

BROMPTON

OIL & GAS
INCOME FUND

ANNUAL INFORMATION FORM

UNITS
WARRANTS

March 29, 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 Manager 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 Manager 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 Amount**” means, with respect to any taxation year of the Fund, the amount, if any, by which the aggregate of the Net Income and Net Capital Gains, less any Net Capital Gains the tax on which would be refundable to the Fund in the current year under Part I of the Income Tax Act, for such taxation year exceeds the aggregate Distributions paid or payable by the Fund for such taxation year.

“**Additional Subscription Privilege**” means the subscription privilege granted to Warrantholders who have subscribed for Units pursuant to the offering of Warrants.

“**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.

“**Annual Redemption Date**” means the second last Business Day in August in each year.

“**Annual Redemption Payment Date**” means on or before the tenth Business Day of the month subsequent to an Annual Redemption Date.

“**Brompton**” means the Brompton group of companies.

“**Brompton Funds**” means Brompton Corp. and its wholly owned subsidiary Brompton Funds Management Limited which acts as manager to 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.

“**Closing Market Price**” means the closing price of the Units on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the Units on the TSX (or such other stock exchange on which the Units are listed if the Units are no longer listed on the TSX).

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

“**Custodian**” means RBC Dexia Investor Services Trust in its capacity as custodian under the Custodian Agreement, as appointed from time to time by the Manager.

“**Custodian Agreement**” means the custodian agreement entered into by the Manager, on behalf of the Fund, and The Royal Trust Company dated as of October 4, 2004, and assigned by The Royal Trust Company to the Custodian as of December 23, 2005, as it may be amended from time to time.

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

“**Distribution(s)**” means distributions of the Fund declared in accordance with the Declaration of Trust.

“**Exercise Period**” means the period beginning at market open (Toronto time) on November 17, 2009 and ending at 5:00 p.m. (Toronto time) on April 15, 2010.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least $66\frac{2}{3}\%$ of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving 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 Warrantholders 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 $66\frac{2}{3}\%$ of the aggregate number of the then outstanding Warrants represented and voted at the meeting.

“**Fund**” means Brompton Oil & Gas Income Fund.

“**Fund Investment**” means an investment acquired and managed by the Portfolio Manager on behalf of the Fund and “**Fund Investments**” means more than one Fund Investment taken collectively.

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

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

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

“**Loan Facility**” means the loan facility described in section 14.1 of this Annual Information Form.

“**Management Agreement**” means the amended and restated management agreement dated as of June 19, 2008 between the Manager and the Trustee, on behalf of the Fund, as it may be amended from time to time.

“**Management Fee**” means the management fee payable to the Manager pursuant to the Management Agreement and the Declaration of Trust as described in section 8.1.1 of this Annual Information Form.

“**Manager**” means the manager and administrator of the Fund, namely Brompton Funds Management Limited, or if applicable, its successor.

“**Market Price**” means the weighted average trading price on the TSX (or such other stock exchange on which the Units are listed if the Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Monthly Redemption Date.

“**Monthly Redemption Amount**” means a redemption price per Unit surrendered for redemption on a Monthly Redemption Date that is equal to the lesser of:

- (A) 94% of the Market Price of the Unit, and
- (B) 100% of the Closing Market Price of the Units on the applicable Monthly Redemption Date,

minus in each case any costs associated with the redemption, including brokerage costs.

“**Monthly Redemption Date**” means the second last Business Day of any month, excluding the month of August in each year.

“**Monthly Redemption Payment Date**” means on or before the tenth Business Day of the month subsequent to a Monthly Redemption Date.

“**Net Asset Value**” means the net asset value of the Fund, as determined in accordance with the Declaration of Trust as described in 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:

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

exceed the aggregate of

- (ii) the capital losses incurred by the Fund in the taxation year;
- (iii) the unapplied capital losses incurred by the Fund in the preceding taxation years, to the extent that they may be, and are applied against capital gains realized by the Fund in the taxation year; and
- (iv) any Net Loss of the Fund for the year and, if the Trustee so determines, any unapplied non-capital losses (as defined in the Income Tax Act) of the Fund for preceding years of the Fund, in each case multiplied by the reciprocal of the applicable fraction in paragraph 38(a) of the Income Tax Act.

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

“**Net Income**” or “**Net Loss**” of the Fund for a taxation year means the amount, if any, by which the income or loss of the Fund for such taxation year computed in accordance with the provisions of the Income Tax Act, other than paragraph 82(1)(b) and subsection 104(6) thereof and disregarding any

designations made by the Fund under subsection 104(19) of the Income Tax Act, without reference to the Fund's "capital gains" or "capital losses" (as those terms are defined in the Income Tax Act) for the taxation year, exceeds the non-capital losses of the Fund (as defined in the Income Tax Act) for any preceding taxation years of the Fund, to the extent that they may be, and are deducted in computing taxable 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 and restated from time to time.

"Oil & Gas Issuers" means an issuer where the principal underlying business is the conventional production and sale of oil and/or natural gas and includes but is not limited to oil and gas producers and energy service and pipeline entities.

"Ordinary Resolution" means a resolution passed by the affirmative vote of at least 50% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution.

"Portfolio Management Agreement" means the portfolio management agreement dated as of June 19, 2008 among the Fund, the Manager and Portfolio Manager, as it may be amended from time to time.

"Portfolio Manager" means MFC Global Investment Management (Canada), a division of Elliott and Page Limited, or such other portfolio manager as may be appointed from time to time by the Manager on behalf of the Fund to provide portfolio management services to the Fund in respect of the Fund Property.

"Service Fee" means the fee required to be paid by the Fund to the Manager, who is in turn required to pay such fee in an equivalent amount to dealers, all in accordance with the Declaration of Trust, as described in section 8.1.2 of this Annual Information Form.

"SIFT Rules" means the provisions of the Income Tax Act that apply to a SIFT Trust, as that term is defined in section 122.1 of the Income Tax Act, and the unitholders of a SIFT Trust.

