

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

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, other than Québec, but has not yet become final for the purposes of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, the securities offered hereby may not be offered or sold in the United States of America unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This short form 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 of America. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from the Chief Financial Officer of Carfinco Income Fund at Suite 300, 4245 – 97th Street, Edmonton, Alberta, T6E 5Y7, telephone (780) 413-7549 and are also available electronically at www.sedar.com.

Preliminary Short Form Prospectus

New Issue

June 5, 2007



CARFINCO INCOME FUND

\$10,000,255

2,409,700 Trust Units

This short form prospectus qualifies the distribution (the "Offering") of 2,409,700 trust units ("Trust Units") of Carfinco Income Fund (the "Fund"), an unincorporated open-end mutual fund trust established pursuant to an amended and restated deed of trust dated April 23, 2004 (the "Deed of Trust") and governed by the laws of the Province of Ontario. The outstanding Trust Units of the Fund are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "CFN.UN". On June 4, 2007, the last trading day prior to the filing of this short form prospectus, the closing price of the Trust Units on the TSX was \$4.50 per Trust Unit. The offering price of the Trust Units offered hereunder was determined by negotiation between management of the Fund, the trustees of the Fund, and GMP Securities L.P., Blackmont Capital Inc. and Pacific International Securities Inc. (collectively, the "Underwriters").

Price: \$4.15 per Trust Unit

	Price to the Public	Underwriters' Fee	Net Proceeds to the Fund ⁽¹⁾
Per Trust Unit	\$4.15	\$0.249	\$3.901
Total	\$10,000,255	\$600,015.30	\$9,400,239.70

Notes:

- (1) Before deducting expenses of the Offering estimated at \$250,000 which will be paid out of the proceeds of the Offering.
- (2) The Fund has granted the Underwriters an over-allotment option (the "Over-Allotment Option") to purchase up to 361,400 additional Trust Units on the terms as set forth above for a period of up to 30 days following the closing of the Offering to cover the Underwriters' over-allocation position at closing. If the Over-Allotment Option is exercised in full, the total number of Trust Units to be sold in this Offering will be 2,771,100 and the total Price to the Public, Underwriters' Fee and Net Proceeds to the Fund will be \$11,500,065, \$690,003.90 and \$10,810,061.10, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Trust Units issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

Underwriters' Position	Maximum Size or Number of Securities Held	Exercise Period / Acquisition Date	Exercise Price
Over-Allotment Option	Option to purchase up to an additional 361,400 Trust Units	Exercisable at any time up to the thirtieth (30 th) day following the date of the closing of the Offering	\$4.15 per Trust Unit

The Underwriters, as principals, conditionally offer the Trust Units, subject to prior sale, if, as and when issued by the Fund and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred

to under "Plan of Distribution" and subject to the approval of certain legal matters by Bennett Jones LLP on behalf of the Fund and by Wildeboer Dellelce LLP on behalf of the Underwriters.

Subscriptions for the Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to take place on June 21, 2007, prior to the July 20, 2007 record date for the distribution by the Fund to holders of Trust Units ("Unitholders") which is expected to be payable on July 31, 2007. Accordingly, provided the Offering closes prior to July 20, 2007, subscribers who complete their purchase of Trust Units from the Underwriters and continue to own such Trust Units on July 20, 2007 will be eligible to receive the distribution of the Fund payable on July 31, 2007. Subject to applicable laws, the Underwriters may effect transactions which stabilize or maintain the market price for the Trust Units at levels other than those which otherwise might prevail in the open market. See "Plan of Distribution".

A return on an investment in the Trust Units is not comparable to the return on an investment in a fixed-income security. The recovery of an initial investment in the Fund is at risk, and the anticipated return on such investment is based on many performance assumptions. Although the Fund intends to make distributions of its available cash to Unitholders, these cash distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors, including the financial performance of the subsidiaries of the Fund, debt obligations, working capital requirements and future capital requirements. In addition, the market value of the Trust Units may decline if the Fund's cash distributions decline in the future and that decline may be material.

