



ANNUAL INFORMATION FORM

**Units
Warrants**

March 31, 2010

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Administrator (as defined below) believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form.

In particular, this annual information form may contain forward-looking statements pertaining to distributable cash and distributions. The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this annual information form. The Administrator does not undertake any obligation to publicly update or revise any forward-looking statements.

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GLOSSARY OF TERMS

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

“**Additional Distributable Capital Amount**” means with respect to any taxation year of the Fund, the amount, if any, by which the Net Capital Gains for such taxation year exceeds the Distributed Capital Amount for such taxation year.

“**Additional Distributable Income Amount**” means with respect to any taxation year of the Fund, the amount, if any, by which the Net Income for such taxation year exceeds the aggregate Distributable Cash paid or payable by the Fund for such taxation year.

“**Additional Distribution Date**” means December 31 of each taxation year or if December 31 is not a business day, on the last business day preceding December 31.

“**Additional Subscription Privilege**” means the entitlement granted to subscribers who exercise their Warrants to subscribe *pro rata* for Additional Units.

“**Additional Units**” means such Units, if any, offered under the offering of Warrants that are not otherwise subscribed for by 5:00 p.m. on June 25, 2010 and that are available for all additional subscriptions pursuant to the Additional Subscription Privilege.

“**Administrator**” means the administrator of the Fund, Blue Ribbon Fund Management Ltd., and thereafter such other person as may be appointed Administrator by the Unitholders or the Trustee in accordance with the terms thereof.

“**Administrative Services Agreement**” means an administrative services agreement dated as of November 20, 2009 between the Administrator and the Fund respecting the management and administration of the Fund by the Administrator.

“**Administration Fee**” means the fee payable to the Administrator pursuant to the Administrative Services Agreement and the Declaration of Trust, as described in section 8.1.1 of this Annual Information Form.

“**Annual Redemption Amount**” means a redemption price per Unit surrendered for redemption on the Annual Redemption Date that is equal to 100% of the net asset value per Unit minus costs associated with the redemption, including brokerage costs provided, however, that in determining the net asset value for the purpose of calculating the Annual Redemption Amount, the Administrator may value any security which is listed or traded upon a stock exchange (or if more than one, on the stock exchange in which the security primarily trades, as determined by the Administrator) by taking the volume weighted average trading price of the security on such exchange during the last three business days of the month in which the Annual Redemption Date occurs, or for the first annual redemption, the three business days ending on the Annual Redemption Date, or lacking any sales during such period or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Administrator such value does not reflect the value thereof and in which case the fair market value as determined by the Administrator shall be used), as at the Annual Redemption Date, all as reported by any means in common use.

“**Annual Redemption Date**” means the second last business day of November in any year.

“**Brompton Funds**” means Brompton Corp., and its wholly owned subsidiary Brompton Funds Management Limited, which acts as sub-administrator of the Fund. Brompton Corp. is in the business of managing investment funds.

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

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

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

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

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

“**Custodian Agreement**” means the custodian agreement entered into by the Fund and the Custodian and certain of its affiliates as of November 20, 2009, as it may be amended from time to time.

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

“**Distributable Cash**” means, in respect of a Record Date, the amount calculated as of that Record Date equal to:

- a) all cash received by the Fund in respect of Portfolio Securities (excluding any amounts received by the Fund upon the disposition of any of the Portfolio Securities) since the immediately preceding Record Date;

less the sum of:

- b) all Fund Expenses incurred since the immediately preceding Record Date; and
- c) any other amounts (including taxes) required by law or hereunder to be deducted, withheld or paid by or in respect of the Fund since the immediately preceding Record Date.

Despite the foregoing, for purposes of calculating the Distributable Cash for the first Distribution Date, the references above to “since the immediately preceding Record Date” shall be deemed to be references to on or after the date on which the initial public offering of Units was completed.

“**Distributed Capital Amount**” means with respect to any taxation year of the Fund, the amount, if any, by which the aggregate Distributable Cash paid or payable by the Fund for such taxation year exceeds the Net Income for such taxation year.

“**Distribution Date**” means a date on which the Trustee makes a distribution of Distributable Cash, which date shall be within 20 business days following each Record Date.

“**Distribution Record Date**” means the record date for the Fund’s monthly distributions to Unitholders, which will be the last business day of each month.

“**Exercise Period**” means the period commencing on March 10, 2010 and ending at 5:00 p.m. (Toronto time) on June 25, 2010.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least 75% of the votes cast, either in person or by proxy, at a meeting of Unitholders, with a quorum of 2 or more persons present in person or by proxy representing not less than 10% of the Units then outstanding, called for the purpose of considering such resolution.

“**Extraordinary Resolution of Warrantholders**” means a resolution proposed at a meeting of Warrantholders at which there are present in person or by proxy holders of Warrants representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative votes of Warrantholders representing not less than 66 ²/₃% of the aggregate number of the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution.

“**Fund**” means Blue Ribbon Income Fund (formerly Citadel Diversified Investment Trust).

“**Fund Expenses**” means all expenses incurred by the Trustee, the Administrator, the Investment Manager or any third party, in each case for the account of the Fund, in connection with the establishment and ongoing management and administration of the Fund and the ongoing administration of the Units together with all amounts paid by the Fund on account of the indebtedness of the Fund.

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

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

“**Investment Management Agreement**” means an amended and restated investment management agreement dated as of November 20, 2009 between the Administrator and the Investment Manager as it may be amended from time to time.

“**Investment Manager**” means the investment manager, Bloom Investment Counsel, Inc., appointed by the Administrator or such other investment manager as may be appointed from time to time by the Administrator on behalf of the Fund.

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

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

“**Investment Restrictions**” means the investment restrictions of the Fund as set forth in the Declaration of Trust, including without limitation those described in section 2.0 of this Annual Information Form.

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

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

“**net asset value per Unit**” means the net asset value divided by the total number of Units outstanding on any Valuation Date.

“**Net Capital Gains**” of the Fund for a taxation year means the amount, if any, by which:

- a) the capital gains realized by the Fund in the taxation year;

exceeds

- b) the capital losses incurred by the Fund in the taxation year; and
- c) the unapplied capital losses incurred by the Fund in the preceding taxation years, to the extent that they may be applied against capital gains realized by the Fund in the taxation year.

For this purpose, “capital gains” and “capital losses” shall be computed in accordance with the provisions of the Income Tax Act.

“**Net Income**” of the Fund for a taxation year means the amount, if any, by which the income of the Fund for such taxation year pursuant to the provisions of the Income Tax Act, other than paragraph 82(1)(b) and Subsection 104(6) thereof, without reference to the Fund’s “capital gains” or “capital losses” (as those terms are used in the Income Tax Act) for the taxation year, exceeds the unapplied non-capital losses of the Fund for the purposes of the Income Tax Act for the preceding taxation years of the Fund, to the extent that they may be applied against income of the Fund for such taxation year for the purposes of the Income Tax Act.

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

“**Portfolio**” means the portfolio of Portfolio Securities acquired and managed by the Fund.

“**Portfolio Securities**” means units or rights to subscribe for or purchase publicly listed or traded securities (including installment receipts) issued by income trusts, royalty trusts, real estate investment trusts, limited partnerships, common equities, convertible debt, preferred securities, and debt instruments.

“**Record Date**” means the last business day of each month.

“**SIFT Rules**” means specified investment flow-through rules under the Income Tax Act.

“**Service Fee**” means the fee paid by the Fund to dealers in accordance with the Declaration of Trust, as described in section 8.1.2 of this Annual Information Form.

“**Short Term Investments**” means:

- a) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof with less than twelve months to maturity;
- b) term deposits, guaranteed investment certificates, certificates of deposit or bankers’ acceptances of or guaranteed by any Canadian chartered bank or other financial institution (including the Trustee and any Affiliate of the Trustee) the short-term debt or deposits of which have been rated at least A or the equivalent by Moody’s Investors Service, Inc., Canadian Bond Rating Service Inc. or Dominion Bond Rating Service Limited; and
- c) commercial paper rated at least A or the equivalent by Moody’s Investors Service Inc., Canadian Bond Rating Service Inc. or Dominion Bond Rating Service Limited, in each case either maturing within 365 days after the date of acquisition or for which the

Investment Manager believes that there will be a liquid market for the resale thereof within such 365 day period.

“Subscription Price” means \$9.62.

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

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

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

“Trustee” means Computershare Trust Company of Canada, in its capacity as trustee under the Declaration of Trust.

“TSX” means the Toronto Stock Exchange.

“Unitholder(s)” mean the holder(s) of the Units.

“Unit(s)” means one or more transferable, redeemable trust unit(s) of the Fund, representing an equal, fractional and undivided beneficial interest in the Fund Property net of all liabilities of the Fund.

“Valuation Date” means, Thursday of each week and the last business day of each fiscal quarter and December 31 of each year and includes any other date on which the Administrator elects, in its discretion, to calculate the net asset value and net asset value per Unit.

“Warrant” means a transferable warrant of the Fund issued to Unitholders of record on March 9, 2010 entitling them to subscribe for one Unit on the terms and conditions set forth in the Warrant Indenture.

“Warrantholder(s)” means holder(s) of a Warrant.

“Warrant Agent” means Computershare Trust Company of Canada, in its capacity as warrant agent under the Warrant Indenture.

“Warrant Indenture” means the warrant indenture dated as of February 26, 2010 between the Fund and the Warrant Agent, as it may be amended from time to time.

1.0 NAME, FORMATION AND HISTORY

Blue Ribbon Income Fund is a closed-end investment trust with a registered office located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, Toronto, Ontario M5J 2T3. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated July 11, 1997, as amended, and which has been amended and restated from time to time.

The Declaration of Trust was amended and restated effective December 17, 2001 in connection with the acquisition of the stock transfer business of the Fund's original trustee, The Trust Company of Bank of Montreal, by Computershare Trust Company of Canada, to allow the directors of the then administrator to replace the trustee from time to time without the requirement to hold a meeting of Unitholders.

The Declaration of Trust was further amended on August 26, 2002 to extend the term of the Declaration of Trust, among other material contracts, to December 31, 2012.