"Subscription Price" means \$4.74 per Unit.

"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 in accordance with 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 determined 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)" means holder(s) of the Units.

“**Unit**” means one transferable, redeemable trust unit of the Fund, representing an equal, fractional and undivided beneficial interest in the Fund Property net of all liabilities of the Fund. “**Units**” represents more than one transferable, redeemable trust unit of the Fund.

“**Valuation Date**” means, at a minimum, Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

“**Warrant**” means one transferable warrant of the Fund issued to Unitholders of record on November 16, 2009 on the terms and conditions of the Warrant Indenture.

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

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

“**Warrant Indenture**” means the warrant indenture dated as of November 16, 2009 between the Fund and the Warrant Agent, as it may be amended from time to time.

1.0 NAME, FORMATION AND HISTORY

Brompton Oil & Gas Income Fund is a closed-end investment trust with a registered office located at Suite 2930, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of September 28, 2004 as amended and as amended and restated from time to time. Material amendments to the declaration of trust included: (a) an amendment dated November 9, 2005 to amend certain investment guidelines and Investment Restrictions; and (b) an amendment and restatement dated June 19, 2008 which included: (i) amending the Investment Strategy and Investment Restrictions to, among other things, broaden the investment universe beyond oil and gas producers to include securities issued by energy service and pipeline entities; (ii) adopting an active investment management strategy; (iii) appointing MFC Global Investment Management (Canada) as the portfolio manager; (iv) setting the distribution policy of the Fund, with distribution rates to be determined by the Manager from time to time; (v) amending the redemption provisions to move forward, on a permanent basis, the annual redemption date to the second last business day in August; (vi) amending the name of the Fund from “Brompton Equal Weight Oil & Gas Income Fund” to “Brompton Oil & Gas Income Fund”; and (vii) effecting certain administrative changes to improve operating efficiency.

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 Unitholders with the benefits of high monthly cash Distributions together with the opportunity for capital appreciation.

1.1.2 Investment Strategy

The Fund will seek to achieve its Investment Objectives by investing in an actively managed portfolio of oil and gas securities, including but not limited to income trusts, dividend paying common equities and convertible debt of Oil and Gas Issuers. In addition, the Fund may invest in special situations, being non-dividend paying equities, subject to the Investment Restrictions.

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, portfolio advisory 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.

Pursuant to the Declaration of Trust, the Trustee has retained Brompton Funds Management Limited as the Manager of the Fund and the Manager, on behalf of the Fund, has retained MFC Global Investment Management (Canada) as the Portfolio Manager and RBC Dexia Investor Services Trust as the Custodian of the Fund Property.

2.0 INVESTMENT RESTRICTIONS

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories 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, registered disability savings plans, deferred profit sharing plans, tax-free savings accounts, and registered education savings 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 undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units. On the 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 holder of Units is entitled to one vote for each whole 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 Capital Gains, if any. On termination or liquidation of the Fund, the holders of outstanding Units 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 have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except that fractional Units do not have the right to vote.

On December 16, 2004, the *Trust 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 trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer in each of the provinces and territories of Canada, and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

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 investment plan established by the Fund, all cash Distributions payable, less any amount to be withheld therefrom under applicable law, are to be paid in Canadian Funds no later than the tenth Business Day of the subsequent month. The Fund will make monthly distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager. 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 Manager. 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 pursuant to which Distributions paid to Unitholders may be reinvested, automatically on each Unitholders' behalf at the option of such Unitholder, to purchase additional Units in accordance with the plan. Notwithstanding the availability of the plan, all Distributions to non-resident Unitholders under the plan are paid in cash and will 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. 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 Oil & Gas Issuers 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 Oil & Gas Issuers 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 Amount will be automatically payable in each year to Unitholders of record on December 31. The Additional Distributable 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. In the event that the Fund does not have cash in an amount sufficient to pay the full amount of the Additional Distributable Amount, the Additional Distributable Amount may, at the option of the Trustee, be satisfied by the issuance of additional Units having a value equal to the cash shortfall. Following such issue of additional Units, the outstanding Units of the Fund will be automatically consolidated on a basis such that the number of consolidated Units (before giving effect to any redemption of Units on such date) is equal to the number of Units outstanding immediately preceding payment of such Additional Distributable Amount, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the Distribution. Additional information regarding tax matters is set out in section 11.0.

3.3 Amendment of the Declaration of Trust

3.3.1 Amending of the Declaration of Trust by the Trustee

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

- (i) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;

- (ii) make any change or correction which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (iii) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (iv) maintain the status of the Fund as a “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Income Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or
- (v) provide added protection or benefit to Unitholders.

3.3.2 Amending of the Declaration of Trust by the Unitholders

The Declaration of Trust provides that except as otherwise required by or contemplated in the Declaration of Trust, which exceptions are summarized below, the Declaration of Trust may be amended by an Ordinary Resolution of the Unitholders passed at a meeting called for the purpose of considering such Ordinary Resolution.

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

- (i) the removal of the Trustee or any one of its affiliates as the trustee of the Fund;
- (ii) any change in the Investment Objectives, Investment Strategy or 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;
- (iii) any material change in the Management Agreement, other than a change in the Manager, provided the new manager is an affiliate of the Manager;
- (iv) any increase in the fee paid to the Manager;
- (v) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (vi) any issue of Units for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of the setting of the subscription price by the Fund;
- (vii) any change in frequency of calculating Net Asset Value per Unit to less often than weekly;
- (viii) the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (ix) any merger, arrangement or similar transaction other than in the ordinary course;

- (x) any liquidation, dissolution or termination of the Fund, except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the Declaration of Trust; and
- (xi) any amendment to the above provisions except as permitted under the Declaration of Trust.