It is important for an investor to consider the particular risk factors that relate to the Carfinco Group (as defined herein), may affect the industry in which it is operating, and therefore the stability of the distributions that the investor receives. See "Risk Factors".

The after tax return from an investment in Trust Units to Unitholders subject to Canadian income tax can be made up of both a return on and a return of capital. That composition may change over time, thus affecting the after tax return to Unitholders. Subject to the proposals released on October 31, 2006 by the Minister of Finance (Canada) (the "October 31 Proposals"), returns on capital are generally taxed as ordinary income or as dividends in the hands of Unitholders. **Pursuant to the October 31 Proposals, commencing in 2011 certain distributions from the Fund which would have otherwise been taxable as ordinary income generally will be characterized as dividends in addition to being subject to tax at corporate tax rates at the Fund level. Returns of capital are, and under the October 31 Proposals will be, generally tax-deferred to a Unitholder (but reduce the Unitholder's adjusted cost base in the Trust Units for tax purposes). See "Canadian Federal Income Tax Considerations". Bill C-52, an act to implement certain provisions of the budget tabled in Parliament on March 19, 2007 ("Bill C-52"), has been introduced in the Canadian House of Commons. Bill C-52 includes legislative provisions to implement the October 31 Proposals.**

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on, or intend to carry on, the business of a trust company.

The head and principal office of each of the Fund and Carfinco Inc. ("Carfinco") is located at Suite 300, 4245 – 97th Street, Edmonton, Alberta, T6E 5Y7. The registered office of Carfinco is located at Suite 900, 95 Wellington Street West, Toronto, Ontario, M5J 2N7.

Unless otherwise specifically stated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE	1
FORWARD-LOOKING STATEMENTS	2
ORGANIZATION AND STRUCTURE OF CARFINCO INCOME FUND	2
SUMMARY DESCRIPTION OF THE BUSINESS OF THE CARFINCO GROUP	3
CASH DISTRIBUTIONS	4
USE OF PROCEEDS	4
CAPITALIZATION	5
DETAILS OF THE OFFERING AND DESCRIPTION OF TRUST UNITS.....	5
MATERIAL DEBT	6
PLAN OF DISTRIBUTION.....	6
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	8
RISK FACTORS	12
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	14
ELIGIBILITY FOR INVESTMENT.....	14
LEGAL MATTERS	14
MATERIAL CONTRACTS.....	14
LEGAL PROCEEDINGS.....	14
PURCHASERS' STATUTORY RIGHTS.....	15
AUDITORS' CONSENT.....	16
CERTIFICATE OF THE FUND.....	C-1
CERTIFICATE OF THE UNDERWRITERS.....	C-2

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Fund filed with securities commissions or similar regulatory authorities in each of the provinces of Canada (other than Québec) are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) Annual Information Form of the Fund for the financial year ended December 31, 2006 dated March 30, 2007 (the "AIF");
- (b) Management Information Circular of the Fund dated April 13, 2006 relating to the Annual Meeting of Unitholders held on May 10, 2006;
- (c) Management Information Circular of the Fund dated effective March 26, 2007 relating to the Annual Meeting of Unitholders held on May 10, 2007;
- (d) Audited comparative consolidated financial statements of the Fund for the year ended December 31, 2006, together with the notes thereto and the auditors' report thereon;
- (e) Management's Discussion and Analysis of the Fund for the year ended December 31, 2006;
- (f) Unaudited comparative consolidated financial statements of the Fund for the three months ended March 31, 2007; and
- (g) Management's Discussion and Analysis of the Fund for the three months ended March 31, 2007.