The Declaration of Trust was further amended and restated on September 14, 2005 to: authorize the board of directors of the then administrator to merge or otherwise combine or consolidate the Fund with any one or more other funds within the Citadel Group of Funds™ provided that the funds to be merged or otherwise combined or consolidated met certain criteria for fund merger; to permit both the amalgamation of the then administrator with one or more of the administrators of the other funds within the Citadel Group of Funds™ and the assignment of the administrative services agreement to a single operating corporation whose mandate would be to provide administrative services to all of the funds within the Citadel Group of Funds™; and to permit the Fund to enter into securities lending agreements, subject to certain restrictions.

On June 3, 2009, 1482278 Alberta Ltd., carrying on business as Citadel Fund Administrator acquired the administrative services agreement of the Fund and other investment funds of the Citadel Group of Funds™ pursuant to a share purchase agreement dated June 3, 2009. There were no amendments made to the Declaration of Trust in connection with the change of administrator.

On August 27, 2009, Citadel Fund Administrator terminated Computershare Trust Company of Canada as trustee of the Fund and appointed Valiant Trust Company as trustee.

On October 13, 2009, Citadel Fund Administrator, Crown Hill Capital Corporation, Blue Ribbon Fund Management Ltd, Brompton Administration Limited, Brompton Funds Management Limited and the Investment Manager entered into an agreement pursuant to which Citadel Fund Administrator agreed to put forth a proposal described in Citadel Fund Administrator's special meeting circular dated October 21, 2009 (the "Circular").

At a meeting of Unitholders held on November 17, 2009, the proposal was approved. As a result, effective November 20, 2009, Citadel Fund Administrator was terminated as administrator of the Fund and Blue Ribbon Fund Management Ltd. was appointed the Administrator of the Fund. Valiant Trust Company was terminated as trustee of the Fund and Computershare Trust Company of Canada was appointed the Trustee of the Fund.

The Declaration of Trust was further amended and restated on November 20, 2009 to:

- (a) change the name of the Fund from "Citadel Diversified Investment Trust" to "Blue Ribbon Income Fund";
- (b) create provisions allowing for the merger of Series S-1 Income Fund into the Fund, which occurred on December 31, 2009;

- (c) establish an annual redemption right at 100% of NAV less any direct costs, with the first redemption being effective on November 20, 2009 and the second last business day of November in subsequent years;
- (d) amend the Investment Objectives, Investment Policies and Investment Restrictions of the Fund for the purpose of shifting the investment focus from income trusts to a broader portfolio of income producing securities;
- (e) amend the termination provisions of the Fund to remove the set termination date and provide for certain other termination events including termination on the approval of Unitholders by an Extraordinary Resolution; and
- (f) certain other amendments described in the Circular.

1.1 Declaration of Trust

1.1.1 Investment Objectives

The Declaration of Trust provides that the Investment Objectives of the Fund are to provide a variable level of monthly cash distributions to Unitholders and to provide Unitholders with the opportunity to participate in gains in the value of the investment portfolio.

1.1.2 Investment Policies

The Fund invests its assets in a portfolio comprised of Portfolio Securities and having a weighting among the various classes of securities comprising the Portfolio Securities as the Investment Manager shall from time to time determine in its sole discretion.

The assets of the Fund and any monies available for reinvestment at any time shall be invested by the Investment Manager in accordance with the Fund's Investment Objectives, Investment Policies and Investment Restrictions as expeditiously as prudent investment practice permits. During periods in which the Investment Manager and/or any sub-advisor believe changes in economic, financial or political conditions make it advisable, the Fund may for temporary defensive purposes reduce its holdings of Portfolio Securities and invest in certain Short Term Investments. Pending the purchase of Portfolio Securities, the Fund invests the proceeds of any offering in Short Term Investments.

The Investment Policies may not be changed without the approval of Unitholders by Extraordinary Resolution.

1.1.3 General

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

As of November 20, 2009, the Fund is administered by Blue Ribbon Fund Management Ltd. pursuant to the Administrative Services Agreement. Computershare Trust Company of Canada is the trustee of the Fund and CIBC Mellon Global Securities Services Company is the custodian of the assets of the Fund. Bloom Investment Counsel, Inc. is the portfolio manager, which provides advisory and portfolio management services to the Fund pursuant to the Investment Management Agreement.

2.0 INVESTMENT RESTRICTIONS

The Fund is not considered to be a mutual fund under the securities legislation of the provinces of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 *Investment Fund Continuous Disclosure*, which governs the continuous disclosure obligations of investment funds, such as the Fund.

The Units and Warrants are qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans (collectively, "Registered Plans"). During 2009, the Fund did not deviate from the rules under the Income Tax Act that apply to the status of the Units and Warrants qualifying for inclusion in such plans.

Units and Warrants will not be a prohibited investment under the Income Tax Act for a tax-free savings account, provided the holder of the tax-free savings account deals at arm's length with the Fund, does not have a "significant interest" (within the meaning of the Income Tax Act) in the Fund, and does not have a "significant interest" (within the meaning of the Income Tax Act) in a corporation, partnership or trust that does not deal at arm's length with the Fund.

3.0 DESCRIPTION OF SECURITIES

3.1 The Units

The Fund is authorized to issue an unlimited number of a single class of transferable, redeemable units of beneficial interest, each of which represents an equal, fractional undivided interest in the net assets of the Fund. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. On redemption of Units, however, the Fund may, in its sole discretion, designate payable to the redeeming Unitholder, as part of the redemption price any capital gain realized by the Fund in the taxation year of the Fund in which the redemption occurred. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of Net Income and Net Realized Capital Gains, if any. On termination or liquidation of the Fund, Unitholders of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The Declaration of Trust permits fractions of Units to be issued which will have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except fractional Units will not have the right to vote.

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

At no time may non-residents of Canada be the beneficial owners of a majority of the Units and the Trustee is obligated to inform the transfer agent and registrar of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of the Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines

that a majority of the Units are beneficially held by non-residents, the Trustee may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the transfer agent and registrar may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may on behalf of such Unitholders sell such Units and in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders cease to be beneficial holders of such Units and their rights are limited to receiving the net proceeds of the sale of such Units.

3.2 Distributions

Distributions are payable to Unitholders of record on the last business day of each month, and unless a Unitholder is a participant in any distribution reinvestment plan established by the Fund, all cash distributions payable, less any amount required to be withheld therefrom under applicable law, is to be paid in Canadian dollars no later than the twentieth business day following the Record Date. The Fund will make monthly distributions to Unitholders at the discretion of the Trustee, upon the advice of the Administrator. Distributions will be paid out of revenue generated by the Portfolio and if required, out of capital. Future distribution rates will be determined from time to time by the Administrator. There can be no assurance that the Fund will make any distribution in any particular month or months.

The Fund has also adopted a distribution reinvestment plan and optional Unit purchase plan pursuant to which Distributions paid to Unitholders may be reinvested automatically on each Unitholder's behalf at the option of such Unitholder to purchase additional Units in accordance with the distribution reinvestment plan (the "Plan"). Subject to the terms and conditions of the distribution reinvestment plan and applicable securities laws, Unitholders may also apply additional cash payments towards the purchase of additional Units under the Plan. Notwithstanding the availability of the Plan, all distributions to non-resident Unitholders are paid in cash and may not be reinvested.

Many of the issuers of the securities in which the Fund invests are entitled to tax deductions relating to the nature of their assets, with the result that their cash Distributions exceed the amount required to be included in the income of the recipients. As a result, cash Distributions received by Unitholders from the Fund in a year can exceed the amount required to be included in their income for tax purposes and as a result, the excess will be a return of capital. The proportion of the Distributions characterized as a return of capital will be affected by Net Capital Gains realized by the Fund. To the extent that the Fund has received distributions from income funds included in the Portfolio as a return of capital that reduced the adjusted cost base of such securities to the Fund, the Fund may realize a capital gain if such securities are sold. In addition, the Fund may realize a capital gain on sales if the securities of the income funds sold have appreciated in value. Such capital gains will reduce the proportion of the Distributions characterized as a return of capital.

The Fund is subject to tax under Part I of the Income Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. Provided the Fund makes Distributions in each year of its Net Income and Net Capital Gains, and provided the Fund deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable for income tax under Part I of the Income Tax Act. In order to ensure this result, the Declaration of Trust provides that, if necessary, an Additional Distributable Capital Amount and Additional Distributable Income Amount will be automatically payable in each year to Unitholders of record on December 31. The Additional Distributable Capital Amount and Additional Distributable Income Amount may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly distributions paid or made payable to Unitholders during the year. The Additional Distributable Capital Amount and Additional Distributable Income Amount may, provided the Fund does not have sufficient cash, at the

option of the Trustee, be satisfied by the issuance of additional Units having a value equal to the cash shortfall. The value of the additional Units to be issued is determined using the closing trading price, or if there was no trade, the average of the last bid and the last ask prices of the Units on such Additional Distribution Date or if not listed, such other value as the Trustee shall determine.

3.3 Amending the Declaration of Trust

3.3.1 Amending the Declaration of Trust by the Trustee

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

- (a) ensure compliance with applicable laws, regulations or requirements of any governmental authority having jurisdiction over the Fund;
- (b) maintain the status of the Fund as a “mutual fund trust” and a “registered investment” under the Income Tax Act;
- (c) make changes or corrections which counsel for the Fund advise are necessary or desirable for the correction of typographical mistakes or are required for the purpose of curing any ambiguity or defective or inconsistent provisions or omissions or manifest error; or
- (d) provide added protection for Unitholders upon the advice of counsel to the Fund, but only if such amendments do not adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Administrator or increase their respective responsibilities.

3.3.2 Amending the Declaration of Trust by Unitholders

The Declaration of Trust provides that the following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution

- (a) any change of the Administrator other than pursuant to the Administrative Services Agreement or in circumstances where the Administrator has been removed by the Trustee pursuant to the Declaration of Trust or the Administrative Services Agreement;
- (b) the termination of the Trustee or any one of its affiliates as the trustee of the Fund;
- (c) any change in the Investment Objectives, Investment Policies and Investment Restrictions of the Fund unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (d) the liquidation, dissolution or termination of the Fund;
- (e) an amendment to the Declaration of Trust to permit the redemption or retraction of Units at the option of the Unitholder or the Fund;
- (f) any amendment to the Declaration of Trust which would adversely affect the Administrator that has not been approved by the Administrator;
- (g) a material change in the Administrative Services Agreement;

- (h) any increase in the fee paid to the Administrator;
- (i) the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (j) any amendment, modification or variation in the provisions or rights attaching to the Units; and
- (k) any proposal to delist Units from the TSX (or its successor), except where the Fund is being terminated or it ceases to meet the listing criteria of the TSX.

