

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.

The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States or to, or for the account or benefit of, a person in the United States or a U.S. person (as defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or unless an exemption from such registration is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

January 27, 2010

BROMPTON
FUNDS



BLOOM
INVESTMENT
COUNSEL, INC.

Maximum \$200,000,004

(16,666,667 Combined Units)

\$12.00 per Combined Unit

(Each Combined Unit consists of one Unit and one Warrant to purchase one Unit)

Canadian High Income Equity Fund, a closed-end investment fund established under the laws of the Province of Ontario, proposes to issue Combined Units at a price of \$12.00 per Combined Unit. Each Combined Unit consists of one transferable, redeemable unit of the Fund and one transferable warrant of the Fund. Each Warrant entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before 5:00 p.m. (Toronto time) on April 15, 2011. **Warrants not exercised by 5:00 p.m. (Toronto time) on the Expiry Date will be void and of no value.** The Units and the Warrants comprising the Combined Units will separate immediately following Closing. This prospectus qualifies the issuance of the Units and the Warrants.

The Fund has been created to capitalize on the many undervalued high income investment opportunities in the income trust sector and on the expanding high-income common equity market that the Investment Manager, Bloom Investment Counsel, Inc., believes will emerge in 2011 and beyond. The Investment Manager is a specialist in income-oriented investments and has a strong, long-term track record of managing portfolios of Canadian income trusts and dividend paying equities, including the Investment Manager's flagship fund, Blue Ribbon Income Fund (formerly Citadel Diversified Investment Trust).

Since the Federal government's October 31, 2006 decision to tax income trusts by no later than 2011, some analysts have discontinued coverage of income trusts, and many retail and institutional investors have exited the income trust sector, resulting in certain income trusts becoming significantly undervalued relative to comparable common equities. The change in tax regime for income trusts has already provided numerous opportunities for investors to profit. Since October, 2006, 38 income trusts have been acquired at an average premium of 31.2% to their 30-day weighted average trading prices. Additionally, the common shares of the 29 income trusts that converted to corporations since December 31, 2007 have on average outperformed the S&P/TSX Composite Index following the announcement of their intention to convert. The Investment Manager foresees a continuation of these opportunities as 2011 approaches.

The Investment Manager believes that the conversion of most income trusts into corporations will result in a broader and expanding high-income common equity market in Canada. In the Investment Manager's view, investors will place a premium on these companies due to strong cash flows, the discipline that a high dividend rate places on management to limit investments in non-core or low cash flow businesses and investor demand for high levels of income. As a result, high-yielding equities whose after-tax income to investors is attractive by virtue of the dividend tax credit should enjoy a cost of capital advantage over other equities. The Investment Manager believes that other high-yield equity investment opportunities will develop in addition to income trust conversions as many non-dividend or low-dividend paying equities are expected to initiate or increase dividend rates to compete against former income trusts for a lower cost of capital.

At inception, the Investment Manager will build a portfolio composed primarily of income trusts to focus on undervalued investments with high distribution rates. Some of these investments could be take-over targets and in general they are expected to offer the Fund the opportunity for capital appreciation. As 2011 approaches, the Investment Manager expects to shift the portfolio towards common shares that offer high income, growth prospects and attractive valuations. In addition, the Investment Manager may supplement investments in equity securities by investing in preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

The Fund's investment objectives will be to provide Unitholders with (i) a high monthly cash distribution, and (ii) the opportunity for capital appreciation, through investment in an actively managed portfolio of publicly listed or traded Canadian securities, including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

The Fund initially intends to pay monthly distributions on all Units in an amount equal to \$0.08 per Unit of the Fund, representing a yield of 8.0% per annum on the Subscription Price. The initial distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than 10 Business Days following such record date. The first distribution will be pro rated to reflect the period from the Closing Date to March 31, 2010. In order for the Fund to pay such distributions while maintaining a stable Net Asset Value, the Portfolio would be required to generate a return of approximately 8.95% assuming (i) an aggregate size of the offering of \$100 million, and (ii) the fees and expenses described under "Fees and Expenses". The Fund will not have a fixed monthly distribution but will determine and announce each year, commencing in January 2011, an expected distribution amount for the following twelve months. If the Manager determines it is in the best interest of the Unitholders, it may amend the distribution during the year. The distribution is expected to consist primarily of ordinary income, dividends and, to a lesser extent, return of capital (which is not immediately taxable but which reduces the adjusted cost base of a Unitholder's Units). See "Distributions".

The net proceeds of the Offering will be used to invest in the Portfolio in accordance with the investment objectives, strategy and restrictions of the Fund. See "Use of Proceeds".

Bloom Investment Counsel, Inc. has been retained to provide investment management services to the Fund. The Investment Manager has considerable experience and a strong track record of managing portfolios of high-yielding Canadian income trusts and dividend paying equities. Paul Bloom was recognized in September 2009 as one of the 50 TopGun Canadian Equity Portfolio Managers by Brendan Wood International. The Investment Manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, the Investment Manager currently manages specialty high yield equity portfolios comprised of royalty trusts, income trusts, real estate investment trusts and other structured securities. Within the last five years, the Investment Manager has managed portfolios in this specialty area with a market value of over \$2.5 billion. See "Organization and Management Details of the Fund — Investment Manager".

Brompton Funds Management Limited will act as the manager of the Fund. The Manager is a member of the Brompton Group, a leading provider of structured investment products that manages approximately \$1.7 billion in assets as at November 30, 2009. See "Organization and Management Details of the Fund — The Manager".

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Price: \$12.00 per Combined Unit

	Price to the Public ⁽¹⁾	Agents' Fee	Net Proceeds to the Fund ⁽²⁾⁽³⁾
Per Combined Unit	\$12.00	\$0.63	\$11.37
Minimum Total Offering ⁽⁴⁾⁽⁵⁾	\$40,000,008	\$2,100,000	\$37,900,008
Maximum Total Offering ⁽⁵⁾	\$200,000,004	\$10,500,000	\$189,500,004

Notes:

- (1) The terms of the Offering were established through negotiation between the Agents and the Manager on behalf of the Fund.
- (2) Before deducting the expenses of the Offering, estimated to be \$750,000 (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund from the proceeds of the Offering.
- (3) As soon as practicable following the exercise of a Warrant, the Fund will pay \$0.18 per Warrant exercised to the CDS Participant whose client is exercising the Warrant and \$0.12 per Warrant exercised to the Agents.
- (4) There will be no Closing unless a minimum of 3,333,334 Combined Units are sold. If subscriptions for a minimum of 3,333,334 Combined Units have not been received within 90 days after a final receipt for this prospectus is issued, the Offering may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Combined Units on or before such date.
- (5) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase, in respect of the Units, up to the lesser of: (a) the "over-allocation position" as such term is defined in National Instrument 41-101 — *General Prospectus Requirements* and (b) 15% of the aggregate number of Units issued at Closing at a price of \$11.60 per Option Unit and to purchase, in respect of the Warrants, up to the lesser of: (y) the "over-allocation position" as such term is defined in National Instrument 41-101 — *General Prospectus Requirements* and (z) 15% of the aggregate number of Warrants issued at Closing at a price of \$0.40 per Option Warrant. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee equal to \$0.609 per Option Unit and a fee of \$0.021 per Option Warrant purchased. If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be \$230,000,004, \$12,075,000 and \$217,925,004, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Option Units and Option Warrants issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units and Option Warrants forming part of the Over-Allotment Option acquires such securities under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Units may be redeemed annually on the second last Business Day of September commencing in September 2011 subject to the Manager's right to suspend redemptions in certain circumstances. In order to effect such a redemption, the Units must be surrendered by the last Business Day of the month prior to the applicable Annual Redemption Date. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit on that date (less any costs and expenses associated with the redemption). Payment of the redemption price will be made on or before the applicable Redemption Payment Date. See "Redemption of Units" and "Risk Factors — Significant Redemptions".

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved. 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. There is no market through which the Units or the Warrants may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "Risk Factors" for a discussion of certain factors that should be considered by prospective purchasers of Combined Units, including risks associated with the use of leverage by the Fund.

The Toronto Stock Exchange has conditionally approved the listing of the Units and Warrants. Listing of the Units and Warrants offered hereunder is subject to the Fund fulfilling all of the requirements of the TSX on or before April 23, 2010.

The value of Units will be reduced if the Net Asset Value per Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. See "Description of the Securities Distributed — Warrant Considerations".

CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd., HSBC Securities (Canada) Inc., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Corporation, Manulife Securities Incorporated, Research Capital Corporation, Macquarie Capital Markets Canada Ltd. and Wellington West Capital Markets Inc., as agents, conditionally offer the Combined Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

Subscriptions for Combined Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. All prospective purchasers will be entitled to withdraw their purchase on or before midnight on the second Business Day after receipt or deemed receipt of the final prospectus and any amendment in accordance with applicable securities laws. See "Purchasers' Statutory Rights of Withdrawal and Rescission". The Combined Units will separate into Units and Warrants immediately following Closing, which is expected to occur on or about February 18, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued. The Agents may over-allot or effect transactions as described under "Plan of Distribution". Registrations of interests in and transfers of Units and Warrants will be made only through the book-based system administered by CDS. A purchaser of Combined Units will receive a customer confirmation from the registered dealer from or through which the Combined Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units and Warrants comprising the Combined Units.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms".

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Canadian High Income Equity Fund is a closed-end investment fund established under the laws of the Province of Ontario. The Manager of the Fund is Brompton Funds Management Limited and the Investment Manager of the Fund is Bloom Investment Counsel, Inc. See "The Fund".

RATIONALE FOR THE FUND

The Fund has been created to capitalize on the many undervalued high income investment opportunities in the income trust sector and on the expanding high-income common equity market that the Investment Manager, Bloom Investment Counsel, Inc., believes will emerge in 2011 and beyond. The Investment Manager is a specialist in income-oriented investments and has a strong, long-term track record of managing portfolios of Canadian income trusts and dividend paying equities, including the Investment Manager's flagship fund, Blue Ribbon Income Fund (formerly Citadel Diversified Investment Trust).

The Investment Manager believes that the change in taxation of income trusts by no later than 2011 presents a number of attractive investment opportunities. In the Investment Manager's view, many investors have exited income trusts, providing an opportunity to invest in income trusts with attractive valuations and high levels of distributions. Certain income trusts may outperform in the coming period either through market appreciation after conversion to corporations, or as they become take-over targets due to attractive valuations. Additionally, the Investment Manager foresees an expanded set of investment opportunities in the future through the anticipated development of a high-yielding equities market, which will come about as many non-dividend or low-dividend paying equities are expected to initiate or increase dividend rates to compete against former income trusts for a lower cost of capital.

THE OFFERING

The Offering	A minimum of 3,333,334 Combined Units and a maximum of 16,666,667 Combined Units. See "Plan of Distribution".
Price	\$12.00 per Combined Unit.
Units and Warrants	<p>Each Combined Unit consists of one Unit and one Warrant. Each Warrant entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before 5:00 p.m. (Toronto time) on April 15, 2011. Warrants not exercised by 5:00 p.m. (Toronto time) on the Expiry Date will be void and of no value. If a Unitholder does not exercise, or sells, the Warrants, then the value of the Units held by that Unitholder may be diluted as a result of the exercise of Warrants by others. The Units and the Warrants comprising the Combined Units will separate immediately following Closing. See "Details of the Securities Distributed".</p> <p>The value of Units will be reduced if the Net Asset Value per Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. See "Description of the Securities Distributed – Warrant Considerations".</p>
Investment	The Fund's investment objectives will be to provide Unitholders with (i) a high monthly cash distribution, and (ii) the opportunity for capital appreciation, through investment in an actively managed portfolio of

Objectives

publicly listed or traded Canadian securities, including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

See “Investment Objectives”.

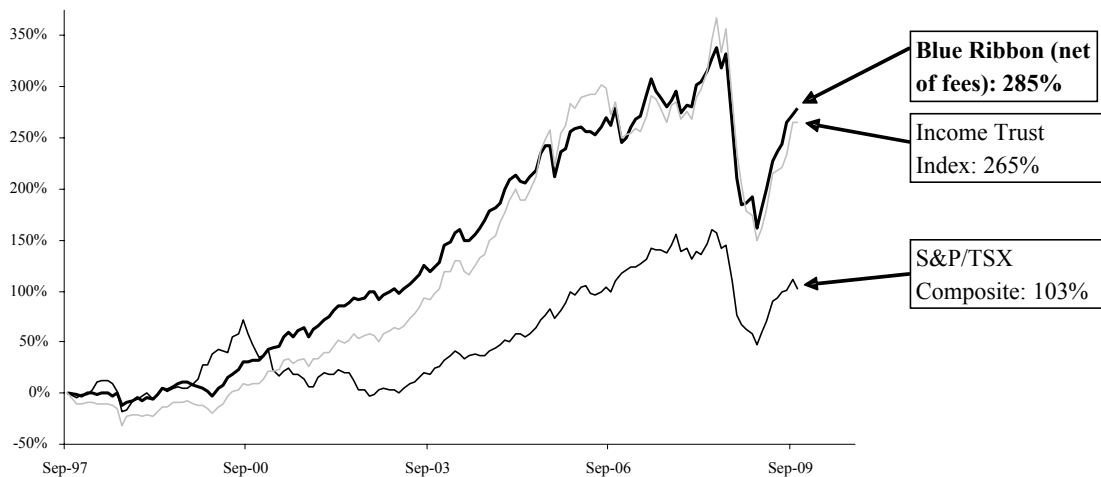
Investment Strategy

The investment strategy of the Fund will be to actively manage a portfolio of publicly listed or traded Canadian securities, including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

At inception, the Investment Manager will build a portfolio composed primarily of income trusts to focus on undervalued investments with high distribution rates. The Investment Manager believes that since the Federal government’s October 31, 2006 decision to tax income trusts by no later than 2011, some analysts have discontinued coverage of income trusts and many retail and institutional investors have exited the income trust sector, resulting in certain income trusts becoming significantly undervalued relative to comparable common equities. The Investment Manager believes that many income trusts will continue to pay high distribution rates after converting to corporations. The Investment Manager believes that these investments offer the Fund the opportunity for capital appreciation and some of these investments could be take-over targets.

The Investment Manager is a specialist in income-oriented equity investments and has been investing in income trusts since their inception. The Investment Manager’s flagship fund, Blue Ribbon Income Fund (formerly Citadel Diversified Investment Trust), employs a similar investment strategy, structure and level of leverage, has similar investment objectives to the Fund (with the exception that, prior to November 20, 2009, the Blue Ribbon Income Fund could not invest in debt instruments, preferred securities, non-dividend paying equities or foreign securities) and has provided a compound annual return based on net asset value of 11.8% net of fees since its inception in 1997.

Cumulative Performance to October 31, 2009 - Blue Ribbon Income Fund



Notes:

1. Returns for the Blue Ribbon Income Fund were calculated based on publicly available information and accounting records of Blue Ribbon Income Fund in each case prepared by the prior administrator to Blue Ribbon Income Fund. Returns were calculated on a total return basis by reinvesting each cash distribution and deemed distribution on the exercise of rights into additional units of the Blue Ribbon Income Fund at the quarter-end net asset value per unit.
2. Source: Thomson
3. **The information in the above chart is historical and is not intended to be, and should not be construed as, an indication of the future performance of the Blue Ribbon Income Fund or the Fund.**

The following chart sets out the compound annual return provided by the Blue Ribbon Income Fund based on net asset value, net of fees over a one, three, five and ten year period and since inception in 1997:

Performance ¹	Blue Ribbon Total NAV Returns	Blue Ribbon Gross Returns ²	S&P/TSX Composite Index	Income Trust Index ³
1 year	24.1%	25.9%	14.6%	8.4%
3 years	0.3%	2.1%	-1.2%	-1.8%
5 years	6.7%	8.5%	6.7%	7.3%
10 years	13.9%	15.7%	6.4%	15.1%
Inception September 16, 1997	11.8%	13.6%	6.0%	11.3%

Notes:

1. Figures are for the one, three, five and ten year periods ending October 31, 2009, and from inception to October 31, 2009. Net asset value at inception (September 16, 1997) has been calculated based on the issue price less agency fees and issue costs.
2. Gross Returns calculated as NAV return plus MER of 1.8%
3. September 16, 1997- December 31, 1997 - Scotia Capital Income Trust Index; December 31, 1997-Oct 31, 2009 - S&P/TSX Income Trust Index
4. Returns for the Blue Ribbon Income Fund were calculated based on publicly available information and accounting records of Blue Ribbon Income Fund in each case prepared by the prior administrator to Blue Ribbon Income Fund. Returns were calculated on a total return basis by reinvesting each cash distribution and deemed distribution on the exercise of rights into additional units of the Blue Ribbon Income Fund at the quarter-end net asset value per unit.
5. **The information in the above chart is historical and is not intended to be, and should not be construed as, an indication of the future performance of the Blue Ribbon Income Fund or of the Fund.**

The Income Trust Market

As at November 30, 2009, there were 155 income trusts with an aggregate market capitalization of approximately \$110 billion. The income trust sector pays a high distribution rate of 8.6%, as represented by the S&P/TSX Income Trust Index. This compares favourably to the yield on equities and bonds. The following table shows the current yield as at November 30, 2009 of the indices representing these asset classes:

S&P/TSX Composite Index	DEX Universe Bond Index	S&P/TSX Income Trust Index
2.9%	3.0%	8.6%

Note:

1. Source: PC Bonds – TSX Inc. and Bloomberg

The Investment Manager believes that over the next twelve months, the 130 non-REIT income trusts with an aggregate market capitalization of over \$90 billion may become take-over targets due to their attractive valuations or are expected to convert to dividend paying corporations. The Investment Manager will seek to generate income and capital gains by identifying take-over targets and those income trusts that are likely to maintain a high dividend after incorporation and offer sustainable business models with strong fundamentals.