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, provided that at least 90 days written notice has been given to the Manager by the Trustee of the date so fixed by the Unitholders for the termination of the Fund. 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 Manager resigns and no new Manager is appointed by the Trustee within 120 days of the Manager 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 Manager 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 further provides that prior to a Termination Date, the Manager will instruct the Portfolio Manager to convert the Fund Investments to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust permits that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone the Termination Date by a period of up to 180 days if the Manager determines that it will be unable to convert all of the Fund Investments to cash prior to the original Termination Date and the Manager 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 Manager 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-half of a Warrant for each Unit of the Fund to Unitholders of record on November 16, 2009. Each whole Warrant entitles the holder to purchase one Unit at the subscription price of \$4.74 per Unit. Warrants may be exercised commencing on November 17, 2009 and prior to 5:00 p.m. (Toronto time) on April 15, 2010. Warrant holders 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 April 15, 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 Warrantholder is not a Unitholder and a Warrantholder 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 Subscription Rights

A Warrantholder may subscribe for 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 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 5:00 p.m. (Toronto time) on April 15, 2010 in order to exercise the Warrants. Accordingly, a subscriber must deliver its payment and instructions sufficiently in advance of April 15, 2010 to allow the CDS Participant to properly exercise the Warrants on such subscriber's behalf.

The Warrants may be exercised only by a Warrantholder 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, other than the United States, will be permitted to subscribe for Units pursuant to the terms of the warrant offering provided that they represent to 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 Warrantholder who elects to purchase Units pursuant to the basic subscription privilege a contractual right of rescission. Pursuant to such right, a Warrantholder 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 Warrantholder 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 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 Warrantholder 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.

Warrantholders 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 April 15, 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 Warrantholders that have subscribed for additional Units pursuant to the Additional Subscription Privilege. If any Warrantholder 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 Warrantholder 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 April 15, 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 April 15, 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.

3.5.5 Sale or Transfer of Warrants

Warrantholders in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Warrantholders 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 April 15, 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 a Valuation Date is to be determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund 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 Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) or interest

accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;

- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the 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 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 Valuation Date on which the Total Assets are being determined, all as reported by any means in common use, provided that for the purpose of calculating the Annual Redemption Amount, the value of any security will be equal to the weighted average trading price over the last three Business Days of the month in which the Annual Redemption Date occurs;
- (d) 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;
- (e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- (f) 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 from the Custodian on the Valuation Date on which the Total Assets are being determined;
- (g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the 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 determined to be appropriate by the Manager; and
- (h) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts. The Manager has not exercised its discretion to determine fair market value in the last 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 using 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 shall be calculated by dividing the Net Asset Value on such Valuation Date (calculated by subtracting the aggregate amount of the Fund's liabilities from the Total Assets) by the total number of Units outstanding on such Valuation 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 which is to be, at a minimum, Thursday of each week (or if any Thursday is not a Business Day, the immediately preceding Business Day) and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

The Net Asset Value per Unit 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 OGF.UN and OGF.WT.A, respectively, 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 and Warrants 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 or 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 (in the open market or by invitation for tenders) Units for cancellation.

7.0 REDEMPTION OF SECURITIES

7.1 Monthly

Subject to the Fund's right to suspend redemptions as discussed in Section 7.4, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust on a Monthly Redemption Date, provided the Units are surrendered by 5:00 p.m. (Toronto time) on the last Business Day of the month prior to the Monthly Redemption Date. The Declaration of Trust provides that Units surrendered for redemption on the Monthly Redemption Date will be redeemed at a redemption price per Unit equal to the lesser of (i) 94% of the Market Price of the Units; and (ii) 100% of the Closing Market Price of the

Units on the applicable Monthly Redemption Date, in each case less any costs associated with the redemption, including brokerage costs. Payment of the Monthly Redemption Amount will be made on the Monthly Redemption Payment Date.

7.2 Annual

Subject to the Fund's right to suspend redemptions as discussed in section 7.4, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust in August of each year, provided the Units are surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of July. The Declaration of Trust provides that Units surrendered for redemption will be redeemed on the Annual Redemption Date at a redemption price per Unit equal to the Net Asset Value per Unit on the Redemption Date (minus costs of funding the redemption, including brokerage costs). Payment of the Annual Redemption Amount will be made on or before the tenth Business Day of the month following such Annual Redemption Date.

7.3 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 the month prior to a Monthly Redemption Date and by 5:00 p.m. (Toronto time) on the last Business Day of July in the case of an Annual Redemption Date.

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 Manager may from time to time prior to the Monthly Redemption Date or Annual Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that in the opinion of the Manager 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 capital gain realized by the Fund in the taxation year of the Fund in which the redemption occurred.

7.4 Suspension of Redemptions

The Declaration of Trust permits the Manager 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 Fund Investments (by value) included in the portfolio are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager 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 day that the Net Asset Value per Unit, Market Price and Closing Market Price, as applicable, 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 Manager shall be conclusive.

8.0 RESPONSIBILITY FOR OPERATIONS

8.1 Manager

The Declaration of Trust provides that that Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager pursuant to the terms of the Declaration of Trust and the Management Agreement.

Brompton Funds Management Limited was formed pursuant to the Business Corporations Act (Ontario) by articles of amalgamation dated October 27, 2006. 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 Manager was organized for the purpose of managing and administering closed-end investment funds, including the Fund and is a member of the Brompton group of companies.

Pursuant to the Management Agreement, the Manager 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 no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund and the Unitholders to do so.

8.1.1 Management Fee

In consideration for these services, the Fund pays the Manager a Management Fee and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. The Manager receives a Management Fee equal to 0.85% per annum of Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Portfolio Manager out of the Management Fee.

The Management Fee may be paid in cash or Units at the option of the Manager. To the extent that the Units are issued from treasury for this purpose, Units will be issued at their Net Asset Value per Unit. During 2009, all fees were paid in cash.