Any material change reports, except confidential material change reports, business acquisition reports, comparative interim financial statements, comparative financial statements for the Fund's most recently completed financial year, together with the accompanying report of the auditors, and information circulars filed by the Fund with a securities commission or similar regulatory authority of a province of Canada in which a distribution of securities is made pursuant to this short form prospectus, after the date of this short form prospectus and prior to the termination of the distribution, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or un-superseded form to constitute a part of this short form prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference in this prospectus, constitute "forward-looking statements". When used in these documents, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the Fund, Carfinco, the subsidiaries of the Fund and/or Carfinco, or their management, are intended to identify forward-looking statements. Such statements reflect the current views of the Fund and Carfinco with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation, market conditions, competition, regulation, industry conditions, future capital needs and availability of funds to finance expansion of services, debt service, market coverage, liabilities associated with acquisitions, dependence of the Fund on senior management and Carfinco, the nature of the Trust Units, possible volatility of Trust Unit price, income tax treatment of the Fund, the mutual fund trust status of the Fund, government budget proposals (including the October 31 Proposals), the factors discussed under the headings "Risk Factors – Risk Factors Affecting the Business of the Carfinco Group" and "Risk Factors – Risks Related to the Structure of the Fund" contained in the AIF and the factors discussed under the heading "Risk Factors" in this short form prospectus.

Many other factors could also cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and readers are cautioned that the foregoing list of factors is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The forward-looking statements in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Unless otherwise required by law, none of the Fund, Carfinco or the Underwriters intend, or assume any obligation, to update these forward-looking statements.

ORGANIZATION AND STRUCTURE OF CARFINCO INCOME FUND

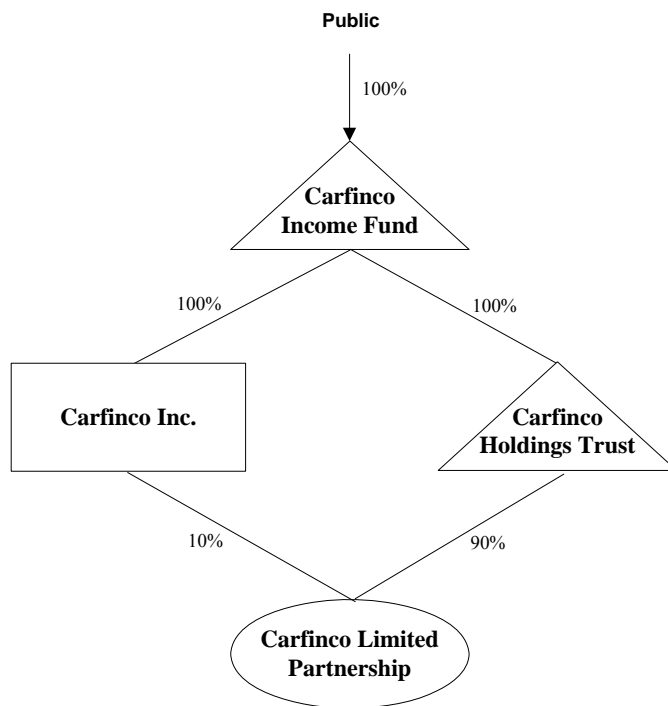
The Fund is an unincorporated open-end mutual fund trust established pursuant to the Deed of Trust and is governed by the laws of the Province of Ontario. The Fund was created as part of the reorganization of the automobile finance business previously carried on by Carfinco and its wholly-owned subsidiary, Canadian Automotive Finance Corporation, into a mutual fund trust structure in November 2002 by way of a plan of arrangement pursuant to the provisions of the *Business Corporations Act* (Ontario).

The Fund owns all of the issued and outstanding shares of Carfinco (the "Common Shares") and all of the issued and outstanding trust units and notes (the "Notes") of Carfinco Holdings Trust ("Holdings Trust"). Holdings Trust holds an approximately 90% limited partnership interest in Carfinco Limited Partnership ("Carfinco LP"). Carfinco holds an approximately 10% general partnership interest in Carfinco LP. Carfinco LP purchases loans originated by select independent and franchise vehicle dealers ("Dealers") to consumers buying late model used automobiles. It targets borrowers who are typically unable to obtain financing from traditional sources.

Carfinco is a corporation amalgamated and existing under the laws of the Province of Ontario. Holdings Trust is an unincorporated open-ended limited purpose trust established under and governed by the laws of the Province of Ontario pursuant to a deed of trust dated as of August 26, 2002 (the "Holdings Trust Deed"). Carfinco LP is a limited partnership formed under the laws of the Province of Ontario pursuant to a limited partnership agreement dated as of August 1, 2002 (the "Limited Partnership Agreement"). The Fund, Carfinco, Holdings Trust and Carfinco LP are collectively referred to as the "Carfinco Group". The head and principal office of each member

of the Carfinco Group is located at Suite 300, 4245 – 97th Street, Edmonton, Alberta T6E 5Y7. The registered office of Carfinco is located at Suite 900, 95 Wellington Street West, Toronto, Ontario, M5J 2N7.