Income Trust Conversions and Take-overs

Since the Federal government's October 31, 2006 decision to tax income trusts by no later than 2011, some analysts have discontinued coverage of income trusts, and many retail and institutional investors have exited the income trust sector, resulting in certain income trusts becoming significantly undervalued relative to comparable common equities. The change in tax regime for income trusts has already provided numerous opportunities for investors to profit. Since October, 2006, 38 income trusts have been acquired at an average premium of 31.2% to their 30-day weighted average trading prices. Additionally, the common shares of the 29 income trusts that converted to corporations since December 31, 2007 have on average outperformed the S&P/TSX Composite Index following the announcement of their intention to

convert. The Investment Manager foresees a continuation of these opportunities as 2011 approaches.

Development of High Income Common Equity Market

The Investment Manager believes that the conversion of most income trusts into corporations will result in a broader and expanding high-income common equity market in Canada. In the Investment Manager's view, investors will place a premium on these companies due to:

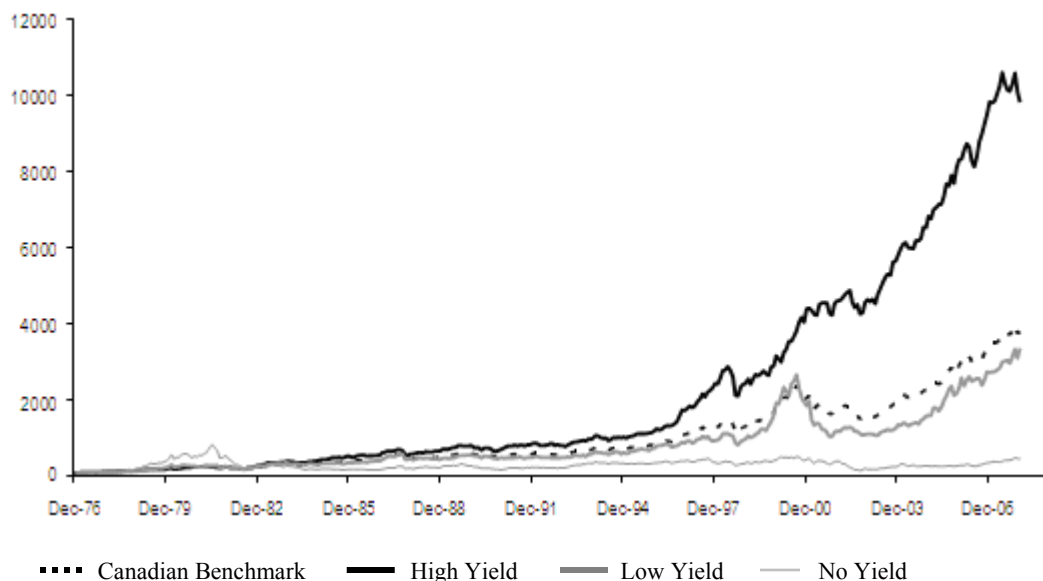
- (i) strong cash flows,
- (ii) the discipline that a high dividend rate places on management to limit investments in non-core or low cash flow businesses, and
- (iii) investor demand for high levels of income.

As a result, high-yielding equities whose after-tax income to investors is attractive by virtue of the dividend tax credit should enjoy a cost of capital advantage over other equities. The Investment Manager believes that other high-yield equity investment opportunities will develop in addition to income trust conversions as many non-dividend or low-dividend paying equities are expected to initiate or increase dividend rates to compete against former income trusts for a lower cost of capital.

Historical Performance of Dividend Paying Equities

Canadian high-yield stocks have historically outperformed low- or no-yield stocks. From 1977 to 2007, a portfolio of "high yield" Canadian stocks (those being the top 30% sorted by yield) generated a 15.9% annualized total return compared to the benchmark return of 12.4% over the same period. Low yield (those being the bottom 30% sorted by yield) and no yield stocks generated 12.0% and 5.1% annualized returns over the same period, respectively.

Canadian High Yield, Low Yield and No Yield Stock Performance



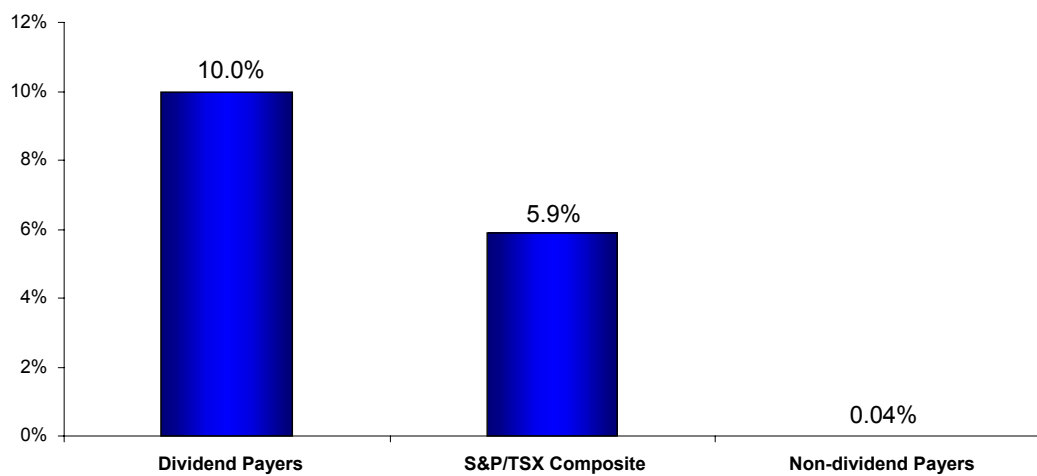
Notes:

1. High Yield and Low Yield portfolios include the top and bottom 30% of Canadian equities ranked by dividend yield, respectively. Portfolio constituents are market-value weighted. Portfolios are re-screened and re-weighted in December of each year.
2. Data: 1977-2006 MSCI; 2007: Bloomberg
3. Source – RBC Capital Markets

In addition, dividend paying equities have generally outperformed the S&P/TSX Composite Index. From January 1986 to November 2009, dividend payers generated an annualized return of 10.0%, versus 5.9%

for the S&P/TSX Composite Index and 0.04% for non-dividend payers.

Canadian Dividend Payers vs. Non-Dividend Payers Annualized Returns



Notes:

1. Source – RBC Capital Markets Quantitative Research
2. Total Portfolio Returns (December 1986-November 2009, Equal Weighted, %)

Benefits of Dividend Tax Credit

Dividends have much more favourable tax treatment for taxable investors than income distributions. Dividends are taxed at less than half the rate of ordinary income for many Canadian investors in the highest marginal tax rate. For example, in the province of Ontario, ordinary income and interest is taxed at 46.4% for investors in the highest tax bracket. Due to the dividend tax credit eligible dividends are taxed at only 23.1% in the province of Ontario in 2009, with such rate to increase to 27% in 2010. Consequently, as demonstrated in the chart below, assuming a taxable investor pays tax at the highest marginal tax rate in Ontario, a dividend of 8% is equivalent to an ordinary income or interest rate of 11.5%.

Dividends and Interest Equivalent Yields

Top Marginal Eligible Dividends Tax Rate	23.1%				
Top Marginal Interest Income Tax Rate	46.4%				
Eligible Dividend Rate	5%	6%	7%	8%	9%
Ordinary Income and Interest Equivalent	7.2%	8.6%	10.1%	11.5%	12.9%

Note:

1. Figures are for the province of Ontario in 2009.

The Investment Manager believes that as more investors appreciate the significant after-tax benefits of dividends versus income, the demand for higher-yielding equity investments will continue to grow.

Use of Preferred Securities and Debt Instruments

The Investment Manager expects to supplement investments in equity securities with preferred securities and debt instruments in order to enhance the Fund's ability to maintain a high level of monthly distributions along with the opportunity for capital growth.

See "Investment Strategy".

Overview of the Sectors that the Fund Invests In

At inception, the Investment Manager will build a portfolio composed primarily of income trusts to focus on businesses offering high distribution rates, mispriced assets and potential take-over targets with approximately the following sector allocation:

Indicative Initial Sector Allocation	
Oil & Gas Trusts	30%
Power & Pipeline Trusts	25%
Business Trusts	30%
REITs	5%
Dividend Paying Equities	10%

There are no specific minimum sector allocations that the Investment Manager must adhere to. The Investment Manager will adjust sector allocations based on market conditions and the Investment Manager's view of the opportunities that present themselves within each sector. As 2011 approaches, the Investment Manager expects to shift the portfolio towards common shares that offer high income, growth prospects and attractive valuations. The Investment Manager may also invest in preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities. See "The Portfolio".

Use of Leverage

The Fund may employ leverage up to 25% of Total Assets determined at the time of borrowing or issuance (including securities purchased with the amounts borrowed). Accordingly, the maximum amount of leverage that the Fund could employ is 1.33:1. Initially the Fund intends to borrow up to 20% of Total Assets but may reduce the level of leverage at any time if the Investment Manager believes, after consultation with the Manager, that it is in the best interest of the Fund to do so and will reduce leverage if the borrowings exceed 25% of Total Assets. The Fund may also enter into short-term credits necessary for settlement of securities transactions which are not considered borrowing for the foregoing purposes. See "Leverage" and "Investment Restrictions".

Investment Manager

Bloom Investment Counsel, Inc. will be the Investment Manager of the Fund. In September 2009, Paul Bloom was selected as one of the 50 TopGun Portfolio Managers covering Canadian equities by the Brendan Wood International. The Investment Manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, the Investment Manager currently manages specialty high-yield equity portfolios comprised of royalty trusts, income funds, real estate investment trusts and other structured securities. Within the last five years the Investment Manager has managed portfolios in this specialty area with a market value of over \$2.5 billion. See "Organization and Management Details of the Fund – Investment Manager".

Manager

Brompton Funds Management Limited will act as the manager of the Fund. The Manager is a member of the Brompton Group, a leading provider of structured investment products that manages approximately \$1.7 billion in assets as at November 30, 2009. See "Organization and Management Details of the Fund – The Manager".

Distribution Policy

The Fund initially intends to pay monthly distributions on all Units in an amount equal to \$0.08 per Unit of the Fund, representing a yield of 8.0% per annum on the Subscription Price. The initial distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than 10 Business Days following such record date. The first distribution will be pro rated to reflect the period from the Closing Date to March 31, 2010. In order for the Fund to pay such distributions while maintaining a stable Net Asset Value, the Portfolio would be required to generate a return of approximately 8.95% assuming (i) an aggregate size of the offering of \$100 million, and (ii) the fees and expenses described under "Fees and Expenses". If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, the Net Asset Value per Unit would be reduced. The Fund will not have a fixed monthly distribution but will

determine and announce each year, commencing in January 2011, an expected distribution amount for the following twelve months. If the Manager determines it is in the best interest of the Unitholders, it may amend the distribution during the year. The distribution is expected to consist primarily of ordinary income, dividends and, to a lesser extent, return of capital (which is not immediately taxable but which reduces the adjusted cost base of a Unitholder's Units). See "Distributions".

Redemption	Units may be redeemed on an annual basis on the second last Business Day of September commencing in September 2011 subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by the last Business Day in the month prior to the applicable Annual Redemption Date. Unitholders whose Units are redeemed will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit on that date (less any costs and expenses associated with the redemption). The Net Asset Value per Unit will vary depending on a number of factors. See "Valuation, Total Assets and Net Asset Value", "Redemption of Units" and "Risk Factors".
Termination of the Fund	The Fund does not have a fixed termination date. The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund. Upon termination, the Fund will distribute to Unitholders their <i>pro rata</i> portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. See "Termination of the Fund".
Use of Proceeds	The net proceeds from the issue of the maximum number of Combined Units offered hereby after payment of the Agents' fee and the expenses of the Offering are estimated to be \$188,750,004 (\$37,150,008 if the minimum number of Combined Units is issued). The net proceeds of the Offering, including any net proceeds from the exercise of the Over-Allotment Option and any proceeds from the exercise of the Warrants, will be used to invest in the Portfolio as soon as practicable following Closing in accordance with the investment objectives, strategy and restrictions of the Fund. See "Use of Proceeds".
Repurchase of Units	The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders. See "Description of the Securities Distributed – Purchase for Cancellation".
Future Issuances	The Fund will not issue any additional securities for net proceeds less than the most recently calculated Net Asset Value per Unit prior to the date of setting the subscription price for such issuance. See "Unitholder Matters – Amendment of Declaration of Trust".
Risk Factors	An investment in Units is subject to certain risk factors, including risks related to: (i) there being no assurance that the Fund will achieve its investment objectives; (ii) the possible loss of investment; (iii) there being no guaranteed return on investment; (iv) the performance and marketability of portfolio securities; (v) distributions, including the likelihood that the distributable income of the Fund will decrease in the aggregate, given the taxation of income trusts beginning no later than 2011, and such decrease may not be fully offset by the benefit of the dividend tax credit available for taxable investors; (vi) sensitivity to interest rates (vii) commodity price fluctuations; (viii) fluctuations in oil and gas prices; (ix) investing in real property investments, including changes in general economic conditions and local conditions, the attractiveness of the properties to tenants and various other factors; (x) the fact that the Fund's Portfolio may vary widely from time to time and may from time to time be concentrated by type of security, commodity, industry or geography; (xi) reliance on the Investment Manager for investment advisory and portfolio management services and upon the Manager for the provision of all other required services; (xii) securities lending, in particular exposure to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral may be insufficient to reconstitute the portfolio of loaned securities; (xiii) the possibility that the Units will trade at a discount to Net Asset Value per Unit; (xiv) the fact that, unlike debt instruments, there is no principal amount owing to Unitholders, and the fact that Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation; (xv) the fact that the Fund may incur indebtedness to purchase portfolio securities, and the lack of assurance that such a strategy will enhance returns and may amplify losses; (xvi) the

possibility of there being an illiquid market for portfolio securities; (xvii) taxation of the Fund, including that the Fund would be adversely affected in the event it ceased to be a mutual fund trust for purposes of the Tax Act; (xviii) the fact that the Fund is not a mutual fund for securities law purposes and will not be subject to the Canadian policies and regulations that apply to open-end mutual funds; (xix) the fact that the Manager and the Investment Manager, and their respective officers, directors, affiliates and associates may engage in the promotion, management or investment management of any other fund or trust with a similar investment strategy to the Fund; (xx) changes in legislation; (xxi) recent global financial developments; (xxii) significant redemptions of Units; (xxiii) the fact that a Unitholder's pro rata interest in the assets of the Fund will be diluted in the event the Net Asset Value per Unit exceeds \$11.70 and such Unitholder does not exercise Warrants; (xxiv) the Fund's lack of operating history; and (xxv) investing in debt instruments, including that debt instruments will generally decrease in value when interest rates rise and increase in value when interest rates decline. See "Risk Factors".