8.1.2 Service Fee

The Manager is paid a Service Fee by the Fund for paying the fees payable 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 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 Management Agreement

The Management Agreement may be terminated at any time by the Trustee on behalf of the Fund on 90 days written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution. The Management Agreement may also be terminated by the Trustee on behalf of the Fund:

- at any time on 30 days written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement;
- at any time on 10 days written notice to the Manager for an uncured material breach of the Management Agreement by the Manager following written notice of such breach by the Trustee;
- immediately in the event of the commission by the Manager of any fraudulent act; and
- automatically, if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The Manager may resign and the Management Agreement terminated upon 120 days notice to the Trustee. The Manager may assign the Management Agreement to an affiliate of the Manager at any time.

8.1.4 Directors and Officers of the Manager

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

Name and Municipality of Residence and Position with the Manager	Principal Occupation and Positions Held During the Last 5 Years
PETER A. BRAATEN ⁽¹⁾ Toronto, Ontario Director	Chairman, Brompton Group Limited and its predecessor Brompton Limited, since November 2000.
MARK A. CARANCI ⁽¹⁾ Toronto, Ontario President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds since April 2007; President, Brompton Funds from April 2006 to April 2007; Chief Financial Officer, Brompton from 2000 to April 2006.

Name and Municipality of Residence and Position with the Manager	Principal Occupation and Positions Held During the Last 5 Years
RAYMOND R. PETHER ⁽¹⁾ Toronto, Ontario Director	Chief Executive Officer, Brompton Group Limited and its predecessor Brompton Limited, since April 2001.
CRAIG T. KIKUCHI Toronto, Ontario Chief Financial Officer	Chief Financial Officer, Brompton Funds since April 2006; Vice President, Finance, Brompton Funds from August 2005 to April 2006; Controller, Brompton from February 2002 to August 2005.
DAVID E. ROODE Toronto, Ontario Senior Vice President	Senior Vice President, Brompton Funds since August 2005, Senior Vice President, Brompton from May 2005 to August 2005; Vice President, Brompton from September 2002 to May 2005.
MOYRA E. MACKAY Toronto, Ontario Vice President and Corporate Secretary	Vice President & Corporate Secretary, Brompton Funds since July 2005; Vice President & Corporate Secretary, Brompton from May 2000 to July 2005.
LORNE ZEILER Toronto, Ontario Vice President	Vice President, Brompton Funds since August 2005; Vice President, Brompton from September 2004 to August 2005.
ANN WONG Toronto, Ontario Vice President and Controller	Vice President, Brompton Funds since October 2007, Controller, Brompton Funds since October 2005; Senior Manager, Treasury Finance Group Canadian Imperial Bank of Commerce from June 2004 to September 2005.
CHRISTOPHER CULLEN Toronto, Ontario Vice President	Vice President, Brompton Funds since October 2007; Assistant Vice President, Brompton Funds from April 2006 to October 2007; Manager Commercial Banking, CIBC Commercial Banking from September 2003 to February 2006.

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 Manager.

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 Manager's policies and procedures regarding conflict of interest matters, including any amendments to such policies and procedures referred to the IRC by the Manager;
- (b) approving or disapproving each conflict of interest matter referred by the Manager to the IRC for its approval;
- (c) providing its recommendation as to whether the Manager's proposed action on a conflict of interest matter referred by the Manager to the IRC for its recommendation achieves a fair and reasonable result for the Fund;

- (d) together with the Manager, 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 Manager 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 Manager, as more specifically set out in the Whistleblower Policy of the Manager;
- (b) shall act in an advisory capacity to the Audit Committee of the Board of Directors of the Manager, 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 managed by the Manager.

8.2 Portfolio Manager

The Declaration of Trust provides that the Manager shall, on behalf of the Trust, retain a Portfolio Manager to make investment decisions with respect to the Fund Property, in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. The Manager has retained the Portfolio Manager pursuant to a Portfolio Management Agreement entered into among the Manager, the Fund and the Portfolio Manager dated as of June 19, 2008 to provide such services to the Fund, in accordance with the terms of the Declaration of Trust. The Portfolio Manager's principal office is located at 200 Bloor Street East, Toronto, Ontario. The Portfolio Manager may, pursuant to the terms of the Portfolio Manager Agreement, delegate any of its functions, powers, responsibilities and duties to any of its affiliates.

8.2.1 Principal Portfolio Advisor

The principal portfolio advisor of MFC Global Investment Management (Canada) who is responsible for the investment management of the Fund are as follows:

Name	Length of Service and Experience in the Past 5 Years
Alan Wicks Toronto, Ontario	Vice President & Senior Portfolio Manager since 1996.

Alan Wicks is the lead portfolio manager on all Canadian value equity and Income Trust mandates. The ultimate responsibility for all decisions and their consequences, reside with Mr. Wicks. Directly supporting Mr. Wicks are Duncan Anderson, Jonathan Popper, and Conrad Dabiet. Together they make up the Canadian Value Equity and Income Trust team.

Each individual member of the team conducts company specific research and determines the investment merit of identified candidates. After the research has been conducted, the idea is presented to, and vetted by, the group and a final decision of the investment merit is made. The benefit of the team approach is that the entire team is aware of the investment stance of each idea. Once a final decision is made and

candidates are identified, when the need arises, any member of the team can conduct the day-to-day execution of the investment idea.

8.2.2 Portfolio Manager Fee

Pursuant to the terms of the Portfolio Management Agreement, the Manager pays the Portfolio Manager a portfolio management fee and the Fund reimburses the Portfolio Manager for all reasonable costs and expenses incurred by the Portfolio Manager.