The following chart illustrates the structure of the Fund and its subsidiaries.



Unitholders receive distributions of distributable cash from the Fund to the extent authorized by the trustees of the Fund (the "Trustees"). In accordance with the terms of the Deed of Trust, the Fund makes cash distributions to Unitholders of the interest income earned from, and the repayments of principal on, the Notes, distributions received from Holdings Trust and dividends, if any, paid on, and payments, if any, received from the repurchase of, the Common Shares. The Carfinco Group retains a portion of its cash flow over time to, among other things: (i) pay any costs, expenses or liabilities incurred or to be incurred by the Carfinco Group; (ii) comply with the limits or restrictions contained in any loan agreement; and (iii) fund capital expenditures. The proportion of cash retained by the Carfinco Group is subject to the discretion of the Trustees and the Board of Directors of Carfinco and varies from month to month.

SUMMARY DESCRIPTION OF THE BUSINESS OF THE CARFINCO GROUP

The Carfinco Group provides financing originated through Dealers to borrowers who purchase late model used automobiles. The Carfinco Group targets borrowers who are typically unable to obtain financing from traditional sources. This is commonly referred to as the "non-prime" lending market. Carfinco LP earns interest and fee income on its finance receivables and makes distributions to the Fund through the structure of the Carfinco Group.

The Carfinco Group's prompt credit review and response process, which is facilitated by an Internet-based application and approval system, allows Dealers to improve sales and reduce inventory by providing financing options to their non-prime customers more efficiently and effectively. Dealers submit credit applications to the Carfinco Group directly via the Internet or by facsimile. The Carfinco Group's Internet-based credit application system obtains credit histories and presents summary credit information to assist in the evaluation of the applicant's creditworthiness. Dealers receive notification of a credit decision via the Internet or by facsimile, usually within 30 minutes of receipt of an application, and are required to adhere to Carfinco Group business policies with regard to the sale of the vehicle to be financed. The Carfinco Group presently has relationships with approximately 1,250 Dealers, with approximately 76 net additions in 2007 to date. Geographically, the Carfinco Group's services are offered in all provinces of Canada, except Québec, with operations primarily in Alberta, British Columbia, Ontario

and the Maritimes. The Carfinco Group currently evaluates over 4,200 credit applications a month, approves approximately 40% of the applications it receives and funds approximately 20% of all approved applications.

The Carfinco Group utilizes automated systems to support its servicing and collections activities. For delinquent accounts, collection activity is performed by customer account representatives who follow standardized policies and procedures. The Carfinco Group's policy is to work out suitable payment arrangements for delinquent accounts. However, if a loan remains delinquent, the Carfinco Group takes action to accelerate its collection activity which may include repossession of the vehicle as collateral. Upon repossession and after any prescribed legal waiting period, the vehicle is typically sold at auction. In the event there is a shortfall in the auction proceeds, the Carfinco Group pursues collection of the shortfall when it deems such action to be appropriate.

More detailed information regarding the Fund, its products and services, operations and principal markets can be found in the AIF, which is incorporated herein by reference. See "Documents Incorporated by Reference".

CASH DISTRIBUTIONS

Income of the Fund, which is distributed to Unitholders, is calculated by Carfinco and approved by the Trustees. The Fund distributes distributable income on or about the last day of each calendar month or, if such day does not fall on a business day, the business day immediately prior to the last day of the calendar month to Unitholders of record on the 20th day of each calendar month or, if such day does not fall on a business day, the business day immediately prior to the 20th day of each calendar month.