Eligibility For Investment

Provided that (i) the Units are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) or (ii) the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans. Provided that the Warrants are listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that the Units are qualified investments for Registered Plans and the Fund is not, and deals at arm's length (within the meaning of the Tax Act) with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a Registered Plan, the Warrants will be qualified investments under the Tax Act for trusts governed by Registered Plans. See "Income Tax Considerations".

Income Tax Considerations

The Fund intends to distribute the amount of its income for each taxation year so that it will generally not be liable for income tax under Part I of the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year that is paid or payable to the Unitholder in the taxation year. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income will reduce the adjusted cost base of the Unitholder's Units. The exercise of a Warrant will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized on the exercise of a Warrant. Units acquired by a Unitholder upon the exercise of a Warrant will have a cost to the Unitholder for tax purposes equal to the aggregate of the Subscription Price for such Units and the adjusted cost base to the Unitholder of the Warrant so exercised. The cost of Units acquired by a Unitholder upon the exercise of a Warrant will be averaged with the adjusted cost base to the Unitholder of all other Units held at the time as capital property for the purpose of determining the adjusted cost base of each such Unit to the Unitholder. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses.

Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units and Warrants, based upon their own particular circumstances. See "Income Tax Considerations".

Organization and Management of the Fund

The Manager and Promoter: Brompton Funds Management Limited is the manager and promoter of the Fund and will provide all administrative services required by the Fund. The Manager's head office is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario M5J 2T3.

Investment Manager: Bloom Investment Counsel, Inc. has been retained to provide investment management services to the Fund in accordance with the Investment Management Agreement. The Investment Manager's office is located in Toronto, Ontario. The Investment Manager is unrelated to the Manager.

Trustee: Equity Transfer & Trust Company will act as trustee of the Fund in accordance with the Declaration of Trust, and shall perform the duties and services and exercise the rights accorded to it therein. The Trustee has delegated to the Manager the exclusive authority to manage the business and affairs of the Fund, and to make all decisions regarding the business of the Fund. The Trustee's office is

located in Toronto, Ontario. The Trustee is unrelated to the Manager.

Auditors: PricewaterhouseCoopers LLP, at its offices in Toronto, Ontario, are the auditors of the Fund. The auditors are unrelated to the Manager.

Custodian: CIBC Mellon Global Securities Services Company will act as custodian of the assets of the Fund, in accordance with the Custodian Agreement. The Custodian will be responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be). The Custodian is located in Toronto, Ontario. The Custodian is unrelated to the Manager

Registrar and Transfer Agent: Equity Transfer & Trust Company, at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of Units. Equity Transfer & Trust Company is unrelated to the Manager.

Warrant Agent: Equity Transfer & Trust Company, at its office in Toronto, Ontario, will be appointed the warrant agent in respect of the Warrants and shall perform the duties and services set out in the Warrant Indenture. The Warrant Agent will receive subscriptions from holders of Warrants, act as registrar and transfer agent for the Warrants and perform certain services relating to the exercise and transfer of Warrants. The Warrant Agent is unrelated to the Manager.

Agents

CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd., HSBC Securities (Canada) Inc., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Corporation, Manulife Securities Incorporated, Research Capital Corporation, Macquarie Capital Markets Canada Ltd. and Wellington West Capital Markets Inc., as agents, conditionally offer the Combined Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase, in respect of the Units, up to the lesser of: (a) the “over-allocation position” as such term is defined in National Instrument 41-101 - *General Prospectus Requirements* and (b) 15% of the aggregate number of Units issued at Closing at a price of \$11.60 per Option Unit and to purchase, in respect of the Warrants, up to the lesser of: (y) the “over-allocation position” as such term is defined in National Instrument 41-101 - *General Prospectus Requirements* and (z) 15% of the aggregate number of Warrants issued at Closing at a price of \$0.40 per Option Warrant. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee equal to \$0.609 per Option Unit and a fee of \$0.021 per Option Warrant purchased. If the Over- Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents’ fee and net proceeds to the Fund are estimated to be \$230,000,004, \$12,075,000 and \$217,925,004, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Option Units and Option Warrants issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units and Option Warrants forming part of the Over-Allotment Option acquires such securities under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<u>Agents’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	2,500,000 Units and 2,500,000 Warrants	Within 30 days following the Closing Date	\$11.60 per Unit and \$0.40 per Warrant

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund, which will therefore reduce the value of a Unitholder’s investment in the Fund. For further particulars, see “Fees and Expenses”.

<u>Type of Fee</u>	<u>Amount and Description</u>
Agents' Fee	\$0.63 per Combined Unit (5.25%).
Warrant Exercise Fee	As soon as practicable following the exercise of a Warrant, the Fund will pay \$0.18 per Warrant exercised to the CDS Participant whose client is exercising the Warrant and \$0.12 per Warrant exercised to the Agents.
Expenses of the Offering	The expenses of the Offering are estimated to be \$750,000 (but not to exceed 1.5% of the gross proceeds of the Offering) which, together with the Agents' fee, will be paid by the Fund.
Management Fee	The Management Fee payable by the Fund will be equal to 1.25% per annum of the Net Asset Value of the Fund calculated and payable monthly in arrears, plus an amount equal to the Service Fee, plus applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs will be pro rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days in such month. The Manager is responsible for paying the fees payable to the Investment Manager and the Service Fee out of the Management Fee. See "Fees and Expenses – Management Fee".
Service Fee	A Service Fee equal to 0.40% of the Net Asset Value of the Fund per annum will be payable quarterly by the Manager to CDS Participants whose clients hold Units of the Fund. See "Fees and Expenses – Service Fee".
Ongoing Expenses	The Fund will pay for all of the expenses incurred in connection with its operation and administration, estimated to be \$265,000 per annum (assuming an aggregate size of the Offering of approximately \$100 million). Such expenses shall include, without limitation, fees payable to the Manager, fees payable to the Trustee, fees payable to the Warrant Agent, custodial fees, legal, audit and valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the independent review committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager and members of the independent review committee, costs of reporting to Unitholders, 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 continuous public filing requirements of the Fund and investor relations, taxes, costs and expenses relating to the issue of Units or the exercise of Warrants, costs and expenses of preparing financial and other reports, and costs and expenses arising as a result of complying with all applicable laws, regulations and policies. The Fund will also be responsible for its costs of Portfolio transactions and any extraordinary expenses which may be incurred from time to time. See "Fees and Expenses – Ongoing Expenses".

GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated.

“**Additional Distribution**” means a distribution that, if necessary, will be made in each year to Unitholders of record on the last day of the Fund’s taxation year in order that the Fund will generally not be liable to pay income tax, as described under “Distributions”.

“**Additional Units**” means the number of Units available for all subscriptions pursuant to the Additional Subscription Privilege.

“**Additional Subscription Privilege**” means the subscription privilege to subscribe for Additional Units to which all holders of Warrants that have subscribed for Units to which they are entitled pursuant to the Basic Subscription Privilege are entitled to.

“**Agency Agreement**” means the agency agreement dated as of January 27, 2010, among the Fund, the Manager, the Investment Manager and the Agents.

“**Agents**” means, collectively, CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd., HSBC Securities (Canada) Inc., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Corporation, Manulife Securities Incorporated, Research Capital Corporation, Macquarie Capital Markets Canada Ltd. and Wellington West Capital Markets Inc.

“**Annual Redemption Date**” means the second last Business Day of September commencing in September 2011.

“**Basic Subscription Privilege**” means the subscription privilege pursuant to which holders of Warrants may exercise the Warrants and subscribe for Units at the Subscription Price during the Exercise Period.

“**Brompton Funds**” means, collectively, the Manager and its parent company, Brompton Corp.

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

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

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units and the Warrants.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units and the Warrants deposited with CDS.

“**Closing**” means the issuance of Combined Units pursuant to this prospectus on the Closing Date.

“**Closing Date**” means the date of closing of the Offering, which is expected to be on or about February 18, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued.

“**Combined Units**” means the combined units of the Fund issued pursuant to the Offering, each combined unit consisting of one Unit and one Warrant.

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

“**Custodian**” means CIBC Mellon Global Securities Services Company, in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement to be entered into on or about to the Closing Date between 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 governing the Fund dated as of January 27, 2010, as it may be amended from time to time.

“**Exercise Period**” means the period beginning at market open (Toronto time) on the Closing Date and ending at 5:00 p.m. (Toronto time) on the Expiry Date.

“**Expiry Date**” means April 15, 2011.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Fund**” means Canadian High Income Equity Fund, a closed-end investment fund established under the laws of the Province of Ontario.

“**Investment Management Agreement**” means the investment management agreement between the Manager, on behalf of the Fund, and the Investment Manager, dated as of the Closing Date.

“**Investment Manager**” means Bloom Investment Counsel, Inc.

“**Management Agreement**” means the management agreement dated as of January 27, 2010 between the Manager and the Trustee on behalf of the Fund, as it may be amended from time to time.

“**Management Fee**” means the management fee payable to the Manager by the Fund as more fully described under “Fees and Expenses - Management Fee”.

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

“**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 on the date on which the calculation is being made, provided that the Warrants will not be treated as liabilities for these purposes, and as more fully described under “Valuation, Total Assets and Net Asset Value”.

“**Net Asset Value per Unit**” means the Net Asset Value divided by the total number of Units outstanding on the date on which the calculation is being made on either a basic or diluted basis, as more fully described under “Valuation, Total Assets and Net Asset Value”.

“**NI 81-102**” means National Instrument 81-102 - *Mutual Funds* of the Canadian Securities Administrators, as amended from time to time.

“**NI 81-107**” means National Instrument 81-107 - *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as amended from time to time.

“**Non-Resident Unitholder**” means a Unitholder who, for the purposes of the Tax Act, and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold Units in, or in the course of carrying on business in, Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere.

“**Offering**” means the offering of Combined Units at a price of \$12.00 per Combined Unit pursuant to this prospectus.

“**Option Unit**” means a Unit issued in connection with the exercise of the Over-Allotment Option.

“**Option Warrant**” means a Warrant issued in connection with the exercise of the Over-Allotment Option.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to purchase, in respect of the Units, up to the lesser of: (a) the “over-allocation position” as such term is defined in National Instrument 41-101 - *General Prospectus Requirements* and (b) 15% of the aggregate number of Units issued at Closing at a price of \$11.60 per Option Unit and to purchase, in respect of the Warrants, up to the lesser of: (y) the “over-allocation position” as such term is defined in National Instrument 41-101 - *General Prospectus Requirements* and (z) 15% of the aggregate number of Warrants issued at Closing at a price of \$0.40 per Option Warrant.

“**Portfolio**” means the portfolio consisting of publicly listed or traded Canadian securities, including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

“**Redemption Payment Date**” means the tenth Business Day of the month immediately following an Annual Redemption Date.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account.

“**Service Fee**” means the service fee payable by the Fund, as more particularly described under “Fees and Expenses – Service Fee”.

“**SIFT partnership**” means a specified investment flow-through partnership for purposes of the Tax Act;

“**SIFT Rules**” means the rules in the Tax Act which apply to “specified investment flow-through trusts”, “specified investment flow-through partnerships” and their unitholders.

“**SIFT trust**” means a specified investment flow-through trust for the purposes of the Tax Act.

“**Subscription Price**” means \$12.00.

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

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

“**Total Assets**” means the aggregate value of the assets of the Fund.

“**Trustee**” means Equity Transfer & Trust Company, in its capacity as trustee under the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

“**Unitholders**” means the owners of the beneficial interest in the Units.

“**Units**” means the transferable, redeemable units of the Fund.

“**U.S. person**” has the meaning given to such term in Regulation S under the U.S. Securities Act.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

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

“**Warrant Agent**” means Equity Transfer & Trust Company, in its capacity as warrant agent under the Warrant Indenture.

“**Warrant Indenture**” means the warrant indenture to be dated on or about the Closing Date between the Manager, on behalf of the Fund, and the Warrant Agent.

“**Warrants**” means the transferable warrants of the Fund to be issued on the terms and conditions of the Warrant Indenture.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Canadian High Income Equity Fund is a closed-end investment fund established under the laws of the Province of Ontario and governed by the Declaration of Trust. Brompton Funds Management Limited is the Manager of the Fund. The Fund is authorized to issue an unlimited number of Units, each of which represents an equal undivided interest in the net assets of the Fund. The Fund's principal office is Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario M5J 2T3. The fiscal year-end of the Fund is December 31.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

RATIONALE FOR THE FUND

The Fund has been created to capitalize on the many undervalued high income investment opportunities in the income trust sector and on the expanding high-income common equity market that the Investment Manager, Bloom Investment Counsel, Inc., believes will emerge in 2011 and beyond. The Investment Manager is a specialist in income-oriented investments and has a strong, long-term track record of managing portfolios of Canadian income trusts and dividend paying equities, including the Investment Manager's flagship fund, Blue Ribbon Income Fund (formerly Citadel Diversified Investment Trust).

The Investment Manager believes that the change in taxation of income trusts by no later than 2011 presents a number of attractive investment opportunities. In the Investment Manager's view, many investors have exited income trusts, providing an opportunity to invest in income trusts with attractive valuations and high levels of distributions. Certain income trusts may outperform in the coming period either through market appreciation after conversion to corporations, or as they become take-over targets due to attractive valuations. Additionally, the Investment Manager foresees an expanded set of investment opportunities in the future through the anticipated development of a high-yielding equities market, which will come about as many non-dividend or low-dividend paying equities are expected to initiate or increase dividend rates to compete against former income trusts for a lower cost of capital.

INVESTMENT OBJECTIVES

The Fund's investment objectives will be to provide Unitholders with (i) a high monthly cash distribution, and (ii) the opportunity for capital appreciation, through investment in an actively managed portfolio of publicly listed or traded Canadian securities, including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

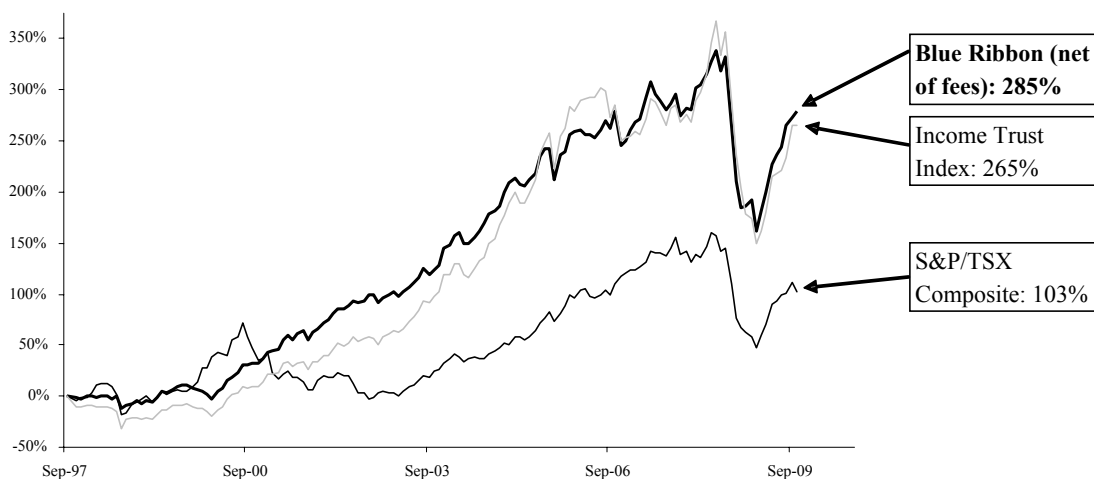
INVESTMENT STRATEGY

The investment strategy of the Fund will be to actively manage a portfolio of publicly listed or traded Canadian securities, including income trusts, royalty trusts, real estate investment trusts, dividend paying common equities, preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

At inception, the Investment Manager will build a portfolio composed primarily of income trusts to focus on undervalued investments with high distribution rates. The Investment Manager believes that since the Federal government's October 31, 2006 decision to tax income trusts by no later than 2011, some analysts have discontinued coverage of income trusts and many retail and institutional investors have exited the income trust sector, resulting in certain income trusts becoming significantly undervalued relative to comparable common equities. The Investment Manager believes that many income trusts will continue to pay high distribution rates after converting to corporations. The Investment Manager believes that these investments offer the Fund the opportunity for capital appreciation and some of these investments could be take-over targets.