3.4 Termination of the Fund

Pursuant to the Declaration of Trust, the Fund shall continue until the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund approved at a duly called meeting of Unitholders. In addition to such termination upon the approval of the Unitholders, the Declaration of Trust also provides that the Fund may be terminated in the following circumstances:

- In the event that the Administrator resigns and no new Administrator is appointed by the Trustee within 120 days of the Administrator giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period.
- The Administrator may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion it would be in the best interests of the Unitholders to terminate the Fund.

The Declaration of Trust permits that the Administrator may, in its discretion and upon not less than 30 days notice to the Unitholders, postpone the Termination Date by a period of up to 180 days if the Investment Manager advises the Administrator that it will be unable to convert all of the Fund Investments to cash prior to the original Termination Date and the Administrator determines that it would be in the best interests of the Unitholders to do so. Upon termination, the Declaration of Trust provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Administrator considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets *in specie* rather than in cash. Following such distribution, the Declaration of Trust provides that the Fund will be dissolved.

3.5 Warrants

3.5.1 General

The Fund issued one Warrant for every two Units of the Fund to Unitholders of record at the close of business (Toronto time) on March 9, 2010. Warrants are fully transferable. Each whole Warrant entitles the holder thereof to subscribe for and purchase one Unit at a subscription price of \$9.62 per Unit. Warrants may be exercised commencing on March 10, 2010 and prior to 5:00 p.m. (Toronto time) on June 25, 2010. Holders of Warrants who exercise the Warrants will become holders of Units issued through the exercise of the Warrants. Warrants not exercised prior to 5:00 p.m. (Toronto time) on June 25, 2010 will be void. If a Unitholder does not exercise, or sells, the Warrants, then the value of the Units held by that Unitholder may be diluted as a result of the exercise of Warrants by others.

A holder of Warrants is not a Unitholder and a holder of Warrants has not been conferred with any rights of a Unitholder, including the right to vote at meetings of Unitholders and the right to receive Distributions.

3.5.2 Basic Subscription Privilege

A holder of Warrants may subscribe for a whole number of Units by instructing the CDS Participant holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of the offering of Warrants and the Warrant Indenture to the CDS Participant which holds the subscriber's Warrants.

The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to the date of exercise of the Warrants. Accordingly, a subscriber subscribing through a CDS participant must deliver its payment and instructions sufficiently in advance of June 25, 2010 to allow the CDS Participant to properly exercise the Warrants on such subscriber's behalf.

The Warrants may not be distributed to Unitholders located in the United States, and the Warrants including those purchased in the secondary market may only be exercised only by a holder of Warrants who represents at the time of exercise that the holder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States.

Unitholders whose recorded addresses are outside Canada and the United States will be permitted to subscribe for Units pursuant to the terms of the offering of Warrants provided that they represent to the satisfaction of the Fund that the receipt by them of Warrants and the issuance to them of Units upon the exercise of the Warrants will not be in violation of the laws of their jurisdiction of residence.

3.5.3 Contractual Right of Action for Rescission

Pursuant to the terms of the Warrant Indenture, the Fund has granted to each beneficial holder of Warrants who elects to purchase Units pursuant to the basic subscription privilege a contractual right of rescission. Pursuant to such right, a beneficial holder of Warrants that elects to exercise Warrants pursuant to the basic subscription privilege may rescind such exercise by delivering a notice of rescission (in the form attached to the Warrant Indenture) to the Warrant Agent not later than midnight (Toronto time) on the second business day after a valid subscription is received by the Warrant Agent (being the date on which both the instruction to exercise the Warrants and payment in full of the Subscription Price therefor is received by the Warrant Agent). Each beneficial holder of Warrants validly electing to rescind an exercise of Warrants will receive a full refund of the Subscription Price paid in connection with such exercise and will not receive any Units. Any Warrants rescinded will be cancelled. The contractual right of rescission granted to such beneficial holder is in addition to any other right or remedy available to a holder of Warrants at law.

3.5.4 Additional Subscription Privilege

Each holder of Warrants that subscribes for Units to which such holder is entitled pursuant to the basic subscription privilege may, at any time during the Exercise Period, subscribe for Additional Units pursuant to the Additional Subscription Privilege, if applicable, at a price equal to the Subscription Price for each Additional Unit. Holders of Warrants will not be required to fully exercise all of their Warrants under the basic subscription privilege in order to be eligible for the Additional Subscription Privilege.

The number of Additional Units available for all additional subscriptions will be the difference, if any, between the total number of Units issuable upon exercise of Warrants and the total number of Units

subscribed and paid for prior to 5:00 p.m. (Toronto time) on June 25, 2010. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Units which that subscriber has subscribed for under the Additional Subscription Privilege; and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Units by a fraction, the numerator of which is the number of Warrants exercised by that subscriber under the basic subscription privilege and the denominator of which is the aggregate number of Warrants exercised under the basic subscription privilege by holders of Warrants that have subscribed for Additional Units pursuant to the Additional Subscription Privilege. If any holder of Warrants has subscribed for fewer Additional Units than such holder's *pro rata* allotment of Additional Units, the excess additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for additional Units under the Additional Subscription Privilege, a beneficial holder of Warrants must forward their request to a CDS Participant. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on June 25, 2010, failing which the subscriber's entitlement to such Units will terminate. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant, without interest or deduction. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of June 25, 2010 to allow the CDS Participant to properly exercise Warrants on such subscriber's behalf and apply for Additional Units under the Additional Subscription Privilege, as applicable. Units will be issued on a fully-paid basis only. Units not issued prior to the closing of the record books on a Distribution Record Date will not be eligible to receive the applicable distribution. Beneficial holders of Warrants are encouraged to contact their CDS Participant as each CDS Participant may have an earlier cut-off time.

3.5.5 Sale or Transfer of Warrants

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Units, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The Warrants are listed on the TSX.

It is expected that the CDS Participant will, prior to June 25, 2010, attempt to sell for Unitholders whose recorded address is outside of Canada (other than those Unitholders who confirm their eligibility to receive and exercise Warrants) the Warrants allotable to such Unitholders at a price or prices it determines in its discretion. Any proceeds received by the CDS Participant with respect to such Warrants are expected to be delivered by the CDS Participant as soon as practicable to such Unitholders.

4.0 VALUATION OF PORTFOLIO SECURITIES

Under the Declaration of Trust, the calculation of Total Assets on Valuation Date is to be determined as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Investment Manager has determined that any such deposit, bill, demand note, account receivable or prepaid expense is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Investment Manager determines to be the fair value thereof;

- (b) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal exchange for the security, as determined by the Investment Manager) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Investment Manager such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the date of valuation on which the Total Assets are being determined, all as reported by any means in common use;
- (c) the value of any security which is traded over the counter will be priced at the average of the last bid and asked prices quoted by a major dealer in such securities;
- (d) the value of any security which is not listed or traded on a stock exchange or the resale of which is restricted by reason of a representation, undertaking or agreement by the Fund or by the Fund's predecessor in title shall be determined on the basis of such price or yield equivalent quotations (which may be public quotations or may be obtained from major market makers) as the Investment Manager determines best reflects its fair value;
- (e) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Fund at the time of valuation;
- (f) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Investment Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Investment Manager; and
- (g) the value of any security or property to which, in the opinion of the Investment 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 good faith in such manner as the Investment Manager from time to time adopts. The Administrator has not exercised its discretion to determine fair market value since November 20, 2009 when it was appointed the Administrator of the Fund and has no knowledge of such discretion being exercised prior to this in the past three years.

The primary difference between the valuation principles set out above and Canadian generally accepted accounting principals ("Canadian GAAP") is that under Canadian GAAP, securities traded in an active market are valued at the last available bid price rather than the latest available sale price.

5.0 CALCULATION OF NET ASSET VALUE

Pursuant to the Declaration of Trust, the net asset value per Unit on any Valuation Date is calculated by dividing the net asset value (determined by subtracting the aggregate amount of the liabilities of the Fund from the Total Assets, as defined above) by the number of outstanding Units (before giving effect to any Units issued on that date). In addition, if applicable, a diluted net asset value per Unit will be calculated when the closing market price of the Units on the Valuation Date is greater than the Subscription Price for the Warrants. To calculate the diluted net asset value per Unit the Total Assets of the Fund are increased by the proceeds, less costs, that would be received assuming all Warrants are exercised and the total number of Units outstanding are increased by the number of units that would be issued assuming all Warrants outstanding are exercised.

The net asset value per Unit is calculated as at the close of business on each Valuation Date.

The net asset value is calculated in Canadian dollars.

6.0 PURCHASES OF FUND UNITS AND WARRANTS

6.1 General

The Units and Warrants are listed for trading on the TSX under the symbols RBN.UN (formerly CTD.UN) and RBN.WT and may be purchased through the facilities of the TSX. Registration of interests in and transfers of the Units and Warrants are made only through CDS and the Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of holders must be exercised through, and all payments or other property to which such holders are entitled are made or delivered by, CDS or the CDS Participant through which the holder holds such Units and Warrants. Upon purchase of any Units or Warrants holders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the securities are purchased. Units may also be purchased by Unitholders under the distribution reinvestment plan as described in section 3.2.

6.2 Issuer Bid

The Declaration of Trust provides that, subject to applicable law and stock exchange requirements, the Fund may, in its sole discretion, from time to time purchase for cancellation in the open market Units for cancellation.

7.0 REDEMPTION OF SECURITIES

Subject to the Fund's right to suspend redemptions as discussed in section 7.2, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust in November of each year, provided the Units are surrendered by 5:00 p.m. (Toronto time) on the last business day of October. The Declaration of Trust provides that Units surrendered for redemption will be redeemed on the Redemption Date at a redemption price per Unit equal to the net asset value per Unit on the Redemption Date (less any costs associated with the redemption, including brokerage costs). Payment of the Annual Redemption Amount will be made on or before the tenth business day of the month subsequent to the Annual Redemption Date.

