is available for certain eligible dividends received from Canadian corporations. Unitholders will be deemed, for foreign tax credit purposes, to have paid their proportionate share of foreign taxes on such foreign income.

Generally, the Fund will distribute gains from derivatives as income rather than as capital gains.

Upon a disposition of a unit, unitholders will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of their unit at such time plus any costs of disposition. Generally, unitholders must include one-half of a capital gain in computing income and may deduct one-half of a capital loss from taxable capital gains. Capital gains and taxable dividends realized by an individual may give rise to an alternative minimum tax.

Each unitholder will be provided with transaction statements and annual tax information slips reporting income, return of capital, and net realized capital gains distributions needed to complete the unitholder's income tax returns.

### **Tax Sheltered Plans**

The Fund is expected to be, effective from the date of its creation in 2009, and at all material times thereafter, a mutual fund trust under the Tax Act. Provided that the Fund qualifies as a mutual fund trust under the Tax Act effective at all material times, units of the Fund will be qualified investments for trusts governed by Registered Plans.

## **HOW THE FUND IS MANAGED AND ADMINISTERED**

### **The Manager**

SSI acts as the manager of the Fund pursuant to a Master Management Agreement (the "Management Agreement") dated as of February 14, 2005.

Reductions in management fees for the Fund can be negotiated between the Manager and certain investors in the Fund. The reductions are generally paid at the same time the income distributions are made by the Fund and are settled through distributions of units of the Fund ("management fee distributions") by way of automatic reinvestment in additional units of the Fund. The management fee distributions are intended to attract large investments that might not otherwise be invested in the Fund. (This benefits the Fund and the Manager because administration costs for each dollar invested in the Fund are lower for larger investments.) Eligibility for management fee distributions for unitholders of the Fund is based on the size of the investment made or held in the Fund. Management fee distributions are paid first out of net income and net realized capital gains and then out of capital. The Manager may discontinue these reductions at any time upon written notice to the investor or unitholder.

The Manager receives fees from the Fund pursuant to the Management Agreement. The Fund is required to pay federal goods and services tax ("GST") on the fees which it pays to the Manager, as well as on most other goods and services it acquires. SSI will not receive any fees as trustee of the Fund.

## Organization and Management of the Fund

<p><b>Manager</b>          Scotia Securities Inc.          16th Floor, 40 King Street West          Toronto, Ontario M5H 1H1  <a href="http://www.scotiabank.com">www.scotiabank.com</a>          1.800.268.9269  <a href="mailto:info@scotiabank.com">info@scotiabank.com</a></p>	<p>As manager, SSI is responsible for the overall business and operation of the Fund.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>● providing or arranging for administrative services</li> <li>● arranging for portfolio advisory services</li> </ul> <p>SSI is a wholly-owned subsidiary of BNS.</p>
<p><b>Trustee</b>          Scotia Securities Inc.          Toronto, Ontario</p>	<p>As trustee, SSI has authority over the Fund's investments in trust for unitholders under the terms described in the Master Declaration of Trust.</p>
<p><b>Principal Distributor</b>          Scotia Securities Inc.          Toronto, Ontario</p>	<p>As principal distributor, SSI markets and sells the Fund where it qualifies for sale in Canada. SSI may appoint participating dealers to distribute units of the Fund.</p>
<p><b>Custodian</b>          The Bank of Nova Scotia          Toronto, Ontario</p>	<p>The custodian holds the investments of the Fund and keeps them safe to ensure that they are used only for the benefit of investors. BNS is the parent company of SSI.</p>
<p><b>Registrar</b>          Scotia Securities Inc.          Toronto, Ontario</p>	<p>As registrar, SSI makes arrangements to keep a record of all unitholders of the Fund, process orders and issue account statements and tax slips to unitholders.</p>
<p><b>Auditors</b>          Ernst &amp; Young LLP          Toronto, Ontario</p>	<p>The auditors are an independent firm of chartered accountants. The firm audits the annual financial statements of the Fund and provides an opinion as to whether they are fairly presented in accordance with Canadian generally accepted accounting principles.</p>
<p><b>Portfolio Advisor</b>          Scotia Cassels Investment Counsel Limited          Toronto, Ontario</p>	<p>The portfolio advisor provides investment advice and makes the investment decisions for the Fund.</p>

The names and municipalities of residence of the directors and officers of SSI, their principal occupations over the past five years, and the positions and offices held with SSI are as follows:

<b>Name and Municipality of Residence</b>	<b>Position with SSI</b>	<b>Principal occupation in the past five years</b>
Edna A. Chu Toronto, Ontario	Vice President, Compliance and Director	<p>From March 2008 to present – Managing Director, Compliance, Scotia Capital Inc.</p> <p>From January 2007 to present – Director, Scotia Cassels Investment Counsel Limited</p> <p>From September 2006 to present - Vice President, Compliance, SSI and Vice President, Deputy Head, Compliance, Wealth Management, BNS</p> <p>From March 2004 to August 2006 – Assistant Vice President, Compliance, CMA Holdings Incorporated and its subsidiaries and affiliates</p> <p>From November 2001 to March 2004 – Chief Compliance Officer, Canada Life Securities Inc.</p> <p>From January 2000 to March 2004 – Assistant Vice President, Compliance, The Canada Life Assurance Company</p>
William Donegan Toronto, Ontario	Chief Compliance Officer	<p>From March 2009 to present – Chief Compliance Officer, SSI (dealer)</p> <p>From September 2006 to March 2009 – Chief Legal and Regulatory Officer, Worldsource Wealth Management Inc.</p> <p>From July 2004 to September 2006 – Enforcement Counsel, Mutual Fund Dealers Association of Canada</p>
Glen B. Gowland Caledon, Ontario	President, Chief Executive Officer and Director	<p>From November 2006 to present – President and Chief Executive Officer, SSI and Managing Director and Head, Mutual Funds, BNS</p> <p>From August 2005 to November 2006 – Managing Director, Business Development, Wealth Management, BNS</p> <p>From February 2004 to August 2005 - District Vice President, Toronto Centre, BNS</p> <p>From May 2000 to February 2004 – Vice President, Sales and Marketing, SSI</p>

<b>Name and Municipality of Residence</b>	<b>Position with SSI</b>	<b>Principal occupation in the past five years</b>
Wendy G. Hannam Toronto, Ontario	Director	<p>From October 2008 to present – Executive Vice President, Personal Banking &amp; Distribution, Canada, BNS</p> <p>From March 2006 to October 2008 - Executive Vice President, Domestic Personal Banking &amp; Distribution, BNS</p> <p>From January 2005 to March 2006 - Executive Vice President, Domestic Branch Banking, BNS</p> <p>From December 2003 to December 2004 – Senior Vice President, Sales &amp; Service, BNS</p> <p>From September 2000 to December 2003 – Senior Vice President, Ontario Region, BNS</p>
Maria Kallos Toronto, Ontario	Alternate Chief Compliance Officer	<p>From April 2007 to present – Manager, Compliance and Alternate Chief Compliance Officer, SSI (dealer)</p> <p>From July 2006 to April 2007 – Manager, Compliance, TD Waterhouse</p> <p>From June 2005 to July 2006 – Sales Compliance Officer, Investment Dealers Association of Canada</p> <p>From September 1997 to June 2005 – Retail Compliance Officer, BMO Nesbitt Burns</p>
Helena Lau Toronto, Ontario	Secretary	<p>From January 2007 to present – Secretary, Scotia Cassels Investment Counsel Limited</p> <p>From June 2006 to present – Senior Assistant Manager Subsidiaries and Assistant Secretary, BNS</p> <p>Prior to June 2006 – Corporate Law Clerk, BMO Nesbitt Burns Inc.</p>

<b>Name and Municipality of Residence</b>	<b>Position with SSI</b>	<b>Principal occupation in the past five years</b>
Barbara F. Mason Toronto, Ontario	Chair of the Board and Director	<p>From October 2008 to present – Executive Vice President, Wealth Management, Canada, BNS</p> <p>From April 2008 to present – President and Director, Scotia Capital Inc.</p> <p>From March 2007 to present – Chair of the Board, Scotia Cassels Investment Counsel Limited</p> <p>From January 2007 to present – Director, Scotia Cassels Investment Counsel Limited</p> <p>From May 2006 to October 2008 – Executive Vice-President, Wealth Management, BNS</p> <p>From January 2005 to May 2006 – Executive Vice-President, Marketing, Sales and Service, BNS</p> <p>From December 2003 to January 2005 - Managing Director &amp; Head, Retail Marketing, BNS</p>
Mary Diane Pahl Calgary, Alberta	Trading Officer	<p>From 2004 to present – Regional Compliance Officer, SSI (dealer)</p> <p>From 2001 to 2004 – Staff Development Officer, BNS</p>
Walter A. Pavan Oakville, Ontario	Vice President, Treasurer & Chief Financial Officer and Director	Vice President, Treasurer & Chief Financial Officer, SSI, Vice President, BNS and Director, Finance, Scotia Capital Inc.