The Investment Manager is a specialist in income-oriented equity investments and has been investing in income trusts since their inception. The Investment Manager's flagship fund, Blue Ribbon Income Fund (formerly Citadel Diversified Investment Trust), employs a similar investment strategy, structure and level of leverage, has similar investment objectives to the Fund (with the exception that, prior to November 20, 2009, the Blue Ribbon Income Fund could not invest in debt instruments, preferred securities, non-dividend paying equities or foreign securities) and has provided a compound annual return based on net asset value of 11.8% net of fees since its inception in 1997.

Cumulative Performance to October 31, 2009 - Blue Ribbon Income Fund



Notes:

- Returns for the Blue Ribbon Income Fund were calculated based on publicly available information and accounting records of Blue Ribbon Income Fund in each case prepared by the prior administrator to Blue Ribbon Income Fund. Returns were calculated on a total return basis by reinvesting each cash distribution and deemed distribution on the exercise of rights into additional units of the Blue Ribbon Income Fund at the quarter-end net asset value per unit.
- Source: Thomson
- The information in the above chart is historical and is not intended to be, and should not be construed as, an indication of the future performance of the Blue Ribbon Income Fund or the Fund.**

The following chart sets out the compound annual return provided by the Blue Ribbon Income Fund based on net asset value, net of fees over a one, three, five and ten year period and since inception in 1997:

Performance ¹	Blue Ribbon Total NAV Returns	Blue Ribbon Gross Returns ²	S&P/TSX Composite Index	Income Trust Index ³
1 year	24.1%	25.9%	14.6%	8.4%
3 years	0.3%	2.1%	-1.2%	-1.8%
5 years	6.7%	8.5%	6.7%	7.3%
10 years	13.9%	15.7%	6.4%	15.1%
Inception September 16, 1997	11.8%	13.6%	6.0%	11.3%

Notes:

- Figures are for the one, three, five and ten year periods ending October 31, 2009, and from inception to October 31, 2009. Net asset value at inception (September 16, 1997) has been calculated based on the issue price less agency fees and issue costs.
- Gross Returns calculated as NAV return plus MER of 1.8%
- September 16, 1997- December 31, 1997 - Scotia Capital Income Trust Index; December 31, 1997-Oct 31, 2009 - S&P/TSX Income Trust Index
- Returns for the Blue Ribbon Income Fund were calculated based on publicly available information and accounting records of Blue Ribbon Income Fund in each case prepared by the prior administrator to Blue Ribbon Income Fund. Returns were calculated on a total return basis by reinvesting each cash distribution and deemed distribution on the exercise of rights into additional units of the Blue Ribbon Income Fund at the quarter-end net asset value per unit.
- The information in the above chart is historical and is not intended to be, and should not be construed as, an indication of the future performance of the Blue Ribbon Income Fund or of the Fund.**

The Income Trust Market

As at November 30, 2009, there were 155 income trusts with a market capitalization of approximately \$110 billion. The income trust sector pays a high distribution rate of 8.6%, as represented by the S&P/TSX Income Trust Index. This compares

favourably to the yield on equities and bonds. The following table shows the current yield as at November 30, 2009 of the indices representing these asset classes:

S&P/TSX Composite Index	DEX Universe Bond Index	S&P/TSX Income Trust Index
2.9%	3.0%	8.6%

Note:

1. Source: PC Bonds – TSX Inc. and Bloomberg

The Investment Manager believes that over the next twelve months, the 130 non-REIT income trusts with an aggregate market capitalization of over \$90 billion may become take-over targets due to their attractive valuations or are expected to convert to dividend paying corporations. The Investment Manager will seek to generate income and capital gains by identifying take-over targets and those income trusts that are likely to maintain a high dividend after incorporation and offer sustainable business models with strong fundamentals.

Income Trust Conversions and Takeovers

Since the Federal government’s October 31, 2006 decision to tax income trusts by no later than 2011, some analysts have discontinued coverage of income trusts, and many retail and institutional investors have exited the income trust sector, resulting in certain income trusts becoming significantly undervalued relative to comparable common equities. The change in tax regime for income trusts has already provided numerous opportunities for investors to profit. Since October, 2006, 38 income trusts have been acquired at an average premium of 31.2% to their 30-day weighted average trading prices. Additionally, the common shares of the 29 income trusts that converted to corporations since December 31, 2007 have on average outperformed the S&P/TSX Composite Index following the announcement of their intention to convert. The Investment Manager foresees a continuation of these opportunities as 2011 approaches.

Development of High Income Common Equity Market

The Investment Manager believes that the conversion of most income trusts into corporations will result in a broader and expanding high-yielding common equity market in Canada. In the Investment Manager’s view, investors will place a premium on these companies due to:

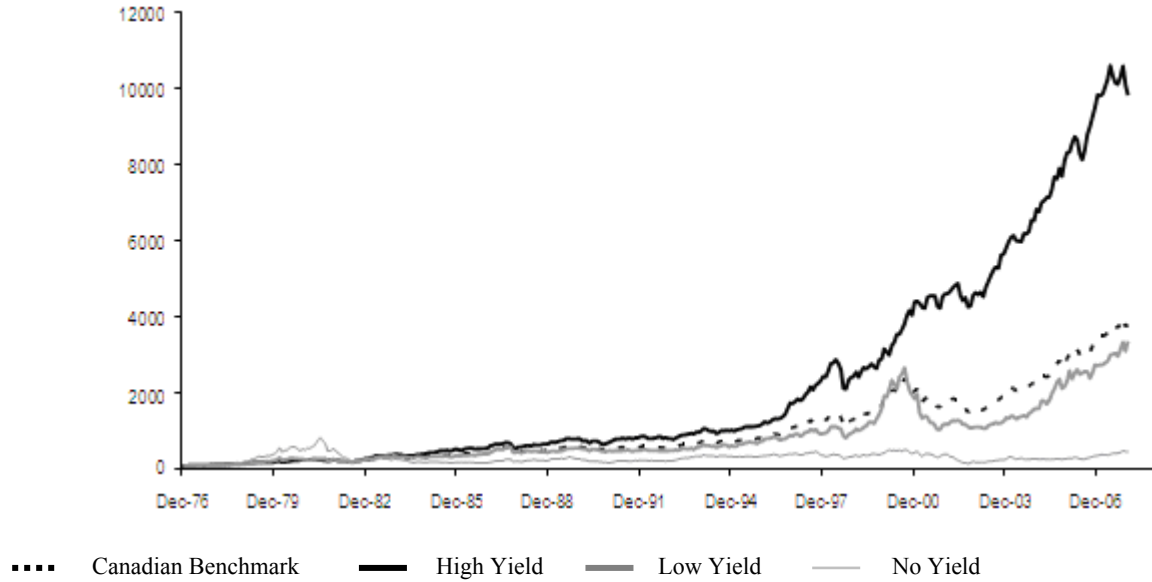
- (i) strong cash flows,
- (ii) the discipline that a high dividend rate places on management to limit investments in non-core or low cash flow businesses, and
- (iii) investor demand for high levels of income.

As a result, high-yielding equities whose after-tax income to investors is attractive by virtue of the dividend tax credit should enjoy a cost of capital advantage over other equities. The Investment Manager believes that other high-yield equity investment opportunities will develop in addition to income trust conversions as many non-dividend or low-dividend paying equities are expected to initiate or increase dividend rates to compete against former income trusts for a lower cost of capital.

Historical Performance of Dividend Paying Equities

Canadian high-yield stocks have historically outperformed low- or no-yield stocks. From 1976-2007, a portfolio of “high yield” Canadian stocks (those being the top 30% sorted by yield) generated a 15.9% annualized total return compared to the benchmark return of 12.4% over the same period. Low yield (those being the bottom 30% sorted by yield) and no yield stocks generated 12.0% and 5.1% annualized returns over the same period, respectively.

Canadian High Yield, Low Yield and No Yield Stock Performance

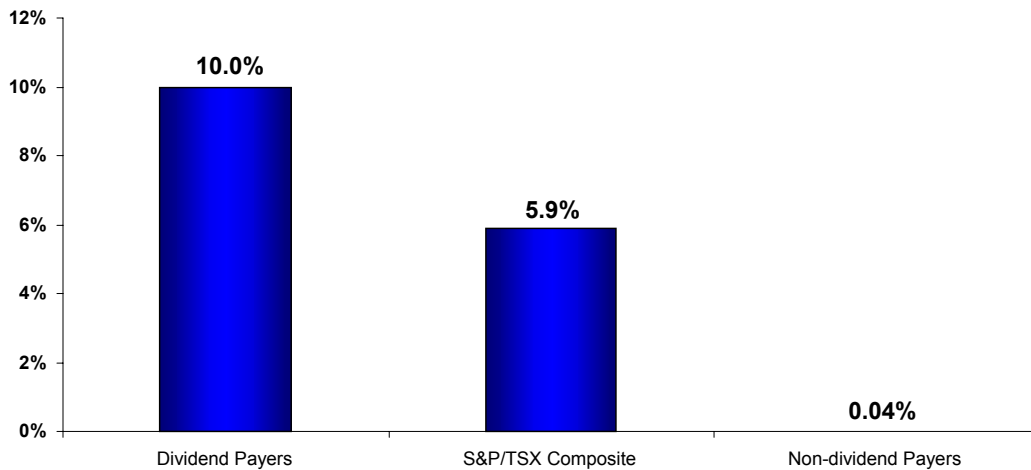


Notes:

1. High Yield and Low Yield portfolios include the top and bottom 30% of Canadian equities ranked by dividend yield, respectively. Portfolio constituents are market-value weighted. Portfolios are re-screened and re-weighted in December of each year.
2. Data: 1977-2006 MSCI; 2007: Bloomberg
3. Source – RBC Capital Markets

In addition, dividend paying equities have generally outperformed the S&P/TSX Composite Index. From January 1986 to November 2009, dividend payers generated an annualized return of 10.0%, versus 5.9% for the S&P/TSX Composite Index and 0.04% for non-dividend payers.

Canadian Dividend Payers vs. Non-Dividend Payers Annualized Returns



Notes:

1. Source – RBC Capital Markets Quantitative Research
2. Total Portfolio Returns (December 1986-November 2009, Equal Weighted, %)

Benefits of Dividend Tax Credit

Dividends have much more favourable tax treatment for taxable investors than income distributions. Dividends are taxed at less than half the rate of ordinary income for many Canadian investors in the highest marginal tax rate. For example, in the province of Ontario, ordinary income and interest is taxed at 46.4% for investors in the highest tax bracket. Due to the dividend tax credit eligible dividends are taxed at only 23.1% in the province of Ontario in 2009, with such rate to increase to 27% in 2010. Consequently, as demonstrated in the chart below, assuming a taxable investor pays tax at the highest marginal tax rate in Ontario, a dividend of 8% is equivalent to an ordinary income or interest rate of 11.5%.

	Dividend Tax Rate ¹	Ordinary Income Tax Rate	Dividend Rate				
			5%	6%	7%	8%	9%
			Ordinary Income and Interest Income Equivalent				
British Columbia	19.9%	43.7%	7.1%	8.5%	10.0%	11.4%	12.8%
Alberta	14.6%	39.0%	7.0%	8.4%	9.8%	11.2%	12.6%
Saskatchewan	20.3%	44.0%	7.1%	8.5%	10.0%	11.4%	12.8%
Manitoba	23.8%	46.4%	7.1%	8.5%	9.9%	11.4%	12.8%
Ontario	23.1%	46.4%	7.2%	8.6%	10.1%	11.5%	12.9%
Québec	29.7%	48.2%	6.8%	8.2%	9.5%	10.9%	12.2%
New Brunswick	21.8%	46.0%	7.2%	8.7%	10.1%	11.6%	13.0%
Nova Scotia	28.3%	48.3%	6.9%	8.3%	9.7%	11.1%	12.5%
Prince Edward Island	24.4%	47.4%	7.2%	8.6%	10.1%	11.5%	12.9%
Newfoundland and Labrador	22.9%	44.5%	7.0%	8.3%	9.7%	11.1%	12.5%

Notes:

1. Eligible dividends after dividend gross-up and dividend tax credit.
2. Assumes that investments were held in fully taxable accounts and that the investor is in the highest marginal tax rate.
3. Figures are for applicable tax rates in 2009.

The Investment Manager believes that as more investors appreciate the significant after-tax benefits of dividends versus income, the demand for higher-yielding equity investments will continue to grow.

Use of Preferred Securities and Debt Instruments

The Investment Manager expects to supplement investments in equity securities with preferred securities and debt instruments in order to enhance the Fund's ability to maintain a high level of monthly distributions along with the opportunity for capital growth.

Leverage

The Fund may employ leverage up to 25% of Total Assets determined at the time of borrowing or issuance (including securities purchased with the amounts borrowed). Accordingly, the maximum amount of leverage that the Fund could employ is 1.33:1. Initially the Fund intends to borrow up to 20% of Total Assets but may reduce the level of leverage at any time if the Investment Manager believes, after consultation with the Manager, that it is in the best interest of the Fund to do so and will reduce leverage if the borrowings exceed 25% of Total Assets. The Fund may also enter into short-term credits necessary for settlement of securities transactions which are not considered borrowing for the foregoing purposes. See "Investment Restrictions".

Securities Lending

In order to generate additional returns, the Fund may lend securities included in the Portfolio 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 compensatory 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. Except as set out in the Securities Lending Agreements and as described herein, there are no limits on the Fund’s ability to engage in securities lending.

OVERVIEW OF THE SECTORS THAT THE FUND INVESTS IN

At inception, the Investment Manager will build a portfolio composed primarily of income trusts to focus on businesses offering high distribution rates, mispriced assets and potential take-over targets, with approximately the following indicative sector allocation:

Indicative Initial Sector Allocation	
Oil & Gas Trusts	30%
Power & Pipeline Trusts	25%
Business Trusts	30%
REITs	5%
Dividend Paying Equities	10%

There are no specific minimum sector allocations that the Investment Manager must adhere to. The Investment Manager will adjust sector allocations based on market conditions and the Investment Manager’s view of the opportunities that present themselves within each sector. As 2011 approaches, the Investment Manager expects to shift the portfolio towards common shares that offer high income, growth prospects and attractive valuations. The Investment Manager may also invest in preferred securities and, to a lesser extent, debt securities, non-dividend paying equities and foreign securities.

INVESTMENT RESTRICTIONS

The Fund will be subject to certain investment restrictions which are set out in the Declaration of Trust. The investment restrictions of the Fund provide that the Fund will not:

- (a) except in respect of obligations issued by the Government of Canada or any Province of Canada, invest 10% or more of the Total Assets in the securities of any single issuer or in securities that are not Portfolio Securities (where “Portfolio Securities” means units or rights to subscribe for or purchase publicly listed or traded securities (including instalment receipts) issued by income trusts, limited partnerships, common equities, preferred securities and other debt instruments);
- (b) borrow money, except that (i) short-term credits necessary for settlement of securities transactions are not considered borrowings, and (ii) the Fund may borrow or issue senior debt securities (including convertible debt securities) in an aggregate amount of up to 25% of its Total Assets determined at the time of borrowing or issuance (including securities purchased with the amounts borrowed);
- (c) purchase or sell derivatives or commodity contracts, including futures contracts and options thereon;
- (d) make loans, except that the Fund may engage in securities lending and may purchase and hold debt obligations (including bonds, debentures or other obligations and certificates of deposit, bankers’ acceptances and fixed term deposits) in accordance with its investment strategy;

- (e) purchase real estate or real estate mortgage loans (other than securities issued by issuers that invest in real estate or interests therein, including REITs and limited partnerships that invest in real estate);
- (f) invest in mutual funds as defined under the *Securities Act* (Ontario);
- (g) make short sales of securities or maintain short positions;
- (h) own more than 10% of any class of securities of any one issuer or purchase the securities of an issuer for the purpose of exercising control over management of any issuer;
- (i) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the business of the Fund;
- (j) act as underwriter, except to the extent that the Fund may be deemed to be an underwriter in connection with the sale of Portfolio Securities;
- (k) make or hold 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. Among other requirements, 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: (A) shares, (B) property that, under the terms or conditions of which or under an agreement, is convertible into, is exchangeable for, or confers a right to acquire, shares, (C) cash, (D) bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations, (E) marketable securities, (F) real property situated in Canada and interests in real property situated in Canada, and (G) 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 (determined without reference to subsections 49(2.1) and 104(6) of the Tax Act) 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;
- (l) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (m) invest in the securities of any non-resident corporation or trust or other non-resident entity (or of any partnership that holds such securities) if the Fund (or the partnership) would be required to include any significant amounts in income in respect of such securities pursuant to proposed section 94.1 or 94.3 of the Tax Act, or to mark to market its investment in such securities in accordance with proposed section 94.2 of the Tax Act, as set forth in the Tax Proposals dealing with foreign investment entities announced by the Minister of Finance (Canada) on November 9, 2006 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (n) invest in securities of a non-resident trust (or in interests in any partnership that holds interests in such a trust) other than an “exempt foreign trust” as such term is defined in the Tax Proposals dealing with non-resident trusts announced by the Minister of Finance (Canada) on November 9, 2006 (or amendments to such proposed provisions as enacted into law or successor provisions thereto);
- (o) acquire taxable Canadian property as defined in subsection 248(1) of the Tax Act (other than paragraph (b) of that definition) or “specified property” as defined in the Tax Proposals released on September 16, 2004;
- (p) make or hold any investment that is a “tax shelter investment” for purposes of section 143.2 of the Tax Act;

- (q) with the exception of securities of the Fund's own issue (including, without limitation, the Units and Warrants) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or Investment Manager or any of their respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Manager or Investment Manager or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of the Manager or Investment 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, any such transaction is effected through normal market facilities, and the purchase price approximates the prevailing market price; or
- (r) make or hold any investment that would result in the Fund becoming a SIFT trust under the SIFT Rules.

