BROMPTON VIP INCOME TRUST

2004 ANNUAL INFORMATION FORM

May 19, 2005

GLOSSARY OF TERMS

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

"Additional Distribution" means a Distribution that will, if necessary, be made automatically in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax.

"Advisor" means the Fund's investment advisor MFC Global Investment Management, a subsidiary of Manulife Financial Corporation.

"Advisory Agreement" means the investment advisory agreement dated as of January 29, 2002, between the Manager, on behalf of the Fund, and the Advisor, as it may be amended from time to time, as described in section 3.10.2 of this Annual Information Form.

"Book-Entry Only System" means the book-based system administered by CDS.

"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.

"Business Fund" means an Income Fund where the principal business of the underlying company or other entity is in manufacturing, distribution, services, retail, terminals or storage or some other miscellaneous industry.

"CDS" means The Canadian Depository for Securities Limited.

"CDS Participant" means a participant in CDS.

"CRA" means the Canada Revenue Agency.

"Custodian" means The Royal Trust Company, in its capacity as custodian under the Custodian Agreement.

"Custodian Agreement" means the custodian agreement entered into on February 28, 2002 between the Manager, on behalf of the Fund, and the Custodian, as it may be amended from time to time.

"Declaration of Trust" means the amended and restated declaration of trust dated as of January 29, 2002, together with its amendments dated November 30, 2004 and December 20, 2004, as it may be amended from time to time.

"Distribution(s)" means the cash and in specie distribution(s) which are paid by the Fund to Unitholders.

"Distribution Date" means the date on which cash distributions are paid by the Fund, such date to be the date which is the tenth Business Day after the applicable Record Date.

"Extraordinary Resolution" means a resolution passed by the affirmative vote of at least 66 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.

“Fixed Income Investments” means high-yielding debt that, at the time of investment, is either rated below BBB- by Standard & Poor’s Corporation or a similar rating with another rating agency or unrated.

“Fund” means Brompton VIP Income Trust, a closed-end investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

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

“High Income Investments” means units of Income Funds and Fixed Income Investments as described in section 3.2 of this Annual Information Form

“Income Fund” means a trust or limited partnership structured to own debt and equity of an underlying company or other entity which carries on an active business, or real estate assets, or a royalty on revenues generated by the assets of an underlying company or other entity which carries on an active business, including Business Funds, Oil and Gas Funds, Power and Pipeline Funds and REITs as described in section 3.2.1 of this Annual Information Form.

“Investment Objectives” means the investment objectives of the Fund set forth in the Declaration of Trust and as described in section 3.3 of this Annual Information Form.

“Investment Restrictions” means the investment restrictions of the Fund set forth in the Declaration of Trust restricting the investment activities of the Fund, and as described in section 3.5 of this Annual Information Form.

“Investment Strategy” means the investment strategy to be followed by the Advisor in respect of the Fund set forth in the Declaration of Trust and as described in section 3.4 of this Annual Information Form.

“Lender” means a Canadian chartered bank or other lending institution.

“Loan Facility” means the loan facility entered into between the Manager, on behalf of the Fund, and the Lender as more fully described in section 3.12 of this Annual Information Form.

“Management Agreement” means the management agreement dated January 29, 2002, between the Manager and the Trustee, on behalf of the Fund, as it may be amended from time to time as described in 3.9.2 of this Annual Information Form.

“Management Fee” means the management fee payable to the Manager, equal to 0.85% per annum of Net Asset Value plus applicable taxes as described in section 3.11.1 of this Annual Information Form.

“Manager” means the manager and administrator of the Fund, Brompton VIP Management Limited.

“Net Asset Value” means the net asset value of the Fund, as determined by subtracting the aggregate liabilities of the Fund from the Total Assets.

“Net Asset Value per Trust Unit” means the Net Asset Value divided by the total number of Trust Units outstanding, in each case on the date on which the calculation is being made.

“Oil and Gas Fund” means Income Funds and Royalty Trusts where the principal business of the underlying company is the conventional exploitation, production and sale of oil and gas products as described in section of 3.2.3 of this Annual Information Form.

“Optional Cash Payment” means the optional cash payment a Unitholder may make, which must be a minimum of $100 and a maximum of $20,000 per calendar year, in additional Trust Units, pursuant to the Reinvestment Plan.

“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.

“Other Investments” means high yielding investments other than Income Funds and high yield debt.

“Plan Agent” means the Trustee, in its capacity as agent under the Reinvestment Plan.

“Plan Participants” means Unitholders who are participants in the Reinvestment Plan.

“Power and Pipeline Fund” means an Income Fund where the principal business of the underlying company is energy distribution, pipelines or power generation.

“Record Date” means the last Business Day of each calendar month prior to the Termination Date.

“Redemption Date” means December 31 of each year.

“Redemption Payment Date” means the day on which redemptions are paid and shall be on or before the twentieth Business Day following the Redemption Date.

“Reinvestment Plan” means the Fund’s Distribution Reinvestment Plan, as it may be amended from time to time as described in section 3.15 of this Annual Information Form.

“Reinvestment Plan Agency Agreement” means the Reinvestment Plan Agency Agreement entered into on April 15, 2002 among the Trustee, on behalf of the Fund, the Manager and the Trustee, in its capacity as the Plan Agent, establishing the Reinvestment Plan, as it may be amended from time to time.

“REITs” means real estate investment trusts, a type of Income Fund that generally invests directly in income producing real estate assets as described in section 3.2.4 of this Annual Information Form.

“Royalty Trusts” means Income Funds structured to own a royalty in revenues generated by the assets of an underlying company which carries on an active business.

“Service Fee” means the fee that the Fund pays to the Manager who in turn pays an equivalent amount to dealers, as described in section 3.11.2 of this Annual Information Form.

“Short Term Investments” means (i) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof with less than twelve months to maturity; (ii) term deposits, guaranteed investment certificates, certificates of deposit or bankers’ acceptances of or guaranteed by any Canadian chartered bank or other financial institution (including the Trustee and any affiliate of the Trustee) the short-term debt or deposits of which have been rated at least investment grade by Standard & Poor’s, Moody’s Investors Service, Inc. or Dominion Bond Rating Service Limited; and (iii) commercial paper rated at least investment grade or the equivalent by Standard

& Poor's, Moody's Investors Service, Inc. or Dominion Bond Rating Service Limited, in each case either maturing within 365 days after the date of acquisition or for which the Adviser believes that there will be a liquid market for the resale thereof within such 365 day period.

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

"Termination Date" means the date the Fund is terminated as described in section 3.8.2 of this Annual Information Form.

"Total Assets" means the aggregate value of the assets of the Fund determined in accordance with the terms of the Declaration of Trust.

"Transfer Agent and Registrar" means Computershare Trust Company of Canada in its capacity as a Transfer Agent and registrar under the Declaration of Trust.

"Trust Units" means the transferable, redeemable units of the Fund, each of which represents an equal, undivided beneficial interest in the net assets of the Fund.

"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 Trust Units.

"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 Trust Unit.

1.0 CORPORATE STRUCTURE

1.1 Name and Incorporation

Brompton VIP Income Trust is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated October 25, 2001, which was amended on each of January 29, 2002, November 30, 2004 and December 20, 2004. The Fund is managed by Brompton VIP Management Limited. Computershare Trust Company of Canada is the Trustee for the Fund and MFC Global Investment Management, a subsidiary of Manulife Financial Corporation, is the Advisor of the Fund. The Fund's principal office is located at 181 Bay Street, BCE Place, Bay Wellington Tower, Suite 2930, Box 793, Toronto, ON M5J 2T3. The fiscal year end of the Fund is December 31.

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

The Fund closed its initial public offering on February 19, 2002 with the placement of 9,600,000 transferable, redeemable units of the Fund at $10.00 per unit. On March 19, 2002, a further 275,000 Trust Units were issued pursuant to the over-allotment option granted to the agents of the offering resulting in gross and net proceeds of the offering of $98.75 million and $92.6 million respectively.