7.1 General

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds Units to deliver to CDS, at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise the redemption right sufficiently in advance of the Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the last business day of October.

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

of the redemption notice or its withdrawal will be for the account of the Unitholder exercising the redemption privilege.

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

On the redemption of Units, the Fund may, in its sole discretion, designate payable to the redeeming Unitholder, as part of the redemption price, any income or capital gain realized by the Fund in the taxation year of the Fund in which the redemption occurred.

7.2 Suspension of Redemptions

The Declaration of Trust permits the Administrator to direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Portfolio (by value) is listed and traded; or (b) for any period not exceeding 120 days during which the Administrator determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Administrator to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances, all Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. Redemptions that have been suspended will be effected at a price determined on the first date that the net asset value per Unit is calculated following the termination of the suspension. The suspension shall terminate in any event on the first business day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Administrator shall be conclusive.

8.0 RESPONSIBILITY FOR FUND OPERATIONS

8.1 Administrator

The Declaration of Trust provides that Trustee shall appoint or retain an administrator to manage the business and affairs of the Fund. The Trustee has appointed the Administrator pursuant to the terms of the Declaration of Trust and the Administrative Services Agreement.

Blue Ribbon Fund Management Ltd. was formed pursuant to the Business Corporations Act (Ontario) by articles of incorporation dated July 10, 2009. It took over administration of the Fund effective November 20, 2009. Its head office is located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. Its telephone number is (416) 642-6000, its e-mail address is info@bromptongroup.com and its website address is www.bromptongroup.com. The Administrator was organized for the purpose of managing and administering closed-end investment funds, including the Fund.

Pursuant to the Administrative Services Agreement, the Administrator is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, and may delegate certain of its powers to third parties at to additional cost to the Fund where, in the discretion of the Administrator, it would be in the best interest of the Fund and the Unitholders to do so. In this regard,

pursuant to a sub-administrative services agreement, the Administrator has granted Brompton Funds Management Limited the authority to manage the operations and affairs of the Fund for which the Administrator is responsible pursuant to the Administrative Services Agreement and to make all decisions regarding the business of the Fund, and has authority to bind the Fund, however certain actions require the consent of the Administrator. In consideration for these services, the Administrator pays to Brompton Funds Management Limited a sub-administrative services fee.

The sub-administrative services agreement will be for an indefinite term, unless terminated as described below. Brompton Funds Management Limited's appointment may be terminated by the Administrator on 90 days written notice to Brompton Funds Management Limited in the event of the persistent failure of Brompton Funds Management Limited to perform its duties and discharge its obligations under the sub-administrative services agreement, the continuing malfeasance or misfeasance of Brompton Funds Management Limited in the performance of its duties under the sub-administrative services agreement or if Blue Ribbon Fund Management Ltd. ceases to be the Administrator.

The sub-administrative services agreement may be terminated immediately in the event of the commission by Brompton Funds Management Limited of any fraudulent act or any misrepresentation under the sub-administrative services agreement, and is automatically terminated if the Administrative Services Agreement is terminated or Brompton Funds Management Limited becomes bankrupt or insolvent, or makes a general assignment for the benefit of its creditors.

The services of the officers and directors of Brompton Funds Management Limited are not exclusive to the Fund. Affiliates and associates (as defined in the Securities Act (Ontario)) of the Administrator may, at any time, engage in the administration of any other fund or trust.

8.1.1 Administration Fee

The Fund pays the Administrator the Administration Fee and reimburses the Administrator all expenses incurred in connection with its duties as Administrator. The Administrator receives an Administration Fee equal to 0.50% of the net asset value of the Fund, calculated in accordance with the Administrative Services Agreement and payable monthly in arrears plus applicable taxes.

8.1.2 Service Fee

The Administrator is responsible for calculating and paying the Service Fee to dealers based on the number of Units held by clients of such dealers at the end of each relevant quarter. The Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) is equal to not more than 0.40% per annum of the net asset value of the Fund represented by the Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes.

8.1.3 Termination of the Administrative Services Agreement

The Administrative Services Agreement may be terminated at any time by the Fund on 90 days written notice by the Trustee in the event of: the persistent failure of the Administrator to perform its duties and discharge its obligations under the Administrative Services Agreement, or the continuing malfeasance or misfeasance of the Administrator in the performance of its duties under the Administrative Services Agreement or; an Extraordinary Resolution of Unitholders at a meeting duly called for such purpose in accordance with the Declaration of Trust. The Administrative Services Agreement may be terminated immediately in the event of the commission by the Administrator of any fraudulent act; and automatically, if the Administrator becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

8.1.4 Directors and Officers of the Administrator

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

Name and Municipality of Residence and Position with the Manager	Principal Occupation and Positions Held During the Last 5 Years
M. PAUL BLOOM ⁽¹⁾ Executive Vice President and Chairman	President of Bloom Investment Counsel, Inc. since 1985.
MARK A. CARANCI ⁽¹⁾ Toronto, Ontario President and Director	President and Chief Executive Officer, Brompton and Brompton Funds since April 2007; President, Brompton and Brompton Funds and from April 2006 to April 2007; Chief Financial Officer, Brompton group of companies from 2000 to April 2006.
CRAIG T. KIKUCHI Toronto, Ontario Chief Financial Officer	Chief Financial Officer, Brompton and Brompton Funds since April 2006; Vice President, Finance, Brompton and Brompton Funds from August 2005 to April 2006; Controller, Brompton group of companies from February 2002 to August 2005.
MOYRA E. MACKAY Toronto, Ontario Corporate Secretary	Vice President & Corporate Secretary, Brompton and Brompton Funds since July 2005; Vice President & Corporate Secretary, Brompton group of companies from May 2000 to July 2005.

Note

⁽¹⁾ Member of the Audit Committee.

8.1.5 Independent Review Committee

The members of the IRC are James W. Davie, Arthur R.A. Scace and Ken S. Woolner. Mr. Woolner is the Chair of the IRC and is the primary person to interact with the Administrator.

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

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

In addition to its responsibilities and functions under NI 81-107, the IRC:

- (a) shall handle complaints and implement corrective action regarding accounting, internal accounting controls, auditing matters and the like for the Administrator, as more specifically set out in the Whistleblower Policy of the Administrator;
- (b) shall act in an advisory capacity to the Audit Committee of the Board of Directors of the Administrator, as more specifically set out in its charter; and
- (c) may, as more specifically set out in its charter, identify conflict of interest matters

Note:

The members of the IRC also act as the members of the independent review committees for other investment funds.

Prior to November 20, 2009, the former administrator of the Fund established an IRC that is unrelated to the current IRC, described above. Further information on the former IRC can be found in the Fund's 2008 Annual Information Form and the Circular, which are available on SEDAR at www.sedar.com.

8.2 The Investment Manager

The Declaration of Trust provides that the Administrator shall, on behalf of the Fund, retain an investment manager to make investment decisions with respect to the Fund Property, in accordance with the Investment Objectives and Investment Policies and subject to the Investment Restrictions. The Administrator has retained the Investment Manager pursuant to an amended and restated Investment Management Agreement entered into between the Fund, and the Investment Manager dated as of November 20, 2009 to provide such services to the Fund, in accordance with the Declaration of Trust. The registered office of the Investment Manager is Suite 1710, Adelaide Place, 150 York Street, Toronto, Ontario.

8.2.1 Principal Investment Managers

The principal investment managers of Bloom Investment Counsel, Inc. who are responsible for the investment management of the Fund are as follows:

Name	Length of Service and Experience in the Past 5 Years
M. Paul Bloom Toronto, Ontario	President since May 1985.
Niall C.T. Brown Toronto, Ontario	Vice President since November 2007; Senior Portfolio Analyst, Manulife Global Asset Management Group from January 2003 to January 2007.

Paul Bloom has overall responsibility for overseeing the investment management activities of the Investment Manager. The ultimate responsibility for all decisions and their consequences reside with Mr. Bloom.

Niall Brown is a vice president of the Investment Manager and has extensive day-to-day management responsibilities for the Portfolio.

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

8.2.2 Investment Management Fee

Pursuant to the terms of the Investment Management Agreement, the Fund pays the Investment Manager an investment management fee equal to 0.50% per annum of the net asset value of the Fund, calculated and payable monthly in arrears, plus applicable taxes.

8.2.3 Termination of the Investment Management Agreement

The Administrator will, at the direction of Unitholders, authorized by an Extraordinary Resolution, terminate the Investment Management Agreement upon 90 days written notice to the Investment Manager. The Investment Management Agreement will automatically terminate on the Termination Date set out in the Declaration of Trust. The Administrator, on behalf itself and the Fund, may also terminate the Investment Management Agreement:

- in the event that the Investment Manager is in breach of the Investment Management Agreement and the breach has not been cured within 15 days of notice of such breach or default to the Investment Manager;
- at any time in the event that the Investment Manager shall be declared bankrupt or insolvent or shall enter into liquidation, whether compulsory or voluntary (and not being a voluntary liquidation for the purposes of amalgamation or reorganization) or if substantially all of the assets of the Investment Manager shall otherwise become liable to seizure or confiscation by any public or governmental authority;
- at any time in the event that the Investment Manager permanently loses a registration or licence which is required in order for it to fulfill its duties under the Investment Management Agreement or otherwise is incapable under applicable law of performing its obligations under the Investment Management Agreement; or
- at any time in the event the Investment Manager commits any fraudulent act in the performance of its duties under the Investment Management Agreement or in the event of any breach of a representation by the Investment Manager under the Investment Management Agreement.

The Investment Management Agreement may be terminated by the Investment Manager:

- in the event that the Fund or the Administrator is in breach or default of the provisions of the Investment Management Agreement and such breach or default has not been cured within 15 days of notice of such breach or default to the Administrator;
- at any time in the event that the Administrator shall be declared bankrupt or insolvent or shall enter into liquidation, whether compulsory or voluntary (and not being a voluntary liquidation for purposes of amalgamation or reorganization) or if substantially all of the assets of the Administrator shall otherwise become liable to seizure or confiscation by any public or governmental authority or the Administrator is incapable under applicable law of performing its obligations under the Investment Management Agreement; or
- at any time if the Administrator commits any fraudulent act in the performance of its duties under the Investment Management Agreement or in the event of any breach of a representation by the Administrator under the Investment Management Agreement.