The following table sets forth the date of payment and the per Trust Unit amount of the distributions paid on the Trust Units from June 2006 to May 2007:

Record Date	Payment Date	Per Trust Unit
June 20, 2006	June 30, 2006	\$0.025
July 20, 2006	July 31, 2006	\$0.026
August 18, 2006	August 31, 2006	\$0.026
September 20, 2006	September 29, 2006	\$0.027
October 20, 2006	October 31, 2006	\$0.027
November 20, 2006	November 30, 2006	\$0.027
December 20, 2006	December 29, 2006	\$0.027
December 20, 2006	December 29, 2006	\$0.026 ⁽¹⁾
January 19, 2007	January 31, 2007	\$0.027
February 20, 2007	February 28, 2007	\$0.027
March 20, 2007	March 30, 2007	\$0.027
April 20, 2007	April 30, 2007	\$0.027
May 22, 2007	May 31, 2007	\$0.027

Note:

(1) Represents a special distribution.

Purchasers of Trust Units pursuant to the Offering will not be eligible to receive the distribution payable on June 29, 2007. If the closing of the Offering occurs before July 20, 2007, purchasers of Trust Units pursuant to the Offering who continue to own such Trust Units at the close of business on July 20, 2007 will be entitled to participate in the distribution for the month of July 2007, which is expected to be payable on July 31, 2007.

USE OF PROCEEDS

The estimated net proceeds from the Offering will be approximately \$9,150,239.70 (\$10,560,061.10 if the Over-Allotment Option is exercised in full) after deducting the fees payable to the Underwriters in respect of such Trust Units and expenses of the Offering, estimated to be \$250,000. The net proceeds from the Offering (including the net proceeds from the Over-Allotment Option if it is exercised) will be used to pay down outstanding indebtedness under the Credit Facility. See "Material Debt".

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Fund as at December 31, 2006 and as at March 31, 2007 both before and after giving effect to the Offering.

Designation	Authorized	Outstanding as at December 31, 2006	Outstanding as at March 31, 2007, before giving effect to the Offering	Outstanding as at March 31, 2007, after giving effect to the Offering ⁽²⁾
Credit Facility ⁽¹⁾	\$65,000,000	\$47,392,821	\$48,313,632	\$39,163,392
Trust Units.....	unlimited	\$16,634,090 (20,556,796 Trust Units)	\$16,654,581 (20,556,796 Trust Units)	\$25,804,821 (22,966,496 Trust Units)

Notes:

(1) See "Material Debt".

(2) After deducting expenses of the Offering estimated at \$250,000 and assuming no exercise of the Over-Allotment Option. The net proceeds from the Offering (including if the Over-Allotment Option is exercised) will be used to pay down outstanding indebtedness under the Credit Facility.

DETAILS OF THE OFFERING AND DESCRIPTION OF TRUST UNITS

The Offering consists of 2,409,700 Trust Units at a price of \$4.15 per Trust Unit. Each Trust Unit represents an equal undivided beneficial interest in the Fund and entitles the holder to one vote at meetings of Unitholders. All Trust Units outstanding from time to time are entitled to share equally in any distributions by the Fund and, in the event of termination of the Fund, in the net assets of the Fund.

An unlimited number of Trust Units have been authorized and may be issued pursuant to the Deed of Trust. The Deed of Trust, among other things, provides for the calling of meetings of Unitholders, the conduct of the business thereof, notice provisions, the right of redemption of Unitholders and the appointment and removal of the trustees of the Fund. A special resolution approved by not less than 66²/₃% of the votes of Unitholders represented at a meeting is required to, among other things, amend the Deed of Trust or terminate the Fund. The Deed of Trust also restricts non-resident ownership of Trust Units to less than a majority of the outstanding Trust Units at any time in order for the Fund to maintain its status as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act"). Pursuant to Section 13.5 of the Deed of Trust, the transfer agent of the Fund (the "Transfer Agent") may require declarations as to the jurisdictions in which beneficial owners of the Trust Units are resident. If the Transfer Agent becomes aware, as a result of acquiring such declarations as to beneficial ownership, that the beneficial owners of at least 45% of the Trust Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Transfer Agent may make a public announcement thereof and shall not accept a subscription for such Trust Units from or issue or register a transfer of such Trust Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a non-resident. If, notwithstanding the foregoing, the Transfer Agent determines that a majority of the Trust Units are held by non-residents, the Transfer Agent may send a notice to non-resident holders of the Trust Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Transfer Agent may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Transfer Agent with satisfactory evidence that they are not non-residents within such period, the Transfer Agent may on behalf of the Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale the affected holders shall cease to be holders of the relevant Trust Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Trust Units. See also "Information Respecting Carfinco Income Fund – Limitation on Non-Resident Ownership" in the AIF. The foregoing is a summary of certain provisions of the Deed of Trust. For a more complete description, reference should be made to the Deed of Trust, copies of which may be viewed at the offices of, or obtained from, the Fund.