The income trust market continued its strong growth in 2004. There were 133 equity offerings completed including 37 initial public offerings and trust reorganizations. The total capital raised was approximately $17.8 billion. At the end of 2004, there were 175 income trusts listed on TSX with a market capitalization of over $118 billion. This represented approximately 8% of the total market capitalization of the TSX. Market capitalization has increased by over 45% since 2003 and over 160% since 2002. The increase in the number of income trusts provides a wider universe of issuers to continue to diversify the Fund.

Increased demand for income funds continued in 2004 and has resulted in prices continuing to be bid up and yields reduced in this sector. Over the long term, however, we continue to believe in the fundamentals of the trust sector and expect that it will be competitive with other asset classes on a risk-adjusted return basis.

3.0 NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 Description of the Trust Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Fractions of Trust Units may be issued which will have the same rights, restrictions, conditions and limitations attaching to whole Trust Units in the proportion which they bear to a whole Trust Unit, except fractional Trust Units will not have the right to vote. Each Trust Unit entitles the holder to the same rights and obligations as a holder of any other Trust Unit and no holder of Trust Units is entitled to any privilege, priority or preference in relation to any other holder of Trust Units. Each holder of Trust Units is entitled to one vote for each whole Trust Unit held and is entitled to participate equally with respect to any and all Distributions made by the Fund, including Distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding Trust 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.

Unitholders have no voting rights in respect of Fund Investments. From time to time, the Advisor will determine whether or not to exercise the voting rights attached to the Fund Investments and, if so, how such securities will be voted.

3.2 High Income Investments

The High Income Investments in which the Fund invests include Income Funds, comprised of Oil and Gas Funds, REITs, Business Funds and Power and Pipeline Funds, many of which provide tax advantaged sources of income, and Fixed Income Investments which generally comprise US issuers of high yield debt. Each of these categories of investments is described briefly as follows:

3.2.1 *Income Funds*

Income Funds are trusts, limited partnerships or other entities which are generally structured to own debt and/or equity of an underlying company or other entity which carries on an active business, or real estate assets, or a royalty in revenues generated by the assets of an underlying company or other entity which carries on an active business. The variety of businesses upon which Income Funds have been created has become very broad, both in the nature of the underlying industry and assets and in geographic location.

Income Funds are structured to minimize double taxation that may occur with normal operating companies. Distributions from Income Funds may include the following characterizations for tax purposes: interest; dividends; capital gains and return of capital. The return of capital is not taxable to a unitholder in the year of distribution, but will reduce the adjusted cost base for tax purposes of the unitholders' trust units.

Certain Income Funds are constituted as Royalty Trusts. Royalty Trusts are also structured to minimize the double taxation that normally occurs with corporations. Royalty Trusts own a royalty income stream from an operating subsidiary company which provides the principal source of distributable income for the trust. Royalty Trusts are largely in the oil and gas sector although Royalty Trusts occur in other industries as well. In some cases, the purchase of the royalty provides the Royalty Trust with certain tax incentives which reduce taxable income at the Royalty Trust level, but which does not affect the amount of cash that can be distributed to the unitholders by the Royalty Trust. That portion of the cash distributions made by the Royalty Trust which is not taxed in the hands of unitholders in the year of distribution is treated as a return of capital to unitholders and reduces the unitholders' adjusted cost base for tax purposes.

3.2.2 *Business Funds*

A Business Fund is an Income Fund where the principal business of the underlying company or other entity is in manufacturing, distribution, services, retail, terminals or storage or another industry not included in the definitions of Power and Pipeline Fund, Oil and Gas Fund or REIT. Conversion to the Income Fund structure is attractive to many existing mature businesses with relatively stable cash flows and low capital expenditure requirements, due to tax efficiency and investor demand for high- yielding equity securities.

3.2.3 *Oil and Gas Funds*

Oil and Gas Funds include Royalty Trusts and other types of Income Funds where the principal business of the underlying company is the exploitation, production and sale of oil and gas products. These funds pay out to unitholders a large portion of the cash flow that they receive from the production and sale of underlying crude oil and natural gas reserves. The amount of distributions paid on an Oil and Gas Fund's units will vary from time to time based on production levels, commodity prices, royalty rates and certain expenses, deductions and costs and the amount of cash flow the Fund retains to fund capital expenditures.

As a result of generally distributing a large portion of their cash flow to unitholders, the growth of Oil and Gas Funds usually results primarily from acquisition of producing companies or reserves funded through the issuance of additional units or, where the fund is able, debt. Consequently, Oil and Gas Funds are considered to be less exposed to drilling uncertainties faced by traditional exploration and production corporations. However, they are still exposed to commodity and reserve risk, as well as operating risk.

3.2.4 *REITs*

REITs are similar in structure to other types of Income Funds except that they generally invest directly in income producing real estate. The primary income generated by REITs is rental and lease income from commercial, industrial or residential real estate properties, which can include office buildings, hotels, shopping centers or residential rental properties.

A REIT is a tax-efficient vehicle for owning, managing and investing in real estate assets. Structured as a trust investment, income is generally only taxed at the unitholder level, thereby eliminating the layer of corporate tax that would otherwise be payable if real estate were held by a corporation. Additionally, because a REIT is able to claim capital cost allowance for tax purposes in addition to the normal cash expenses, a portion of a REIT's distributions is normally tax deferred.

In addition to providing relatively stable and predictable income, REITs can provide important diversification in a portfolio. Real estate has traditionally served as a hedge against inflation as rental rates tend to be correlated with a level of inflation over the long term, whereas many financial assets are negatively impacted by inflation.

3.2.5 *Power and Pipeline Funds*

Power funds are Income Funds where the principal underlying business is the generation of electricity from a variety of sources, including hydro-electric, natural gas, waste heating facilities, and the sale of this electricity. Income Funds of this type have typically negotiated long-term fixed price contracts with commercial power users or public utilities which result in more stable cash flows and distributions compared to those of other Income Fund asset classes.

Pipeline funds are Income Funds where the principal underlying business is the ownership and operation of oil and gas pipeline transportation and facilities. The cash flow of Pipeline Funds is sensitive to market demand for pipeline transportation and hydrocarbon processing; however, distributions paid by Pipeline Funds tend to be more stable than those paid by Oil and Gas Funds as the cash flow is typically supported by contractual arrangements with a diversified group of creditworthy counterparties.

3.2.6 *Fixed Income Investments*

Fixed Income Investments is defined as high yielding debt that is either rated below BBB- by Standard & Poor's Corporation or a similar rating with another rating agency or unrated, some of which could provide equity enhancements. High yield debt is typically unsecured and subordinated to the issuer's other indebtedness and is usually denominated in US dollars and issued by US entities. Yields vary with the market's estimate of the credit quality of the issuer and the liquidity of the debt issue. Interest payable on high yield debt is 100% taxable.

In addition, the Fund can purchase Other Investments.

3.3 Investment Objectives

The Investment Objectives of the Fund are to:

- provide Unitholders with a high level of income through receipt of monthly Distributions in a tax efficient manner. While Distributions were initially targeted at $0.975 per Trust Unit per annum, Distributions have been paid at an annualized rate of $1.00 per Trust Unit since March 2003. In addition, a special distribution of $0.10 per Trust Unit was paid to Unitholders of record on December 31, 2004;

- enhance performance by reducing the risk of investing in High Income Investments through diversification, careful selection and active management of the Fund's assets; and

- preserve the Net Asset Value over the life of the Fund.

The Fund's Investment Objectives cannot be changed without the prior approval of Unitholders by way of an Extraordinary Resolution.

3.4 Investment Strategy

The Fund seeks to achieve its Investment Objectives by diligently selecting and actively managing a diversified portfolio of High Income Investments across a broad range of specialized investment vehicles in various industries and geographic areas, many of which provide tax advantaged sources of income and which include Oil and Gas Funds, Business Funds, REITs, Power and Pipeline Funds and Fixed Income Investments.