8.3 The Trustee

Computershare Trust Company of Canada is the trustee of the Fund and is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The address of the Trustee is 100 University Avenue, 11th Floor, Toronto, ON M5J 2Y1

8.4 The Custodian

The Administrator has appointed CIBC Mellon Global Securities Company as Custodian, pursuant to the terms of the amended and restated Custodian Agreement dated November 20, 2009, entered into by the Fund and the Custodian. The Custodian may employ sub-custodians as considered appropriate in the circumstances. The address of the Custodian is 320 Bay Street, P.O. Box 1, 6th Floor, Toronto, Ontario, M5H 4A6.

8.4.1 Custodian Fees

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

8.4.2 Termination of the Custodian Agreement

The Custodian Agreement may be terminated by either party without penalty at any time on 90 days prior written notice. Prior notice is not required and termination will be immediate if:

- either party is declared bankrupt or shall be insolvent; or
- the Administrator has resigned, has been replaced or has otherwise been terminated as the administrator of the Fund.

8.5 Valuation Services

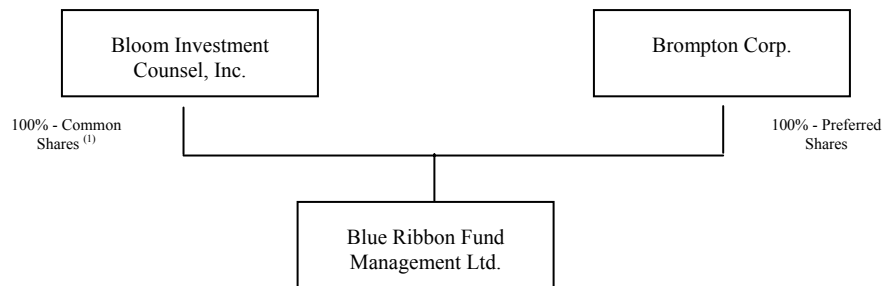
The Administrator, on behalf of the Fund, has appointed CIBC Mellon Global Securities Company to provide the Fund with valuation services. Such services include the calculation of the Fund's net asset value, calculated in accordance with the Fund's valuation parameters described in section 4.0.

8.6 Auditor, Registrar, Transfer Agent and Distribution Agent

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, 77 King Street West, Toronto, ON M5K 1G8. Computershare Trust Company of Canada is the registrar, transfer agent and distribution agent for the Units and Warrants. The register and transfer ledger are kept by the Trustee at its offices located in Toronto.

9.0 CONFLICTS OF INTEREST

9.1 Principal Holders of Securities and Affiliated Entities



Note:

⁽¹⁾ As of the date hereof, all of the common shares of the Administrator, the only class of shares with voting rights, are owned by the Investment Manager, which is wholly owned by M. Paul Bloom. Mr. Bloom also benefits from the fees paid to the Administrator under the terms of the Administrative Services Agreement.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The services of the Custodian and the officers and directors of the Custodian are not exclusive to the Fund. The Custodian and its affiliates and associates (as defined in the Securities Act (Ontario)) may, at any time, engage in any other activity.

The Administrator and the Investment Manager and their directors and officers engage in the promotion, management or investment management of one or more funds or trusts with investment objectives similar to the Fund. The Investment Manager acts as the investment advisor or administrator for other funds and may in the future act as the investment advisor to other funds which are considered competitors of the Fund. The services of the Administrator are not exclusive to the Fund.

In addition, the directors and officers of the Administrator and the Investment Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Administrator, the Investment Manager or their affiliates may be a manager of one or more issuers in which the Fund may acquire securities and may be managers or administrators of funds with similar investment objectives as the Fund. Although none of the directors or officers of the Administrator or the Investment Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Administrator or the Investment Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, the Administrator and the Investment Manager, as applicable.

9.2 Securities Held by Members of the Independent Review Committee

As at December 31, 2009, the members of the IRC did not hold any securities of the Administrator or the Fund. In addition, the percentage of securities of each class or series of voting securities beneficially owned, directly or indirectly, in aggregate, by all members of the IRC in any service provider or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or Administrator is less than 1%.

10.0 FUND GOVERNANCE

The Administrator supports good governance practices for the Fund. The Fund is administered by the Administrator and consequently, the Board of Directors and Audit Committee referred to are the Board

Audit Committee of the Administrator. The Board is responsible for the overall stewardship of the business and affairs of the Fund. Details regarding the names, principal occupations and committee memberships of the Board are set out in section 8.1.4. The Board believes that the number of directors is appropriate.

The Board members are also members of the Audit Committee. The responsibilities of the Audit Committee include, but are not limited to, review of the Fund's financial statements and the annual audit performed by PricewaterhouseCoopers LLP ("PWC"), the auditor of the Fund; oversight of internal controls and of the Fund's compliance with tax laws and regulations. PWC reports to the Audit Committee and the Audit Committee and PWC have direct communication channels to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund's approach to governance issues. To ensure the proper management of the Fund and compliance with regulatory requirements, the Board of Directors has adopted policies, procedures and guidelines relating to business practices, risk management control, and internal conflicts of interest. As part of managing its business practices, the Board has adopted a Whistleblower Policy and a Privacy Policy. The Whistleblower Policy establishes a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters pertaining to the Fund. The Privacy Policy dictates the manner in which the Fund and the Administrator may collect, use and disclose personal information regarding the Unitholders. The Proxy Voting Policy is described in section 10.2. As part of its risk management, the Board has adopted a Disclosure Policy. The Disclosure Policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Board has adopted a Code of Business Ethics and an Insider Trading Policy. The Code of Business Ethics and Insider Trading Policy, address, among other things, ethical business practices and handling of material information and purchasing or selling of securities by insiders.

NI 81-107 requires the Administrator to have policies and procedures relating to conflicts of interest and the Administrator has such policies and procedures in place.

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

The Administrator maintains a website for the Fund at www.bromptongroup.com. The mandate of the Board is available on the website. The Administrator has an investor relations line to respond to inquiries from Unitholders, which is 1-866-642-6001

10.1 Composition of the Independent Review Committee

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

10.2 Proxy Voting Policy

The Portfolio is managed by Bloom Investment Counsel, Inc. and pursuant to the Investment Management Agreement, the Investment Manager is authorized to exercise all rights and privileges incidental to ownership for the Fund Investments. The Fund has adopted the Investment Manager's proxy voting policy (the "Proxy Voting Policy"), which provides general guidance, in compliance with

applicable legislation, for the voting of proxies. The ultimate decision as to how to cast a vote rests with the Investment Manager, based on what the Investment Manager believes to be in the best interest of the Fund and in accordance with the Fund's Investment Objectives, Policies and Restrictions.

The Investment Manager will generally:

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

The policies and procedures that the Fund follows when voting proxies relating to Portfolio Securities are available on request, at no cost, by calling 1-866-642-6001, by writing to the Administrator at Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

The Fund's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any Unitholder of the Fund upon request at any time after August 31 of that year.

10.3 Securities Lending

In order to generate additional returns, Administrator has entered into a written securities lending agreement (the "Securities Lending Agreement") on behalf of the Fund with the Custodian, as agent for the Fund, to administer any securities lending transaction for the Fund.

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

- Enter into securities lending, repurchase or reverse purchase transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties");
- Maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- Establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall;
- Ensure that no more than 50% of the Total Assets of the Fund are out on loan at one time; and

- Ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund.

The transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Administrator has written procedures that set out the objectives, goals and risk management practices with respect to securities lending arrangements which are reviewed annually by the Board of Directors. The Securities Lending Agreement is approved by the Board of Directors of the Administrator and securities lending arrangements and risks are monitored by the Administrator. The Custodian conducts simulations to test the portfolio under stress conditions.

10.4 Short-Term Trades

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

- (i) the Fund is a closed-end investment trust;
- (ii) Unitholders are only permitted to redeem Units on annual basis;
- (iii) the Annual Redemption Amount is based on the Net Asset Value per Unit on the second last business day of November, minus any costs associated with the redemption, including brokerage costs;
- (iv) for the purpose of calculating the Annual Redemption Amount the value of any security is equal to the weighted average trading price over the last three Business Days of the month of November; and
- (v) redemptions require more than 4 weeks to process from the date a holder notifies CDS of their redemption request to the date the redemption proceeds are paid out.

11.0 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units and/or Warrants. This summary is applicable to a holder of Units and/or Warrants who is an individual (other than a trust) and who, for the purposes of the Income Tax Act, is resident in Canada, deals at arm's length with and is not affiliated with the Fund and holds the units and/or Warrants as capital property. Generally, the Units and/or Warrants will be considered to be capital property to a purchaser provided that the purchaser does not hold such Units and/or Warrants in the course of carrying on a business of trading or dealing in 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 their Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" (as defined in the Income Tax Act) owned or subsequently acquired by such Unitholder treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Income Tax Act. This election is not available in respect of the Warrants. Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Income Tax Act is available and/or advisable in their particular circumstances.

This summary is based on the assumption that the Fund qualifies, and will continue to qualify, at all times as a “unit trust” and a “mutual fund trust” within the meaning of the Income Tax Act. In order to so qualify, the Fund must comply on a continuous basis with certain investment criteria and certain minimum dispersal requirements relating to the Units. In addition, the Fund may not reasonably at any time be considered to be established or maintained primarily for the benefit of non-resident persons. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described herein would in some respects be materially different.

This summary is based on the assumption that none of the issuers of the securities in the Portfolio are or will be foreign affiliates of the Fund or of any Unitholder and that none of the securities in the Portfolio are or will be a “tax shelter investment” within the meaning of the Income Tax Act. This summary is also based on the assumption that the Fund does not and will not invest in a share of, an interest in, or a debt of a non-resident entity or an interest in or a right or option to acquire such a share, interest or debt that would cause the Fund to include amounts in income under section 94.1 of the Income Tax Act as proposed to be amended by the Tax Proposals contained in the March 4, 2010 Canadian Federal budget or securities of a non-resident trust other than an “exempt foreign trust” under the proposals to amend the Income Tax Act announced on November 9, 2006 as proposed to be revised under the Tax Proposals contained in the March 4, 2010 Canadian Federal budget (or such proposals as amended or enacted or successor provisions thereto).

