

**ANNUAL INFORMATION FORM**

May 31, 2021



**LDIC North American Small Business Fund (Corporate Class)**  
(Series A shares and Series F1 shares)

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

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## INTRODUCTION

This annual information form (the “**Annual Information Form**”) contains information applicable to the shares of the LDIC North American Small Business Fund (Corporate Class), a class of shares of the LDIC Mutual Fund Corporation Inc. In this document, the LDIC Mutual Fund Corporation Inc. is referred to as the “Fund Corporation” and we refer to a mutual fund that is established as a class of shares of the Fund Corporation as a “Corporate Fund” or the “Fund”.

We have used personal pronouns in this Annual Information Form whenever possible to make it easier to read and understand. Throughout this document “we”, “us”, or the “Manager” refers to LDIC Inc., “you” means an investor or potential investor, “dealer” refers to the company where your registered representative works and “registered representative” refers to the representative registered in your province who advises you on your investments.

## NAME, FORMATION AND HISTORY OF THE FUND

The Fund is a class of shares of the Fund Corporation, a mutual fund corporation incorporated by articles of incorporation under the laws of the Province of Ontario on April 1, 2015. The Fund Corporation is authorized to issue an unlimited number of common shares and an unlimited number of shares designated as mutual fund shares which are issuable in series. The Fund Corporation filed articles of amendment on May 27, 2016 to create an additional series of the Fund being an unlimited number of Series F1 shares. All of the outstanding common shares of the Fund Corporation are held by the Manager. The Fund Corporation currently offers one class of shares, consisting of the LDIC North American Small Business Fund (Corporate Class). We may offer additional Funds in the future.

The head office of the Manager and the Fund Corporation is the Exchange Tower, 130 King Street West, Suite 2130, Toronto, Ontario, M5X 1E2.

## INVESTMENT RESTRICTIONS AND PRACTICES

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

The simplified prospectus of the Fund contains detailed descriptions of the investment objectives, investment strategies and risk factors for the Fund. Before a change is made to the fundamental investment objective of the Fund, the prior approval of securityholders of the 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 securityholders of such Fund. See “*Description of the Units of the Fund - Matters Requiring Unitholder Approval under NI 81-102*”.

The Fund is subject to restrictions that result from the Fund Corporation’s intention to remain a “mutual fund corporation” under the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and to ensure the shares remain “qualified investments” as defined in the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit-sharing plans (“**DPSPs**”), registered education savings plans (“**RESPs**”), registered disability savings plans (“**RDSPs**”), and tax-free savings accounts (“**TFSAs**”). See “*Certain Canadian Federal Income Tax Considerations*” below for more information.

The Fund will not engage in any undertaking other than the investment of its assets in property for the purposes of the Tax Act. In the last year, the Fund has not deviated from the rules in the Tax Act that apply to the status of its securities as qualified investments. The Fund will continue to ensure that the shares will be a qualified investment.

## DESCRIPTION OF SECURITIES

The Fund offers one class of shares which is divisible into series. Each series of securities of the Fund is intended for different kinds of investors. If you cease to satisfy the criteria for holding any series of securities of the Fund, the Manager may switch such series into another series of securities of the Fund. For details of the series of securities offered by the Fund, please see the front cover of this Annual Information Form.

Series A shares of the Fund are designed for retail investors. Dealers through whom Series A shares are purchased will receive initial commissions payable by the investor, and on-going service fees (also called “trailer fees” or “trailing commissions”) from the Manager on behalf of the Fund.

Series F1 shares of the Fund are designed for investors who participate in fee-based investment programs offered by their dealers. Series F1 shares are only available to investors whose dealer has entered into an agreement with the Manager to make Series F1 shares available to clients of that dealer. As a result, no sales commissions or trailer fees are paid by the Manager to dealers selling Series F1 shares of the Fund.

The fees and expenses for the Fund may differ from series to series. Please see “Fees and Expenses” in the simplified prospectus of the Fund for a description of the fees and expenses that you may have to pay if you invest in any of the above securities of the Fund.

### *Dividend Rights of the Fund*

Dividends may be paid if, as and when declared by the board of directors of the Fund Corporation. Dividends are not paid at regular intervals. If paid, dividends will generally be allocated proportionately among all of the classes of shares of the Fund Corporation and among all series of shares of the Fund. However, in appropriate circumstances, the directors of the Fund Corporation have the right to allocate dividends to a particular class of shares if they believe it is reasonable to do so. If dividends are so declared in respect of the Fund, holders of a particular series of shares of the Fund which are outstanding on the record date established for the payment of any such dividends shall be entitled to receive that series' proportionate share, as determined on such record date, of any such dividends so declared payable by the Fund Corporation.

### *Liquidation Rights*

The shares of the Fund rank equally with the shares of all other Corporate Funds on a return of capital on a liquidation, dissolution or winding-up of the Fund Corporation. Each series of shares of the Fund ranks equally with every other series of shares of the same Fund with respect to return of capital on a liquidation, dissolution or winding-up of the Fund Corporation. In the event of liquidation, dissolution or winding-up of the Fund Corporation or other distribution of assets among its shareholders for the purpose of winding-up its affairs, a shareholder of the Fund shall be entitled to participate in the remaining property of the Fund Corporation together with the shareholders of all the other Corporate Funds based on the relative net asset value per share of all Corporate Funds, which may be distributed in cash or other property at the discretion of the directors of the Fund Corporation. If any amounts payable on a return of capital in the event of a liquidation, dissolution or winding-up of the Fund Corporation are not paid in full, the shares of

each Corporate Fund shall participate rateably in respect of such return of capital attributable to each Corporate Fund of the Fund Corporation, based on the relative net asset value of each such Corporate Fund.

#### *Voting Rights*

Shareholders of the Fund have one vote for each whole share of any series of shares of the Fund held by them at all meetings of shareholders of the Corporation. If the shares of one Corporate Fund or one series of shares of a Corporate Fund of the Fund Corporation are affected differently than the shares of another Corporate Fund or other series of shares of a Corporate Fund of the Fund Corporation, the affected shares of that one Corporate Fund or series of shares are entitled to vote separately as a Corporate Fund or as a series.

#### *Redemption*

Holders of any series of securities of the Fund are entitled to require the Fund to redeem their securities as described under “*Redemptions*” in this Annual Information Form.

#### *Certificates*

No share certificates shall be issued by the Fund. The register for the shares is maintained by RBC Investor Services Trust, as record-keeper, on behalf of the Fund. The Manager or the dealers selling securities will furnish securityholders with statements providing details of any purchase or redemption of shares.

#### *Switches and Reclassifications for the Fund*

Subject to certain criteria imposed by the articles of incorporation of the Fund Corporation and restrictions set forth in the simplified prospectus of the Fund, you may request that your investment be switched from one Fund to another Fund within the Fund Corporation for the same or a different series of securities, or be reclassified from one series of shares to another series of shares of the same Fund, if you meet the criteria to hold the securities for the series that you are switching or reclassifying into. Please see “*Switches and Conversion – Shares*” below for more information.