The Advisor selects investments from the above classes based on its assessment of the relative risk/reward characteristics of prospective investments at any point in time. This assessment is based on fundamental research and analysis of an investment, which would include a review of the track record of management, profit margins, growth rates, leverage levels, susceptibility to changes in commodity prices, life of the underlying assets, net asset value relative to trading price and earnings, cash flow and distributions relative to market price. In addition, during periods in which the Advisor believes changes in economic, financial or political conditions make it advisable, the Fund may, for temporary defensive purposes, reduce its holdings in High Income Investments and invest in Short Term Investments.

The Fund's Investment Strategy cannot be changed without the prior approval of Unitholders by way of an Extraordinary Resolution.

3.5 Investment Restrictions

In making investments on behalf of the Fund, the Advisor is subject to certain Investment Restrictions which are set out in the Declaration of Trust. The Investment Restrictions may not be changed without the prior approval of Unitholders by way of an Extraordinary Resolution, unless such change or changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed from time to time by applicable regulatory authorities.

The Investment Restrictions provide that the Fund will not:

(a) invest more than 10% of Total Assets in the securities of any single issuer, other than securities issued or guaranteed by the Government of Canada or a province or territory thereof;

(b) purchase real estate (other than through the purchase of securities issued by issuers that invest in real estate or interests therein, including, without limitation, REITs and limited partnerships which invest in real estate);

(c) make short sales of securities or maintain short positions, except for the purpose of hedging to offset or reduce risks associated with a Fund Investment or a group of Fund Investments;

(d) own more than ten percent of the outstanding equity securities of an issuer or purchase the securities of an issuer for the purpose of exercising control over management of that issuer;

(e) borrow money, except that:

  (i) short term credits necessary for settlement of securities transactions are not considered borrowing, and

  (ii) the Fund may borrow up to 25% of the Total Assets, determined at the time of borrowing, pursuant to the Loan Facility (including securities purchased with the amount borrowed);

(f) purchase or sell commodities or commodities contracts, if the intention is to take physical delivery of the underlying commodities;

(g) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the business of the Fund;

(h) act as underwriter, except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of Fund Investments;

(i) make any investment that would result in the Fund failing to qualify as a ''unit trust'' within the meaning of paragraph 108(2)(b) of the Tax Act. In order for the Fund to so qualify:

  (i) at all times at least 80% of the property of the Fund must consist of a combination of: shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; cash; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;

  (ii) not less than 95% of the Fund's income for each year must be derived from, or from the disposition of, investments described in (i) above; and

  (iii) at no time may more than 10% of the Fund's property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality;

(j) invest in securities which may be considered ''foreign property'', unless, at the end of each month, the ''cost amount'' to the Fund of such ''foreign property'' (as those terms are defined in the Tax Act) held by it does not exceed 30% (or such other percentage specified from time to time for the purposes of Part XI of the Tax Act) of the ''cost amount'' of all property held by it;

(k) with the exception of securities of the Fund's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Advisor or the Manager or any of their respective affiliates, with any officer, director or shareholder of any of them, with any person, trust, firm or corporation managed by the Advisor or the Manager or any of their respective affiliates or with any firm or corporation in which any officer, director or shareholder of the Advisor or the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, either: (a) any such transaction is effected through normal market facilities, and the purchase price approximates the prevailing market price; or (b) such purchase or sale is approved by a majority of the Manager's unrelated directors;

(l) enter into agreements to buy shares of a corporation at a price that may differ from fair market value at the time of acquisition that could give rise to tax under Part XI of the Tax Act; or

(m) invest in the securities of any non-resident corporation or trust or other non-resident entity if the Fund would be required to mark its investment in such securities to market in accordance with proposed section 94.2 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on August 2, 2001 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto).

If a percentage restriction on investment or use of assets or borrowing set forth above as an Investment Restriction is adhered to at the time of the transaction, later changes to the market value of the Fund Investment or Total Assets will not be considered a violation of the Investment Restrictions or require the elimination of any Fund Investment or the repayment of any borrowing (except for the restrictions in paragraph (i) above which must be complied with at all times and which may necessitate the selling of Fund Investments from time to time).

If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

3.5.1 *Use of Derivative Instruments*

The Fund may invest in or use derivative instruments for hedging purposes consistent with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions. For example, the Fund may use derivatives, including interest rate hedges, with the intention of offsetting or reducing risks associated with a Fund Investment or group of Fund Investments. These risks include currency value fluctuations, commodity price fluctuations, stock market risks and interest rate changes.

In May 2003, the Fund closed out all futures contracts and continued to hedge its US dollars exposure by borrowing in US dollars. The US dollar borrowings of the Fund have approximated the US dollar currency exposure in the Fund's investment portfolio.

3.5.2 *Securities Lending*

In order to generate additional returns, the Fund may lend Fund Investments to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower (a ''Securities Lending Agreement''). Under a Securities Lending Agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as ‘‘securities lending arrangements’’ for the purposes of the Tax Act; and (iii) the Fund will receive collateral security. The Fund did not conduct any securities lending in 2004.

3.5.3 *Non-Resident Unitholders*

At no time may non-residents of Canada be the beneficial owners of a majority of the Trust Units and the Trustee shall inform the Transfer Agent and Registrar of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Trust Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Trust Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that a majority of the Trust Units are beneficially held by non-residents, the Trustee may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected holders shall cease to be beneficial holders of Trust Units and their rights shall be limited to receiving the net proceeds of sale of such Trust Units.

3.6 Monthly Distributions

Unitholders are entitled to participate equally in respect of each Trust Unit held with respect to any and all Distributions made by the Fund. Distributions by the Fund are paid on or about the tenth Business Day of the month to Unitholders of record at the close of business on the last Business Day of the preceding month. The Fund may make other Distributions at any time in addition to monthly Distributions, if the Manager considers it appropriate.

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 are anticipated to exceed the amount required to be included in the income of the recipients for some period of time. As a result, cash Distributions received by Unitholders from the Fund in a year are generally expected to exceed the amount required to be included in their income for tax purposes for some period of time.

The distributions received by the Fund from issuers whose securities are included in the Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially and there can be no assurance that the Fund will make any Distributions in any particular month or months. If the monthly cash available for Distributions to Unitholders is consistently higher or lower than the amount then being distributed, the Manager on behalf of the Fund may re-evaluate its distribution policy.

The Fund is subject to tax under Part I of the 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 realized 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 Tax Act. In order to ensure this result, the Declaration of Trust provides that an Additional Distribution will, if necessary, be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution 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 Distribution, such Additional Distribution may, at the option of the Trustee, be satisfied by the issuance of additional Trust Units having a value equal to the cash shortfall. Following such issue of additional Trust Units, the outstanding Trust Units will be automatically consolidated on a basis such that the number of consolidated Trust Units (before giving effect to any redemption of Trust Units on such date) is equal to the number of Trust Units outstanding immediately preceding the Additional Distribution Date, except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the Distribution, in which case the consolidation will result in such Unitholder holding that number of Trust Units equal to (i) the number of Trust Units held by such Unitholder prior to the Distribution plus the number of Trust Units received by such Unitholder in connection with the Distribution (net of withholding taxes) multiplied by (ii) the fraction obtained by dividing the aggregate number of Trust Units outstanding prior to the Distribution by the aggregate number of Trust Units that would be outstanding following the Distribution and before the consolidation, if no withholding were required in respect of any part of the Distribution payable to any Unitholder.

Each Unitholder will be mailed annually, on or about March 31, the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the Fund to the Unitholder in the preceding taxation year of the Fund.

3.7 Valuation, Total Assets and Net Asset Value

The Net Asset Value per Trust Unit on any given Valuation Date is calculated by dividing the Net Asset Value by the total number of Trust Units outstanding on such Valuation Date (before giving effect to any issue of Trust Units on that date). The Manager calculates the Net Asset Value per Trust Unit as at the close of business on each Valuation Date. The Fund makes available to the financial press for publication on a weekly basis the Net Asset Value per Trust Unit. For the purposes of calculating the redemption price, the value of any security which is held by the Fund and is listed or traded upon a stock exchange is equal to the weighted average trading price of such security over the last three Business Days of the month in which the Redemption Date occurs.