This summary is based on the assumption that that the Fund is not and will not be a “SIFT trust” within the meaning of the SIFT Rules. Counsel has been advised that the Fund has not held and will not hold investments that would result in the Fund becoming subject to the SIFT Rules in any taxation year. If the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations discussed herein could be materially and adversely different in certain respects.

This summary is based on the current provisions of the Income Tax Act, counsel’s understanding of the current administrative and assessing practices of the CRA made publicly available prior to the date hereof and a certificate from the Fund as to certain factual matters. It also takes into account all of the Tax Proposals. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

On June 22, 2007, the SIFT Rules that impose a tax on certain income (other than taxable dividends) earned by most publicly traded trusts and partnerships (other than certain real estate investment trusts) and treat distributions or allocations of such income to investors as a dividend from a taxable Canadian corporation were enacted. Proposed amendments to the SIFT Rules were announced by the Minister of Finance (Canada) on December 20, 2007, draft legislative proposals containing proposed amendments to the SIFT Rules were released on July 14, 2008, a Notice of Ways and Means Motion containing proposed amendments to the SIFT Rules was tabled in the House of Commons on November 28, 2008 and on February 2, 2009. Legislation to implement the proposed amendments contained in the February 2, 2009 Notice of Ways and Means Motion was contained in Bill C-10 which received royal assent on March 12, 2009. Under the SIFT Rules, a Canadian resident trust or partnership the units of which are listed or traded on a stock exchange or other public market and that hold one or more “non-portfolio properties” (as defined in the SIFT Rules) is a SIFT trust or SIFT partnership, as the case may be. Income from and capital gains from the disposition of non-portfolio properties earned by a SIFT trust or SIFT partnership is taxed at a rate similar to income earned by a corporation and distributions or allocations, as the case may be, of such income to investors is taxed in a manner similar to dividends from taxable Canadian corporations. The deemed dividend is eligible for the enhanced dividend tax credit if paid or allocated to a resident of Canada. The SIFT Rules are effective for a SIFT’s taxation year ending after 2006, except that the application of the SIFT Rules is generally delayed until the SIFT’s taxation year ending after 2010 if the SIFT would have been a SIFT on October 31, 2006, had the SIFT Rules been enacted on that date.

However, the deferral will be lost and the SIFT Rules will apply immediately in any taxation year ending after 2006 if the SIFT exceeds the normal growth limitations set out in the guidelines concerning normal growth released by the Department of Finance (Canada) on December 15, 2006, as subsequently revised and as may be further amended from time to time (the “Normal Growth Guidelines”), unless the excess arose from a prescribed transaction or if a trust or partnership that would not have been a SIFT on October 31, 2006 subsequently becomes a SIFT at any time thereafter. The Normal Growth Guidelines establish objective tests with respect to how much a SIFT is permitted to grow in the interim period from November 1, 2006 to the end of 2010 without becoming immediately subject to the SIFT Rules. The SIFT Rules do not change the tax treatment of distributions that are paid as a return of capital by SIFT trusts. The Fund was established to provide investors with exposure to the Portfolio that includes securities of income trusts (and may include securities of partnerships) to which the SIFT Rules may apply. There can be no assurance that Canadian federal income tax laws respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and its Unitholders.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Income Tax Act under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents (including partnerships with one or more non-resident members) is more than 50% of the aggregate fair market value of all units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. Such draft amendments do not provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Department of Finance (Canada) has suspended implementation of these proposed changes pending further consultation with interested parties.

On October 31, 2003, the Department of Finance (Canada) released, for public consultation, draft proposed amendments (the “October 31, 2003 Proposals”) to the Income Tax Act that would require, for taxation years commencing after 2004, that there be a reasonable expectation of cumulative profit from a business or property in order for a taxpayer to claim a loss in a particular taxation year from the business or property, and that would make it clear that “profit” for this purpose does not include capital gains. The October 31, 2003 Proposals could, among other things, adversely affect a Unitholder who has borrowed funds in connection with the acquisition of Units or the Fund's ability to claim certain deductions. In the Canadian federal budget tabled in the House of Commons on February 23, 2005 by the Minister of Finance (Canada), it was announced that the Department of Finance (Canada) would replace the October 31, 2003 Proposals with a revised legislative initiative which is to be released for public comment. No such proposal has been released to date. This summary does not take into account the effect of the October 31, 2003 Proposals on the deduction of interest and other expenses by the Fund and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units and/or Warrants. Holders should consult their own tax advisors in this regard.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and/or Warrants. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units and/or Warrants will vary depending on the holder's particular circumstances including the province or provinces in which the holder carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular holder. Holders should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units and/or Warrants, based on their particular circumstances.

11.1 Taxation of the Fund

The Fund is subject to tax under Part I of the Income Tax Act in each taxation year on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the

amount paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount.

With respect to each issuer included in the Portfolio that is a Canadian resident trust and that is not subject in a taxation year to the tax imposed under the SIFT Rules, the Fund will be required to include in the calculation of its income the net income and net taxable capital gains paid or payable to the Fund by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such issuer. Provided that appropriate designations are made by the issuer, net taxable capital gains and taxable dividends from taxable Canadian corporations paid or payable by the issuer to the Fund will effectively retain their character in the hands of the Fund.

The Fund will be required to reduce the adjusted cost base of units of an issuer in the Portfolio that is a Canadian resident trust by any amount paid or payable by such issuer to the Fund except to the extent that the amount was included in calculating the income of the Fund or was the Fund's share of the non-taxable portion of capital gains of such issuer, the taxable portion of which was designated in respect of the Fund. If the adjusted cost base to the Fund of such units becomes a negative amount at any time in a taxation year of the Fund, that negative amount will be deemed to be a capital gain realized by the Fund in that taxation year and the Fund's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

With respect to each issuer in the Portfolio that is a limited partnership and that is not subject in a taxation year to the tax imposed under the SIFT Rules, the Fund will be required, in computing its income, to include or will be entitled to deduct, as the case may be and subject to the "at-risk rules" and other provisions in the Income Tax Act, its share of net income, capital gains, losses and capital losses for tax purposes of the issuer allocated to the Fund for the fiscal year of the issuer ending in the Fund's taxation year, whether or not a distribution is received in respect thereof from the issuer.

In general, the adjusted cost base at a particular time to the Fund of units of a limited partnership will be equal to the cost of such units to the Fund plus its share of income and capital gains of the limited partnership allocated to it for fiscal years of the limited partnership ending before the particular time less the total of its share of losses and capital losses of the limited partnership allocated to it for fiscal years of the partnership ending before the particular time and the Fund's share of any distributions received from the limited partnership before the particular time. If the adjusted cost base to the Fund of units of a limited partnership is negative at the end of a fiscal year of the partnership, that negative amount will be deemed to be a capital gain realized by the Fund at that time and the Fund's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

Under the SIFT Rules, each issuer in the Portfolio that is a SIFT trust or SIFT partnership as defined in the SIFT Rules (which generally include income trusts (other than certain real estate investment trusts) and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) is subject to a tax in respect of its "non-portfolio earnings", which include (i) income from non-portfolio properties (exceeding any losses for the taxation year from non-portfolio properties), other than taxable dividends, and (ii) taxable capital gains from dispositions of non-portfolio properties (exceeding allowable capital losses from dispositions of such properties). For this purpose, non-portfolio properties include: (i) certain Canadian real and resource properties, (ii) a property that the SIFT trust or SIFT partnership (or a non-arm's length person or partnership) uses in the course of carrying on a business in Canada, and (iii) securities of a "subject entity" (other than a "portfolio investment entity") if the SIFT trust or SIFT partnership holds securities of the subject entity that have a total fair market value that is greater than 10% of the subject entity's equity value or if the SIFT trust or SIFT partnership holds securities of the subject entity which, together with all securities held of affiliates of the subject entity, have a total fair market value that is greater than 50% of the SIFT trust's or SIFT partnership's equity value. A "subject entity" includes corporations resident in Canada, trusts resident in Canada, and

Canadian resident partnerships and a “portfolio investment entity” is an entity that does not hold any non-portfolio property. The SIFT Rules provide that non-portfolio earnings of a SIFT trust or SIFT partnership are taxed at a rate that is equivalent to the combined federal and provincial corporate tax rate. The SIFT Rules generally will not apply to taxation years of issuers that end before 2011 where units of the issuer were publicly traded before November 1, 2006. However, the deferral until 2011 will be lost and the SIFT Rules will apply immediately in any taxation year ending after 2006 if the issuer exceeds the normal growth limitations set out in the Normal Growth Guidelines unless the excess arose from a prescribed transaction or if the issuer is a trust or partnership that was not a SIFT on October 31, 2006 but subsequently becomes a SIFT at any time thereafter. The Normal Growth Guidelines establish objective tests with respect to how much a SIFT is permitted to grow in the interim period from November 1, 2006 to the end of 2010 without becoming immediately subject to the SIFT Rules. Where the deferral is not available or is rescinded, the SIFT Rules will generally apply to the 2007 and later taxation years of a SIFT trust or SIFT partnership. Under the SIFT Rules, non-portfolio earnings of a SIFT trust or SIFT partnership are generally taxed to unitholders as though they were a taxable dividend from a taxable Canadian corporation. Such dividend is an “eligible dividend” and should therefore benefit from the enhanced gross-up and dividend tax credit rules in the Income Tax Act.

The Fund will also be required to include in its income for each taxation year all interest on the debt securities it holds that accrues or is deemed to accrue to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. The SIFT Rules should have no impact on the character of interest paid or accrued on debt issued by a SIFT trust or SIFT partnership.