#### **Matters Requiring Securityholder Approval under NI 81-102**

A meeting of securityholders of the Fund must be convened to consider and approve by a majority vote certain matters as required by NI 81-102. If only one series of shares is affected by the amendment, only investors holding securities of that series are entitled to vote. If more than series is affected, all investors holding securities of the affected series are entitled to vote together if they are affected in the same way and to vote separately as a series, as applicable, if affected in materially different ways by the proposed amendment. NI 81-102 currently provides that such approvals must be obtained before:

- (a) the basis of the calculation of the fees or expenses that are charged to the Fund or directly to securityholders by the Fund or the Manager in connection with the holding of securities of the Fund is changed in a way that could result in an increase in charges to the Fund or its securityholders, or any such fee or expense is introduced;
- (a) there is a change of the manager of the Fund (other than to an affiliate of the then manager);
- (b) there is a change in the fundamental investment objectives of the Fund;

- (c) the frequency of calculating the net asset value of a series of shares is decreased; and
- (d) the Fund undertakes or participates in certain mergers or reorganizations.

Subject to the approval of the Independent Review Committee of the Fund, no securityholder approval will be required for a change of auditors of a Fund if securityholders of the Fund are sent a written notice at least 60 days before the effective date of the change.

With respect to the matters noted above as they relate to the Fund Corporation, in some circumstances only a particular Corporate Fund or series will vote on a particular matter and in other circumstances all of the Corporate Funds will vote on such matter.

### VALUATION OF PORTFOLIO SECURITIES

The net asset value (“NAV”) of the Fund must be calculated by or under the authority of the Manager each business day that the Toronto Stock Exchange is open for trading (each such day, a “Valuation Date”) in accordance with the requirements of National Instrument 81-106 - *Investment Fund Continuous Disclosure* (“NI 81-106”) (or in accordance with such exemptions from these requirements as may be permitted by Canadian securities regulatory authorities from time to time). Such values are also calculated as of December 31 in each year (if not otherwise a Valuation Date) for the purposes of the distribution of net income and net realized capital gains of the Fund to securityholders.

In calculating value of a share, the following valuation principles are used:

- (a) the value of any cash on hand, on deposit or on call loan, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security which is listed on any recognized exchange shall be determined by the closing sale price on the Valuation Date or, if there is no closing sale price, the average between the closing bid and the closing asked price on the Valuation Date, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (d) the value of a forward contract or swap shall be the gain or loss on the contract that would be realized if, on the date that valuation is made, the position in the forward contract or swap were to be closed out;
- (e) the value of a standardized futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;

- (f) 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;
- (g) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (h) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by a 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 of such options 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 then current market value;
- (i) any security purchased, the purchase price of which has not been paid, is included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, is treated as a liability of the Fund;
- (j) any security sold but not delivered, pending receipt of the proceeds, is valued at the net sale price;
- (k) the value of any security, the resale of which is restricted or limited (within the meaning of NI 81-102), shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (l) if any Valuation Date is not a business day, then the securities in the portfolio are valued as if such Valuation Date was the preceding business day;
- (m) the value of all assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager; and
- (n) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis.

For the purposes of the foregoing rules, quotations may be obtained from any report in common use, or from a reputable broker or other financial institution, provided that the Manager retains sole discretion to use such information and methods as it deems to be necessary or desirable for valuing the assets of the Fund, including the use of a formula computation. In the event of any inconsistency between the valuation principles set out above and the provisions of securities legislation, the provisions of securities legislation shall prevail.



## CALCULATION OF NET ASSET VALUE

How much the Fund or one of its securities is worth is called its “net asset value” or NAV per security. The NAV per security of each series of the Fund is very important because it is the basis upon which securities of the Fund are purchased and redeemed. The NAV of the Fund varies from day to day.

We calculate a separate NAV for each series of the Fund by valuing, in accordance with the valuation rules set forth above under “*Valuation of Portfolio Securities*”, the assets of the Fund on such Valuation Date and deducting from that amount the proportionate share of common liabilities of the Fund allocated to the relevant class or series and all net income, net realized capital gains and other amounts payable to the securityholders of the Fund on such Valuation Date.

Since each series of the Fund has different costs and liabilities, the series NAV may be different for each series of the Corporate Fund. We calculate the series NAV per share by taking the relevant series’ NAV, determined as described above, and then dividing that number by the total number of shares of the series that are outstanding.

We calculate NAV on each Valuation Date. In extraordinary circumstances, we may have to suspend calculation of NAV for one or more Funds.

Common expenses or liabilities of the Fund that are allocated amongst the series of Shares offered by the Fund include:

- all bills and accounts payable;
- all administrative and management expenses payable and/or accrued;
- all contractual obligations for the payment of money or property, including the amount of any declared but unpaid distribution or dividend, and all other amounts recorded or credited to securityholders on or before the day as of which the net asset value of the Fund, class or series are being determined;
- expenses of the Independent Review Committee established under National Instrument 81-107 – *Independent Review Committee for Investment Funds*;
- all allowances authorized or approved for taxes or contingencies; and
- all other liabilities of the Fund or portfolio, of whatever kind or nature, except liabilities represented by outstanding securities of the Fund or portfolio.

The series NAV per share is published each Valuation Date and is available to securityholders on our website at [www.ldic.ca](http://www.ldic.ca) or upon request, without charge, by calling the Manager (collect) at (416) 362-4141 or by emailing the Manager at [info@ldic.ca](mailto:info@ldic.ca).

## HOW TO PURCHASE SHARES

You can purchase securities of the Fund through registered representatives of dealers, who will forward your order to the Manager. If the Manager receives an order before 4:00 p.m. (Eastern Time) on any day on which the Toronto Stock Exchange is open for trading (a “**Valuation Date**”), it will process the order at the share price calculated at the end of that day. Otherwise, the Manager will process the order at the price calculated on the next Valuation Date. Orders may be processed at an earlier time if the Toronto

Stock Exchange closes for trading earlier on a particular day. Orders received after such earlier closing time would be processed on the next Valuation Date.

The offering price of a security is an amount equal to the NAV per security of the applicable series as calculated from time to time. The NAV is determined in accordance with industry practice using the closing price on each Valuation Date.

The Manager is required to accept or reject a purchase order within one business day of receiving it. Any monies sent with an order that is rejected will be returned immediately.

The minimum purchase amount on an initial purchase of shares of the Fund is \$1,000. Any subsequent purchase of securities of the Fund must be at least \$500. Payment for shares must be made within three business days of the date of subscription. If the payment for shares purchased is not received within three days of an order, the Manager will redeem the securities on the next Valuation Date. If the proceeds from the redemption are greater than the payment you owe, the Fund will keep the difference. If the proceeds are less than the payment the investor owes, the investor or his, her or its dealer must pay the difference, and the Fund or the dealer will collect this amount plus expenses and interest from the investor.