The Net Asset Value per Trust Unit is calculated in Canadian dollars.

3.8 The Trustee

Computershare Trust Company of Canada is the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust.

The Trustee or any successor trustee may resign upon 90 days written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. Any such resignation or removal shall become effective only on the appointment of a successor trustee. If, after notice of resignation has been received from the Trustee, no successor has been appointed within 90 days of such notice, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1. The Trustee is entitled to receive fees from the Fund and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

3.8.1 *Modification of Declaration of Trust and Meetings of Unitholders*
The Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by the written consent in lieu of a meeting if there is only one Unitholder. Not less than 21 days notice will be given for any meeting of Unitholders. The quorum for any meeting of Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Trust Units then outstanding. If no quorum is present at such meeting within one-half hour after the time fixed for the holding of such meeting, the meeting if convened upon the request of a Unitholder shall be dissolved but in any other case, the meeting shall be adjourned for not less than 14 days and the Unitholders present in person or represented by proxy at such adjourned meeting form the necessary quorum. At any such meetings, each Unitholder will be entitled to one vote for each whole Trust Unit held.

The following may only be undertaken with the approval of Unitholders by an Ordinary Resolution passed at a meeting called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least ten percent of the Trust Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution:

(i) any termination of the Management Agreement other than where the Manager has been removed by the Trustee pursuant to the Declaration of Trust or the Management Agreement or the Manager has resigned;

(ii) the liquidation, dissolution or termination of the Fund;

(iii) an amendment to the Declaration of Trust to permit the redemption or retraction of Trust Units at the option of the Unitholder or the Fund, other than as currently provided for in the Declaration of Trust;

(iv) the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business; and

(v) any amendment to i to iv above except as outlined below.

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

(i) the termination 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, 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 its termination;

(iv) any increase in the Management Fee;

(v) any amendment, modification or variation in the provisions or rights attaching to the Trust Units;

(vi) any issue of Trust Units at a subscription price less than the most recently calculated Net Asset Value per Trust Unit prior to the date of the setting of the subscription price by the Fund;

(vii) any change in the frequency of calculating Net Asset Value per Trust Unit to less often than weekly; and

(viii) any amendment to i to vii above except as outlined below.

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

(i) ensure compliance with applicable laws, regulations or requirements of any governmental authority having jurisdiction over the Fund;

(ii) maintain the status of the Fund as a ''mutual fund trust'' and a ''registered investment'' under the Tax Act;

(iii) make changes or corrections which counsel for the Fund advises are necessary or desirable for the correction of typographical mistakes or are required for the purpose of curing any ambiguity or defective or inconsistent provisions or omissions or manifest error; or

(iv) provide added protection for Unitholders upon the advice of counsel to the Fund, but only if 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.

The holders of not less than 10% of the then outstanding Trust Units may requisition the Trustee to call a meeting of Unitholders for the purpose stated in the requisition. The Fund has obtained all necessary regulatory approvals and does not intend to hold annual meetings of Unitholders. However, the Fund has undertaken to the TSX to hold annual meetings of Unitholders if so instructed by the TSX. To date, the TSX has not instructed the Fund to hold annual meetings of Unitholders.

3.8.2 *Termination of the Fund*

The Fund will be terminated upon not less than 90 days written notice to the Manager from the Trustee that an Ordinary Resolution calling for the termination of the Fund has been approved at a duly convened meeting of Unitholders, provided that Unitholders voting in favour of such Ordinary Resolution represent Trust Units equal to at least 10% of the Trust Units outstanding on the record date of the meeting held to approve such Ordinary Resolution. Prior to the Termination Date, the Manager will instruct the Advisor 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 Manager may, in its discretion and upon not less than 30 days notice to the Unitholders, extend the Termination Date by a period of up to 180 days if the Advisor advises the Manager that the Advisor 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. 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 Advisor considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such Distributions. Following such Distribution, the Fund will be dissolved.

The Fund will also be terminated in the event of the resignation of the Manager if a replacement manager has not been appointed with 120 days of the date upon which the Manager gives notice to the Trustee of its resignation. Such termination shall occur on the date which is 60 days following the last day of the aforementioned 120 day period.

3.9 The Manager and the Management Agreement

3.9.1 *The Manager*

Brompton VIP Management Limited was incorporated pursuant to the *Business Corporations Act* (Ontario) on October 22, 2001. Its head office is at 181 Bay Street, BCE Place, Bay Wellington Tower, Suite 2930, Box 793, Toronto, ON M5J 2T3. The Manager was organized for the purpose of managing and administering the Fund. The Manager is wholly owned by Brompton Management Limited and is a member of the Brompton group of companies.

3.9.2 *Management Agreement*

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund and to make all decisions regarding the business of the Fund and has authority to bind the Fund. The Manager may, pursuant to the terms of the Management Agreement, 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. The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and the Unitholders and to exercise the care, diligence and skill that a reasonably prudent and qualified manager would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the Fund Investments if it has satisfied the duties and the standard of care, diligence and skill set forth above.

The Manager co-ordinated the organization of the Fund, works to develop and implement all aspects of the communications, marketing and distribution strategies of the Fund and manages the ongoing business and administration of the Fund. The Manager does not participate in the day-to-day management of the Fund Investments.

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, including, without limitation:

(a) appointing and monitoring the performance of the Advisor including the Advisor's adherence to the Investment Objectives, Investment Strategy and Investment Restrictions, as well as monitoring relationships with the Custodian, Transfer Agent and Registrar, auditors, legal counsel and other organizations or professionals serving the Fund;

(b) monitoring the suitability of the Investment Strategy to meet the Investment Objectives and preparing for adoption by the Unitholders any amendments to the Investment Objectives, Investment Strategy or Investment Restrictions which the Manager believes are in the best interests of Unitholders;

(c) the authorization and payment on behalf of the Fund of expenses incurred on behalf of the Fund and the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);

(d) the provision of office space, telephone service, office equipment, facilities, supplies and executive, secretarial and clerical services;

(e) the preparation of accounting, management and other reports, including quarterly and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns;

(f) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes;

(g) the calculation of the amount, and the determination of the frequency, of Distributions by the Fund;

(h) communications and correspondence with Unitholders and the preparation of notices of Distributions to Unitholders;

(i) establishing and monitoring the Reinvestment Plan, and amending, modifying, suspending or terminating the Reinvestment Plan in a manner which the Manager believes is in the best interests of Unitholders;

(j) the preparation and supervision of the publication of the Net Asset Value of the Fund;

(k) responding to investors' inquiries and general investor relations in respect of the Fund;

(l) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing;

(m) the setting of debt levels of the Fund, subject to the Investment Restrictions;

(n) obtaining such insurance as the Manager considers appropriate for the Fund;

(o) arranging for the provision of services by CDS for the administration of the Book-Entry Only System with respect to the Trust Units;

(p) reviewing fees and expenses charged to the Fund and ensuring the timely payment thereof; and

(q) ensuring:

    (i) that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements;

    (ii) the preparation and delivery of the Fund's reports to and dealing with relevant securities regulatory authorities and any similar organization of any government or any stock exchange to which the Fund is obligated to report;

    (iii) the organization of meetings of Unitholders; and

    (iv) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In consideration for these services, the Fund pays to the Manager the Management Fee and reimburses the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. In addition, the Manager and each of its directors, officers, employees, consultants and agents are indemnified and reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with acting as the Manager or a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the Manager or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, disregard of the Manager's duties or standard of care, diligence and skill or material breach or default of the Manager's obligations under the Management Agreement.