The Fund will be required to include in its income for a taxation year all dividends received in the year on shares of corporations.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on the Fund’s loan facility generally to the extent that borrowed funds are used to purchase Portfolio Securities. The Fund may deduct over a five year period agents’ fees and other expenses of issuing Units subject to proration for short taxation years.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA’s position should not adversely affect the Fund’s ability to deduct interest on money borrowed to acquire income trust units in the Portfolio. If the CRA’s view were to prevail and apply to the Fund, part of the interest payable by the Fund on money borrowed under the Fund’s loan facility to acquire units of certain income trusts in the Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund that is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

In determining the income of the Fund, gains or losses realized upon dispositions of Portfolio Securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Administrator has advised counsel that the Fund purchases the Portfolio Securities with the objective of earning distributions and income thereon and takes the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Administrator has advised counsel that the Fund has elected in accordance with the Income Tax Act to have each of its “Canadian securities” (as defined in the Income Tax Act) treated as capital property. Such election is intended to ensure that gains or losses realized by the Fund on the disposition of

Canadian securities, including most units of income trusts structured as mutual fund trusts, are taxed as capital gains or capital losses.

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

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

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

The Administrator has advised counsel that the Fund generally intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year. Therefore, provided the Fund makes distributions in each year of its net income for tax purposes and net realized capital gains as described in section 3.2, it will generally not be liable in such year for income tax under Part I of the Income Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund.

11.2 Taxation of Unitholders

A Unitholder generally will be required to include in computing income for a taxation year the amount of the Fund's net income for the taxation year, including the taxable portion of the Fund's net realized capital gains, paid or payable, or deemed to be paid or payable, to the Unitholder in the taxation year whether received in cash, in additional Units or otherwise. The non-taxable portion of the net realized capital gains of the Fund paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any amount in excess of the Unitholder's share of the net income and the net realized capital gains of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year generally will not be included in the Unitholder's income for the year but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit becomes less than zero, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund; (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit; and (iii) the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Income Tax Act. To the

extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. The Administrator has advised counsel that to the extent available under the Income Tax Act and CRA's administrative practice, the Fund will pass on to Unitholders in respect of eligible dividends the benefit of the enhanced gross-up and tax credit. Any loss of the Fund for purposes of the Income Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

A Unitholder who acquires additional Units may become taxable on the Unitholder's share of any income and gains of the Fund that have accrued or been realized but have not been made payable at the time the additional Units are acquired.

On the disposition or deemed disposition of Units (whether on a sale, repurchase, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Fund which represents an amount that is otherwise required to be included in the Unitholder's income) exceed (or are less than) the aggregate of the adjusted cost base of the Units and any reasonable costs of disposition. Any additional Units acquired by a Unitholder on a distribution satisfied by the issuance of additional Units or on the reinvestment of distributions will generally have a cost equal to the amount distributed or reinvested, as the case may be. If a Unitholder participates in the Plan and the Unitholder acquires a Unit from the Fund at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Unitholder must include the difference in income and that the cost of the Unit will be correspondingly increased.

For the purpose of determining the adjusted cost base to a Unitholder of the Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property at that time.

One-half of any capital gain realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Income Tax Act.

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

11.3 Taxation of Warrantholders

The exercise of a Warrant will not constitute a disposition of property for purposes of the Income Tax Act and, consequently, no gain or loss will be realized on the exercise of a Warrant. A Unit acquired by a Unitholder upon the exercise of a Warrant will have a cost to the Unitholder for tax purposes equal to the aggregate of the Subscription Price for such Unit and the adjusted cost base, if any, to the Unitholder of the Warrant so exercised. The cost of a Unit acquired by a Unitholder upon the exercise of a Warrant will be averaged with the adjusted cost base to the Unitholder of all other Units held at the time as capital property to determine the adjusted cost base of each such Unit to the Unitholder.

Upon the disposition of a Warrant by a Warrantholder, other than pursuant to the exercise thereof, the Warrantholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base, if any, of the Warrant to the Warrantholder. Upon the expiry of an unexercised Warrant, a Warrantholder will realize a capital loss equal to the adjusted cost base, if any of the Warrant to the Warrantholder. One-half of a capital gain will be included in computing the Warrantholder's income, and one-half of a capital loss may be deducted against taxable capital gains in accordance with the detailed rules in the Income Tax Act.

12.0 REMUNERATION OF DIRECTORS, OFFICERS, IRC AND TRUSTEES

The Administrator is paid the Administration Fee as disclosed in section 8.1.1 of this Annual Information Form. The directors of the Administrator do not receive any fees from the Fund. The IRC receives \$10,000 per member per annum and the Fund pays the expenses of the IRC and directors on behalf of the Fund. No expenses were paid to directors of the Administrator or the IRC in 2009.

Prior to November 20, 2009, the Fund was governed by two different administrators and two different IRC's all unrelated to that described in this Annual Information Form. As of November 19, 2009, the Fund recorded IRC fees and expenses and directors fees and expenses of \$29,494 and \$126,095 respectively. The Administrator of the Fund has no knowledge of the specific nature of these amounts paid to directors of previous administrators or to members of previous IRCs in the past year except for information provided in the public disclosure, available on SEDAR at www.sedar.com, including as noted below:

- The Fund's 2008 Annual Information Form states that each member of the board of directors of the former administrator as of March 27, 2009 was to be paid an annual retainer for 2009 of \$15,000 (\$17,500 for the chair), each multiplied by an adjustment factor related to the growth of the Fund's net asset value and \$1,000 for each meeting that the director attended, also multiplied by the adjustment factor plus the expenses of attending those meetings. Also, each member of the former IRC as of March 27, 2009 was to be paid an annual retainer for 2009 of \$25,000 (\$27,500 for the chair of the committee) and \$1,000 for each meeting that the member attended, plus expenses of attending those meetings. The fees of the directors and the IRC members were to be allocated among the several funds that were managed by the same administrator and the same IRC.
- The administrator changed on June 23, 2009 to 1482278 Alberta Ltd and a new IRC with new members was appointed.
- The Fund's interim financial statements for the period from January 1, 2009 to June 30, 2009 stated that \$3,430 were expensed as IRC fees for that period.
- The Circular stated that Mr. N. Gary Van Nest, an independent director of the former administrator, received directors fees in connection with the negotiation of the October 13, 2009 agreement described in section 1.0 of this Annual Information Form and the portion of these fees allocated to the Fund is stated as \$40,699.45.

For the year ended December 31, 2009, the Trustee was paid an aggregate amount of \$12,755 on account of its fees and expenses incurred in its capacity as Trustee, transfer agent, registrar and distribution agent of the Fund. Valiant Trust Company acted as trustee of the Fund from August 27, 2009 to November 19, 2009 and was paid \$40,000 upon being appointed trustee of the Fund.

13.0 MATERIAL CONTRACTS

The Fund and/or the Administrator, on behalf of the Fund, are party to the Declaration of Trust, the Administrative Services Agreement, the Investment Management Agreement, the Custodian Agreement and the Warrant Indenture. Copies of these material contracts may be accessed by prospective or existing Unitholders at www.sedar.com under the Fund's profile. They are also available at the Fund's office during normal business hours. Details regarding each of these contracts are provided in section 1.1 in the case of the Declaration of Trust, in section 13.1 in the case of the Warrant Indenture and in section 8 in the case of the other contracts.

13.1 WARRANT INDENTURE

Computershare Trust Company of Canada has been appointed the Warrant Agent of the Fund to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture.

The Fund will pay to the Warrant Agent, from time to time, reasonable remuneration for its services under the Warrant Indenture and will reimburse the Warrant Agent for all reasonable expenses, disbursements and advances.

The Warrant Agent may resign by giving the Fund not less than 90 days prior written notice or such shorter prior notice as the Fund may accept as sufficient. The Fund may remove the Warrant Agent and appoint a new warrant agent by giving not less than 90 days prior written notice or such shorter prior notice as the Warrant Agent may accept as sufficient. The holders of Warrants also have the power, at any time, to remove the Warrant Agent and appoint a new warrant agent, by Extraordinary Resolution of Warrantholders.

14.0 OTHER MATERIAL INFORMATION

14.1 Risk Factors

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

No Assurances on Achieving Objectives

There is no assurance that the Fund will be able to achieve its distribution objectives or that the portfolio will realize any gains.

There is no assurance that the Fund will be able to pay monthly Distributions. The funds available for distribution to Unitholders will vary according to, among other things, the distributions paid on all of the securities comprising the Portfolio.

Recent Global Financial Developments

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities, contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession, the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also significantly and adversely affect the prospects of the Fund and the value of its Portfolio Securities. A substantial decline in the North American equities markets could be expected to have a negative effect on the Fund.

Dilution to Existing Unitholders

If a Unitholder does not exercise or elects to sell the Unitholder's Warrants, then the value of the Units held by that Unitholder may be diluted as a result of the exercise of Warrants by others. Additionally, exercise of Warrants may have a dilutive impact on the Fund's distributable income.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

No Guaranteed Return

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

Performance and Marketability of Portfolio Securities

The net asset value will vary in accordance with the value of the securities acquired by the Fund, and in some cases the value of Portfolio Securities may be affected by factors beyond the control of its Investment Manager, the Administrator or the Fund. There is no assurance that an adequate market will exist for securities acquired by the Fund. Securities issued by issuers who are not reporting issuers in all provinces may be subject to an indefinite hold period under certain provincial securities legislation. In many circumstances, the issuers of securities which the Fund may acquire have limited operating histories. The value of these securities will be influenced by factors which are not within the control of the Fund, which, in the case of resource-oriented royalty and income trusts, include the financial performance of the respective issuers, commodity prices, exchange rates, interest rates, the hedging policies employed by such issuers, issues relating to the regulation of the natural resource industry and operational risks relating to the resource sector and other financial market conditions. In the case of real estate investment trusts, such factors include the quality of the real estate investment trust's property portfolio, the perception of and the abilities of the real estate investment trust's advisor, the prospects for the Canadian and US commercial real estate market and the economy in general, including the level and likely direction of interest rates. The Administrator cannot predict whether the securities held by it will trade at a discount to, a premium to, or at their net asset value.

Sensitivity to Interest Rates

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

Commodity Price Fluctuations

The operations and financial condition of the issuers of certain of the portfolio securities and, accordingly, the amount of distributions paid on such securities will be dependent on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the issuers of such securities and the amount of distributions paid on such securities. In addition, certain commodity prices are based on a US dollar market price. Accordingly, an increase in the value of the Canadian dollar against the US dollar could reduce the amount of distributions paid on such securities.