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offering (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be \$750,000 (but not to exceed 1.5% of the gross proceeds of the Offering), will be paid out of the gross proceeds of the Offering. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund equal to 1.25% per annum of the Net Asset Value of the Fund calculated and payable monthly in arrears, plus an amount equal to the Service Fee, plus applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs will be pro rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days in such month. The Manager is responsible for paying the fees payable to the Investment Manager and the Service Fee out of the Management Fee.

Service Fee

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 the Fund, plus applicable taxes, will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to CDS Participants based on the number of Units held by clients of such CDS Participants at the end of the relevant quarter.

Warrant Exercise Fee

As soon as practicable following the exercise of a Warrant, the Fund will pay \$0.18 per Warrant exercised to the CDS Participant whose client is exercising the Warrant and \$0.12 per Warrant exercised to the Agents.

Ongoing Expenses

The Fund will pay for all expenses incurred in connection with its operation and administration, including, without limitation, fees payable to the Manager, fees payable to the Trustee, fees payable to the Warrant Agent, custodial fees, legal, audit and valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the independent review committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager and members of the independent review committee, costs of reporting to Unitholders, 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 continuous public filing requirements of the Fund and investor relations, taxes, costs and expenses relating to the issue of Units or the exercise of Warrants, 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 any extraordinary expenses that the Fund may incur. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, members of the independent review committee, the Investment Manager, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The operation and administration expenses of the Fund, excluding the Management Fee and costs of Portfolio transactions, are estimated to be \$265,000 per annum (approximately 0.28% of the Net Asset Value per annum assuming an aggregate size of the Offering of approximately \$100 million).

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services, and the Fund will pay all expenses associated with such additional services.

RISK FACTORS

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

No Assurances on Achieving Objectives

There is no assurance that the Fund will be able to achieve its distribution objectives or that its Portfolio will earn any return or will return to investors an amount equal to or in excess of the original issue price of the Units.

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

Loss of Investment

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

No Guaranteed Return

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

Performance and Marketability of Portfolio Securities

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

Distributions

The Fund initially intends to pay monthly distributions on all Units in an amount equal to \$0.08 per Unit of the Fund. The Manager will review such distribution policy from time to time and the distribution amount may change. If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, the Net Asset Value per Unit would be reduced. It is likely, given the taxation of income trusts beginning

no later than 2011, that the distributable income of the Fund will decrease in the aggregate, which may in whole or in part be offset by the benefit of the dividend tax credit available for taxable investors.

Sensitivity to Interest Rates

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

Commodity Price Fluctuations

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

Oil and Gas Energy Investments

Oil and gas prices have fluctuated widely during recent years and are affected by supply and demand, political events, weather and economic conditions, among other things, which can adversely affect the value of oil and gas and energy related investments.

Real Estate Investments

Investments in REITs are subject to the general risks associated with real property investments. Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. A REIT's income and funds available for distributions to its securityholders would be adversely affected if a significant number of tenants were to become unable to meet their obligations to the REIT or if the REIT were unable to lease a significant amount of available space in its properties on economically favorable lease terms.

Composition of Portfolio

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

Reliance on the Manager and Investment Manager

The Fund will be dependent on the Investment Manager for investment advisory and portfolio management services under the Investment Management Agreement and upon the Manager for the provision of all other required services under the Management Agreement.

Securities Lending

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

Trading at a Discount

The Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per

Unit on an Annual Redemption Date less any costs and expenses associated with the redemption. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts of the Units.

Nature of the Units

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

Borrowing

The Fund will be entitled to, and may, incur indebtedness secured by its assets to purchase portfolio securities. There can be no assurance that such a strategy will enhance returns and, in fact, the strategy may reduce returns, and thereby increases the risk to investors.

Illiquid Securities

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

Taxation of the Fund

The investment objectives of the Fund provide investors with exposure to its portfolio of investments that may include securities of income trusts and limited partnerships to which the SIFT Rules apply. The SIFT Rules may reduce the tax effectiveness of holding units of income trusts and partnerships that are subject to the SIFT Rules, and may negatively impact the value of income trust units and units of partnerships held by the Fund. Further, no assurance can be given that Canadian federal income tax law respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the Fund and the Unitholders.

If the SIFT Rules become applicable to the Fund, it will be subject to a tax on certain income (other than taxable dividends), commencing in the taxation year in which it becomes a SIFT, notwithstanding that the income is distributed to Unitholders. If the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations discussed under the heading “Income Tax Considerations” could be materially and adversely different in certain respects. See “Income Tax Considerations”.

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

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

Provided the Fund complies with its investment restrictions, it is expected that no more than the permissible percentage of the fair market value of the Fund's assets will at any time consist of taxable Canadian property or contain other types of "specified property".

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

On October 31, 2003, Finance announced the REOP Proposal (as defined under "Income Tax Considerations – Taxation of the Fund") relating to the deductibility of losses under the Tax Act. Under the REOP Proposal, a taxpayer would be considered to have a loss from a business or property for a taxation year only if, in that year, it was reasonable to assume that the taxpayer would realize a cumulative profit from the business or property during the time that the taxpayer carried on, or could reasonably be expected to carry on, the business or held, or could reasonably be expected to hold, the property. Profit, for this purpose, would not include capital gains or capital losses. If the REOP 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 the Unitholders reduced as a result. On February 23, 2005, Finance announced that a more modest legislative initiative to replace the REOP Proposal would be released for comment at an early opportunity. No such alternative legislative proposal has been released to date.

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

Status of the Fund

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

Conflict of Interest

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

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

Changes in Legislation

There can be no assurance that income tax laws and government incentive programs relating to the natural resource or real estate industries will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

Recent Global Financial Developments

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

the Fund and the value of its portfolio securities. A substantial decline in the North American equities markets could be expected to have a negative effect on the Fund.

Significant Redemptions

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

Dilution to Unitholders

The value of Units will be reduced if the Net Asset Value per Unit exceeds \$11.70 and Warrants are exercised. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder's pro rata interest in the assets of the Fund will be diluted. In order to maintain a Unitholder's pro rata interest in the assets of the Fund, the Unitholder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution.

Operating History

The Fund is a newly organized mutual fund with no previous operating history. There is currently no public market for Units or the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

General Risk of Investing in Debt Instruments

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

DISTRIBUTION POLICY

The Fund initially intends to pay monthly distributions on all Units in an amount equal to \$0.08 per Unit of the Fund, representing a yield of 8.0% per annum on the Subscription Price. The initial distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than 10 Business Days following such record date. The first distribution will be pro rated to reflect the period from the Closing Date to March 31, 2010. In order for the Fund to pay such distributions while maintaining a stable Net Asset Value, the Portfolio would be required to generate a return of approximately 8.95% assuming (i) an aggregate size of the offering of \$100 million, and (ii) the fees and expenses described under "Fees and Expenses". If the return on the Portfolio (including net realized capital gains from the sale of securities in the Portfolio) is less than the amount necessary to fund the monthly distributions, the Manager will return a portion of the capital of the Fund to Unitholders to ensure the distribution is paid and, accordingly, the Net Asset Value per Unit would be reduced. The Fund will not have a fixed monthly distribution but will determine and announce each year, commencing in January 2011, an expected distribution amount for the following twelve months. If the Manager determines it is in the best interest of the Unitholders, it may amend the distribution during the year. The distribution is expected to consist primarily of ordinary income, dividends and, to a lesser extent, return of capital (which is not immediately taxable but which reduces the adjusted cost base of a Unitholder's Units). The Manager will review such distribution policy from time to time and the distribution amount may change. It is likely, given the taxation of income trusts beginning no later than 2011, that the distributable income of the Fund will decrease in the aggregate, which may in whole or in part be offset by the benefit of the dividend tax credit for taxable investors.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will

not generally be liable for income tax under Part I of the Tax Act, the Declaration of Trust provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on the last day of the Fund's taxation year, *pro rata* based on the Net Asset Value. In the event that the Fund must pay an Additional Distribution, such Additional Distribution will be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units will be automatically consolidated on a basis such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution. See "Income Tax Considerations".

REDEMPTION OF UNITS

Annual Redemptions

Units may be redeemed on an annual basis on the second last Business Day of September commencing in September 2011 (such a date being an Annual Redemption Date), subject to the Manager's right to suspend redemptions in certain circumstances. In order to effect such a redemption, Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day in the month prior to the Annual Redemption Date. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit on that date (less any costs and expenses associated with the redemption). Payment of the redemption price will be made on or before the Redemption Payment Date.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the last Business Day in the month prior to the Annual Redemption Date. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of such deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above.

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

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

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds with the prior permission of the Canadian Securities Administrators, where required, (a) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Portfolio are listed and traded and if the securities are not traded on any exchange that represents a reasonable alternative for the Fund or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will 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 will be conclusive.

INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units and Warrants by a Unitholder who acquires Combined Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units and Warrants as capital property. Generally, Units and Warrants will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units or the Warrants in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have such Units (but not Warrants) treated as capital property by making an election in accordance with the Tax Act.

This summary is based on certificates of the Manager and the Agents, the current provisions of the Tax Act, counsel's understanding of the current published administrative policies and assessing practices of the CRA and the Tax Proposals. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is also based on the assumption that the Fund will at no time be a SIFT trust. Provided that the Fund does not hold "non-portfolio property" as defined in the SIFT Rules, it will not be a SIFT trust. Counsel has been advised that the Fund will not hold any "non-portfolio property". If the Fund were to become a SIFT trust within the meaning of the SIFT Rules, the income tax considerations would be materially different, in some respects, from those described below.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units and Warrants. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units and Warrants will vary depending on the investor's particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel expresses no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Combined Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act, and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that it expects that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing and at all times thereafter and will elect to be deemed to be a mutual fund trust throughout its first taxation year.

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

Provided the Fund complies with its investment restrictions, it is expected that no more than the permissible percentage of the fair market value of the Fund's assets will at any time consist of taxable Canadian property or contain other types of "specified property".

Taxation of the Fund

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

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

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

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

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

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

The Fund will be deemed to realize a capital gain equal to the amount of the purchase price for a Combined Unit allocated to a Warrant which expires unexercised.

Under the SIFT Rules, each issuer (if any) in the Fund's portfolio of investments that is a SIFT trust or SIFT partnership as defined in the SIFT Rules (which generally include income trusts (other than certain REITs) and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) is subject to a tax in respect of its "non-portfolio earnings", which include (i) income from non-portfolio properties (exceeding any losses for the taxation year from non-portfolio properties), other than taxable dividends, and (ii) taxable capital gains from dispositions of non-portfolio properties (exceeding allowable capital losses from dispositions of such properties). For this purpose, non-portfolio properties include: (i) certain Canadian real and resource properties, (ii) a property that the SIFT trust or SIFT partnership (or a non-arm's length person or partnership) uses in the course of carrying on a business in Canada, and (iii) securities of a "subject entity" (other than a "portfolio investment entity") if the SIFT trust or SIFT partnership holds securities of the subject entity that have a total fair market value that is greater than 10% of the subject entity's equity value or if the SIFT trust or SIFT partnership holds securities of the subject entity which, together with all securities held of affiliates of the subject entity, have a total fair market value that is greater than 50% of the SIFT trust's or SIFT partnership's equity value. A "subject entity" includes corporations resident in Canada, trusts resident in Canada, and Canadian resident partnerships and a "portfolio investment entity" is an entity that does not hold any non-portfolio property. The SIFT Rules provide that non-portfolio earnings of a SIFT trust or SIFT partnership are taxed at a rate that is equivalent to the combined federal and provincial corporate tax rate. The SIFT Rules generally will not apply to taxation years of issuers that end before 2011 where the issuer would have been a SIFT trust or a SIFT partnership on October 31, 2006 had the SIFT Rules been in force and applied to the issuer as of that date. However, the deferral until 2011 will be lost and the SIFT Rules will apply immediately in any taxation year ending after 2006 if the issuer exceeds the normal growth limitations set out in the guidelines concerning normal growth released by the Department of Finance Canada ("Finance") on December 15, 2006, as subsequently revised and as may be further amended from time to time (the "Normal Growth Guidelines"), unless the excess arose from a prescribed transaction. The Normal Growth Guidelines establish objective tests with respect to how much a SIFT trust or SIFT partnership is permitted to grow in the interim period from November 1, 2006 to the end of 2010 without becoming immediately subject to the SIFT Rules. Where the deferral is not available or is rescinded, the SIFT Rules will generally apply to

the 2007 and later taxation years of a SIFT trust or SIFT partnership. Under the SIFT Rules, non-portfolio earnings of a SIFT trust or SIFT partnership are generally taxed to unitholders as though they were a taxable dividend from a taxable Canadian corporation. Such dividend is an “eligible dividend” and should therefore benefit from the enhanced gross-up and dividend tax credit rules in the Tax Act.

The Fund will also be required to include in its income for each taxation year (i) all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year, and (ii) all dividends received in the year on shares of corporations.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on any loan facility generally to the extent borrowed funds are used to purchase portfolio securities subject to the REOP Proposal (as defined herein).

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

On October 31, 2003, Finance released for public consultation draft proposals regarding the deductibility of interest and other expenses (the “REOP Proposal”). The REOP Proposal proposes that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit”, determined without reference to capital gains, from a business or property in order for a taxpayer to have a loss from the business or property resulting from the deduction of interest and other expenses. It is possible that, under the REOP Proposal, the deduction of losses of the Fund in a particular taxation year could be limited. If the deduction of losses of the Fund is limited in a particular year, the taxable income of the Fund would be increased along with the taxable amount of distributions to Unitholders. On February 23, 2005, the Minister of Finance announced that it was developing a more modest legislative initiative to replace the REOP Proposal and that it would release such proposal for comment at an early opportunity. No such proposal has yet been released.

In determining the income of the Fund, gains or losses realized upon dispositions of portfolio securities of the Fund will constitute capital gains or capital losses of the Fund in the year realized unless the Fund is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund has acquired and will continue to acquire securities in its Portfolio with the objective of earning distributions and income from the portfolio securities over the term of the trust that governs each of them and the Fund will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. The Fund has made, or will make, the election under subsection 39(4) of the Tax Act so that all of its gains and losses from dispositions of “Canadian securities” (as defined in the Tax Act) will be deemed to be capital gains and capital losses, as the case may be.

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

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

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

The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to its Unitholders in order to eliminate the Fund's taxable income. Therefore, provided the Fund makes distributions to its Unitholders in each year of its net income for tax purposes and net realized capital gains it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund.

Taxation of Unitholders

The purchase price of a Combined Unit by a Unitholder must be allocated on a reasonable basis between the Unit and the Warrant to determine the cost of each for purposes of the Tax Act. For its purposes, the Fund intends to allocate \$11.60 of the issue price of each Combined Unit as consideration for the issue of each Unit and \$0.40 of the issue price of each Combined Unit as consideration for the issue of each Warrant. Although the Fund believes that its allocation is reasonable, it is not binding on the CRA or the Unitholder.