8.2.3 Termination of the Portfolio Management Agreement

The Portfolio Management Agreement will automatically terminate on the Termination Date. The Manager, on behalf of itself and on behalf of the Fund, may also terminate the Portfolio Management Agreement:

- at any time on 90 days written notice to the Portfolio Manager;
- on 10 days written notice to the Portfolio Manager for an uncured material breach of the Portfolio Management Agreement by the Portfolio Manager following written notice of such breach by the Manager on behalf of the Fund;
- immediately in the event of insolvency or liquidation of the Portfolio Manager or if the Portfolio Manager becomes bankrupt or makes a general assignment for the benefit of its creditors or if a receiver is appointed in respect of the Portfolio Manager or a substantial portion of its assets or if the Portfolio Manager passes a resolution approving its liquidation, winding-up, dissolution or deemed dissolution;
- immediately if the assets of the Portfolio Manager become subject to seizure or confiscation by any public or governmental organization;
- immediately if the Portfolio Manager has lost any registration, licence, or other authorization required by it to perform its duties under the Portfolio Management Agreement, including, without limitation, the benefit of any exemption from the requirement to register under Canadian securities laws, or is otherwise deemed unable to perform the services delegated to it under the Portfolio Management Agreement;
- immediately in the event of the commission by the Portfolio Manager of any fraudulent act in the performance of its duties under the Portfolio Management Agreement or if there has been any misrepresentation by the Portfolio Manager in the Portfolio Management Agreement; or
- immediately if the Portfolio Manager has acted with wilful misconduct, bad faith or negligence and as a result of such action, there has been a material adverse effect on the portfolio.

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

- at any time on 90 days written notice to the Manager and the Fund;

- on 10 days written notice to the Manager and the Fund for an uncured material breach of the Portfolio Management Agreement by the Manager or the Fund following written notice of such breach by the Portfolio Manager to the Manager and the Fund; or
- immediately in events of insolvency or liquidation of the Fund or if the Fund becomes bankrupt or passes a resolution approving its winding-up or dissolution or deemed dissolution or makes a general assignment for the benefit of its creditors.

8.3 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 Ontario M5J 2Y1.

8.4 Custodian

The Manager has appointed RBC Dexia Investor Services Trust as Custodian of the Fund Property, pursuant to the terms of a Custodian Agreement dated as of October 4, 2004, to provide various safekeeping and custodial services relating to the Fund Property. The address of the Custodian is 155 Wellington Street West, Toronto, Ontario M5V 3L3.

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 Manager 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 60 days prior written notice.

Prior notice is not required and termination will be immediate if:

- either party is declared bankrupt or shall be insolvent;
- the assets or the business of either party shall become liable to seizure or confiscation by any public or governmental authority; or
- the Manager's powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

8.5 Valuation Services

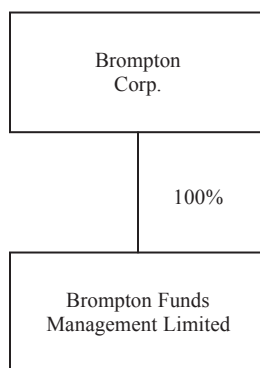
The Manager, on behalf of the Fund, has appointed RBC Dexia Investor Services Trust to provide the Fund with valuation services. Such services include the calculation of the Fund's weekly Net Asset Value, calculated in accordance with the Fund's valuation parameters described in section 4.0.

8.6 Auditor, Registrar, Transfer Agent and Distribution Agent

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, Royal Trust Tower, Toronto-Dominion Centre, 77 King Street West, Toronto, Ontario M5K 1G8. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. Computershare Trust Company of Canada is the registrar, transfer agent and distribution agent for the Units and the Warrants. The register and transfer ledger for the Units and the Warrants is kept by the Trustee at its principal stock and bond transfer offices located in Toronto.

9.0 CONFLICTS OF INTEREST

9.1 Principal Holders of Securities and Affiliated Entities



Note:

Brompton Corp. owns of record and beneficially 100% of the shares of the Manager.

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 Manager and the Portfolio 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 Portfolio 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 invest in securities and which are considered competitors of the Fund. The services of the Manager are not exclusive to the Fund.

In addition, the directors and officers of the Manager and the Portfolio Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Manager, the Portfolio 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 Manager or the Portfolio Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or the Portfolio 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 Manager and the Portfolio Manager, as applicable.

No person or entity that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager.

9.2 Securities Held by members of the Independent Review Committee

As at December 31, 2009, the members of the IRC did not own, directly or indirectly, any securities in the Manager. Further, as at December 31, 2009, 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 person or company that provides material services to the Fund or Manager or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or Manager is less than 1%.

10.0 FUND GOVERNANCE

Brompton supports good governance practices for its funds. The Fund is managed by the Manager and consequently, the Board of Directors and Audit Committee referred to are the Board and Audit Committee of the Manager. The Board is responsible for the overall stewardship of the business and affairs of the Fund. The Board consists of 3 directors, 2 of whom are independent of management. 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 Audit Committee consists of 3 members, 2 of whom are independent. 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, a Privacy Policy and a Proxy Voting 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 Manager 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 Manager to have policies and procedures relating to conflicts of interest and the Manager has such policies and procedures in place.

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

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

10.1 Composition of 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 Manager in accordance with NI 81-107. Subsequent to this initial appointment by the Manager, the IRC shall, taking into consideration any recommendation of the Manager, fill vacancies on the IRC, provided that if for any reason the IRC has no members, the Manager shall fill the vacancies.

10.2 Proxy Voting Policy

The Portfolio is managed by MFC Global Investment Management (Canada) and pursuant to the Portfolio Management Agreement, the Portfolio Manager is authorized to exercise all rights and privileges incidental to ownership for the Fund Investments. The Fund has adopted the Portfolio Manager's proxy voting policy (the "Proxy Voting Policy"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. The Portfolio Manager has retained a third party service provider to provide proxy analysis, vote recommendations and vote execution services on behalf of the Portfolio Manager, all in accordance with the Proxy Voting Policy. However, the ultimate decision as to how to cast a vote rests with the Portfolio Manager, based on what the Portfolio Manager believes to be in the best interest of the Fund and in accordance with the Fund's Investment Objectives, Strategy and Restrictions.