The Management Agreement may be terminated at any time by the Fund on 90 days written notice provided that an Ordinary Resolution approving the termination of the Management Agreement is approved and Unitholders voting in favour of such Ordinary Resolution represent Trust Units equal to at least ten percent of the Trust Units outstanding on the record date of the meeting held to approve the Ordinary Resolution. The Management Agreement may be terminated by 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. The Management Agreement may be terminated immediately by the Fund in the event of the commission by the Manager of any fraudulent act and shall be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors. The Manager may assign the Management Agreement to an affiliate of the Manager at any time. The Manager may resign upon 120 days notice. If no new manager is appointed within such 120-day period, the Fund will be terminated. Other than fees and expenses payable to the Manager pursuant to the Management Agreement to and including the date of termination, no additional payments will be required to be made to the Manager as a result of any termination. The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates (as defined in the *Securities Act* (Ontario)) are engaged in the administration of other funds.

3.10 The Advisor and the Advisory Agreement

3.10.1 *The Advisor*

MFC Global Investment Management, a subsidiary of Manulife Financial Corporation, has been retained as Advisor to implement the Investment Strategy and to select and manage the Fund Investments. Its mission is to provide superior long-term returns for every client, consistent with their individual objectives, constraints, and risk tolerance. The principal office of the Advisor is located at 200 Bloor Street East, Toronto, Ontario, Canada, M4W 1E5.

3.10.2 *Advisory Agreement*

Pursuant to the terms of the Advisory Agreement, the Advisor is responsible for implementing the Investment Strategy and selects investments based on its assessment of the relative risk/reward characteristics of prospective investments at any point in time, subject to the Investment Restrictions. This assessment is based on fundamental research and analysis of an investment, which includes a review of the track record of management, profit margins, growth rates, leverage levels, susceptibility to changes in commodity prices, life of underlying assets, net asset value relative to trading price and earnings, cash flow and distributions relative to market price. Subject to the Investment Objectives, the Investment

Strategy and compliance with the Investment Restrictions, neither the Manager nor the Trustee may approve or reject any High Income Investment proposed by the Advisor. The Advisor's appointment may be terminated by the Fund, or by the Manager on behalf of the Fund, as described below.

In the Advisory Agreement, the Advisor covenants to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith and in the best interests of the Fund and the Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent and qualified portfolio manager would exercise in comparable circumstances. The Advisory Agreement provides that the Advisor will not be liable in any way for any default, failure or defect in any of the Fund Investments if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Advisor may incur liability to the Fund, however, in cases of wilful misconduct, bad faith, negligence or reckless disregard of its duties or standard of care, diligence and skill set forth above or material breach of the Advisor's obligations under the Advisory Agreement. The Advisor may, from time to time, seek the assistance of the directors and officers of the Manager in evaluating the businesses underlying the securities in which the Fund may invest. The services of the Advisor are not exclusive to the Fund. The Advisor and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the promotion or management of any other fund or investment portfolio. Since the Advisor will continue to manage the investments of its other clients, the Advisor may acquire or dispose of the same investment for the Fund and one or more of its other clients. However, because of different investment policies, the Advisor may be selling an investment for one client and buying the same investment for another client. Under the Advisory Agreement, the Advisor has agreed to allocate opportunities to acquire and dispose of investments fairly among the Fund and its other clients that have similar investment objectives.

The Manager can terminate the Advisory Agreement at any time with 90 days notice or may terminate the Advisory Agreement on 10 days notice for an uncured breach of the Advisory Agreement by the Advisor following notice of such breach by the Manager, on behalf of the Fund, or immediately in events of insolvency or liquidation of the Advisor or if the Advisor 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. The Advisor's appointment may be immediately terminated by the Manager, on behalf of the Fund, in the event of the commission by the Advisor of any fraudulent act in the performance of its duties under the Advisory Agreement or any misrepresentation in the Advisory Agreement.

The Advisor is entitled to fees for its services which are payable by the Manager under the Advisory Agreement and will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Advisor on behalf of the Fund. In addition, the Advisor, and each of its directors, officers, employees, consultants and agents, will be indemnified by the Fund to the fullest extent permitted by law against all losses, claims, judgments, fines, penalties, interest, liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with acting as the Advisor or a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the Manager or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, disregard of the Advisor's duties or standard of care, diligence and skill or material breach or default of the Advisor's obligations under the Advisory Agreement. In the event that the Advisory Agreement is terminated, the Manager, on behalf of the Fund, will appoint a successor Advisor to carry out the activities of the Advisor.

3.10.3 *Portfolio Transactions and Brokerage*
The Advisor is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund Investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

3.11 Fees and Expenses Payable by the Fund

3.11.1 *Management Fee*
The Manager receives an annual fee equal to 0.85% per annum of Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager is responsible for paying the fees payable to the Advisor pursuant to the Advisory Agreement.

3.11.2 *Service Fee*
The Fund pays to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter), equal to 0.40% per annum of the Net Asset Value of Trust Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. The Service Fee is applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to dealers based on the number of Trust Units held by clients of such dealers at the end of the relevant quarter.

3.11.3 *Ongoing Expenses*
The Fund pays all expenses incurred in connection with the operation and administration of the Fund, including, without limitation, the Trustee's fees, the Management Fee, the Service Fee, custodial fees, legal, audit and valuation fees and expenses, expenses (excluding fees) of the directors of the Manager, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager, Unitholder reporting costs, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the Fund's continuous public filing requirements and investor relations, taxes, brokerage commissions, costs and expenses relating to the issue of Trust Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies and all amounts paid by the Fund on account of the indebtedness of the Fund, but excluding the fees payable to the Advisor pursuant to the Advisory Agreement.

Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Advisor, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

3.12 Loan Facility
In order to provide the Fund with a prudent level of leverage to enhance the Fund's total return, the Fund borrows pursuant to a Loan Facility from a Lender. The terms, conditions, interest rates, fees and expenses of and under the Loan Facility are typical for loans of this nature. The Lender is at arm's length to the Fund, the Trustee, the Manager and the Advisor and their respective affiliates and associates.

Pursuant to this agreement, the Fund maintains a 364-day revolving term credit facility and a five-year non-revolving term credit facility. The revolving credit facility provides for maximum borrowings of Cdn $7 million with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage or in US currency at the LIBOR rate plus a fixed percentage. At December 31, 2004, the Fund had borrowings on a banker's acceptance basis in the amount of $2.2 million and a US dollar loan in the amount of Cdn $3.4 million (US$2.8 million) outstanding under the facility. On May 29, 2003, the Fund borrowed US$13 million under the Term Credit Facility, at a fixed rate of interest of 3.89% for a five year period. The credit facilities are secured by a first-ranking and exclusive charge on all of the Fund's assets.

The Loan Facility permits the Fund to borrow monies for various purposes, including, without limitation, purchasing Fund Investments in accordance with the Investment Objectives and Investment Strategy and subject to the Investment Restrictions, and maintaining liquidity. The Fund has provided a security interest in all of its assets in favour of the Lender to secure such borrowings. The Manager will ensure that in the event of default, the Lender's recourse will be limited to the assets of the Fund.

Other than borrowings by the Fund under the Loan Facility of up to 25% of the Total Assets (including securities purchased with the amount borrowed), determined at the time of borrowing, and short-term credits necessary for settlement of securities transactions, which are not considered borrowing, the Fund will not engage in further borrowing.

In the event that the total amount borrowed by the Fund exceeds at any time 25% of the Total Assets, determined at the time of borrowing, the Manager will instruct the Advisor to liquidate Fund Investments in an orderly manner and use the proceeds therefrom to reduce indebtedness so that the amount borrowed by the Fund does not exceed 25% of Total Assets.

In order to achieve its targeted monthly Distributions to Unitholders, the Fund borrows under the Loan Facility an amount equal to approximately 20% of the Total Assets (including securities purchased with the amount borrowed) for the purposes of purchasing High Income Investments. The balance of the Loan Facility will be drawn down in such amounts and applied to such purposes as may be determined by the Manager in its sole discretion from time to time.