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

Provided that appropriate designations are made by the Fund, such portion of (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit, and (iii) the taxable dividends received, or deemed to be received, by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder of such fund.

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

On the disposition or deemed disposition of a Unit or a Warrant, including on a redemption of a Unit, a Unitholder (other than a tax-exempt Unitholder) will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than, in the case of a Unit, any amount payable by the Fund which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit or the Warrant and any reasonable costs of disposition. Where capital gains realized by the Fund as a result of the disposition of trust assets to fund the redemption of Units has been allocated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income one-half of any capital gain so realized and such amount will not be included in the Unitholder's proceeds of disposition.

A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units.

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

In the case of a Unitholder who is not tax exempt, one-half of any capital gain ("taxable capital gain") realized on the disposition of Units, and net taxable capital gains of the Fund distributed to the Unitholder, will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

Amounts designated as taxable dividends from taxable Canadian corporations and net realized capital gains paid or payable by the Fund to such Unitholder or realized on the disposition of Units by such Unitholder may increase the Unitholder's liability for alternative minimum tax.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Unitholder upon the exercise of a Warrant to acquire a Unit. When a Warrant is exercised, the Unitholder's cost of the Unit acquired will be the aggregate of the Unitholder's adjusted cost base of such Warrant and the exercise price paid for the Unit. For the purpose of determining the Unitholder's adjusted cost base of the Unit acquired, the cost of the Unit acquired will be determined by averaging such cost with the adjusted cost base to the Unitholder of all Units owned by the Unitholder. The expiry of an unexercised Warrant will generally result in a capital loss to the Unitholder equal to the adjusted cost base of the Warrant to the Unitholder immediately before expiry.

For the purpose of determining the adjusted cost base to a Unitholder of Warrants, when Warrants are acquired, the cost of newly acquired Warrants will be averaged with the adjusted cost base of all Warrants owned by the Unitholder as capital property immediately before that time.

Taxation of Registered Plans

Amounts of income distributed by the Fund to a Registered Plan are generally not taxable under Part I of the Tax Act while retained in a Registered Plan, provided that the Units are qualified investments under such plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding the foregoing, if the Units or Warrants are "prohibited investments" for the purposes of a tax-free savings account, a Unitholder will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust, or a right to acquire a unit of a trust, which does not deal at arm's length with the holder or with a person or partnership in which the holder has a significant interest, or in which the holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust's outstanding units by the holder, either alone or together with persons and partnerships with which the holder does not deal at arm's length. Unitholders are advised to consult their own tax advisors in this regard.

Taxation Implications of the Fund's Distribution Policy

A Unitholder will generally be required to include in income for a particular taxation year the portion of the income of the Fund for that particular taxation year that is paid or payable to the Unitholder in the particular taxation year, whether such amount is received in additional Units or cash.

The Net Asset Value per Unit may reflect any income that is accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income of the Fund that accrued before the Units were acquired notwithstanding that such amounts are reflected in the amount paid for the Units.

Under the SIFT Rules, in the event that the Fund is considered to be a SIFT trust, a distribution by the Fund that is deemed to be a taxable dividend from a taxable Canadian corporation will be an eligible dividend for the purposes of the enhanced dividend gross-up and tax credit.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in a taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Fund will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units will be reduced by such amount. Any other amount in excess of the income of the Fund that is paid or payable to a Unitholder in such year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition of a Unit), the Unitholder generally will be required to reduce the adjusted cost base of the Units to the Unitholder by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

The cost to a Unitholder of additional Units received on a distribution will be the amount distributed by the issue of such Units.

ELIGIBILITY FOR INVESTMENT

Provided that (i) the Units are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX) or (ii) the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans. Provided that the Warrants are listed on a designated stock exchange for purposes of the Tax Act (which includes the TSX), or provided that the Units are qualified investments for Registered Plans and the Fund is not, and deals at arm's length (within the meaning of the Tax Act) with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of a Registered Plan, the Warrants will be qualified investments under the Tax Act for trusts governed by Registered Plans. See "Income Tax Considerations".

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

Manager

Brompton Funds Management Limited was formed pursuant to the *Business Corporations Act* (Ontario) by Articles of Amalgamation dated October 27, 2006 and provides management services for certain members of the Brompton Group. The Manager's head office is located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario M5J 2T3. The Manager is a leading provider of structured investment products and was organized for the purpose of managing and administering closed-end investments, including the Fund. The Manager is a member of the Brompton Group, a leading provider of structured investment products that manages approximately \$1.7 billion in assets as at November 30, 2009.

Details of the Management Agreement

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund, 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 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 of the assets of the Fund or the Portfolio, as the case may be, if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the affairs of the Fund except if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund or otherwise in accordance with the provisions of the Declaration of Trust.

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) the retention and monitoring, on behalf of the Fund, of the Investment Manager, as well as monitoring relationships with the custodian, the transfer agent and other organizations serving the Fund;
- (b) the authorization and payment on behalf of the Fund of operation expenses incurred on behalf of the Fund, the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);
- (c) the calculation, on a quarterly basis, of the Service Fee and the payment thereof to investment dealers at the end of each calendar quarter, such Service Fee to equal 0.40%, on an annual basis, of the Net Asset Value of the Units held by clients of sales representatives of such dealers, plus applicable taxes;
- (d) the provision of office space, telephone, office equipment, facilities, supplies and executive, secretarial and clerical services;

- (e) the preparation of accounting, management and other reports (including semi-annual and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns as may be required by applicable law);
- (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) the handling of communications and correspondence with Unitholders and the preparation of notices of distributions to Unitholders;
- (i) the preparation and supervision of the publication of the Net Asset Value per Unit;
- (j) monitoring ongoing compliance with the Fund's investment objectives, investment strategy and investment restrictions;
- (k) responding to investors' enquiries and general investor relations in respect of the Fund;
- (l) dealing with banks, rating agencies, custodians and subcustodians, including in respect of the maintenance of bank records and the negotiation and securing of bank financing or refinancing;
- (m) the setting of debt levels of the Fund, after obtaining the consent of the Investment Manager in respect thereof;
- (n) reviewing fees and expenses charged to the Fund and ensuring the timely payment thereof;
- (o) providing assistance to the Trustee with respect to:
 - (i) the preparation of the Fund's reports to relevant securities regulatory authorities and any similar organization of any government or the committee of any stock exchange to which the Fund is obligated to report and to otherwise assist the Trustee in dealing with any such regulatory authorities; and
 - (ii) the organization of meetings of Unitholders; and
- (p) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund including maintenance of a website.

In consideration for these services, the Fund will pay to the Manager the Management Fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. See "Fees and Expenses - Management Fee". The Manager, the Trustee and each of their directors, officers, employees, consultants and agents are indemnified and will be 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 the services provided to the Fund described herein or as 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, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Management Agreement.

The Management Agreement may be terminated at any time by the Trustee on 90 days written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution, provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of such Ordinary Resolution, except in circumstances where the Manager has been removed pursuant to the Declaration of Trust or the Management Agreement or the Manager has resigned. 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 will 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, and 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 up 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 may, at any time, engage in any other activity including the administration of any other fund or trust.

Officers and Directors of the Manager

The Board of Directors of the Manager currently consists of three members. Directors are appointed to serve on the Board of Directors until such time as they retire or are removed and their successors are appointed. There is no chairman of the Board of Directors of the Manager, and instead the director who chairs meetings rotates among the directors. The name, municipality of residence, position with the Manager and principal occupation of each director and senior officers are set out below:

Name and Municipality of Residence	Position with the Manager	Current Occupation
PETER A. BRAATEN ⁽¹⁾ Toronto, Ontario	Director	Chairman, Brompton Group Limited.
MARK A. CARANCI ⁽¹⁾ Toronto, Ontario	President, Chief Executive Officer and Director	President and Chief Executive Officer, Brompton Funds.
RAYMOND R. PETHER ⁽¹⁾ Toronto, Ontario	Director	President and Chief Executive Officer, Brompton Group Limited.
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds.
DAVID E. ROODE Toronto, Ontario	Senior Vice-President	Senior Vice President, Brompton Funds.
CHRISTOPHER CULLEN Toronto, Ontario	Vice President	Vice President, Brompton Funds.
MOYRA E. MACKAY Toronto, Ontario	Vice-President and Corporate Secretary	Vice President & Corporate Secretary, Brompton Funds.
ANN WONG Toronto, Ontario	Vice President and Controller	Vice President, Brompton Funds.
LORNE ZEILER Toronto, Ontario	Vice-President	Vice President, Brompton Funds.

(1) Member of the Audit Committee.

Peter A. Braaten (Director): Mr. Braaten has over 35 years experience in the investment business in Canada and the United Kingdom and co-founded the Brompton Group in 2000. In addition to his position as a director of Brompton Funds, he is also Chairman of the Brompton Group. Mr. Braaten was one of the founders of a financial services organization in 1979 and was a partner of the organization from 1981 to 1998. Mr. Braaten has also held a number of positions with an investment management firm, an investment bank and two Canadian banks and was President and CEO of two public oil & gas companies. Mr. Braaten received an Honours Bachelor of Arts degree in Economics and Mathematics from the University of Western Ontario and a Master of Business Administration degree from the University of British Columbia.

Raymond R. Pether (Director): Mr. Pether has over 30 years experience in the investment business having held numerous high level oil & gas, banking, real estate finance and investment positions. Mr. Pether co-founded the Brompton Group in 2000 and participates in the direction of all activities in the group, and is a director of Brompton Funds. Mr. Pether was Chief Executive Officer of an oil & gas company based in Calgary, Alberta from August 2003 to May 2007 and was President and Chief Executive Officer of a public income trust engaged in the operation of oil & gas midstream assets from June 1998 to April 2001. Mr. Pether was also Chief Operating Officer of two public oil & gas companies, from January 1994 to November 2000. Prior

thereto, Mr. Pether held several senior positions with a financial services organization and with a number of major banks. Mr. Pether received a Bachelor of Arts degree in Economics from the University of Western Ontario and a Master of Business Administration degree from McMaster University.

Mark A. Caranci (President, Chief Executive Officer and Director): Mr. Caranci has over 17 years of experience in the investment business, merchant banking and public accounting and as principal of the Brompton Group, participates in the direction of all activities in the group. Mr. Caranci was appointed as the Chief Financial Officer of the Brompton Group in 2000 and held that position until October 2006 when he became President of Brompton Funds. In April 2007, Mr. Caranci was also appointed Chief Executive Officer and director of Brompton Funds. From 1996 to 2000, Mr. Caranci was Vice-President of a financial services organization. Mr. Caranci has held various senior positions with public companies, including Chief Financial Officer of a public energy services income trust and Vice-President of Finance of several public oil & gas companies. Prior to 1996, Mr. Caranci worked at PricewaterhouseCoopers LLP, Chartered Accountants. Mr. Caranci is a Chartered Accountant and is a member of the Ontario Institute of Chartered Accountants and received a Bachelor of Commerce degree from the University of Toronto.

Craig T. Kikuchi (Chief Financial Officer): Mr. Kikuchi has over 12 years of financial experience with public and private companies. Mr. Kikuchi joined the Brompton Group in 2002 as Controller, served as Vice-President and became Chief Financial Officer of Brompton Funds in October 2006. Mr. Kikuchi worked for PricewaterhouseCoopers LLP from September 1996 to January 2002, where he held progressively senior roles, including the role as manager in both the assurance and business advisory services practice and the taxation and legal services practice. Mr. Kikuchi is a Chartered Accountant and is a member of the Ontario Institute of Chartered Accountants. He is also a CFA charterholder and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree in Economics from the University of Western Ontario.

David E. Roode (Senior Vice-President): Mr. Roode has over 17 years of experience in the investment business, merchant banking and public accounting. Mr. Roode joined the Brompton Group in 2002 and is Senior Vice-President of Brompton Funds. Mr. Roode was Vice-President at a publicly-listed merchant bank from 1999 to 2001. From September 1991 to August 1996, he held progressively senior roles at Ernst & Young LLP, lastly as an audit manager. Mr. Roode is a Chartered Accountant and a member of the Ontario Institute of Chartered Accountants. He received a Bachelor of Arts degree in Economics from Queen's University and a Master of Business Administration degree from the University of Western Ontario.

Chris Cullen (Vice-President): Mr. Cullen has over 10 years of professional experience in banking, securities, and engineering. Mr. Cullen joined the Brompton Group in March of 2006 and is a Vice-President of Brompton Funds. Previously Mr. Cullen was a Commercial Banking Manager at Canadian Imperial Bank of Commerce, specializing in providing credit to investment funds and a Research Associate in the Telecom and Cable Services group with UBS Securities (Canada). From 1997 to 1999, Mr. Cullen was a Process Engineer with an international engineering consultant, focusing on the chemical process industries. Mr. Cullen is a CFA charterholder and is a member of the Toronto CFA Society. Mr. Cullen graduated with a Bachelor of Applied Science in Chemical Engineering and Applied Chemistry from the University of Toronto and a Master of Business Administration from the Rotman School of Management, also at the University of Toronto.

Moyra E. MacKay (Vice-President and Secretary): Ms. MacKay has over 30 years of experience in the investment business having held positions in real estate and resource finance and investment and financial services companies and is a principal of the Brompton Group. Ms. MacKay is Vice-President and Corporate Secretary of Brompton Funds. Prior to joining the Brompton Group in 2000, Ms. MacKay was Vice-President of a Canadian issuer of flow-through investment funds and was Vice-President of three public oil & gas companies and a financial services organization that was registered with the Securities and Futures Authority in London, U.K. Ms. MacKay received a Bachelor of Arts degree from the University of Western Ontario.

Ann Wong (Vice-President and Controller): Ms. Wong has over eight years of financial experience with public and private companies and is Vice President and Controller of Brompton Funds. Prior to joining the Brompton Group, Ms. Wong was a Senior Manager at the Treasury Finance group in Canadian Imperial Bank of Commerce, and also worked for PricewaterhouseCoopers LLP as a manager in the assurance and business advisory services practice. Ms. Wong is a Chartered Accountant, a member of the Ontario Institute of Chartered Accountants and a Certified Public Accountant from the State of Delaware. She is also a CFA charterholder and a member of the Toronto CFA Society. She received a Bachelor of Arts degree and a Master of Accounting degree from the University of Waterloo.

Lorne Zeiler (Vice-President): Mr. Zeiler has over 12 years of business experience in banking, financial analysis and business development. Mr. Zeiler joined the Brompton Group in September 2004 and is a Vice-President of Brompton Funds. Mr. Zeiler was a Senior Financial Analyst with Assante Advisory Services from 2003 to 2004 and a Senior Relationship Manager in the Corporate Cash & Treasury Department with The Bank of Nova Scotia from 1998 to 2003. Mr. Zeiler is a CFA charterholder

and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree from McGill University and a Master of International Business Administration from the Schulich School of Business at York University.

Investment Manager

Bloom Investment Counsel, Inc. has been retained to provide investment management services to the Fund. The Investment Manager has considerable experience and a strong track record of managing portfolios of high-yielding Canadian income trusts and dividend paying equities. Paul Bloom was recognized in September 2009 as one of the 50 TopGun Canadian Equity Portfolio Managers by Brendan Wood International. The Investment Manager was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, the Investment Manager currently manages specialty high yield equity portfolios comprised of royalty trusts, income trusts, real estate investment trusts and other structured securities. Within the last five years, the Investment Manager has managed portfolios in this specialty area with a market value of over \$2.5 billion.

The Investment Manager will be retained to provide investment management services to the Manager under the terms of the Investment Management Agreement. The management team at the Investment Manager includes the following individuals who will be responsible for managing these services:

M. Paul Bloom is the President of the Investment Manager and has overall responsibility for overseeing the investment management activities of Bloom Investment Counsel, Inc. Mr. Bloom has over 36 years experience in the Canadian investment industry, the last 24 of which as principal of Bloom Investment Counsel, Inc. which he founded in 1985. Mr. Bloom has provided investment advice on the management of over \$2.5 billion of investment assets. Prior to immigrating to Canada from England in 1971, Mr. Bloom attended Manchester Polytechnic and graduated with a BA (Hons.) degree in law. From 1971 to 1972 Mr. Bloom was employed in the mergers and acquisitions department of Canada Permanent Trust. From 1972 until starting Bloom Investment Counsel, Inc. in 1985, Mr. Bloom was an investment analyst and later the investment manager at Slater, Walker of Canada Limited (later renamed Talcorp Limited). From 1993 to 2002 Mr. Bloom served as an independent director of Canadian General Investments Limited, one of the oldest closed end funds in North America. Mr. Bloom has been a member of the Investment Committee of a leading Toronto charitable foundation since 2006.