The Portfolio Manager's Proxy Voting Policy includes:

- (i) a standing policy with respect to dealing with routine matters, such as the election of directors, appointment of auditors, reporting of results and changes in capital structure. The Proxy Voting Policy generally provides for voting in favour of management's recommendations, unless there are specific circumstances for voting against and/or the Portfolio Manager believes that the Fund's best interests would be better served by such counter vote. The Portfolio Manager will also document the reasons for a decision to cast a proxy vote in a manner that deviates from the standing policy;
- (ii) policies and procedures with respect to dealing with non-routine matters, including situations, albeit infrequently, where the Portfolio Manager refrains from voting on such matters. Non-routine matters include: corporate restructurings, mergers and acquisitions, proposals affecting shareholder rights and executive compensation. These policies vary depending on the specific matter involved and are usually addressed on a case-by-case basis with a focus on the best interests of the securityholders of the Fund and the potential impact of the vote on securityholder value; and
- (iii) policies and procedures with respect to dealing with potential conflicts of interest. With respect to potential conflicts of interest that may arise, the Portfolio Manager's internal legal department will first review the matter to assess whether a conflict does in fact exist. In the event a conflict of interest has been initially determined, the matter will be thereafter referred to an internal committee of the Portfolio Manager and if required, the Fund's IRC, for final determination. The rationale for the committee's ultimate decision will be documented accordingly.

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 or by writing to the Manager at Suite 2930, Box 793, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

The Fund's 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. The Fund has made its proxy voting record available on its website at www.bromptongroup.com

10.3 Use of Derivatives

The Declaration of Trust allows the Fund to invest in or use derivative instruments for hedging purposes consistent with the Investment Objectives, Investment Strategy and subject to the Investment Restrictions.

10.4 Securities Lending

In order to generate additional returns, the Manager has entered into written securities lending agreement (a "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 Manager 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 Manager 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 Manager and securities lending arrangements and risks are monitored by the Manager. The Custodian conducts simulations to test the portfolio under stress conditions.

10.5 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 a monthly or annual basis;
- (iii) the Monthly Redemption Amount is equal to the lesser of (i) 94% of the Market Price of the Units, and (ii) 100% of the Closing Market Price; on the applicable Monthly Redemption Date minus, in each case, any costs associated with the redemption including brokerage costs;
- (iv) the Annual Redemption Amount is based on the Net Asset Value per Unit on the second last business day of August minus costs associated with the redemption, including brokerage costs;
- (v) 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 August; and
- (vi) 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 INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the Income Tax Act with respect to the acquisition, ownership and disposition of Units and Warrants generally applicable as at the date of this annual information form to you if you are an individual (other than a trust) and, for the purposes of the Income Tax Act, are resident in Canada, deal at arm's length with the Fund and hold Units and Warrants as capital property.

Generally, Units and Warrants will be considered to be capital property to a holder provided that the holder does not hold Units or Warrants in the course of carrying on a business of buying and selling securities and has not acquired Units or Warrants in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have Units treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Income Tax Act.

This summary is based upon the current provisions of the Income Tax Act, the Tax Proposals and counsel's understanding of the current published administrative practices of CRA. This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and Warrants and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units or Warrants. Moreover, the income and

other tax consequences of acquiring, holding or disposing of Units or Warrants will vary according to the status of the holder, the province or provinces in which the holder resides or carries on business and, generally, the holder's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular holder. Holders should consult their own tax advisors with respect to the income tax consequences of investing in Units or Warrants, based upon the holder's particular circumstances.

This summary is based on the assumption that the Fund will 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 the Investment Restrictions, and certain minimum distribution requirements relating to the Units. In the event the Fund were not to qualify as a mutual fund trust at any time, the income tax consequences described below would in some respects be materially and adversely different.

This summary is also based on the assumption that none of the issuers of the securities comprising the portfolio will be foreign affiliates of the Fund or of any Unitholder and that none of the securities comprising the portfolio will be tax shelter investments or tracked interests or participating interests, other than exempt interests, in foreign investment entities or interests in a non-resident trust other than an exempt foreign trust under the proposals to amend the Income Tax Act released as part of Bill C-10, which was before the 39th Parliament (or such proposals as amended or enacted or successor provisions thereto).

11.1 Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Income Tax Act on the amount of its income for the year, including the taxable portion of Net 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 in such year for income tax under Part I of the Income Tax Act.

With respect to an issuer included in the portfolio that is a trust (subject to the SIFT rules discussed below), the Fund will be required to include in its income such portion of the Net Income and the taxable portion of Net Capital Gains of such issuer as is paid or becomes payable to the Fund in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided appropriate designations are made by the issuer, any net taxable capital gains realized or deemed to be received by the issuer and taxable dividends received by the issuer from taxable Canadian corporations that are paid or become payable to the Fund and are designated by the issuer in respect of the Fund will effectively retain their character as such in the hands of the Fund.

The Fund will generally be required to reduce the adjusted cost base of the units of such issuer to the extent that all amounts paid or payable in a year by the issuer to the Fund exceed the sum of the amounts included in the income of the Fund for the year and the Fund's share of the non-taxable portion of capital gains of such issuer for the year. To the extent that the adjusted cost base to the Fund of a unit of such an issuer would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such unit will be increased by the amount of such deemed capital gain.

With respect to an issuer included in the portfolio that is a limited partnership (subject to the SIFT rules discussed below), the Fund will be required to include or, subject to certain restrictions, will be entitled to

deduct, in computing its income, its share of the Net Income or loss for tax purposes of the issuer allocated to the Fund for the fiscal period of the issuer ending in the Fund's taxation year, whether or not a distribution is received. In general, the adjusted cost base to the Fund of the interest in such an issuer at a particular time will be equal to the actual cost of such interest plus the share of the income and capital gains of the issuer allocated to the Fund for fiscal periods of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the Fund for fiscal periods of the issuer ending before the particular time, and less the Fund's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the Fund of the interest in such an issuer would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Fund and the Fund's adjusted cost base of such interest will be increased by the amount of such deemed capital gain.

The Fund will also be required to include in its income for each taxation year, all interest that accrues 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.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, generally including interest on borrowed funds used to purchase securities to be included in the portfolio.