Pursuant to the Management Agreement, SSI is required to provide, or cause to be provided, portfolio management to the Fund, including all decisions as to the purchase and sale of portfolio securities and as to the execution of all portfolio transactions, and all necessary or advisable administrative services and facilities including valuation, fund accounting and unitholder records. The Management Agreement provides that the Manager may engage or employ any person as its agent to perform administrative functions on behalf of the Fund, and brokers or dealers in connection with the portfolio transactions of the Fund.

The Management Agreement may be terminated by either party giving at least six months prior notice to the other of such termination.

The Management Agreement may only be assigned upon consent of the other party and in compliance with the provisions of the Master Declaration of Trust and all applicable laws,

regulations and other restrictions of regulatory authorities in Canada. No changes to the Management Agreement may be made without the approval of unitholders where required by law, regulations or policies of securities regulatory authorities. Where such laws, regulations or policies do not require unitholder approval, the provisions of the Management Agreement may be amended with the approval of the trustee and the Manager.

### **The Portfolio Advisor**

SSI has engaged Scotia Cassels to provide investment advice to the Fund. Scotia Cassels has the authority, subject to the direction of SSI, to give instructions to purchase and sell securities of the Fund in accordance with its investment objectives and restrictions. Scotia Cassels, a wholly owned subsidiary of BNS, is a Toronto-based professional investment and portfolio management firm which actively manages private and corporate investment portfolios, pension funds and other segregated funds on a fully discretionary basis. The agreement with the portfolio advisor may be terminated by either SSI or the portfolio advisor giving up to 90 days prior notice to the other of such termination. For additional information concerning the management of the Fund, you should refer to “Other Material Information” in this annual information form.

Pursuant to an amended and restated Investment Management Agreement dated September 6, 2006, Scotia Cassels acts as portfolio advisor to the Fund. The individuals providing advice are as follows:

<b>Portfolio Manager</b>	<b>Current Title</b>	<b>Length of Service with portfolio advisor</b>	<b>Principal occupation in the last 5 years</b>
Romas Budd	Managing Director, Fixed Income Investments	18 years	From March 2003 to present – Managing Director, Fixed Income Investments, Scotia Cassels  Prior to March 2003 - Vice President and Director, Fixed Income Investments, Scotia Cassels and a predecessor company

The investment decisions of the individual portfolio manager listed above are not subject to the oversight, approval or ratification of any SSI committee.

### **Fund Governance**

SSI, the trustee and manager of the Fund, is responsible for the day-to-day administration and management of the Fund. SSI requires the portfolio advisor to provide investment management advice to the Fund. SSI receives regular reports from the portfolio advisor regarding its compliance with applicable investment guidelines and parameters and compliance with the investment restrictions and practices of the Fund.

SSI complies with National Instrument 81-105 *Mutual Fund Sales Practices*. SSI has adopted a Code of Ethics for Personal Investing that addresses potential internal conflicts of interest in respect of the Fund. In addition, BNS has adopted Guidelines for Business Conduct, which also addresses the issue of internal conflicts.

Risk management is dealt with on a number of levels. The investment management agreement between the Manager and the portfolio advisor specifies that the Fund must comply with the investment restrictions and practices outlined in applicable securities legislation, including NI 81-102. The portfolio advisor has established policies and guidelines relating to business practices, risk management controls and conflicts of interest. In addition, the portfolio advisor has its own code of ethics that addresses such things as personal trading by employees. The portfolio advisor's compliance committee, which is comprised of management personnel, meets regularly to consider compliance and risk management issues. The portfolio advisor's compliance committee reports to the audit committee. Compliance personnel are not members of the trading group. Various measures to assess risk are used, including mark-to-market security valuation, fair value pricing, effective exposure reporting, and monthly reconciliation of security and cash positions. Compliance monitoring of the Fund is ongoing. The Fund is generally priced on each business day, which ensures that performance accurately reflects market movements.

#### *Independent Review Committee*

SSI has appointed an Independent Review Committee ("IRC"), as the governance agency for all of the ScotiaFunds 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, the Manager, BNS or any of the ScotiaFunds' portfolio advisors. The IRC must act in the best interests of the unitholders of the ScotiaFunds.