3.13 Redemption of Trust Units

Trust Units may be surrendered for redemption at any time during December of any year, but at least five Business Days prior to December 31. However, redemption only occurs on December 31, the Redemption Date of each year. Unitholders whose Trust Units are redeemed are entitled to receive a redemption price per Trust Unit equal to the Net Asset Value per Trust Unit determined as of the Redemption Date and will receive payment on or before the 20th Business Day following such Redemption Date, the Redemption Payment Date. For the purposes of calculating the redemption price, the value of any security which is held by the Fund and is listed or traded upon a stock exchange is equal to the weighted average trading price of such security over the last three Business Days of the month in which the Redemption Date occurs. Any unpaid Distribution payable on or before the Redemption Date in respect of Trust Units tendered for redemption will also be paid on the Redemption Payment Date. For the period ended December 31, 2004, 786,205 (2003 - 475,033) Trust Units were redeemed.

The Manager may direct the Trustee to suspend the redemption of Trust 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) 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 as for which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. 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.

3.14 Issuer Bid

The Fund implemented a normal course issuer bid program whereby the Fund was entitled to purchase up to 918,400 units for cancellation for the period from November 6, 2003 to November 5, 2004. This normal course issuer bid was renewed for the period from November 8, 2004 to November 7, 2005 during which time the Fund may purchase up to 883,000 Trust Units for cancellation. At the end of this period, the Fund plans to apply to the TSX to extend the issuer bid for another 12 months. Units can only be purchased by the Fund when the Net Asset Value per Trust Unit exceeds the market price. During 2004, 120,200 (2003 – 235,400) Trust Units were purchased for cancellation.

3.15 Distribution Reinvestment Plan

The Fund has adopted the Reinvestment Plan so that all Distributions shall be automatically reinvested on each Unitholder's behalf, at the election of each such Unitholder, pursuant to the Reinvestment Plan in accordance with the provisions of the Reinvestment Plan Agency Agreement.

Distributions due to the Plan Participants are applied, on behalf of Plan Participants, to purchase additional Trust Units. Such purchases are either made from the Fund or in the market. If the weighted average trading price on the TSX (or such other stock exchange on which the Trust Units are listed, if the Trust Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Distribution Date (the ''Market Price'') is less than the Net Asset Value per Trust Unit on the Distribution Date, the Plan Agent shall apply the Distributions either to purchase Trust Units in the market or from treasury as follows.

Purchases in the market will be made by the Plan Agent on an orderly basis during the 10 trading day period following the Distribution Date and the price paid for those Trust Units will not exceed 115% of the Market Price of the Trust Units. On the expiry of that period, the unused part, if any, of the Distributions attributable to the Plan Participants will be used to purchase Trust Units from the Fund at the higher of (i) the Net Asset Value per Trust Unit on the relevant Distribution Date and (ii) 95% of the Market Price.

If the Market Price is equal to or greater than the Net Asset Value per Trust Unit on the Distribution Date, the Plan Agent shall apply the Distributions to purchase Trust Units from the Fund through the issue of new Trust Units at the higher of (i) the Net Asset Value per Trust Unit on the relevant Distribution Date and (ii) 95% of the Market Price on the relevant Distribution Date.

If the Trust Units are thinly traded, purchases in the market under the Reinvestment Plan may significantly affect the market price. Depending on market conditions, direct reinvestment of cash Distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Trust Units purchased in the market or from the Fund will be allocated on a *pro rata* basis to the Plan Participants. The Plan Agent will furnish to CDS a report of the Trust Units purchased in order that the CDS Participant can advise the Plan Participant of the Trust Units purchased for the Plan Participant's account in respect of each Distribution. The Plan Agent's charges for administering the Reinvestment Plan and all brokerage fees and commissions in connection with purchases in the market pursuant to the Reinvestment Plan will be paid by the Fund**.** The automatic reinvestment of Distributions under the Reinvestment Plan will not relieve participants of any income tax applicable to those Distributions.

The Reinvestment Plan also allows Plan Participants, to the extent permitted under applicable law and regulatory rulings obtained, to make Optional Cash Payments which will be invested in Trust Units by the Plan Agent. Any Plan Participant may invest a minimum of $100 per Optional Cash Payment with a maximum $20,000 per calendar year per Plan Participant. Optional Cash Payments will be invested on the same basis as Distributions. Optional Cash Payments must be received by the Plan Agent at least five Business Days prior to a Distribution Date to be used to purchase Trust Units immediately following such Distribution Date.

Optional Cash Payments received less than five Business Days prior to a Distribution Date will be held by the Plan Agent and will not be used by the Plan Agent to purchase Trust Units until the next Distribution Date. A Plan Participant who wishes to make an Optional Cash Payment must ensure that the CDS Participant through which he or she holds his or her Trust Units is provided with the notice of his or her intention to make such Optional Cash Payment and the funds to make such Optional Cash Payment sufficiently in advance of the Distribution Date so as to permit the CDS Participant to deliver a notice and the funds to CDS by 5:00 p.m. (Toronto time) on the day which is five Business Days prior to the Distribution Date. The aggregate number of Trust Units that may be purchased with Optional Cash Payments in a calendar year may not exceed two percent of the outstanding Trust Units at the commencement of such calendar year.

A Unitholder can, after electing to participate in the Reinvestment Plan, terminate their participation in the Reinvestment Plan by written notice to the CDS Participant through which the Unitholder holds Trust Units, who will then appropriately instruct the Plan Agent. That notice, if received no later than five days prior to a Record Date, will have effect for the Distribution to be made on the following Distribution Date. Thereafter, Distributions to those Unitholders will be received in cash. The Manager may terminate the Reinvestment Plan in its sole discretion on not less than 30 days notice to the Plan Participants. The Manager may also amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it gives notice of that amendment, modification or suspension to Unitholders. The Fund is not permitted to issue Trust Units into any jurisdiction where that issuance would be illegal.

During 2004, no (2003 - 24,010) Trust Units were issued pursuant to the Reinvestment Plan. No units were issued pursuant to the optional cash payment feature.

3.16 Auditors, Custodian, Registrar, Transfer Agent and Distribution Agent

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3000, Royal Trust Tower, Toronto-Dominion Centre, Toronto Ontario M5K 1G8.

The Royal Trust Company is the Custodian of the Fund's assets. The address of the Custodian is 77 King Street West, 11th Floor, Toronto, Ontario M5W 1P9.

Computershare Trust Company of Canada has been appointed the registrar, transfer agent and distribution agent for the Trust Units. The register and transfer ledger is kept by the Trustee at its principal transfer offices located in Toronto and Calgary.

3.17 Risk Factors

There are many risks associated with an investment in the Trust Units, some of which are outlined below.

No Assurance in Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its Investment Objectives of preserving the value of the Fund's assets and providing monthly Distributions to Unitholders in a tax efficient manner that meet the initial targeted level of $0.08125. There is no assurance that the Fund will be able to pay monthly Distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Fund 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 issuers whose securities are held as Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that the monthly cash available for distribution to Unitholders could vary substantially.

Performance and Marketability of Fund Investments and Trading at a Discount

The Net Asset Value per Trust Unit varies in accordance with the value of the securities acquired by the Fund, and in some cases the value of Fund Investments may be affected by factors beyond the control of the Advisor, the Manager or the Fund. There is no assurance that an adequate market exists for Fund Investments acquired by the Fund. 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 Fund Investments which the Fund may acquire have limited operating histories. The value of these Fund Investments are influenced by factors which are not within the control of the Fund, which, in the case of resource-oriented Income Funds, include the financial performance of the respective issuers, commodity prices, environmental risks, exchange rates, interest rates, issues relating to the regulation of the natural resource industry, quantity and quality of assets, operational risks relating to the specific business activities of the respective issuers and to the resource sector as a whole and other financial market conditions. In the case of REITs, such factors include the quality of the REIT's property portfolio, the perception of and the abilities of the REIT's advisor, the prospects for the Canadian and U.S. residential and commercial real estate markets and the economy in general, including the level and likely direction of interest rates. In the case of Business Funds and Power and Pipeline Funds, such factors include the success of the business of the underlying company or other security and the economy in general. The Fund cannot predict whether the Fund Investments held by it will trade at a discount to, a premium to, or at their respective net asset values.