Composition of Portfolio

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

Reliance on the Investment Manager and the Administrator

The Fund is dependent on the Investment Manager for investment advisory and portfolio management services under the Investment Management Agreement and upon the Administrator for the provision of all other required services under the Administrative Services Agreement. The officers of the Investment Manager who will be primarily responsible for the management of the portfolio have extensive experience in managing investment portfolios, however, there is no certainty that such individuals will continue as employees of the Investment Manager and there is no certainty that the officers of the Administrator will continue as employees of the Administrator until the termination of the Fund.

General Risk of Investing in Debt Instruments

Generally, debt instruments will decrease in value when interest rates rise and increase in value when interest rates decline. The net asset value of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the portfolio. The value of debt instruments is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Debt instruments may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the debt instruments that may be included in the portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Global financial markets have experienced a significant repricing in recent months that has contributed to a reduction in liquidity and the availability of credit, enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

Trading at a Discount

Securities of closed-end investment trusts may not trade at net asset value and the Fund cannot predict whether its units will trade above, at or below their net asset value per Unit.

Nature of the Units

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

Borrowing

The Fund utilizes leverage in order to enhance returns for Unitholders. The use of leverage may result in capital losses or a decrease in Distributions to Unitholders. The interest expense and banking fees incurred in respect of the Fund's outstanding loan facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in portfolio securities to be included in the Portfolio with the borrowed funds. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns. In addition, the Fund may not be able to renew its outstanding loan facility on acceptable terms. The level of leverage actually employed may impose additional restrictions on the Fund and the Fund will be affected by credit markets and the availability of credit at the relevant time.

Illiquid Securities

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

Installment Receipts

Certain of the portfolio securities that the Fund will purchase may be installment receipts representing ownership interests in securities, the original issue price of which is payable on an installment basis. The Fund may be required to pay subsequent installments despite a decline in the value of the securities of an issuer in which the Fund invests.

Taxation of the Fund

The SIFT Rules impose a tax on certain income (other than taxable dividends) earned by most publicly traded trusts and partnerships (other than certain real estate investment trusts) and treat distributions or allocations of such income to investors as a dividend from a taxable Canadian corporation. The SIFT Rules do not change the tax treatment of distributions that are paid as a return of capital by SIFT trusts. The SIFT Rules are effective for a SIFT's taxation year ending after 2006, except that the application of the SIFT Rules is generally delayed until the SIFT's taxation year ending after 2010 if the SIFT would have been a SIFT on October 31, 2006, had the SIFT Rules been enacted on that date. However, the deferral will be lost and the SIFT Rules will apply immediately in any taxation year ending after 2006 if the SIFT exceeds the normal growth limitations set out in the Normal Growth Guidelines, unless the excess arose from a prescribed translation or if a trust or partnership that would not have been a SIFT on October 31, 2006 subsequently becomes a SIFT at any time thereafter. The Normal Growth Guidelines establish objective tests with respect to how much a SIFT is permitted to grow in the interim period from November 1, 2006 to the end of 2010 without becoming immediately subject to the SIFT Rules. The investment objectives of the Fund provide investors with exposure to its portfolio of investments that may include securities of income trusts and limited partnerships to which the SIFT Rules apply. The SIFT Rules may reduce the tax effectiveness of holding units of income trusts and partnerships that are subject to the SIFT Rules, and may negatively impact the value of income trust units and units of partnerships held by the Fund. Further, no assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and its Unitholders.

Under the SIFT Rules a Canadian resident trust (other than a "real estate investment trust" as defined in the SIFT Rules) or partnership the units of which are listed or traded on a stock exchange or other public market and that hold one or more "non-portfolio properties" (as defined in the SIFT Rules) is a SIFT trust or SIFT partnership, as the case may be. If the SIFT Rules become applicable to the Fund, it will be subject to a tax on certain income (other than taxable dividends), commencing in the taxation year in which it becomes a SIFT, notwithstanding that the income is distributed to Unitholders. Unitholders will be taxed on distributions of such income in a manner similar to dividends from a taxable Canadian Corporation. The deemed dividend is eligible for the enhanced dividend tax credit if paid or allocated to a resident of Canada. Counsel has been advised that the Fund has not held and will not hold investments that would result in the Fund becoming subject to the SIFT Rules in any taxation year. If the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations discussed in section 11.0 could be materially and adversely different in certain respects.

While the Fund has been structured so that it will generally not be liable to pay income tax, information available to the Fund and the Administrator relating to the characterization, for tax purposes, of the distributions received by the Fund in any year from issuers of securities in the portfolio of investments may be insufficient as at December 31 of that year to ensure that the Fund will make sufficient distributions in order that it will not be liable to pay non-refundable income tax in respect of that year.

A trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents, unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Income Tax Act. Tax proposals released on September 16, 2004 proposed that a trust would cease to qualify as a mutual fund trust for purposes of the Income Tax Act if, at any time after 2004, the fair market value of all trust units held by non-residents or partnerships which are not Canadian partnerships for the purpose of the Income Tax Act is more than 50% of the fair market value of all issued and outstanding trust units, unless no more than 10% (based on fair market value) of the trust’s property at any time is taxable Canadian property within the meaning of the Income Tax Act and certain other types of specified property. If these tax proposals are enacted as proposed and if at any time more than 50% of the aggregate fair market value of the units were held by non-residents, the Fund would thereafter cease to be a mutual fund trust. Such proposals do not provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Department of Finance (Canada) has suspended implementations of these proposed changes pending further consultation with interested parties..

Provided the Fund complies with its Investment Restrictions, it is expected that no more than the permissible percentage of the fair market value of the Fund’s assets will at any time consist of taxable Canadian property.

On October 31, 2003, the Department of Finance (Canada) announced the October 31, 2003 Proposals relating to the deductibility of losses under the Income Tax Act. Under the October 31, 2003 Proposals, a taxpayer would be considered to have a loss from a business or property for a taxation year only if, in that year, it was reasonable to assume that the taxpayer would realize a cumulative profit from the business or property during the time that the taxpayer carried on, or could reasonably be expected to carry on, the business or held, or could reasonably be expected to hold, the property. Profit, for this purpose, would not include capital gains or capital losses. If the October 31, 2003 Proposals were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Department of Finance (Canada) announced that a more modest legislative initiative to replace the October 31, 2003 Proposals would be released for comment at an early opportunity. No such alternative legislative proposal has been released to date.

If the Fund ceases to qualify as a “mutual fund trust” under the Income Tax Act, the income tax considerations would be materially and adversely different in certain respects. There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital which are not reinvested for an income earning purpose. If the CRA’s view were to apply to the Fund, part of the interest payable by the Administrator in connection with money borrowed to acquire certain Portfolio Securities could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds, including without limitation NI 81-102 *Mutual Funds*, except insofar as that instrument prescribes a form of annual information form for mutual funds, which form applies with limited exceptions to the Fund.

Conflict of Interest

The Administrator and the Investment Manager, and their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in royalty trusts, income trusts, real estate investment trusts, limited partnerships, debt instruments and equity instruments.

Although none of the directors or officers of the Administrator and the Investment Manager devote his or her full time to the business and affairs of the Fund or the Administrator, each devote as much time as is necessary to supervise the management of (in the case of the directors), or to manage the business and affairs of (in the case of officers), the Administrator and the Fund.

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the natural resource or real estate industries and the treatment of mutual fund trusts under the Income Tax Act will not be changed or further changed in a manner which adversely affects the distributions received by the Fund or by its Unitholders.

Payment in Kind on Termination

While the Fund intends to invest in publicly listed securities, it is possible that on termination of the Fund, it may not be possible to convert all of the Fund's assets to cash. In such circumstances, certain assets of the Fund will be distributed in kind. It is possible that assets of the Fund delivered to Unitholders in connection with the termination of the Fund will not be listed on any stock exchange and that no market will develop for such assets. Assets so distributed may be subject to resale restrictions under applicable securities laws and may not be qualified investments for Registered Plans which would have adverse tax consequences to such plans and/or their annuitants or beneficiaries.

Securities Lending

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

Significant Redemptions

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Administrator has the ability to terminate the Fund. The Administrator may exercise that discretion if, in its opinion, it is in the best interest of Unitholders to do so.

14.2 Accounting Changes

In 2005, changes to Canadian GAAP were implemented by the Accounting Standards Board of the Canadian Institute of Chartered Accountants (“CICA”) with the introduction of section 3855 *Financial Instruments – Recognition and Measurement*. Section 3855 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Section 3855 requires, among other things, that public securities be priced at the closing bid for long positions and the closing ask price for short positions. Currently, most securities are valued by investment funds at the last trade or closing price. The Canadian securities regulatory authorities (“CSRA”) acknowledged that the new standard resulted in significant difficulties for investment funds when calculating net asset value for purposes other than financial statements. Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* (“NI 81-106”), in force on September 8, 2008, permit investment funds to have two different net asset values: one for financial statement purposes, which is to be prepared in accordance with Canadian GAAP (referred to as “net assets” under NI 81-106) and another for all other purposes, including unit pricing (referred to as “net asset value” under NI 81-106). The amendments to NI 81-106 also require that the notes to the financial statements disclose the net asset value per security as at the date of the financial statements compared to the net assets per security as shown on the statement of net assets and to provide an explanation of the differences between these amounts.

The Canadian Accounting Standards Board (“AcSB”) has confirmed its plan to adopt all International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB’s plan, the Fund will adopt IFRS.

The Fund has developed a plan to meet the timetable published by CICA for changeover to IFRS. Key elements of the plan include the determination of the qualitative impact and the quantitative impact, if any, on the Fund’s financial statements in accordance with IFRS. The Fund has presently determined that there will be no impact to net assets per Unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the area of additional note disclosures and potentially different presentation of Unitholder interests in the financial statements of the Fund.

ANNUAL INFORMATION FORM FOR BLUE RIBBON INCOME FUND

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181 Bay St., Toronto, Ontario, M5J 2T3
Telephone: (416) 642-6000
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Website: www.bromptongroup.com

ADDITIONAL INFORMATION:

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements, copies of these documents may be obtained at no cost:

- By calling collect at (416) 642-6000 or toll-free at 1-866-642-6001, or
- Directly from your dealer, or
- By email at info@bromptongroup.com.

Copies of these documents and other information about the Fund, such as information circulars and material contracts, are also available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com.