Upon the actual or deemed disposition of a security included in the portfolio, the Fund will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security provided such security is capital property to the Fund. The Fund has made an election under subsection 39(4) of the Income Tax Act so that all securities included in the portfolio that are Canadian securities (as defined in the Income Tax Act) will be deemed to be capital property to the Fund.

Recently enacted Tax Proposals modify the taxation of certain flow through entities including certain partnerships and income trusts, referred to as "specified investment flow-throughs" or "SIFTs". The SIFT rules generally will not apply to income trusts, the units of which were publicly traded as of October 31, 2006, until January 1, 2011 provided that there is no undue expansion of the trust in the intervening period. The SIFT rules currently apply to a trust that became publicly-traded after October 31, 2006. The SIFT rules apply a tax at the trust level on distributions of certain income (other than income which is a taxable dividend received by a SIFT trust) from such SIFT trust at a rate of tax comparable to the combined federal and provincial corporate tax rate. Such distributions are treated as taxable dividends to the SIFT trust's unitholders.

Certain income funds in which the Fund holds units are SIFTs and it is expected that distributions received by the Fund which have been subject to the new distribution tax will be characterized as taxable dividends received from a taxable Canadian corporation. Provided that appropriate designations are made by the Fund, that portion of its taxable dividends deemed to be received from 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.

11.2 Taxation of Unitholders

A Unitholder will generally be required to include in income for a particular taxation year of the Unitholder such portion of the Net Income, including the taxable portion of the Net Capital Gains, of the Fund for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year, whether received in cash or reinvested in additional Units. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable

dividends received or deemed received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder. 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. An enhanced dividend tax credit may be available to individual unitholders in respect of certain “eligible dividends”. Any loss of the Fund for purposes of the Income Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders.

The non-taxable portion of Net Capital Gains of the Fund that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder’s income for the year. Any other amount in excess of a Unitholder’s share of the Net Income of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year will not generally be included in computing the Unitholder’s income for the year but will reduce the adjusted cost base of Units to the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased by the amount of such deemed capital gain.

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units may become taxable on the Unitholder’s share of such income and gains of the Fund.

Any additional Units acquired by a Unitholder on a reinvestment of Distributions from the Fund will have an initial cost to the Unitholder equal to the amount of the Distribution so reinvested. In computing the adjusted cost base of a Unit so acquired, the cost of such Unit must be averaged with the adjusted cost base of all other Units then held by that Unitholder as capital property. If a Unitholder participates in the distribution reinvestment 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.

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on a sale, redemption, repurchase or otherwise, a capital gain (or capital loss) will be realized by the Unitholder to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit to the Unitholder immediately before the disposition.

One-half of any capital gain (“taxable capital gain”) realized by a Unitholder or designated by the Fund in respect of the Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss (“allowable capital loss”) realized by a Unitholder in a taxation year may be deducted from taxable capital gains realized by the Unitholder or designated by the Fund in respect of the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in such year, to the extent and under the circumstances provided for in the Income Tax Act.

Capital gains realized on the disposition of Units or amounts designated by the Fund to a Unitholder as taxable capital gains or as dividends from taxable Canadian corporations may give rise to a liability for alternative minimum tax.

11.3 Taxation of Warranholders

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. Units 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 Units and the adjusted cost base, if any, to the Unitholder of the Warrant so exercised. The cost of Units 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 Unitholder, other than pursuant to the exercise thereof, the Unitholder 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 Unitholder. Upon the expiry of an unexercised Warrant, a Unitholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Unitholder. One-half of such a capital gain will be included in computing the Unitholder's income, and one-half of such 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 Manager is paid the Management Fee as disclosed in section 8.1.1 of this Annual Information Form. The directors of the Manager do not receive any director's fees from the Fund. The Fund pays the fees of the IRC which are \$10,000 per member, per annum and expenses incurred by the IRC and directors on behalf of the Fund. In 2009, a nominal amount was reimbursed to Mr. Scace for IRC meeting expenses.

For the year ended December 31, 2009, the trustee was paid an aggregate amount of \$14,445, on account of its fees and expenses incurred in its capacity as Trustee, transfer agent, registrar and disbursement agent of the Fund.

13.0 MATERIAL CONTRACTS

The Fund and/or the Manager, on behalf of the Fund, are party to the Declaration of Trust, the Management Agreement, the Portfolio 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 Warranholders, 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 Warrantholders also have the power, at any time, to remove the Warrant Agent and appoint a new warrant agent, by Extraordinary Resolution of Warrant holders.

14.0 OTHER MATERIAL INFORMATION

14.1 Loan Facility

The Fund entered into a Loan Facility with a Canadian chartered bank (the “Lender”) in order to provide the Fund with the ability to utilize leverage to enhance the total return the portfolio. The Lender is at arm’s length to the Fund, the Trustee, the Manager and the Portfolio Manager and their respective affiliates and associates.

The Fund is permitted to borrow up to 20% of its Total Assets, determined at the time of borrowing, for the purpose of purchasing additional securities in accordance with the Investment Objectives, Investment Strategy and subject to the Investment Restrictions. In the event that the total amount borrowed exceeds, at any time, 25% of the Total Assets, the Manager will instruct the Portfolio Manager to liquidate portfolio investments in an orderly manner and use the proceeds to reduce indebtedness so that the amount borrowed does not exceed the permitted leverage threshold.

14.2 Risk Factors

Certain risk factors relating to the Fund, the Units and Warrants are described below. Additional risks and uncertainties not currently known to the Manager, 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.

Volatility of Oil & Gas Prices

The operational results and financial condition of some of the oil & gas investments comprising the portfolio will be dependent upon the prices received for oil and gas production. Oil and gas prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Any decline in oil and gas prices could have an adverse effect on the distributions received (whether directly or indirectly) from certain oil & gas investments comprising the portfolio and the value of such oil & gas investments.