### **Purchase Options**

The Series A shares are available exclusively through the sales option most commonly known as the “initial sales charge” or “front end load” option. To purchase Series A shares of the Fund, an investor pays a sales commission at the time of purchase. The amount of this commission is subject to negotiation between the investor and his, her or its dealer, but may not be more than 5% of the subscription amount. Dealers through whom the Series A shares are purchased are also entitled to receive on-going services fees (known as “trailer fees” or “trailing commissions”) from the Manager on behalf of the Fund.

Investors may also purchase Series F1 shares of the Fund. This generally requires the investor to establish a fee-based account with a dealer (sometimes referred to as a “wrap program”), and for the dealer to have previously entered into an agreement with the Manager permitting its clients to invest in the Fund. The investor does not pay any sales commissions or redemption fees when shares are acquired or redeemed in this account. However, the dealer will generally charge a global fee to the account in which the shares are held.

The class of series of shares you and your registered representative select affects the amount of compensation your dealer and registered representative receive as a result of your purchase and ongoing investment in the Fund. For a description of the fees, expenses, and dealer compensation applicable to a purchase of shares, see “*Fees and Expenses*” and “*Dealer Compensation*” in the simplified prospectus of the Fund.

### **Switches and Conversions**

You can switch between different shares of the Fund, subject to the requirements described below, by contacting your registered representative. A switch is effected by using the proceeds from the redemption of shares of a series to purchase other shares. In this Annual Information Form, we use the term “switch” and “convert” interchangeably.

#### Shares

Assuming you meet the relevant eligibility criteria for investment in a particular series of shares, you may change between series of shares of the Fund.

If we become aware that you no longer meet the eligibility criteria to hold Series F1 shares, we will convert those shares into Series A shares of the same Fund in accordance with instructions from your registered representative. In the absence of instructions, we may automatically convert your Series F1 shares to Series A shares of the same Fund after giving you 30 days' notice. If we convert your Series F1 shares into Series A shares, the number of shares you will hold will change since shares of different series have a different NAV per share.

Switching from one Fund to another Fund will be considered a disposition for tax purposes, at the fair market value of the Funds switched, which means that you may realize a capital gain or capital loss. See "*Certain Canadian Federal Income Tax Considerations*" on page 20 for more information.

### Fees

We do not charge you any fees at the time of a switch transaction, unless a short-term trading fee applies. Your registered representative may, however, negotiate with you and charge a transfer fee of up to 2% of the amount being transferred.

## **REDEMPTIONS**

An investor is entitled at any time, by making a written application to the Manager through a registered representative, to redeem all or any part of his, her or its shares at the NAV.

Requests for a redemption of shares of the Fund must be received by the Manager prior to 4:00 p.m. (Eastern Time) on a Valuation Date to receive that day's series NAV per share price. If a redemption request is received after this time, or on a day which is not a Valuation Date, then the price applicable to the redemption will be determined on the following Valuation Date. Payment for the shares so redeemed will be made by the Fund within three business days after the day on which the series NAV is determined for the purpose of effecting redemption, provided all required redemption documentation has been submitted.

Your shares can be registered on our records as belonging directly to you, or as held on your behalf by your dealer or other intermediary. If your shares are held directly, signatures on the redemption request must be guaranteed by a bank, trust company, or financial advisor if the redemption proceeds are more than \$25,000 or paid to someone other than the registered owner of the Fund shares. If the registered owner of the shares is a corporation, partnership, agent, fiduciary or surviving joint owner, we may require additional information. Investors whose shares are held through a dealer or intermediary (sometimes referred to as a "nominee"), will be subject to the corresponding rules in place at the nominee. Investors who are unsure whether they need to provide a signature guarantee or additional information should check with their financial advisor or the Manager.

If an investor does not deliver all documentation to the Manager necessary to process a redemption request within 10 business days, the Fund will purchase on the next Valuation Date the number of shares redeemed. If the purchase price shares is less than the redemption proceeds, the Fund will keep the difference. If the purchase price of the shares is greater than the redemption proceeds, the investor must pay the difference and the Fund will collect this amount plus expenses and interest from the investor.

See "*Certain Canadian Federal Income Tax Considerations*" on page 20 for a discussion of the Canadian tax consequences to an investor of a redemption of shares of the Fund.

## **Suspension of Right to Redeem**

The Manager reserves the right to suspend the right of redemption of securities or to postpone the date of payment of the redemption price during any period in which the Toronto Stock Exchange or any other stock exchange within or outside Canada on which securities of the Fund are listed which represent more than 50% by value or underlying market exposure of the total assets of the Fund (without allowance for liabilities) is closed or normal trading thereon is suspended or, in other circumstances with the consent of the Canadian securities regulators. If the right to redeem shares is suspended, a securityholder may either withdraw the redemption request or receive payment based on the series NAV per share on next determined after the termination of the suspension.

## **RESPONSIBILITY FOR FUND OPERATIONS**

### **The Manager**

LDIC Inc. is the manager of the Fund and as such is responsible for managing the overall undertaking and operations of the Fund. The Manager is subject to the supervision of the Fund Corporation's board of directors pursuant to a management agreement (the "**Management Agreement**") dated as of May 22, 2015.

LDIC Inc. was incorporated on October 15, 1998 pursuant to the laws of the Province of Ontario and currently has approximately \$580.3 million in assets under management. Existing clients of LDIC Inc. are generally comprised of high net worth individuals (registered and non-registered), corporations, trusts, estates, pension funds and endowments for charitable foundations. LDIC Inc. employs a flexible investment style with a value-oriented bias (style agnostic) reflecting the realities of the Canadian market and the recognition that differing investment approaches are more suitable for particular market cycles.

The Manager's offices are located at The Exchange Tower, 130 King Street West, Suite 2130, PO Box 399, Toronto, Ontario, M5X 1E2. The phone number of the Manager is (416) 362-4141, the Manager's email address is [info@ldic.ca](mailto:info@ldic.ca) and the website address of the Manager is [www.ldic.ca](http://www.ldic.ca).

The Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the business of the Fund and to bind the Fund. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. In addition, the Manager will monitor the Fund's investment strategies to ensure compliance with their respective investment objectives, strategies and restrictions as set out in the simplified prospectus of the Fund.

The Manager is entitled to fees for its services as manager and administrator as described under "*Fees and Expenses*" in the simplified prospectus of the Fund and will be reimbursed for all costs and expenses incurred by the Manager on behalf of the Fund which are properly payable by the Fund.

The services of the Manager and the officers of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, have other business interests and may engage in other activities competitive with, or similar to, or in addition to those relating to the activities to be performed for the Fund, including the administration of any other fund or trust, the rendering of services and advice to other persons and the ownership, development and management of other investments, including investments of the Manager and its affiliates.