Trading Price of Trust Units

Trust Units may trade in the market at a premium or discount to Net Asset Value per Trust Unit and there can be no assurance that Trust Units will trade at a price equal to Net Asset Value per Trust Unit. This risk is separate and distinct from the risk that the Net Asset Value per Trust Unit may decrease. In recognition of the possibility that the Trust Units may trade at a discount, the terms and conditions attaching to the Trust Units have been designed to attempt to reduce or eliminate a market value discount from Net Asset Value per Trust Unit by way of optional purchases of Trust Units by the Fund, and by way of the annual redemptions. There can be no assurance that purchases and/or redemptions of Trust Units by the Fund will result in the Trust Units trading at a price which is equal to the Net Asset Value per Trust Unit. The Fund anticipates that the market price of the Trust Units will, in any event, vary from Net Asset Value per Trust Unit. The market price of the Trust Units will be determined by, among other things, the relative demand for and supply of Trust Units in the market, the Fund's investment performance, the Trust Unit's yield and investor perception of the Fund's overall attractiveness as an investment as compared with other investment alternatives.

Fixed Income Investments

The Fund invests in Fixed Income Investments which include high-yield debt, which involves greater risk than investment-grade debt, including risks of default on interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. There are no formal exchanges on which such high-yield debt trades. Accordingly, there may be limited liquidity for holders of such debt.

Sensitivity to Interest Rates

The market price of the Trust Units may be affected by the level of interest rates prevailing from time to time. In addition, the Net Asset Value per Trust Unit may be highly sensitive to interest rate fluctuations because the value of the Fund Investments will fluctuate based on interest rates. Further, any decrease in the Net Asset Value per Trust Unit resulting from an increase in interest rates may also negatively affect the market price of the Trust Units. Unitholders who wish to redeem or sell their Trust Units will, therefore, be exposed to the risk that the Net Asset Value per Trust Unit or the market price of the Trust Units will be negatively affected by interest rate fluctuations. Increases in interest rates will also increase the Fund's costs of borrowing.

Commodity Price Fluctuations

The operations and financial condition of commodity-based issuers of Fund Investments and, accordingly, the amount of distributions paid on such Fund Investments, are dependent on commodity prices applicable to such issuers. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions.

A decline in commodity prices could have an adverse effect on the operations and financial condition of commodity-based issuers of Fund Investments and the amount of distributions paid on such Fund Investments. In addition, certain commodity prices are based on a U.S. dollar market price. Accordingly, an increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of Distributions paid on such Fund Investments.

Fluctuations in Net Asset Value

The Net Asset Value per Trust Unit and the funds available for Distributions vary according to, among other things, the value of the Fund Investments held by the Fund and the distributions paid and interest earned thereon. Fluctuations in the market value of the Fund Investments may occur for a number of reasons beyond the control of the Manager or the Fund.

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 Advisor and Manager

The Fund is dependent on the Advisor for investment advisory and portfolio management services under the Advisory Agreement. In addition, while certain officers and directors of the Manager have experience in managing closed-end investment trusts, and have knowledge of, and experience in, analyzing certain Fund Investments, the Manager is an entity that was organized for the sole purpose of managing and administering the Fund, has no prior operating history and, accordingly, no prior experience in providing services as a manager for a public closed-end investment trust. Investors who are not willing to rely on the Advisor or the management of the Manager should not invest in Trust Units.

Leverage

The Fund incurs indebtedness for various purposes, including purchasing Fund Investments and maintaining liquidity. Other than borrowings by the Fund under the Loan Facility of up to 25% of the Total Assets (including securities purchased with the amount borrowed), determined at the time of borrowing, and short-term credits necessary for settlement of securities transactions, which are not considered borrowing, the Fund will not engage in borrowing. The Fund has provided a security interest in all of its assets in favour of the Lender to secure such borrowings. There can be no assurance that such a strategy will enhance returns and, in fact, the strategy may reduce returns (both Distributions and capital) and thereby increase the risk to Unitholders. If the Fund Investments suffer a decrease in value, the leverage component will cause a decrease in Net Asset Value in excess of that which would otherwise be experienced. If the Loan Facility is called by the Lender, the Fund may be required to liquidate Fund Investments to repay the indebtedness at a time when the market for the Fund Investments may be depressed, thereby forcing the Fund to incur losses.

Illiquid Securities
If the Advisor is unable, or determines that it is inappropriate, to dispose of some or all of the Fund Investments prior to the Termination Date, Unitholders may, subject to applicable laws, receive Distributions of securities in specie upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration. In addition, if the Advisor determines that it is appropriate to acquire certain securities for the Fund, the Advisor may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Advisor, if the market for such securities is particularly illiquid.

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

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. The Fund's counsel is of the view that, 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 Fund Investments. 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 Fund Investments 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.

Tax Proposals Respecting Deductions
On October 31, 2003 the federal Department of Finance announced a tax proposal relating to the deductibility of losses under the Tax Act. Under this tax proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such tax proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to Unitholders reduced as a result. The Manager expects the Fund to realize cumulative profit from each of the securities in the portfolio and, accordingly, this tax proposal, if enacted in the form proposed, should not adversely affect losses, if any, realized by the Fund. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the tax proposal of October 31, 2003, would be released for comment at an early opportunity.

Status as a Mutual Fund Trust for Tax Purposes
Currently, a trust will not be considered 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 Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, 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 of the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian

property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of the Units of the Fund were held by non-residents and partnerships other than Canadian partnerships (or any combination thereof), the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these draft amendments, and it is expected that further discussions will take place before a decision is made concerning whether the draft amendments will be enacted. On February 23, 2005, the Minister proposed that the limit in respect of foreign property that may be held by registered pension plans and other deferred plans be eliminated for 2005 and subsequent tax years.

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

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 and who can withstand the effect of the targeted Distribution not being met in any period.

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.

Liability of Unitholders
On December 16, 2004, the *Trust Beneficiaries' Liability Act 2004* (Ontario) came into force. The 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 of 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 under the Securities Act (Ontario) and is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

As a result of the foregoing, it is considered that there no longer is a risk of any personal liability to Unitholders of the Fund. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. The Declaration of Trust provides that the Trustee and the Manager shall use reasonable means to cause to be inserted in each written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally. The Loan Facility and any other documents relating to the borrowing of money by the Fund contain such a provision.

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 is insufficient to reconstitute the portfolio of loaned securities. During 2004, the Fund did not engage in any securities lending.

Conflicts of Interest
The Advisor and its directors and officers engage in, and the Manager and its directors and officers and their respective affiliates and associates engage in, the promotion, management or investment management of one or more funds or trusts which invest primarily in High Income Investments. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund or the Manager, each 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 Manager and the Fund.

Use of Derivatives
The Fund may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Advisor, 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 the 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.