Niall Brown has extensive day to day responsibility for the management of the portfolios. Mr. Brown joined Bloom Investment Counsel, Inc. in 2007 as Vice President and Investment Manager. Mr. Brown has over 15 years experience in the North American equity markets as a portfolio manager, analyst and equity trader. Immediately prior to joining Bloom Investment Counsel, Inc., Mr. Brown was employed by Manulife Global Portfolio Management, Inc. as a Senior Global Portfolio analyst. In this role, Mr. Brown managed a U.S. portfolio of small cap companies using quantitative methodologies. Mr. Brown started his investment career with the Canada Trust Portfolio Management Group. While at Canada Trust, Mr. Brown developed his equity trading skills along with establishing the foundations of fundamental equity analysis. Mr. Brown was engaged in managing a number of portfolios whose assets were primarily composed of U.S. large cap names typically found in the S&P 500 Index. Mr. Brown then joined Toronto Dominion Bank Asset management Group as Vice President and Investment Manager, expanding his focus to include Canadian equities, managing both North American and U.S. portfolios.

Sara N. Gottlieb is employed at Bloom Investment Counsel, Inc. as a portfolio manager and has been with the firm for 12 years as a Vice President. Prior to joining Bloom Investment Counsel, Inc., Ms. Gottlieb was employed as a research associate at First Marathon Securities Limited. Ms. Gottlieb graduated from the University of Toronto in 1995 with an honours BA in Economics and Political Science. She earned her CFA designation in September 1999. Ms. Gottlieb is actively involved in charitable endeavours both domestically and internationally.

Investment Approach

The Investment Manager first uses a conservative, fundamental, “top down” investment approach that assesses macro factors, such as economic conditions, business factors, commodity prices, interest rates and credit ratings. The Investment Manager then reviews the relative valuation and volatility of each asset class, as well as the historical and anticipated correlation and co-variance relationship between such asset classes, to determine an optimal asset allocation mix. As a result, the Investment Manager seeks to take a lower risk approach to investment, de-levering and carrying cash balances if it believes that equity markets are overvalued and will generally have a lower allocation to the volatile oil and gas trust sector. The Investment Manager then uses a “bottom up”, fundamental investment approach to select individual security holdings, analyzing each entity’s business, prospects and management to determine whether it is undervalued or has growth potential. The Investment Manager capitalizes on this selective acquisition strategy through the utilization of a longer term investment strategy.

Details of the Investment Management Agreement

The Investment Management Agreement, unless terminated as described below, will continue until the termination of the Fund. The Manager may, and the Manager upon the direction of the Unitholders authorized by an Extraordinary Resolution will, terminate the Investment Management Agreement without cause upon three months' prior written notice to the Investment Manager, such notice to specify the termination date of the Investment Management Agreement. The Manager may terminate the Investment Management Agreement on 15 days notice for an uncured breach by the Investment Manager following notice of such breach by the Manager. The Investment Manager's appointment may be immediately terminated by the Manager in the event of the commission by the Investment Manager of any fraudulent act in the performance of its duties under the Investment Management Agreement, any misrepresentation in the Investment Management Agreement, permanent loss of a registration or requisite license or if the Investment Manager becomes bankrupt or insolvent, passes a resolution for its winding up or dissolution or is ordered dissolved or makes a general assignment for the benefit of its creditors. The Investment Manager may terminate the Investment Management Agreement on three months' prior written notice to the Manager, such notice to specify the termination date of the Investment Management Agreement. In the Investment Management Agreement, the Investment Manager covenants to act honestly and in good faith and in the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that the Investment Manager will not be liable in any way for any error of judgment or for any loss suffered by the Fund in connection with matters to which the Investment Management Agreement relate except a loss resulting from wilful misconduct, bad faith, gross negligence or reckless disregard of its obligations and duties or breach of its standard of care, diligence and skill under the Investment Management Agreement. Pursuant to the terms of the Investment Management Agreement, the Investment Manager may, in consultation with the Manager, retain such sub advisors as it considers appropriate. The fees of any sub advisor will be the responsibility of the Investment Manager and not the Fund. The Investment Management Agreement provides that the Investment Manager is at all times responsible to the Fund for any advice provided or given by any sub advisor.

Other than in limited circumstances, neither the Manager nor the Trustee may approve or reject the investments proposed by the Investment Manager, but the Investment Manager's appointment may be terminated by the Manager as described herein. In the event that the Investment Management Agreement is terminated as provided above, the Manager is obligated to appoint a successor investment manager to carry out the activities of the Investment Manager. The Investment Manager is entitled to receive a fee in consideration for the Investment Manager's services, which fee is payable by the Manager out of its Management Fee. The services of the Investment Manager are not exclusive to the Fund. Subject to certain conditions in the Investment Management Agreement, the Investment Manager and its respective affiliates and associates may engage in the promotion or management of any other fund, trust or investment portfolio. Since the Investment Manager continues to manage the investments of its other clients, the Investment Manager 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 Investment Manager may be selling an investment for one client and buying the same investment for another client. Under the Investment Management Agreement, the Investment Manager has agreed to allocate opportunities to acquire and dispose of investments fairly among the Fund and its other clients that have similar investment objectives.

Pursuant to the Investment Management Agreement, the Manager will obtain the consent of the Investment Manager to the following:

- (a) any change to the distribution policy of the Fund;
- (b) any merger involving the Fund;
- (c) the issuance of Units or securities other than pursuant to the Warrants or any distribution reinvestment plan which may be established by the Fund or other contractual obligation;
- (d) the calling of a meeting of Unitholders to consider matters requiring their approval;
- (e) termination or winding-up of the Fund;
- (f) changes to the leverage policy of the Fund; and
- (g) the timing and strategy of a normal course issuer bid or other Unit purchases.

Conflicts of Interest

The services of the Manager are not exclusive to the Fund. The Manager may act as the manager or investment advisor to other funds and companies and may act as the manager or investment advisor to other funds which are considered competitors of the Fund.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services.

Independent Review Committee

The Manager has appointed the following members to its independent review committee, which will also act as the independent review committee for other investment funds managed by the Manager:

James W. Davie: Mr. Davie has over 30 years of investment banking experience and currently serves as a corporate director. Mr. Davie held a number of senior positions at RBC Dominion Securities Inc. since 1973 including Managing Director of Investment Banking and head of Equity Capital Markets from 1987 to 1999. Mr. Davie received a Bachelor of Commerce degree from the University of Toronto and a Master of Business Administration degree from Queen's University.

Arthur R.A. Scace: Mr. Scace is an independent director and former partner of McCarthy Tétrault LLP and has over 35 years of legal and business experience. Mr. Scace began his career at McCarthy Tétrault LLP in 1967 and became a partner in 1972. Mr. Scace served as the Managing Partner of the Toronto office from 1989 to 1996 and as the firm's National Chairman from 1997 to 1999. Mr. Scace received a Bachelor of Arts degree from the University of Toronto, a Bachelor of Law degree from Oxford University as a Rhodes Scholar, a Master of Arts degree from Harvard University, and a Bachelor of Laws degree from Osgoode Hall Law School at York University. Mr. Scace is also a Queen's Counsel, has been appointed as a member of the Order of Canada and has received honorary Doctorates of Law from The Law Society of Upper Canada, York University, the University of Toronto and Trinity College of the University of Toronto. Mr. Scace is former Chairman of the Board of Directors of The Bank of Nova Scotia and a director of several other Canadian companies, and is a former Treasurer of The Law Society of Upper Canada.

Ken S. Woolner: Mr. Woolner has over 20 years of experience in the oil and gas industry and currently serves as a corporate director. From April 2005 to February 2006, Mr. Woolner was Executive Chairman of White Fire Energy Ltd., a public oil and gas company operating in Western Canada and a trustee of Sequoia Oil & Gas Trust. Mr. Woolner was President and Chief Executive Officer of Lightning Energy Ltd. from December 2001 to April 2005, when it merged with Argo Energy Ltd. to create Sequoia Oil & Gas Trust and White Fire Energy Ltd. Mr. Woolner was the President and Chief Executive Officer and a director of Velvet Exploration Ltd. from April 1997 to July 2001 when it was acquired by El Paso Oil & Gas Inc., and was a director of El Paso Oil and Gas Canada Inc. from July 2001 to May 2002. Mr. Woolner is a professional engineer and received a Bachelor of Science degree in Geological Engineering from the University of Toronto.

The mandate and responsibilities of the independent review committee are set out in its charter. The independent review committee is responsible for carrying out those responsibilities required to be undertaken pursuant to NI 81-107, in particular:

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

- (f) reporting to the Unitholders, to the Manager and to regulators as required by NI 81-107.

In addition to its responsibilities and functions under NI 81-107, the independent review committee:

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

The independent review committee will prepare a report, at least annually, of its activities for Unitholders which will be available on the Manager's website at www.bromptongroup.com, or at the Unitholder's request at no cost, by contacting the Manager at info@bromptongroup.com.

Remuneration of Directors, Officers and Independent Review Committee Members

The officers of the Manager will receive their remuneration from the Manager. The directors of the Manager do not receive any director fees. Compensation for members of the independent review committee in respect of the Fund is currently \$10,000 per member per annum. The expenses 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. The fees and other reasonable expenses of members of the independent review committee, as well as premiums for insurance coverage for such members, are paid by the Fund and other applicable investment funds managed by the Manager on a *pro rata* basis. In addition, the Fund has agreed to indemnify the members of the independent review committee against certain liabilities.

Trustee

Equity Transfer & Trust Company 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 address of the Trustee is 200 University Avenue, Suite 400, Toronto Ontario, M5H 4H1.

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 will 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. In addition, the Manager may remove the Trustee in accordance with the Declaration of Trust. The Manager will provide notice of such event upon at least 30 days notice to Unitholders of such termination by way of press release. Any such termination will become effective only on the appointment of a successor trustee by the Manager.

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 Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses – Ongoing Expenses" 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.

Custodian

CIBC Mellon Global Securities Services Company at its office in Toronto, Ontario will be appointed as the custodian of the Fund. The Custodian will be responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement,

the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Fund pledged to a counterparty and not directly held by the Custodian.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, at its office in Toronto, Ontario.

Transfer Agent and Registrar

Equity Transfer & Trust Company will act as transfer agent and registrar for the Units and will maintain the securities register of the Units and register transfers of Units at its office in Toronto, Ontario.

Warrant Agent

Equity Transfer & Trust Company has been appointed warrant agent of the Fund to receive subscriptions from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture.

Promoter

The Manager may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. The Manager will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to the Manager as described under “Fees and Expenses”.

CALCULATION OF NET ASSET VALUE

The Manager will calculate the basic or diluted Net Asset Value per Unit, as applicable, as at the close of business on each Valuation Date. At a minimum, the Valuation Date will be Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit. The Fund will make available to the financial press for publication on a weekly basis, the basic and/or diluted Net Asset Value per Unit. Such amount(s) will also be available on the Manager’s website at www.bromptongroup.com.

Valuation Policies and Procedures

For reporting purposes other than financial statements, the Net Asset Value on a particular date will be equal to (i) the Total Assets less (ii) the aggregate value of the liabilities of the Fund, provided that the Warrants will not be treated as liabilities for these purposes.

The basic Net Asset Value per Unit on any Valuation Date will be calculated by dividing the Net Asset Value on such Valuation Date by the total number of Units issued and outstanding on such Valuation Date. Where the market price of the Units on such Valuation Date is greater than the Subscription Price, the diluted Net Asset Value per Unit will be calculated. The diluted Net Asset Value per Unit will be calculated by adding to the denominator the total number of Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the amount equal to the Subscription Price less the Warrant exercise fee of \$0.30, and the diluted Net Asset Value per Unit shall be deemed to be the resulting quotient.

For the purpose of calculating the basic or diluted Net Asset Value on a Valuation Date, the Total Assets on such Valuation Date will be determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets

are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair market value thereof;

- (b) short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use, provided that, for the purpose of calculating the redemption price in connection with an annual redemption of Units, the value of any security which is listed or traded upon a stock exchange (or if more than one, on the stock exchange in which the security primarily trades, as determined by the Manager) will be equal to the weighted average trading price over the last three Business Days of the month in which the Annual Redemption Date occurs;
- (d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- (e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- (f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Custodian on the Valuation Date on which the Total Assets are being determined;
- (g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and
- (h) the value of any security or property to which, in the opinion of the Manager, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The Net Asset Value per Unit is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

Reporting of Net Asset Value

The Net Asset Value per Unit will be provided to Unitholders on request, at no cost, by calling 1-866-642-6001 and will be made available on the Manager's website at www.bromptongroup.com.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Units

The Fund is authorized to issue an unlimited number of Units, each of which represents an equal undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit

held and is entitled to participate equally with respect to any and all distributions made by the Fund, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, income incurred by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

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

Purchase for Cancellation

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Unit not exceeding the most recently calculated Net Asset Value per Unit immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the aggregate of the Units (but not including any Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

Warrants

The following is a summary only and is subject to, and is qualified in its entirety by reference to the detailed provisions of the Warrant Indenture.

Subscription Basis, Exercise Period and Expiry Date and Time

One Warrant entitles the holder to subscribe for one Unit at a price of \$12.00. Warrants may be exercised commencing on the Closing Date and prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants may be exercised at any time during the Exercise Period. Holders of Warrants who exercise the Warrants will become holders of Units issued through the exercise of the Warrants. **WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE EXPIRY DATE WILL BE VOID.** The Units and the Warrants comprising the Combined Units will separate immediately following Closing. If a Unitholder does not exercise, or sells, the Warrants, then the value of the Units held by that Unitholder may be diluted as a result of the exercise of Warrants by others. See "Dilution to Unitholders" below.

Exercise of Warrants and Warrant Agent

The Warrant Agent of the Fund will receive subscriptions from holders of Warrants, and acts as registrar and transfer agent for the Warrants and performs certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture. The Fund will pay for the services of the Warrant Agent. Holders of Warrants desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. Warrants submitted to the Warrant Agent during the Exercise Period will be exercised in accordance with the practices and procedures of the Warrant Agent and the applicable CDS Participants.

Delivery Form and Denomination of the Warrants

The Warrants will be issued in non-certificated, book-entry only form to CDS. Holders must arrange exercises or transfers of Warrants through CDS Participants. The Fund expects that each Unitholder will receive a confirmation of the number of Warrants issued to such Unitholder from their CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining accounts for its participants holding Warrants.

None of the Fund, the Manager or the Warrant Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants. The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Basic Subscription Privilege

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

The Subscription Price is payable in Canadian funds. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to the date of the exercise of the Warrants. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Warrants on such subscriber's behalf. Holders of Warrants are encouraged to contact their broker or other CDS Participants as each CDS Participant may have a different cut-off time.

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Fund and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of Units were holders of record on the Closing Date.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted, except as permitted by applicable law.

Holders of Warrants who wish to exercise their Warrants and receive Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Units issuable upon the exercise thereof are issued to the holder.

Additional Subscription Privilege

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

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

To apply for Additional Units under the Additional Subscription Privilege, a beneficial holder of Warrants must forward their request to a CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date. Payment for Additional Units, in the same manner as for Units, must accompany the request when it is delivered to the CDS Participant, as the case may be. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant, without interest or deduction. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber's entitlement to such Units will terminate. Accordingly, the subscriber must deliver payment and

instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise Warrants on such subscriber's behalf and apply for Additional Units under the Additional Subscription Privilege.

Sale or Transfer of Warrants

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

Dilution to Existing Unitholders

If a Unitholder wishes to retain its current percentage ownership in the Fund and assuming that all Warrants are exercised, such Unitholder should purchase all of the Units for which it may subscribe pursuant to the Warrants delivered under the Offering. If a Unitholder does not do so and other holders of Warrants exercise any of their Warrants, that Unitholder's current percentage ownership in the Fund will be diluted by the issue of Units. See "Warrant Considerations" below.