The Manager's duties include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; allocating operating expenses; calculating

the amount and determining the frequency of distributions by the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that securityholders are provided with financial statements, management reports of fund performance and other reports as are required from time to time by applicable laws; ensuring that the Fund complies with regulatory requirements including the continuous disclosure requirements of the Fund under applicable securities laws; preparing the Fund's reports to securityholders and to the CSA; dealing and communicating with securityholders; and negotiating contracts with third-party providers of services, including, but not limited to, custodians, sub-advisors, transfer agents or record-keepers, accountants, auditors and printers. The Manager provides office facilities and personnel to carry out these services, together with clerical services which are not furnished by the custodian, record-keeper or other service providers to the Fund.

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonably prudent in the circumstances. The Manager will not be liable in any way for any default, failure or defect in any of the securities in the portfolio or otherwise be liable to the Fund if it has met this standard of care. The Manager may, however, incur liability in cases of wilful misconduct, bad faith, negligence or other breach by it of its standard of care under the Management Agreement. The Manager and each of its directors, officers, employees and agents will be indemnified out of the assets of the Fund in respect of legal fees, judgements and amounts paid in settlement, actually and reasonably incurred by the Manager, in connection with the services it provides under the Management Agreement, as applicable, if those fees, judgements and amounts paid in settlement were not incurred as a result of a breach by the Manager of the standard of care described above, and if the Fund has reasonable grounds to believe that the action or inaction that caused the payment of the fees, judgements and amounts paid in settlement was in the best interests of the Fund.

Unless the Manager becomes bankrupt or insolvent or ceases to be resident in Canada for the purposes of the Tax Act, the Manager will continue as manager of the Fund until the termination of the Fund.

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

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and executive officers of the Manager are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
Michael B. Decter Toronto, Ontario	Chairman, Chief Executive Officer, Chief Investment Officer and Director and Ultimate Designated Person	Chief Executive Officer and Chief Investment Officer of LDIC Inc.
Beryl McCallum Toronto, Ontario	President, Chief Compliance Officer and Director	President and Chief Compliance Officer of LDIC Inc.
Ron E. Bailey Winnipeg, Manitoba	Director	President of Ron Bailey and Associates Inc.
Graham Scott	Director	President of Graham Scott Strategies Inc.

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
Toronto, Ontario		
Genevieve Roch-Decter Toronto, Ontario	Director	President of Genevieve Enterprise Corp., Chief Executive Officer of Grit Capital Inc., Grit Capital Advisory Inc., Pounce Money Inc., Grit Capital Corporation and Grit Capital IP Corporation

The principal occupation of each of the individuals listed above for the past five years is as follows:

**Michael B. Decter | Chief Executive Officer and Chief Investment Officer**

Michael B. Decter is the CEO of LDIC Inc. since 1998. In addition to his role as CEO, he is also the Chair of the Board of Directors, the Chief Investment Officer, and a member of the Investment Committee. He oversees the investment team and all the investment decisions as the Chief Investment Officer.

**Beryl McCallum | President and Chief Compliance Officer**

Beryl has been with LDIC since its inception as a part of the small founding group to startup and grow the Firm since 1999. In addition to her role as President and Chief Compliance Officer, Beryl sits on the Board of Directors to support the strategic growth of the Firm.

**Ron E. Bailey | Director**

Ron has been a director of LDIC Inc. since November 9, 1998.

**Graham Scott | Director**

Graham has been a director of LDIC Inc. since November 14, 2011 and, since 2008, has been the President of Graham Scott Strategies. Prior, Mr. Scott was a partner at the law firm of McMillan LLP.

**Genevieve Roch-Decter | Director**

Genevieve has been a director of LDIC since February 16, 2021. Genevieve is the President of Genevieve Enterprise Corp. since September 22, 2014, Chief Executive Officer of Grit Capital Inc. since October 18, 2017, Co-Chief Executive Officer of Grit Capital Advisory Inc. since December 22, 2017, Chief Executive Officer of Pounce Money Inc. since June 8, 2020, Chief Executive Officer of Grit Capital Corporation since January 19, 2021 and Chief Executive Officer of Grit Capital IP Corporation since January 19, 2021.

**Portfolio Advisor**

The Manager acts as portfolio advisor of the Fund. The Manager monitors the Fund’s investment strategy to ensure compliance with their respective investment objectives and strategies as set out in the simplified prospectus of the Fund and their investment restrictions as set forth above.

The individual principally responsible for the portfolio management of the Fund is Michael B. Decter, whose information is set out in the above tables under “*Responsibility For Fund Operations – The Manager*”.

**Brokerage Arrangements**

Brokerage arrangements for the Fund are the responsibility of the Manager. The Manager seeks to obtain best execution of securities transactions when arranging or executing trades on behalf of the Fund. Trades are allocated to brokers based on a number of factors, including execution capability, commission

rates, financial responsibility and responsiveness. The Manager is not party to any arrangements where a specified percentage of order flow or commission revenue is directed to any particular broker. The Manager does not direct any brokerage business of the Fund to any person related to or under common control with the Manager.

The Fund does not have any arrangements in place whereby it receives any goods or services from a third party for allocation of brokerage order flow to any dealer. Under applicable regulatory policies, “research goods and services” can include advice provided either directly or through publications or writings, including electronic publications, telephone contacts and meetings with security analysts, economists and corporate and industry spokespersons, and analysis and reports concerning issuers, industries, securities, economic factors and trends, accounting and tax law interpretations and political developments. The Manager may receive such research goods or services from brokers and dealers who execute trades for the Fund, but the Manager neither actively solicits such services nor attempts to value them.

### **Directors and Officers of the Fund**

LDIC Mutual Fund Corporation Inc. is organized as a corporation and has a board of directors. The Fund is a class of the Fund Corporation and does not have a trustee. The name, municipality of residence, position with the Fund Corporation and principal occupation of each of the directors and executive officers of the Fund Corporation are set out below:

<b>Name and Municipality of Residence</b>	<b>Position with the Fund Corporation</b>	<b>Principal Occupation</b>
Michael B. Decter Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer and Chief Investment Officer of LDIC Inc.
Beryl McCallum Toronto, Ontario	Chief Financial Officer	President and Chief Compliance Officer of LDIC Inc.
Ron E. Bailey Winnipeg, Manitoba	Director	Formerly, President of Ron Bailey and Associates Inc.
Graham Scott Toronto, Ontario	Director	President of Graham Scott Strategies Inc.

### **Custodian and Valuation Agent**

RBC Investor Services Trust acts as the custodian and valuation agent of the assets of the Fund pursuant to an agreement dated as May 15, 2015. The principal office of the Custodian for purposes of this agreement is Toronto, Ontario. This agreement may be terminated by either party on not less than 30 days’ notice, and in certain other circumstances.

### **Registrar**

RBC Investor Services Trust provides registrar and record-keeping services at its principal office in Toronto, Ontario.

## Auditors

The auditor of the Fund is Ernst & Young LLP, Toronto, Ontario.