Fluctuations in Value of Fund Investments

The value of the Units will vary according to the value of the Fund Investments and in some cases the value of the Fund Investments may be affected by factors beyond the control of the Portfolio Manager, the Manager or the Fund. There is no assurance that an adequate market exists for the Fund Investments acquired by the Fund. The Fund Investments 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 some circumstances, the issuers of the Fund Investments which the Fund may acquire have limited operating histories. The amounts which such issuers have been distributing may not be sustainable and the forecast distributions of such issuers may not be realized. The value of the Fund Investments will be influenced by factors which are not within the control of the Fund, including the financial performance of

the respective issuers, operational risks relating to the specific business activities of respective issuers, quality of assets owned by respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and other financial market conditions.

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.

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 the Fund Investments. A substantial decline in the North American equities markets could be expected to have a negative effect on the Fund.

Sensitivity to Interest Rates

It is anticipated that the market price for the Units 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 cost of borrowing to the Fund, if any. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

Trading Price of Units

Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per Unit on the applicable Annual Redemption Date less any costs associated with the redemption, including brokerage costs. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts.

Illiquid Securities

There is no assurance that an adequate market will exist for the Fund Investments. The Fund cannot predict whether the Fund Investments will trade at a discount to, a premium to, or at their respective net asset values. In addition, if the Portfolio Manager is unable, or determines that it is inappropriate to dispose of some or all of the Fund Investments prior to the termination of the Fund, Unitholders may, subject to applicable laws, receive distributions of Fund Investments *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.

Taxation of the Fund

While the Fund intends to operate so that it will generally not be liable to pay income tax, the information available to the Fund relating to the characterization, for tax purposes, of the distributions received by the Fund in any year from issuers of securities held in the portfolio may be insufficient as at December 31 of that year to ensure that the Fund will make sufficient distributions to ensure that it will not be liable to pay income tax in respect of that year.

If the Fund ceases to qualify as a “mutual fund trust” under the Income Tax Act, the income tax considerations described in section 11.0 would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Currently, 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. On September 16th, 2004, the Minister of Finance (Canada) released Tax Proposals (the “September 16th Tax Proposals”) which propose that 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-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust’s property is taxable Canadian property or certain other types of property. If the September 16th Tax Proposals are enacted as proposed, and if these circumstances applied to the Fund, the Fund would thereafter cease to be a mutual fund trust and the income tax considerations as described in section 11.0 would be materially and adversely different in certain respects. The September 16th Tax Proposals do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) indicated that the September 16th Tax Proposals are being further considered.

CRA has expressed a view that, in certain circumstances, the interest on money borrowed to invest in an income fund that may be deducted may be reduced on a *pro rata* basis in respect of distributions from the income fund that are a return of capital and which are not reinvested for an income earning purpose. While the ability to deduct interest depends on the facts, based on the jurisprudence, CRA’s view should not affect the Fund’s ability to deduct interest on money borrowed to acquire units of income funds included in the Portfolio. If CRA’s view were to apply to the Fund, part of the interest payable by the Fund in connection with money borrowed to acquire certain securities held 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 which is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

As described in section 11.1 above, certain income funds in which the Fund holds units are SIFTs. Accordingly, the after-tax returns realized by Unitholders may be reduced to the extent that the trust receives distributions of income or capital gains from such SIFTs that are subject to the new distribution tax. Finally, it is possible that SIFTs may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Fund and could limit the number of potential issuers in which the Fund may invest.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Income Tax Act will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

Use of Leverage

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 Loan Facility may exceed the incremental capital gains, if any, and income generated by the incremental investment in Fund Investments 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 the 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.

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.

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.

Conflicts of Interest

The Manager and the Portfolio Manager and their directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager or the Portfolio Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager or of the Portfolio 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 Manager and the Portfolio Manager, as applicable.

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. The Fund is a mutual fund trust for purposes of the Income Tax Act.

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 Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of Unitholders to do so.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will be preserved. Changes in the relative weightings between the

various types of investment vehicles making up the Fund Investments can affect the overall yield to Unitholders. The distributions received by the Fund from Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that revenue generated by the Fund Investments and available for distribution to Unitholders may vary substantially. To the extent necessary, Fund Investments will be sold in order that distributions can be paid to Unitholders at the distribution rate then in effect.

Composition of Fund Investments

The composition of the Fund Investments taken as a whole may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Fund Investments being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss because of declines in the prices of securities in those sectors or industries.

Reliance on the Portfolio Manager

The Portfolio Manager will manage the Fund in a manner consistent with the Investment Objectives, Investment Strategy and Investment Restrictions of the Fund. The officers of the Portfolio 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 to be employees of the Portfolio Manager until the termination of the Fund.

Interest Rate and Foreign Exchange Hedging

Interest rate and foreign exchange hedges may be used by the Fund to the extent that the Portfolio Manager considers appropriate. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Portfolio Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used.

Foreign Currency Exposure

As a portion of the Fund Investments may be comprised of securities denominated in United States dollars or other foreign currencies or securities whose value may be linked, in part, with the value of the United States dollar or other foreign currencies, the Net Asset Value per Unit and the value of distributions received by the Fund, when measured in Canadian dollars, will be affected by fluctuations in the value of the United States dollar or other foreign currencies relative to the Canadian dollar.

Use of Derivatives

The Fund may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager or the Portfolio Manager, as the case may be, taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by such Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and

futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to effectively hedge its portfolio or implement its investment strategy.

Nature of the Units

The Units share certain attributes common to both equity securities and debt instruments. 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.

14.3 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 BROMPTON OIL & GAS INCOME FUND

Manager: Brompton Funds Management Limited
Address: Suite 2930, Bay Wellington Tower, Brookfield Place,
181 Bay Street, Toronto, Ontario M5J 2T3
Telephone: (416) 642-6000
Fax: (416) 642-6001
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, and copies of these documents may be obtained at no cost:

- By calling (416) 642-6000 or toll-free at 1-866-642-6001;
- Direct 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.