The mandate of the IRC is to:

- (a) review a conflict of interest matter, including any related policies and procedures, referred to it by SSI and make recommendations to SSI regarding whether the proposed action of SSI in respect of the conflict of interest matter achieves a fair and reasonable result for the applicable ScotiaFunds;
- (b) consider and approve, if deemed appropriate, SSI's decision on a conflict of interest matter that SSI 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 SSI 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 ScotiaFunds in a manner considered fair and reasonable by SSI.

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

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

In a securities lending transaction, the 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, the 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, the Fund buys securities for cash at one price and agrees to sell them back to the same party with the expectation of a profit.

SSI will appoint the Fund's custodian or sub-custodian to act as the agent of the Fund and to enter into securities lending transactions, repurchase transactions and reverse repurchase transactions on behalf of the Fund. The agency agreement will provide for the types of transactions that may be entered into by the 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% 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% of the total assets of the Fund in securities lending or repurchase transactions at any one time; and
- assess the creditworthiness of the counterparties to securities lending, repurchase and reverse repurchase transactions.

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

SSI and BNS will review the agency agreement and the agent's policies and procedures on an annual basis to ensure that they comply with applicable laws.

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

#### *Proxy Voting Policies and Procedures*

Pursuant to the terms of the investment advisory agreement in place with the portfolio advisor, SSI delegates proxy voting responsibility in respect of the securities held by the Fund to the portfolio advisor.

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. Where proxies relate 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. Where the proxy relates to non-routine matters, these matters are brought to the attention of the Chief Investment Officer or a senior Director on a case-by-case basis for consideration and final approval. The senior Director or Chief Investment Officer may determine that communication with company management is required in order to properly evaluate the matter prior to voting. Scotia Cassels' policies and procedures strive to eliminate conflicts of interest between the interests of the firm (and its affiliates and associates) and those of the mutual funds and their unitholders. For example, where 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.

Where the underlying funds held by the Fund are managed by SSI, or its associates or affiliates, securities of those underlying funds will not be voted. Alternatively, arrangements may be made whereby unitholders of the Fund may vote their respective share of those securities.

#### *Availability of Proxy Voting Information*

The proxy voting policies and procedures for the Fund will be available upon request and at no charge by calling 1-800-268-9269 (416-750-3863 in Toronto) for English or 1-800-387-5004 for French, or by writing to SSI at the address on the back cover of this annual information form. When available, proxy voting records for the most recent period ending June 30 of each year will be available upon request and at no charge after August 31 of that year. The proxy voting record will also be available at [www.scotiabank.com](http://www.scotiabank.com).

#### **Policies on the Use of Derivatives**

The Fund may use derivatives for hedging purposes and for non-hedging purposes to gain exposure to financial markets or to invest indirectly in securities or other assets. When the Fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its positions, as required by securities regulations. Derivatives may only be used as permitted by the CSA. Oversight of the Fund, including the risk management

process in respect of the Fund's use of derivatives, is ultimately the responsibility of the board of directors of SSI.

The decision of whether to use derivatives is made by the portfolio advisor for the Fund. SSI has in place an investment policy statement for the Fund and the Fund's portfolio advisor that specify the type of derivative that is permitted to be used by the Fund, and the goals and objectives of using derivatives for the Fund. The investment policy statement also specifies that any use of derivatives must be in accordance with securities legislation. SSI requires the portfolio advisor to have in place policies and procedures to manage the risks associated with derivatives trading. Risk measurement procedures and simulations to test the Fund under stress conditions may be used by the portfolio advisor in connection with the Fund's use of derivatives. The portfolio advisor reports quarterly to SSI on its use of derivatives on behalf of the Fund, if any. Any deviation from the rules and restrictions on the use of derivatives specified in the Fund's investment mandate or under securities legislation must be reported to SSI by the portfolio advisor as soon as practicable. SSI's investment oversight team also performs monthly spot checks and reviews the results to monitor the use of derivatives by the Fund's portfolio advisor. Any deviation from the rules and restrictions are summarized in the monthly Investment Parameters Compliance Report. On an annual basis, SSI provides a due diligence questionnaire to the portfolio advisor and reviews the Fund's investment mandate, including the use of derivatives, with the portfolio advisor. SSI's investment oversight team reports to SSI's Investment Committee if there are any concerns raised as a result of these reviews.

For further information about how the Fund uses derivatives, refer to "Derivatives" above.

### **The Distributor**

The unissued units offered by the simplified prospectus of the Fund are distributed by SSI pursuant to an agreement between SSI and the Fund dated August 17, 2009 (the "Distribution Agreement").