## Securities Lending Agent

In the event that the Fund engages in securities lending transactions, the Custodian or a sub-custodian, at its offices in Toronto, Ontario, will be appointed as securities lending agent for the Fund. The securities lending agent will act on behalf of the Fund in administering the securities lending transactions entered into by the Fund.

## CONFLICTS OF INTEREST

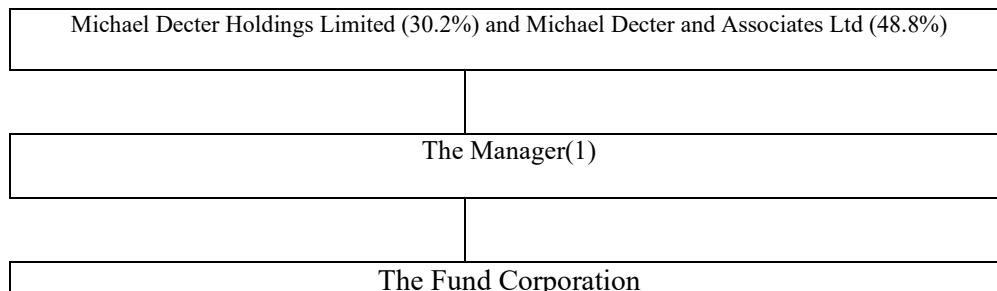
### Principal Holders of Securities

As of the date of this Annual Information Form, the only shareholders to own of record 10% or more of the 8,189 outstanding shares of the Manager are Michael Decter Holdings Limited, which owns 30.2% of the issued and outstanding common shares (being 2,475 common shares), Michael Decter and Associates Ltd., which holds 48.8% of the issued and outstanding common shares (being 4,001 common shares) and Beryl McCallum, who owns 11.4% of the issued and outstanding common shares (being 938 common shares). All of the voting securities of these entities are owned by Michael Decter.

As of the date of this Annual Information Form, Michael Decter owns 28% of the Fund and, to the knowledge of the Manager, no other person or company owned, of record or beneficially, directly or indirectly, more than 10% of the outstanding shares of any other series of the Fund.

As of the date of this Annual Information Form, the members of the IRC did not own beneficially, directly or indirectly, in the aggregate, more than 10% of the outstanding units of any series of the Fund, or more than 1% of the Manager or any person or company that provides material services to the Fund.

### Affiliated Entities



Notes:

- (1) The Manager owns 100% of the issued and outstanding common shares of the Fund Corporation. The common shares of the Fund Corporation entitles the holder(s) to vote for the election of the directors of the Fund Corporation.

The Manager to the Fund is LDIC Inc., which owns all of the issued and outstanding common shares of the Fund Corporation. Michael Decter, Ron Bailey and Graham Scott are directors of both the Manager and the Fund Corporation. Michael Decter is the Chairman, Chief Executive Officer and Chief Investment Officer of the Manager and Chief Executive Officer the Fund Corporation. Beryl McCallum is the President and Chief Compliance Officer of the Manager and Chief Financial Officer of the Fund Corporation.



The fees paid to the Manager by the Fund will be set out in the Fund's financial statements.

## **FUND GOVERNANCE**

### **Policies and Procedures**

The Manager has overall responsibility for the governance of the Fund. Senior management including the designated compliance officer has reviewed, commented on and approved the Manager's policies and procedures, which establish rules of conduct designed to ensure fair treatment of the Fund's securityholders and to ensure that at all times the interests of the Fund and its securityholders are placed above personal interests of employees, officers and directors of the Manager. The policies and procedures apply the highest standards of integrity and ethical business conduct. The objective is not only to remove any potential for real conflicts of interest, but also to avoid any perception of conflict. The policies and procedures address areas of investment, which covers personal trading by employees, conflicts of interest, information barriers between departments and portfolio advisors, and also address confidentiality, fiduciary duty and enforcement of rules of conduct.

### **Policies for the Use of Derivatives**

The Fund may enter into derivatives transactions in a manner considered appropriate to achieving the Fund's investment objectives and to the extent permitted by Canadian securities regulatory authorities, as described under the heading "*Use of Derivatives*" in Part B of the simplified prospectus of the Fund.

The Manager has appropriate policies and procedures in place for the use of derivatives in the Fund. The Manager's Chief Investment Officer, Michael Decter, administers such policies and procedures and they are reviewed on a periodic basis by the Manager's Chief Compliance Officer, Beryl McCallum. Any use of derivatives by the Fund can only be made in accordance with the limitations and restrictions set out in applicable regulatory policies, and in particular in NI 81-102.

### **Policies on Securities Lending Transactions**

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, as permitted under NI 81-102.

A Fund will not enter into a securities lending transaction or a repurchase transaction if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it or sold by the Fund in a repurchase transaction and not repurchased would exceed 50% of the total assets of the Fund (exclusive of collateral held by the Fund for securities lending transactions and cash held by the Fund for repurchase transactions).

The Custodian or a sub-custodian of the Fund will act as the agent for the Fund in administering the securities lending, repurchase and reverse repurchase transactions of the Fund. The risk associated with these transactions will be managed by requiring the Fund's agent enter into such transactions for the Fund with reputable and well-established Canadian and foreign brokers, dealers and institutions. The agent is required to maintain internal controls, procedures and records including a list of approved third parties based on generally accepted creditworthiness standards, transaction and credit limits for each third party, and collateral diversification standards. Each day, the agent will determine the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund for such transactions. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, on the next

day the borrower will be required to provide additional cash or collateral to the Fund to make up the shortfall.

### **Policies on Short-Selling Transactions**

A short sale by the Fund involves borrowing securities from a lender and selling those securities in the open market (or “selling short” the securities). At a later date, the same number of securities are repurchased by the Fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the Fund pays interest to the lender on the borrowed securities. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund will make a profit for the difference (less any interest the Fund is required to pay to the lender). Selling short provides the Fund with more opportunities for profits when markets are generally volatile or declining.

The Fund will engage in short selling only within certain controls and limitations and pursuant to applicable securities legislation. Securities legislation imposes the following conditions and limits on the Fund’s short-selling activities. Securities will be sold short only for cash. A security sold short shall not be: (i) a security that the mutual fund is otherwise not permitted to purchase at the time of the short sale transaction; (ii) an illiquid asset; or (iii) a security of an investment fund unless the security is an index participation unit. At the time securities of a particular issuer are sold short by a Fund, (i) the Fund has borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale transaction; (ii) the aggregate market value of all securities of that issuer sold short will not exceed 5% of the net asset value of the Fund and (iii) the aggregate market value of all securities sold short by the Fund will not exceed 20% of the net asset value of the Fund. The Fund will also hold cash cover (as defined in NI 81-102) in an amount, including a Fund’s assets deposited with borrowing agents as security in connection with short sale transactions, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales will be used by the Fund to purchase long positions other than cash cover.