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

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

4.0 SELECTED FINANCIAL INFORMATION
The following table sets forth selected financial information of the Fund for the fiscal years ended December 31, 2004 and December 31, 2003 and for the period from February 19, 2002 to December 31, 2002. The following summary of selected audited financial information is derived from, and should be read in conjunction with, and is qualified in its entirety by reference to the Fund's 2004 audited financial statements, including the notes thereto:

4.1 Selected Annual Information

	2004	2003	2002*
Income:			
Total	$ 11,278,601	$ 12,169,515	$ 9,449,445
Per Trust Unit	1.26	1.26	0.96
Net investment income	8,807,097	9,735,593	7,514,915
Net investment income per Trust Unit	0.98	1.01	0.76
Results of operations	30,760,626	29,606,365	6,409,988
Results of operations per Trust Unit	3.42	3.06	0.65
Net assets	111,913,053	103,101,592	90,690,064
Distributions paid to Unitholders	9,732,172	9,594,265	7,221,468
Distributions paid per Trust Unit	$ 1.10	$ 0.9958	$ 0.73125

* for the period from February 19 to December 31

4.2 Selected Quarterly Information

	2004				2003			
($000's except per unit amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income								
Total	$2,854	$2,757	$2,943	$2,725	$3,057	$2,980	$3,110	$3,023
Per Trust Unit	0.32	0.31	0.33	0.30	0.32	0.31	0.32	0.31
Net investment income	2,251	2,125	2,328	2,103	2,466	2,358	2,495	2,417
Net investment income per Trust Unit	0.25	0.24	0.26	0.23	0.26	0.25	0.25	0.25
Results of operations	16,064	7,120	(2,369)	9,946	11,564	3,433	9,907	4,702
Results of operations per Trust Unit	1.79	0.79	(0.26)	1.10	1.20	0.37	1.01	0.48
Net assets	$111,913	$109,722	$104,,843	$110,152	$103,102	$99,601	$99,917	$93,159
Distributions paid to Unitholders	$2,991	$2,239	$2,241	$2,261	$2,349	$2,402	$2,440	$2,403
Distributions paid per Trust Unit	$0.34999	$0.24999	$0.24999	$0.24999	$0.24999	$0.24999	$0.24999	$0.24583

5.0 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis for the period ended December 31, 2004 is contained in the 2004 Annual Report of the Fund and is herein incorporated by reference.

6.0 MARKET FOR SECURITIES

The Trust Units are listed for trading on the TSX under the symbol VIP.UN.

7.0 DIRECTORS AND OFFICERS OF THE MANAGER

The Board of Directors of the Manager consists of a minimum of three and a maximum of nine directors. The Board is currently comprised of five members. Directors are appointed to serve on the Board of Directors of the Manager until such time as they retire or are removed and their successors are appointed. The directors and officers of the Manager collectively have extensive experience in the analysis and understanding of the risks associated with some of the businesses underlying the securities that comprise the Fund Investments.

Name & Municipality of Residence	Position with the Manager	Principal Occupation	Trust Unit Holdings*	Trust Unit Holdings %
Peter A. Braaten Toronto, Ontario	Chairman of the Board	Chairman, Brompton Limited from November 2000; President, 2M Energy Corp. from July 1999 to November 2000; President, Morrison Middlefield Resources Limited from August 1993 to July 1999.	30,327	0.38%
James W. Davie [(1) (2) (3)] Toronto, Ontario	Director	Corporate Director from June 2002; Managing Director, Investment Banking, RBC Dominion Securities Inc. from 1979 to June 2002.	-	-
P. Michael Nedham Toronto, Ontario	Director	Managing Director, Newport Partners Inc. from July 2002; President, Newport Securities Inc. from September 2001; President, Michael Nedham and Associates Ltd. from February 1998 to September 2001; Managing Director, TD Securities Inc. from 1995 to February 1998	16,729	0.21%
Ken S. Woolner [(1) (2) (3)] Calgary, Alberta	Lead Director	Executive Chairman, White Fire Energy Ltd since April 2005; President & Chief Executive Officer, Lightning Energy Ltd. from December 2001 to April 2005; President & CEO, Velvet Exploration Ltd. from April 1997 to July 2001.	50,000	0.62%
Arthur R. A. Scace [(1) (2) (3)] Toronto, Ontario	Director	Counsel, McCarthy Tétrault LLP from November 2003 to present; Partner, McCarthy Tétrault from 1972 to November,2003.	-	-
Raymond R. Pether Toronto, Ontario	President & Chief Executive Officer	President, Brompton Limited from April 2001; President & CEO, Western Facilities Fund from June 1998 to April 2001; Chief Operating Officer, Morrison Middlefield Resources Limited from January 1994 to June 1998.	-	-
Christopher S.L. Hoffmann Toronto, Ontario	Executive Vice President	Executive Vice President, Brompton Limited from October 2004; Legal Counsel, McCarthy Tetrault LLP from November 1989 to October 2004.	-	-
Mark A. Caranci Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Limited from April 2001; CFO, Western Facilities Fund from December 2000 to April 2001; Vice President, Finance 2M Energy Corp. from August 1999 to November 2000; Vice President Finance, Morrison Middlefield Resources Limited from January 1997 to August 1999.	3,000	0.04%
Moyra E. MacKay Toronto, Ontario	Vice President & Corporate Secretary	Vice President & Corporate Secretary, Brompton Limited from May 2000; Vice President, 2M Energy Corp. from August 1999 to May 2000; Vice President, Morrison Middlefield Resources Limited from August 1998 to August 1999; Vice President, Middlefield International Limited from June 1996 to August 1998.	2,600	0.03%
David E. Roode Toronto, Ontario	Senior Vice President	Vice President, Brompton Limited from September 2002; Analyst, Middlefield Group from 1998 to 2001.	-	-

Craig T. Kikuchi Toronto, Ontario	Vice President, Finance	Vice President, Brompton Limited from August 2004 Controller, Brompton Limited from February 2002 to August 2004; PricewaterhouseCoopers LLP from September 1996 to January 2002.	1,268	0.02%
Imran Pervaiz Oakville, Ontario	Controller	Controller, Brompton Limited from April 2004; Manager, PricewaterhouseCoopers LLP from October 2002 to April 2004; Accountant, Ontario Securities Commission from January 2001 to October 2002; Financial Analyst, Nortel Networks from June 2000 to January 2001; Senior Staff Accountant, KPMG LLP from September 1996 to June 2000.	-	-
Lorne Zeiler Toronto, Ontario	Vice President	Vice President, Brompton Limited from September 2004; Senior Financial Analyst, Assante Advisory Services from 2003 to 2004; Senior Relationship Manager, Scotiabank from 1998 to 2003.	-	-
Jessica Leung Toronto, Ontario	Controller	Controller, Brompton Limited since February 2005; Manager, Ernst & Young LLP from October 2000 to January 2005.	-	-
Total			103,924	1.3%

* Includes Trust Units held directly, indirectly or over which control or direction is exercised at May 17, 2005.

(1) Member of the Audit Committee
(2) Member of the Corporate Governance Committee
(3) Unrelated Director

7.1 *Remuneration of Directors and Officers*

The officers of the Manager receive their remuneration from the Manager. The expenses (excluding fees) of the directors of the Manager and the premiums for directors' and officers' insurance coverage for the directors and officers of the Manager are paid by the Fund.

8.0 FORWARD LOOKING INFORMATION

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks, may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will" "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

CERTAIN HISTORICAL INFORMATION CONTAINED IN THIS ANNUAL INFORMATION FORM HAS BEEN PROVIDED BY, OR DERIVED FROM INFORMATION PROVIDED BY, CERTAIN THIRD PARTIES. ALTHOUGH THE FUND HAS NO KNOWLEDGE THAT WOULD INDICATE

THAT ANY SUCH INFORMATION IS UNTRUE OR INCOMPLETE, THE FUND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF SUCH INFORMATION OR THE FAILURE BY SUCH THIRD PARTIES TO DISCLOSE EVENTS WHICH MAY HAVE OCCURRED OR MAY AFFECT THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION BUT WHICH IS UNKNOWN TO THE FUND.

9.0 ADDITIONAL INFORMATION

Additional financial information is provided in the Fund's Financial Statements for the fiscal year ended December 31, 2004.

The Fund will provide to any person, upon request:

(a) when the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

(i) one copy of the Annual Information Form of the Fund (the "AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,

(ii) one copy of the comparative financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Fund subsequent to the financial statements for its most recently completed financial year,

(iii) one copy of the information circular of the Fund in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and

(iv) one copy of any other documents that are incorporated by reference into the shortform prospectus or the preliminary prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in (1)(a)(i), (ii) and (iii) above, provided the Fund may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Fund.

Requests should be addressed to the Corporate Secretary of the Manager at:

Brompton VIP Management Limited
Suite 2930, Box 793, BCE Place
Bay Wellington Tower, 181 Bay Street
Toronto, ON M5J 2T3