The Trust Units do not represent a traditional investment and should not be viewed by investors as "shares" in either the Fund or Carfinco. As holders of Trust Units, Unitholders do 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. The market price of the Trust Units will be sensitive to, among other things, the anticipated

distributable income from the Fund, as well as a variety of market conditions including, but not limited to, interest rates and the ability of the Fund to maintain and grow revenues. Changes in market conditions may adversely affect the trading price of the Trust Units. See "Risk Factors".

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation, as it does not carry on or intend to carry on the business of a trust company.

The Fund is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), and in some cases the *Winding Up and Restructuring Act* (Canada). As a result, in the event a restructuring of the Fund were necessary, the Fund would not be able to access the remedies available thereunder. In the event of a restructuring, the position of Unitholders may be different than that of the shareholders of a corporation.

MATERIAL DEBT

The Fund maintains a credit facility (the "Credit Facility") with a bank pursuant to which the Fund has access to a revolving loan in the amount of up to \$65 million with a stated maturity date of October 4, 2008. Notwithstanding the stated maturity date the bank may terminate the Credit Facility upon the occurrence of an event of default under the credit agreement or the Fund or the bank may otherwise terminate the Credit Facility in accordance with the terms of the credit agreement. Borrowings under the Credit Facility may not exceed the lesser of (i) \$65 million or (ii) the borrowing base limit which is calculated by multiplying a prescribed advance rate by the aggregate amount of all net payments to be made under those contracts prescribed by the credit agreement as being eligible contracts; provided however, that no borrowings may be made by the Fund if a default or event of default exists. The Credit Facility is available in Canadian dollars and may be made available by way of bankers' acceptances which are subject to certain margins or by way of prime rate loans which will bear interest at the bank's prime rate plus one percent per annum. The credit agreement contains certain covenants restricting when distributions by the Fund and the other guarantors thereunder can be made including, covenants that restrict the payment of distributions upon the occurrence of a default or event of default under the credit agreement. Under the credit agreement, Carfinco LP is required to satisfy certain financial covenants, including maintaining an interest coverage ratio for the preceding 12 month period calculated as of the last day of each fiscal quarter in each fiscal year of not less than 1.50 to 1.00 and not permitting its borrowing base ratio calculated as of the last day of each month to exceed 3.75 to 1.00. The borrowing base ratio is a ratio of all of the debt of Carfinco LP less all of Carfinco LP's subordinated debt (as described in the credit agreement) to the sum of its adjusted tangible net worth plus such subordinated debt. Under the credit agreement, Carfinco LP is also required to maintain certain loss reserves (including, without limitation, allowances for credit losses), calculated as of the last day of each month, in an aggregate amount of not less than a prescribed loss reserve percentage multiplied by the net payments under eligible contracts. A failure to comply with the covenants contained in the credit agreement could result in an event of default under the credit agreement if not cured or waived. The Credit Facility is secured by, among other things, a general security agreement provided by the Fund over its assets. More detailed information regarding the terms and provisions of the Credit Facility can be found in the credit agreement in respect of the Credit Facility and the amendments thereto, all of which are available electronically at www.sedar.com.

The principal purpose of the Credit Facility is to fund advances on finance receivables and to fund the purchase of certain capital assets.