### **Voting of Portfolio Securities**

The Manager will vote the securities held by the Fund. In voting proxies on behalf of the Fund, the Manager must do so in a manner consistent with the best interests of the Fund and its securityholders.

The Manager is required to vote (or decide to refrain from voting), or cause to be voted, all shares or other voting securities of the Fund, provided that the Manager receives the proxy and related materials from the issuer or otherwise in sufficient time to cast such vote. Where the Custodian of the Fund must vote such securities in accordance with the instructions of the Manager, the Manager shall ensure that instructions are provided to the Custodian in accordance with its corporate action requirements in this regard.

Situations may exist in which, in relation to proxy voting matters, the Manager may be aware of an actual, potential or perceived conflict between its own interests and the interests of securityholders. The Manager will, prior to the vote deadline date, review any such matter, and will take necessary steps to ensure that the proxy is voted in accordance with what the Manager believes to be the best interest of the securityholders. Where the Manager is aware of such a conflict, in order to maintain impartiality, the Manager may choose to seek out and follow the voting recommendation of an independent proxy research and voting service or refer the matter to the Independent Review Committee of the Fund.

The policies and procedures that the Manager follows when voting proxies relating to portfolio securities held by the Fund are available on request, at no cost, by calling the Manager (collect) at (416)

362-4141, by emailing the Manager at [info@ldic.ca](mailto:info@ldic.ca) or by writing to the Manager at the Exchange Tower, 130 King Street West, Suite 2130, PO Box 399, Toronto, Ontario, M5X 1E2.

The Fund shall prepare a proxy voting record for the period ending on June 30 of each calendar year and complete such record by August 31 of the year. Upon request made by a securityholder, the Fund will deliver a copy of its proxy voting record to such securityholder without charge. The proxy voting record is also available on the Manager's website at [www.ldic.ca](http://www.ldic.ca).

### **Independent Review Committee**

In accordance with National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("NI 81-107"), the Fund has established an independent review committee (the "IRC") consisting of Matthew Jennings, Ian Hogg (Chair) and Blair Lekstrom. The IRC reviews, and may be requested to approve, certain conflict of interest matters referred to it by the Manager. It is also responsible for reviewing and providing input on the Manager's policies and procedures in respect of conflicts of interest involving the Fund. The IRC prepares an annual report to the securityholders of the Fund discussing its activities in the prior year. This report is posted on the Manager's website at [www.ldic.ca](http://www.ldic.ca), and will be available to securityholders upon request, without charge, by calling the Manager (collect) at (416) 362-4141 or by emailing the Manager at [info@ldic.ca](mailto:info@ldic.ca).

Each member of the IRC is entitled to receive an annual fee of \$1,000 for so acting, and to be reimbursed for any reasonable out-of-pocket expenses incurred in the performance of his or her duties. There are no additional or other fees, such as per-meeting fees. No member of the IRC performs any other services, such as consulting services, to the Fund.

### **Board of Directors of the Fund Corporation**

The Fund Corporation has a board of directors which is subject to duties imposed upon directors of a corporation under the *Business Corporations Act* (Ontario). Under this legislation, each member of the board of directors of the Fund Corporation must act honestly, in good faith and in the best interests of the Fund Corporation and must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances. To help them carry out their obligations to the Fund, the board of directors of the Fund Corporation have engaged the Manager as manager of the Fund and as the Fund's principal distributor and registrar. The board of directors of the Fund Corporation will oversee the activities of the Fund Corporation, the Fund and the Manager in respect of the Fund and will provide guidance to the Manager concerning the Fund, when required.

### **Short-Term Trading**

Where investors make short-term trades in shares of a Fund, buying such shares one day and redeeming them a short time later, there can be adverse effects on other investors. For example, the Fund may incur extra trading costs in first purchasing portfolio securities with the subscription funds, and then in selling portfolio securities to pay proceeds of redemption, depending upon the Fund's cash position. Further, short-term investors may enjoy the benefits of capital appreciation incurred in the Fund without that investor's subscription actually being invested in time to contribute to that appreciation.

For these and other reasons, the Manager has the right to impose a short-term trading fee of up to 2% if shares of the Fund are redeemed within 30 days of the date of purchase. The Manager would generally not charge this fee in circumstances where the reason for an early redemption was an unexpected change in personal or financial circumstances, or other legitimate reason, and was not part of a course of conduct of short-term trading. Where the Manager detects repeated short-term trading occurring by an investor, in

addition to charging the short-term trading fee the Manager may decline to accept future purchase orders from that investor.

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

## FEES AND EXPENSES

### Management Fee Rebate Program

The Manager may reduce or waive the management fees that it is entitled to charge. If an investor makes a large investment in the Fund, the Manager may reduce its usual management fee that would apply to the investment. The amount of any such reduction is subject to negotiation between the Manager and the investor, based upon the value of the investments previously made or proposed to be made in the Fund. The Fund will pay the investor the amount of the reduction in the form of a distribution, which will be reinvested in additional shares of the Fund, unless the investor tells the Manager that he or she wants to receive the rebate in cash or reinvest it in another Fund.

See “*Certain Canadian Federal Income Tax Considerations*” below for a discussion of the tax consequences to investors of receiving a management fee rebate.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally applicable as at the date of this Annual Information Form to the Fund and, with respect to the acquisition, ownership and disposition of shares of the Fund, to an individual who, for the purposes of the Tax Act, is a Canadian resident, is not affiliated and deals at arm’s length with the Fund, will hold shares of the Fund as capital property, and has invested for such individual’s own benefit and not as a trustee of a trust. Generally, shares will be considered to be capital property to a holder provided that the holder does not hold such shares in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold shares as capital property may, in certain circumstances, be entitled to have such securities and all other “Canadian securities” owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the facts set out in this Annual Information Form, the current provisions of the Tax Act, the regulations thereunder and the current published administrative practices and policies of the Canada Revenue Agency (“CRA”). It takes into account all specific proposals (the “**Tax Proposals**”) to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance before the date hereof. This summary assumes Tax Proposals will be enacted as currently proposed although no assurance can be given in that regard. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account other federal, provincial or foreign income tax legislation or considerations.

This summary is not applicable to a holder (i) that is a “financial institution” (as defined in the Tax Act for purposes of the mark-to-market rules) or a “specified financial institution”, (ii) an interest in which is a “tax shelter investment” as defined in the Tax Act, (iii) that has elected to determine its Canadian tax

results in a foreign currency pursuant to the “functional currency” reporting rules in the Tax Act, (iv) that at any time has an “at-risk adjustment”, as defined in the Tax Act; (v) that is a partnership or trust; or (vi) that has entered into a “derivative forward agreement” or a “synthetic disposition arrangement”, with respect to the holder’s shares (in each case as defined in the Tax Act). Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of shares. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire shares under this Offering.