Under the Distribution Agreement, SSI has agreed to offer units of the Fund for sale when issued by the Fund. Provided that the terms of the Distribution Agreement are satisfied, SSI may appoint participating dealers.

The Distribution Agreement may be terminated at any time upon the request of the distributor or by agreement of the distributor and SSI as trustee, or after six months following a unitholders' meeting approving the termination.

### **Portfolio Transactions and Brokers**

Decisions regarding purchase and sale of investment portfolio securities of the Fund are based on best execution, price and service and, therefore, are arranged by the Manager (or by a person appointed by the Manager) through a large number of brokerage houses. Such trades may be placed through related parties to the Fund or the Manager, including Scotia Capital Inc., an affiliate of the Manager. Such business will be executed at normal institutional brokerage rates.

Brokerage business may be allocated to compensate brokers for information and research that may assist the Fund, provided that the terms of such business are comparable with the terms offered by other brokers offering similar services.

### **Changes to the Master Declaration of Trust**

Certain amendments to the Master Declaration of Trust governing the Fund, such as a change in the fundamental investment objectives of the Fund, or any other change for which the approval of unitholders is required by securities regulatory authorities or pursuant to the Master Declaration of Trust, may not be made without the approval of a majority of votes cast at a meeting of unitholders duly called for that purpose. All other amendments to the Master Declaration of Trust may be made by the trustee without unitholder approval.

Pursuant to the Master Declaration of Trust, where the trustee resigns, is removed or is otherwise incapable of acting, a successor trustee can be appointed by the Manager of the Fund without the approval of the unitholders. If the Manager fails to appoint a new trustee, provision is made in the Master Declaration of Trust for the unitholders to appoint a successor trustee.

The Fund will continue until terminated by the trustee. Subject to applicable securities laws and regulations, the trustee is empowered to take all steps necessary to effect the termination of such Fund.

### **The Promoter**

BNS is the promoter of the Fund. BNS will receive remuneration from, and in respect of, the Fund as set out under the headings “The Custodian” and “Other Material Information”.

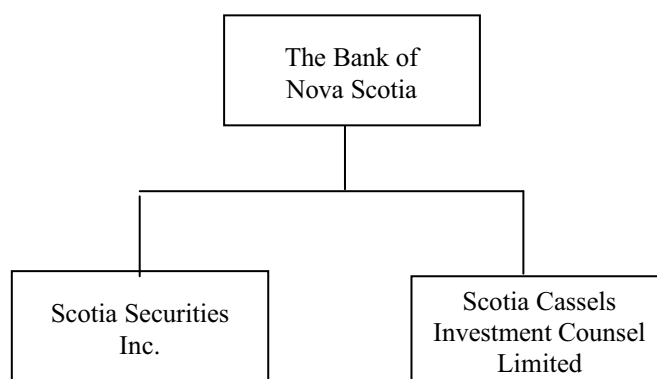
### **The Custodian**

Pursuant to an agreement with the Fund dated August 17, 2009, BNS acts as custodian of the Fund’s portfolio securities. The Fund pays all reasonable fees and expenses of BNS for custodial services, including safekeeping and administrative services. The agreement permits BNS to appoint sub-custodians on the same terms and conditions it has with the Fund, and may be terminated by either party giving at least 60 days prior notice to the other of such termination. As of the date of this annual information form, The Bank of New York, New York, U.S.A., acts as principal sub-custodian of the Fund.

## **OTHER MATERIAL INFORMATION**

### **Affiliated Entities**

The only affiliated entities that provide services to the Fund and to the Manager in connection with the Fund are BNS and Scotia Cassels. The amount of fees received from the Fund by these entities will be disclosed in the Fund’s audited annual financial statements. The following diagram shows the relationship between the Manager and these entities.



### Principal Holders of Securities

As at August 19, 2009, BNS owned all of the issued and outstanding shares of SSI. As at August 19, 2009, SSI owned 100% of the Class A units of the Fund, representing 15,000 units.

As at August 19, 2009, IRC members, in aggregate, did not own any of the units of the Fund. As at August 19, 2009, IRC members did not own any securities of SSI or a service provider to the Fund or SSI, other than common shares of BNS. Such holdings represented less than 1% of the outstanding common shares of BNS.