PLAN OF DISTRIBUTION

Under an agreement dated as of June 5, 2007 (the "Underwriting Agreement") among the Fund, Carfinco and the Underwriters, the Fund has agreed to sell and the Underwriters have severally agreed to purchase on June 21, 2007, or such other date as may be agreed upon by the Fund and the Underwriters, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, all but not less than all of the 2,409,700 Trust Units at a price of \$4.15 per Trust Unit (the "Offering Price") against delivery of certificates representing the Trust Units for aggregate gross proceeds of \$10,000,255. The Underwriters will act as agents to arrange for substitute purchasers to purchase the Trust Units from the Fund at the Offering Price and the number of Trust Units that the Underwriters are obligated to purchase as principals will be reduced by the number of

Trust Units sold by the Fund to such substituted purchasers. In connection with the Offering, the Fund has agreed to pay the Underwriters a fee of \$0.249 per Trust Unit issued by the Fund for an aggregate consideration of \$600,015.30. The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Trust Units if any are purchased under the Underwriting Agreement. The Fund and Carfinco have agreed to jointly and severally indemnify the Underwriters in certain circumstances. The offering price for the Trust Units was determined by negotiation between management of the Fund, the Trustees and the Underwriters.

Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about June 21, 2007 or such other date as the Fund and the Underwriters may agree, but in any event, not later than July 19, 2007.

The Fund has granted the Underwriters the Over-Allotment Option to purchase up to 361,400 additional Trust Units on the terms as set forth above for a period of up to 30 days following the closing of the Offering to cover the Underwriters' over-allocation position at closing, if any. This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Trust Units issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, a total of 2,771,100 Trust Units for aggregate gross proceeds of \$11,500,065 million will be issued pursuant to the Offering.

The Fund has been advised by the Underwriters that, in connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions which stabilize or maintain the market price of the Trust Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has agreed that, subject to certain stated exceptions set forth in the Underwriting Agreement, it will not, without the prior consent of the Underwriters which consent may not be unreasonably withheld, authorize, issue or sell any Trust Units or any securities giving the right to acquire Trust Units, or agree or announce any intention to do so, at any time prior to the expiry of 90 days following the closing of the Offering.

The Trust Units offered hereby have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered, sold or delivered within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and in compliance with applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable laws of the United States, they will not offer or sell any Trust Units within the United States. The Underwriting Agreement permits the Underwriters to offer and sell Trust Units in the United States only in certain transactions that are exempt from the registration requirements of the U.S. Securities Act and in compliance with applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Trust Units in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Trust Units offered hereby within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless such offer is made in compliance with Rule 144A under the U.S. Securities Act.

Pursuant to policy statements and/or rules of certain securities commissions, the Underwriters may not, during the period of distribution under this short form prospectus, bid for or purchase Trust Units. The foregoing restriction is subject to certain exceptions, provided that the bid or purchase is not engaged in for the purpose of creating actual or apparent trading activity in, or raising the price of, the Trust Units. These exceptions include a bid or purchase permitted under the by-laws and rules of certain prescribed stock exchanges relating to market stabilization and passive marketmaking 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, the Underwriters may over-allot or effect transactions in connection with the Offering that stabilize or maintain the market price of the Trust Units at levels above those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Fund and Wildeboer Dellelce LLP, counsel to the Underwriters, (collectively, "Counsel"), the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations applicable to purchasers of Trust Units issued hereunder. This summary is only applicable to persons who, for the purposes of the Tax Act, deal at arm's length and are not affiliated with the Fund and will hold the Trust Units as capital property. Trust Units will generally constitute capital property to a Unitholder unless the Unitholder holds the Trust Units in the course of carrying on a business or is engaged in an adventure or concern in the nature of trade with respect to the Trust Units. Certain Unitholders, other than traders or dealers in securities, whose Trust Units might not otherwise qualify as capital property may be entitled to so qualify their Trust Units by making the irrevocable election in respect of the Unitholders' "Canadian securities", within the meaning of the Tax Act. Unitholders interested in making this election should consult their own tax advisers, having regard to their own particular circumstances.

This summary is not applicable to a Unitholder that is a "financial institution" subject to the "mark-to-market" provisions of the Tax Act or to a Unitholder an interest in which would be a "tax shelter investment" within the meaning of the Tax Act. Any such Unitholders should consult their own tax advisors with respect to an investment in the Trust Units.