This summary is also based on the following assumptions:

- (i) It is assumed that an investor does not undertake or arrange any transaction relating to the investor’s shares, other than those referred to in this Annual Information Form, and that none of the transactions relating to the investor’s shares and referred to in this Annual Information Form is undertaken or arranged primarily to obtain a tax consequence other than those specifically described herein.
- (ii) It is assumed that the Fund Corporation, has elected pursuant to subsection 39(4) of the Tax Act to have all Canadian securities owned by it deemed to be capital property.
- (iii) It is assumed that the Fund Corporation will continue to qualify as a “mutual fund corporation” for the purposes of the Tax Act. The Manager has advised that it expects the Fund to so qualify at all material times. If the Fund were not to so qualify, the income tax consequences described below would in some respects be materially different.
- (iv) It is assumed that the Fund was not established and will not be maintained primarily for the benefit of non-residents of Canada.

**This description of income tax considerations is of a general nature only, is not exhaustive of all possible income tax considerations and is not intended to constitute advice to any particular investor. Prospective investors should seek independent advice from their own tax advisors regarding the tax consequences of investing in shares of the Fund, based upon their own particular circumstances.** The income and other tax consequences of acquiring, holding or disposing of shares of the Fund vary according to the status of the investor, the province or provinces in which the investor resides or carries on business and, generally, the investor’s own particular circumstances.

## **Taxation of the Fund**

In this segment of this summary of federal income tax considerations, dealing with income tax at the fund level, the term “Fund” will refer to the Fund Corporation (rather than the Corporate Fund, which are represented by a series of shares of the Fund Corporation), because the Fund Corporation is the taxable entity.

### ***Taxation of the Fund Corporation***

In computing income for taxation year, the Fund Corporation will be required to include in income all dividends received by the Fund Corporation in the year. In computing taxable income, the Fund Corporation generally will be permitted to deduct all dividends received by it from taxable Canadian corporations. The Fund Corporation generally will not be permitted a deduction in computing taxable income for dividends received by it from corporations other than taxable Canadian corporations.

The taxable portion of capital gains (net of any applicable capital losses) realized by the Fund Corporation will be subject to tax at normal corporate rates applicable to a mutual fund corporation. Taxes paid by the Fund Corporation on realized capital gains will be refundable on a formula basis when shares are redeemed or when the Fund pays capital gains dividends.

The Fund Corporation is generally subject to tax on taxable dividends received by it from taxable Canadian corporations under Part IV of the Tax Act in an amount equal to 38 1/3% of such dividends, which tax will be refundable on the basis of \$0.383333 for each \$1 of taxable dividends paid by the Fund Corporation to its holders of shares. If the Fund Corporation meets the definition of an “investment corporation” for purposes of the Tax Act, it will not be subject to the refundable Part IV tax and will be entitled to deduct from its tax otherwise payable an amount equal to a portion of the amount, if any, by which its taxable income exceeds its net taxable capital gains.

As a mutual fund corporation, the Fund Corporation is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Fund Corporation has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay tax on such capital gains, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or redemptions. Also, as a mutual fund corporation, the Fund Corporation is entitled to maintain a capital gains dividend account in respect of its realized net capital gains and from which it may elect to pay dividends which are treated as capital gains in the hands of shareholders.

The Fund Corporation will designate, to the extent permitted, its taxable dividends as eligible dividends. An “eligible dividend” as defined in the Tax Act will be entitled to an enhanced gross-up and dividend tax credit. To the extent available under the Tax Act and CRA’s administrative practice, the Fund Corporation will pass on to holders in respect of eligible dividends the benefit of the enhanced gross-up and dividend tax credit.

To the extent that the Fund Corporation earns income (other than dividends from taxable Canadian corporations and taxable capital gains), including interest and dividends from corporations other than taxable Canadian corporations, the Fund Corporation will be subject to income tax on such income and no refund will be available in respect thereof.

In computing the adjusted cost base of any particular security, the Fund Corporation will generally be required to average the cost of that security with the adjusted cost base of all other identical securities owned by the Fund Corporation (regardless of the Corporate Fund to which it relates) and held as capital property at the time of acquisition.

The Fund Corporation will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the shares. Such issue expenses will be deductible by the Fund Corporation ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. The Fund Corporation will generally be entitled to deduct reasonable administrative expenses and interest payable by it on money borrowed to purchase securities. Any non-capital losses incurred by the Fund Corporation may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Fund Corporation.

The Fund Corporation may enter into transactions denominated in currencies other than the Canadian dollar, including the acquisition of securities. The cost and proceeds of disposition of securities, interest and all other amounts will be determined for purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act. The amount of income, gains and losses realized by the Fund Corporation may be affected by fluctuations in the value of

foreign currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested will likely constitute capital gains and capital losses to the Fund Corporation if the securities in the Fund Corporation are capital property to the Fund Corporation provided there is significant linkage while gains and losses in respect of positions that are not hedging securities will generally be on income account.

The Fund Corporation may derive income or gains from investment in countries other than Canada, and as a result, may be liable to pay income or profits taxes in such countries. Generally, in computing the amount of its Canadian income taxes, the Fund Corporation will be entitled to claim credits in respect of such taxes paid, including foreign taxes, withheld at source, to the extent permitted by the detailed rules in the Tax Act. To the extent that a tax credit is not claimed, the Fund Corporation will generally be able to deduct any such foreign taxes paid.

## **Taxation of holders of Shares**

### ***Taxation of Shareholders of the Corporate Fund***

In the case of a holder of shares of a Corporate Fund who is an individual, taxable dividends and eligible dividends paid by the Corporate Fund, other than capital gains dividends, whether received in cash or reinvested in additional securities, will be included in computing the holder's income. The dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation will apply to such dividends, including the enhanced dividend gross-up and tax credit for "eligible dividends" received from the Fund Corporation. See the discussion of "eligible dividends" and enhanced gross-up and dividend tax credit under "*Taxation of the Fund Corporation*" above.

A Corporate Fund may also make distributions to holders of shares of realized capital gains by way of capital gains dividends. Capital gains may be realized by the Corporate Fund in a variety of circumstances. Capital gains dividends paid by a Corporate Fund will be treated as realized capital gains in the hands of holders of shares and will be subject to the general rules relating to the taxation of capital gains which are described below.

The amount of any payment received by a holder of shares as a return of capital on a share will not be required to be included in computing income of the holder. Instead, such amount will reduce the adjusted cost base of the relevant share to the holder. To the extent the adjusted cost base of the share to the holder would otherwise be a negative amount, the holder will be considered to have realized a capital gain at that time equal to such negative amount and the holders adjusted cost base will be increased by the amount of such deemed capital gain.

A reclassification from one series of shares to another series of shares of the same Corporate Fund will not be a disposition under the Tax Act of the shares on the reclassification. The conversion by a holder of shares of one Corporate Fund into shares of another Corporate Fund will be a disposition under the Tax Act of the shares so converted and the holder will be deemed to have received proceeds equal to the fair market value of the shares converted. As a result, such a holder will realize a capital gain or capital loss on the conversion in those circumstances. The holder's cost of the shares of a Corporate Fund acquired on the conversion or otherwise, will be deemed under the Tax Act to be the fair market value to the holder of the shares of the Corporate Fund so converted immediately before the conversion. This cost will be required to be averaged with the adjusted cost base of other shares of such Corporate Fund owned by the holder.