### Material Contracts

Other than the Master Declaration of Trust, Distribution Agreement, Management Agreement and investment management/advisory agreement described above, the only material contracts which have been entered into by the Fund are the registrar and transfer agency agreement and custodian agreement for the Fund. They are as follows:

<b>Material Contract</b>	<b>Fund</b>	<b>Party</b>	<b>Date of execution</b>
Registrar and Transfer Agency Agreement	Scotia Bond Fund	SSI	August 17, 2009
Custodian Agreement	Scotia Bond Fund	BNS	August 17, 2009

Copies of such agreements may be inspected at the head office of the Fund during ordinary business hours on any business day.

### Related Party Transactions

The Manager receives management fees from the Fund as described under the sub-heading “The Manager” above. The fees received by the Manager are disclosed in the financial statements of the Fund.

BNS may earn some income as a result of providing custodial services, including safekeeping and administrative services, and unitholder recordkeeping services to the Fund and as a result of acting as agent in respect of securities lending, repurchase and reverse repurchase transactions.

Scotia Cassels will earn income as a result of providing portfolio management services to the Fund.

If the Fund invest in underlying funds that are managed by the Manager or an associate or affiliate of the Manager, the Fund will not vote any of the securities of those underlying funds. The Manager may, however, arrange for unitholders to vote their portion of those securities held by the Fund.

### **Auditors, Transfer Agent and Registrar**

Ernst & Young LLP, Chartered Accountants, Box 251, Ernst & Young Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1J7 are the auditors of the Fund.

The auditors of the Fund may only be changed with the approval of the IRC and upon providing unitholders of the Fund with 60 days' advance written notice in accordance with the provisions of the Master Declaration of Trust for the Fund and as permitted by the CSA.

SSI acts as the registrar and transfer agent for the Fund pursuant to a registrar and transfer agency agreement described above. SSI has made arrangements to have certain registrar and transfer agency functions performed by BNS.

## AUDITORS' CONSENT

We have read the simplified prospectus and annual information form of the Fund dated August 19, 2009, relating to the distribution and sale of Class A units and Class I units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above-mentioned simplified prospectus and annual information form, of our report dated August 17, 2009 to the unitholders of the Fund, on the statement of net assets as at August 17, 2009 for the Fund.

*(Signed) "Ernst & Young LLP"*

Chartered Accountants  
Licensed Public Accountants  
Toronto, Ontario

August 19, 2009

## CERTIFICATE OF THE FUND AND THE MANAGER OF THE FUND

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

Dated: August 19, 2009

By: (Signed) "Glen B. Gowland"  
Glen B. Gowland  
President and Chief Executive Officer  
Scotia Securities Inc.

By: (Signed) "Walter A. Pavan"  
Walter A. Pavan  
Vice President, Treasurer & Chief  
Financial Officer  
Scotia Securities Inc.

On behalf of the board of directors of Scotia Securities Inc. as  
Trustee and Manager of the Fund

By: (Signed) "Wendy G. Hannam"  
Wendy G. Hannam  
Director

By: (Signed) "Edna A. Chu"  
Edna A. Chu  
Director

## CERTIFICATE OF THE PROMOTER

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

Dated: August 19, 2009

The Bank of Nova Scotia  
as Promoter of the Fund

By: (Signed) "Wendy G. Hannam"  
Wendy G. Hannam  
Executive Vice President  
Personal Banking & Distribution, Canada

## CERTIFICATE OF THE PRINCIPAL DISTRIBUTOR

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectus required to be sent or delivered to a purchaser during the currency of this annual information form and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus as required by the securities legislation of each province and territory of Canada and do not contain any misrepresentation.

Dated: August 19, 2009

Scotia Securities Inc.  
as Principal Distributor of the Fund

By: (Signed) "Glen B. Gowland"  
Glen B. Gowland  
President and Chief Executive Officer

## **ScotiaFunds™**

### **Scotia Bond Fund**

**(Class A and Class I units)**

Managed by:  
Scotia Securities Inc.  
16th Floor  
40 King Street West  
Toronto, Ontario  
M5H 1H1

www.scotiabank.com  
1.800.268.9269  
info@scotiabank.com

Additional information about the Fund is available in the Fund's financial statements and management reports of fund performance (once available).

You can get a copy of the Fund's financial statements and management reports of fund performance (once available) free of charge by calling 1-800-268-9269 (416-750-3863 in Toronto) for English or 1-800-387-5004 for French, or from your registered investment professional or on the internet at [www.scotiabank.com](http://www.scotiabank.com).

These documents and other information about the Fund, such as information circulars and material contracts, are also available at [www.sedar.com](http://www.sedar.com).

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