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Units issuable upon the exercise of the Warrants will be subject to adjustment from time to time if, prior to the Expiry Date, the Fund:

- (a) subdivides, redivides or changes its outstanding Units into a greater number of Units;
- (b) reduces, combines or consolidates its outstanding Units into a smaller number of Units;
- (c) distributes to holders of all or substantially all of the outstanding Units, any securities of the Fund including rights, options or warrants to acquire Units or securities convertible into or exchangeable for Units or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Units or reorganizes the capital of the Fund; or
- (e) consolidates, amalgamates, or merges the Fund with or into any other trust or other entity, or sells or conveys the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Units).

Book-Based System

Registrations of interests in and transfers of Units and Warrants will be made only through the book-based system administered by CDS.

Units and Warrants must be purchased, exercised, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders and holders of Warrants must be exercised through, and all payments or other property to which such Unitholders or holders of Warrants are entitled will be made or delivered by CDS or the CDS Participant through which such securities are held. Upon purchase of any Units and Warrants, the Unitholders or holder of Warrants will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units and Warrants are purchased.

The ability of a beneficial owner of Units and Warrants to pledge such Units and Warrants or otherwise take action with respect to such Unitholder's interest in such Units and Warrants (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-based system administered by CDS, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Warrant Considerations

Each investor in this Offering will purchase Combined Units and each Combined Unit consists of one Unit and one Warrant. Following the closing of the Offering, the Units and the Warrants may be dealt with separately by the investor with the result that the investor may retain both securities or may elect to sell some or all of their Units or Warrants.

The value of Units will be reduced if the Net Asset Value per Unit exceeds \$11.70 (being the Warrant exercise price less the Warrant exercise fee of \$0.30 in the aggregate – see “Fees and Expenses – Warrant Exercise Fee”) and if Warrants are exercised. If the Net Asset Value per Unit exceeds \$11.70 and other Warrant holders exercised their Warrants then a Unitholder will face dilution of its investment. If a Unitholder does not exercise Warrants in such circumstances, the Unitholder’s pro rata interest in the assets of the Fund will be diluted.

As the number of Warrants equals the number of Units, the potential dilution per Unit is up to one half of all gains in the Net Asset Value per Unit of the Fund in excess of \$11.70. The potential dilution per Unit, assuming the Warrants are exercised in full, is illustrated in the following table:

Pro Forma Dilution per Unit

Basic Net Asset Value of the Fund before the Exercise of Warrants	\$13.00	\$13.50	\$14.00	\$14.50
Dilution upon Exercise of Warrants	\$0.65	\$0.90	\$1.15	\$1.40

Due to the dilutive effect on the value of the Units if the Net Asset Value per Unit exceeds \$11.70 when Warrants are exercised, an investor in this Offering should carefully consider the exercise of the Warrants or the sale of the Warrants, prior to the Expiry Date and the failure to take either such action in these circumstances will result in the loss of value to an investor. While a Unitholder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the Unitholder for such dilution. In order to maintain a Unitholder’s pro rata interest in the assets of the Fund, the Unitholder would be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by the Unitholder on the Closing Date. The factors that would be expected to influence the price of a Warrant include the difference between the exercise price of the Warrants and the fully diluted Net Asset Value per Unit, price volatility, distributions payable on the Units and the remaining time to expiry of the Warrant.

The basic Net Asset Value per Unit on any Valuation Date will be calculated by dividing the Net Asset Value of the Fund on such day by the number of Units then outstanding. Where the market price of the Units on such Valuation Date is greater than the Subscription Price, the diluted Net Asset Value per Unit will be calculated. The diluted Net Asset Value per Unit shall be calculated by adding to the denominator the total number of Units issuable pursuant to Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the net proceeds realized by the Fund pursuant to the exercise of the Warrants. See “Calculation of Net Asset Value”.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee by a written requisition specifying the purpose of the meeting, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units by a written requisition specifying the purpose of the meeting. A meeting must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders will be given in accordance with applicable law. The quorum for a meeting is two or more holders of Units present in person or represented by proxy holding not less than five percent of the Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no more than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

The Fund, subject to obtaining all necessary regulatory approvals, does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

Amendment of Declaration of Trust

Except as provided below, 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.

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

- (a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any material change in the Management Agreement, other than a change in the Manager provided that the new manager is an affiliate of the Manager;
- (c) any increase in the Management Fee;
- (d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (e) any issue of Units (other than (i) pursuant to the Warrants, (ii) any distribution reinvestment plan which may be established by the Fund or (iii) any securities convertible into or exchangeable for Units issued to existing Unitholders) when the net proceeds per Unit are less than the most recently calculated Net Asset Value per Unit prior to the date of setting the subscription price for such issuance;
- (f) any change in the frequency of publishing the Net Asset Value per Unit to less often than weekly;
- (g) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (h) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (i) any amendment to the above provisions except as permitted by the Declaration of Trust.

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

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian Securities Administrators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or

- (e) provide added protection or benefit to Unitholders.

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including unaudited interim and audited annual financial statements, prepared in accordance with Canadian generally accepted accounting principles. The Fund will make available to each Unitholder annually and before March 31 of the following year information necessary to enable such Unitholder to complete an income tax return with respect to the amounts paid or payable by the Fund.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. Pursuant to the Declaration of Trust, the Fund will terminate on the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund or when terminated by the Manager, as described below. In addition to such termination, the Declaration of Trust also provides that:

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

The Manager will provide notice of such termination upon at least 30 days notice to Unitholders of the termination date by way of press release.

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

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Combined Units offered hereby (after payment of the Agents' fee and the expenses of the Offering) are estimated to be approximately \$188,750,004, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the maximum Offering the net proceeds to the Fund are estimated to be approximately \$217,175,004, after deducting the expenses of the Offering. The net proceeds of the Offering, including any net proceeds from the exercise of the Over-Allotment Option and any proceeds from the exercise of the Warrants, will be used to invest in the Portfolio in accordance with the investment objectives, strategy and restrictions of the Fund.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Combined Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Combined Units will be issued at a price of \$12.00 per Combined Unit. The offering price per Combined Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offering, the Agents will be paid a fee of \$0.63 per Combined Unit (5.25%) sold under the Offering and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offering. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best

efforts to sell the Combined Units offered hereby, the Agents will not be obligated to purchase any Combined Units which are not sold.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to purchase, in respect of the Units, up to the lesser of: (a) the “over-allocation position” as such term is defined in National Instrument 41-101 - *General Prospectus Requirements* and (b) 15% of the aggregate number of Units issued at Closing at a price of \$11.60 per Option Unit and to purchase, in respect of the Warrants, up to the lesser of: (y) the “over-allocation position” as such term is defined in National Instrument 41-101 - *General Prospectus Requirements* and (z) 15% of the aggregate number of Warrants issued at Closing at a price of \$0.40 per Option Warrant. To the extent that the Over-Allotment Option is exercised, the Agents will be entitled to a fee equal to \$0.609 per Option Unit (5.25%) and a fee of \$0.021 per Option Warrant purchased (5.25%). If the Over-Allotment Option is exercised in full under the maximum Offering, the price to the public, Agents’ fee and net proceeds to the Fund are estimated to be \$230,000,004, \$12,075,000 and \$217,925,004, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of Option Units and Option Warrants issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Option Units and Option Warrants forming part of the Over-Allotment Option acquires such securities under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Combined Units has been obtained. If subscriptions for a minimum of 3,333,334 Combined Units (or \$40,000,008) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed for Combined Units on or before such date. In the event such consents are not obtained or if Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. The maximum number of Combined Units which will be sold is 16,666,667 Combined Units or \$200,000,004. Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Combined Units on behalf of subscribers. Subscriptions for Combined Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on or about February 18, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued.

The Units and the Warrants comprising the Combined Units will separate immediately following Closing. The Fund will apply to list the Units and Warrants distributed under this prospectus on the TSX. Listing will be subject to the Fund fulfilling all of the requirements of the TSX.

Neither the Combined Units nor the Units or Warrants comprising the Combined Units have been, nor will any of them be, registered under the U.S. Securities Act or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account of a person in the United States or a U.S. person except in transactions exempt from the registration requirements of the U.S. Securities Act. The Agents have agreed that they will not offer or sell these securities within the United States except in transactions that are exempt from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Combined Units within the United States or to or for the account or benefit of a person in the United States or a U.S. person by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such an offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with the Offering, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, the Fund, the Manager and the Investment Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager is entitled to receive the Management Fee. See “Organization and Management Details of the Fund” and “Fees and Expenses”.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager during the past two years or to which either of them will become a party prior to Closing, other than during the ordinary course of business, are as follows:

- (a) the Declaration of Trust referred to under “The Fund”;
- (b) the Management Agreement referred to under “Organization and Management Details of the Fund – The Manager”;
- (c) the Custodian Agreement to be entered into on or prior to the Closing Date referred to under “Organization and Management Details of the Fund – The Custodian”;
- (d) the Warrant Indenture referred to under “Organization and Management Details of the Fund – Warrant Agent”;
- (e) the Agency Agreement referred to under “Plan of Distribution”; and
- (f) the Investment Management Agreement referred to under “Organization and Management Details of the Fund – Investment Manager”.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund during the period of distribution to the public of the Combined Units offered under the Offering and for a period of 30 days thereafter. Copies of the Declaration of Trust may be obtained at any time from the Manager on written request.

EXPERTS

Certain legal matters in connection with the issuance and sale of the Combined Units offered by this prospectus will be passed upon on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, who have prepared an auditors’ report dated January 27, 2010 in respect of the financial statements of the Fund as at January 27, 2010. PricewaterhouseCoopers LLP have advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase mutual fund securities within two business days after receipt of a prospectus and any amendment or within 48 hours after the receipt of a confirmation of a purchase of such securities. If the agreement is to purchase such securities under a contractual plan, the time period during which withdrawal may be made may be longer. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to the applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or should consult with a legal adviser.

AUDITORS' CONSENT

We have read the prospectus of Canadian High Income Equity Fund (the "**Fund**") dated January 27, 2010 relating to the initial public offering of combined units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Unitholder and Trustee of the Fund on the statement of net assets of the Fund as at January 27, 2010. Our report is dated January 27, 2010.

Toronto, Ontario
January 27, 2010

(*Signed*) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

AUDITORS' REPORT

To the Unitholder and the Trustee of Canadian High Income Equity Fund

We have audited the statement of net assets of Canadian High Income Equity Fund (the “**Fund**”) as at January 27, 2010. The statement of net assets is the responsibility of the Fund’s management. Our responsibility is to express an opinion on this statement of net assets based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statement of net assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of net assets. An audit also includes assessing the accounting principles used and significant estimates made by the Fund’s management, as well as evaluating the overall presentation of the statement of net assets.

In our opinion, this statement of net assets presents fairly, in all material respects, the financial position of the Fund as at January 27, 2010, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
January 27, 2010

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

CANADIAN HIGH INCOME EQUITY FUND

STATEMENT OF NET ASSETS

As at January 27, 2010

Assets

Cash\$12

Unitholder's Equity

Unitholder's Equity (Note 1)\$12

The accompanying notes are an integral part of this statement of net assets.

Approved on behalf of Canadian High Income Equity Fund
By: Brompton Funds Management Limited

(Signed) PETER A. BRAATEN
Director

(Signed) RAYMOND R. PETHER
Director

CANADIAN HIGH INCOME EQUITY FUND

NOTES TO STATEMENT OF NET ASSETS

As at January 27, 2010

1. ORGANIZATION AND UNITHOLDER'S EQUITY

Canadian High Income Equity Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 27, 2010. The beneficiaries of the Fund will be the holders of transferable, redeemable units of the Fund (each, a "**Unit**"). Equity Transfer & Trust Company is trustee of the Fund.

The investment objectives of the Fund are to provide Unitholders with (i) high monthly cash distributions, and (ii) the opportunity for capital appreciation.

The Fund is authorized to issue an unlimited number of combined units, each of which consists of one transferable, redeemable Unit, which represents an equal undivided interest in the net assets of the Fund, and one transferable warrant of the Fund.

On January 1, 2010, the Fund was settled and issued an initial Unit for cash consideration of \$12.00 to Brompton Funds Management Limited (the "**Manager**"), the settlor of the Fund.

2. MANAGEMENT AND SERVICE FEE

The Manager will receive a management fee from the Fund equal in the aggregate to 1.25% per annum of the net asset value of the Fund. The Manager is responsible for paying the fees payable to the investment manager out of the management fee. A service fee equal to 0.40% per annum of the net asset value of the Fund will also be paid to the Manager and will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to CDS participants based on the number of Units held by clients of such CDS participants at the end of the relevant quarter.

3. REDEMPTION OF UNITS

Units may be redeemed on an annual basis on the second last Business Day of September (each, an "**Annual Redemption Date**"), commencing in September 2011 subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by the last business day in the month prior to the applicable Annual Redemption Date. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the net asset value per Unit on that date (less any costs and expenses associated with the redemption).

4. INITIAL OFFERING

The Fund, the Manager and the Fund's investment manager, Bloom Investment Counsel, Inc., have entered into an agency agreement with CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd., HSBC Securities (Canada) Inc., Raymond James Ltd., Desjardins Securities Inc., Dundee Securities Corporation, Manulife Securities Incorporated, Research Capital Corporation, Macquarie Capital Markets Canada Ltd. and Wellington West Capital Markets Inc. (collectively, the "**Agents**") dated as of January 27, 2010 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public a minimum of 3,333,334 Combined Units and a maximum of 16,666,667 Combined Units at \$12.00 per Combined Unit, respectively. Each "**Combined Unit**" consists of one Unit and one transferable warrant of the Fund (each, a "**Warrant**"). Each Warrant entitles the holder to purchase one Unit at a subscription price of \$12.00 on or before 5:00 p.m. (Toronto time) on April 15, 2011. In consideration for their services in connection with the offering, the Agents will be paid a fee of \$0.63 per Combined Unit (5.25%) out of the proceeds of the offering. In addition, expenses of the initial offering at an amount not to exceed 1.5% of the gross proceeds of the offering will be paid out of the gross proceeds of the offering.

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CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: January 27, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

BROMPTON FUNDS MANAGEMENT LIMITED,
as Manager and on behalf of

CANADIAN HIGH INCOME EQUITY FUND

By: *(Signed)* MARK A. CARANCI
Chief Executive Officer

By: *(Signed)* CRAIG T. KIKUCHI
Chief Financial Officer

On behalf of the Board of Directors
of
BROMPTON FUNDS MANAGEMENT LIMITED

By: *(Signed)* PETER A. BRAATEN
Director

By: *(Signed)* RAYMOND R. PETHER
Director

BROMPTON FUNDS MANAGEMENT LIMITED

as Promoter

By: *(Signed)* MARK A. CARANCI
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: January 27, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

CIBC WORLD MARKETS INC. RBC DOMINION SECURITIES INC.

By: *(Signed)* MICHAEL D. SHUH By: *(Signed)* EDWARD V. JACKSON

**BMO NESBITT BURNS
INC.**

**NATIONAL BANK
FINANCIAL INC.**

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: *(Signed)* ROBIN G.
TESSIER

By: *(Signed)* TIM D.
EVANS

By: *(Signed)* BRIAN D.
MCCHESNEY

By: *(Signed)* CAMERON
GOODNOUGH

CANACCORD FINANCIAL LTD.

**HSBC SECURITIES (CANADA)
INC.**

RAYMOND JAMES LTD.

By: *(Signed)* RON SEDRAN

By: *(Signed)* BRENT LARKAN

By: *(Signed)* J. GRAHAM FELL

**DESJARDINS SECURITIES
INC.**

**DUNDEE SECURITIES
CORPORATION**

**MANULIFE SECURITIES
INCORPORATED**

**RESEARCH CAPITAL
CORPORATION**

By: *(Signed)* BETH A.
SHAW

By: *(Signed)* VILMA
JONES

By: *(Signed)* WILLIAM
PORTER

By: *(Signed)* DAVID J.
KEATING

**MACQUARIE CAPITAL MARKETS
CANADA LTD.**

**WELLINGTON WEST CAPITAL
MARKETS INC.**

By: *(Signed)* MIKE MACKASEY

By: *(Signed)* SCOTT D. LARIN

CANADIAN
HIGH INCOME
EQUITY
FUND

A line graph with a vertical y-axis and a horizontal x-axis. The x-axis has 12 tick marks. A black line starts at the bottom left and trends upwards to the top right, with several small peaks and valleys, representing an overall increasing trend.

BROMPTON
FUNDS

 **BLOOM**
INVESTMENT
COUNSEL, INC.