The disposition or deemed disposition of shares of a Corporate Fund by a holder (including, by sale, redemption, in order to satisfy the negotiable conversion fee payable by a holder of shares) will give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of such

shares exceeds (or is less than) the aggregate of the adjusted cost base of such shares and any reasonable costs of disposition. One-half of a capital gain (a “taxable capital gain”) is included in a holder’s income and one-half of a capital loss is deductible against taxable capital gains in accordance with the provisions of the Tax Act.

The net asset value of shares of a class acquired by a holder of shares may reflect income and gains that have accrued in the Corporate Fund, but which have not yet been realized or distributed. Dividends made by the Corporate Fund to the holder may include such income and gains, with the result that the holder will be required to include these amounts in income, even though they formed part of the purchase price of the holder’s shares.

### **Alternative Minimum Tax**

Individuals (other than certain trusts) are subject to an alternative minimum tax. Such persons may be liable for this alternative minimum tax in respect of realized capital gains and/or dividends.

### **Tax Information**

The Manager will provide holders of shares with transaction statements and the annual tax information slips reporting income and net realized capital gains distributions needed to complete their income tax returns.

### **International Information Reporting**

The dealers through which holders hold their shares may be subject to registration, information collection and reporting obligations contained in Part XVIII of the Tax Act, which implemented the Canada-United States Enhanced Tax Information Exchange Agreement (the “IGA”) with respect to “financial accounts” such dealers maintain for their clients. Holders, or the controlling person of a holder, will generally be requested to provide their dealer with information related to their citizenship, residency and, if applicable, a U.S. federal tax identification number. If a holder is a U.S. person (including a U.S. citizen or green card holder who is resident in Canada) or if a holder does not provide the requested information, Part XVIII of the Tax Act and the IGA will generally require information about the holder’s investment in the Fund to be reported to the CRA, unless the investment is held within a registered plan (as defined in the Tax Act). The CRA will provide that information to the U.S. Internal Revenue Service.

In addition, reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the “CRS Rules”). Pursuant to the CRS Rules, Canadian financial institutions are required to have procedures in place to identify accounts held by residents of foreign countries (other than the United States), or by certain entities any of whose “controlling persons” are resident in a foreign country (other than the United States). The CRS Rules provide that Canadian financial institutions must report the required information to the CRA annually. Such information would be available to be exchanged on a reciprocal, bilateral basis with the jurisdictions in which the holders, or such controlling persons, are resident. Holders will be required to provide such information regarding their investment in the Fund to the holder’s dealer for the purpose of such an information exchange, unless the investment is held within a registered plan (as defined in the Tax Act).

### **REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEE**

The Fund is not obligated to and does not pay any remuneration to the directors or officers of the Manager.



The Fund compensates the members of the IRC for services provided to the Fund and reimburses the members for reasonable out of pocket expenses. For the year ended December 31, 2020, the fees payable to the members of the IRC in respect of the Fund was \$3,000 (being \$1,000 per member). There were no additional or other fees, such as per-meeting fees. No member of the IRC performs any other services, such as consulting services, to the Fund.

### **ELIGIBILITY FOR REGISTERED PLANS**

The Fund Corporation qualifies and is expected to continue to qualify as a “mutual fund corporation” (as defined in the Tax Act) at all material times. Provided that it so qualifies, the shares of the Fund Corporation shall be a qualified investment under the Tax Act for trusts governed by RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs.

Provided that the holder of a TFSA or RDSP, the annuitant under an RRSP or RRIF, a subscriber of an RESP or as the case may be, does not hold a “significant interest” (within the meaning of the Tax Act) in the Fund Corporation, and provided that such holder, annuitant or subscriber, as the case may be, deals at arm’s length with the Fund Corporation for purposes of the Tax Act, the shares will not be a prohibited investment under the Tax Act for a trust governed by such TFSA, RRSP, RRIF, RDSP or RESP. In addition, the shares will not be a “prohibited investment” if such shares are “excluded property” (as defined in the Tax Act) for trusts governed by a TFSA, RESP, RRIF, RDSP or RESP.

Holders should consult their own tax advisors as to whether shares of the Fund Corporation will be prohibited investments in their particular circumstances.

### **MATERIAL CONTRACTS**

The material contracts that entered into by or on behalf of the Fund are as follows:

- The Management Agreement in respect of the Fund dated as of May 22, 2015; and
- The Custodian Agreement entered into between RBC Investor Services Trust and the Manager dated as of May 15, 2015.

Copies of the documents described above may be inspected during regular business hours on any business day at the registered office of the Manager at the Exchange Tower, 130 King Street West, Suite 2130, Toronto, Ontario, M5X 1E2.

**CERTIFICATE OF THE FUND**

**AND OF LDIC INC. AS MANAGER AND PROMOTER OF**

**LDIC North American Small Business Fund (Corporate Class)  
(the “Fund”)**

This Annual Information Form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

DATED May 31, 2021

*“Michael B. Decter”* (Signed)

Michael B. Decter  
Chief Executive Officer of LDIC Mutual Fund  
Corporation Inc.

*“Beryl McCallum”* (Signed)

Beryl McCallum  
Chief Financial Officer of LDIC Mutual Fund  
Corporation Inc.

On behalf of the Board of Directors  
of LDIC MUTUAL FUND CORPORATION INC.

*“Graham Scott”* (Signed)

Graham Scott  
Director of LDIC Mutual Fund Corporation Inc.

*“Ron Bailey”* (Signed)

Ron Bailey  
Director of LDIC Mutual Fund Corporation Inc.

On behalf of LDIC INC.  
as Manager and Promoter of the Fund

*“Michael B. Decter”* (Signed)

Michael B. Decter  
Chief Executive Officer of LDIC Inc.

*“Beryl McCallum”* (Signed)

Beryl McCallum  
President, in the capacity of Chief Financial  
Officer, of LDIC Inc.

On behalf of the Board of Directors of LDIC INC.  
as Manager and Promoter of the Fund

*“Graham Scott”* (Signed)

Graham Scott  
Director of LDIC Inc.

*“Ron Bailey”* (Signed)

Ron Bailey  
Director of LDIC Inc.



LDIC North American Small Business Fund (Corporate Class)

**LDIC INC.**

**The Exchange Tower, 130 King Street West, Suite 2130**

**PO Box 399, Toronto, Ontario M5X 1E2**

Additional information about the Fund is available in the Fund's fund facts, management reports of fund performance and financial statements. You can get a copy of these documents at no cost from your dealer or by calling the Manager (collect) at (416) 362-4141 or by emailing the Manager at [info@ldic.ca](mailto:info@ldic.ca).

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