This summary is based on the provisions of the Tax Act and the regulations thereunder (the "Regulations") in force as of the date hereof, Counsels' understanding of the current published administrative practices and policies of the Canada Revenue Agency (the "CRA") and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance prior to the date of the Offering (the "Proposed Amendments"). This summary assumes that the Proposed Amendments will be enacted in their current form. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. Except as specifically noted herein, this summary does not otherwise take into account proposed or possible changes in law, whether by judicial or legislative action, or changes in the administrative practices and policies of the CRA. This summary does not consider the income tax legislation of any of the provinces of Canada, nor does it consider the income tax legislation of any foreign country.

This summary is of a general nature only and is not intended to be, and it should not be construed to be, legal or tax advice to any prospective purchaser of Trust Units. The tax liability of a Unitholder will depend on such holder's personal circumstances, including the legal characterization of the holder. Accordingly, prospective purchasers are urged to consult their own tax advisors regarding the income tax consequences associated with purchasing, holding and disposing of Trust Units issued hereunder, having regard to their own particular circumstances.

Status of the Fund

This summary assumes that the Fund qualifies as a "mutual fund trust" (as defined by the Tax Act) on the date hereof, and will continue to so qualify. Based on facts represented to Counsel, Counsel is of the view that such assumption is reasonable. In the event the Fund does not qualify as a mutual fund trust, the income tax considerations for the Fund and Unitholders would be materially different from those described below.

Pursuant to the October 31 Proposals, the Fund will be characterized as a "specified investment flow-through" ("SIFT") trust and for purposes of this summary it is assumed that the Fund will be characterized as a SIFT trust. The October 31 Proposals are to apply commencing January 1, 2011 for all SIFT trusts (and their unitholders) that were publicly traded on October 31, 2006. Although the October 31 Proposals should generally not apply to the Fund until 2011, the October 31 Proposals may be applicable to the Fund prior to 2011 if it exceeds "normal growth" as defined in guidelines released by the Minister of Finance on December 15, 2006 (the "Normal Growth Guidelines"). It is expected that the net proceeds from the Offering will be used to pay down outstanding indebtedness under the Credit Facility. Counsel has been advised by management of the Fund that the offering will not result in growth that is in excess of "normal growth" as provided for in the Normal Growth Guidelines. It is assumed for the purposes of this summary that the Fund will not exceed "normal growth" prior to January 1, 2011, and accordingly that the Fund and its Unitholders will not be subject to the October 31 Proposals until January 1, 2011.

Taxation of the Fund

In each taxation year, the Fund will be subject to tax on its income for the year, including net realized taxable capital gains, less (subject to the October 31 Proposals) the portion thereof that it deducts in respect of amounts paid or payable in the year to Unitholders, whether paid in cash or in additional Trust Units. An amount will be considered to be payable to a Unitholder in a taxation year if the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Fund is the calendar year.

Pursuant to the October 31 Proposals, subject to the Normal Growth Guidelines, commencing in 2011 a SIFT trust will be prevented from deducting any part of the amounts payable to unitholders in respect of (i) income (other than dividends that the trust could, if it were a corporation, deduct under the Tax Act) from its non-portfolio properties; and (ii) taxable capital gains from its dispositions of non-portfolio properties. "Non-portfolio properties" include investments in a "subject entity" which is defined in the October 31 Proposals to include a corporation resident in Canada, a trust resident in Canada and certain partnerships. If the SIFT trust holds securities of a subject entity that have a fair market value greater than ten percent of the subject entity's total enterprise value, or if the SIFT trust holds securities of a subject entity or its affiliates that have a total fair market value greater than 50% of the enterprise value of the SIFT trust, the subject entity will constitute a non-portfolio property. It is expected that the investments by the Fund in Holdings Trust and Carfinco will be non-portfolio properties. Subject to the Normal Growth Guidelines, commencing on January 1, 2011, the October 31 Proposals will impose a tax of 31.5% on non-portfolio earnings that a SIFT trust distributes to its unitholders. The October 31 Proposals do not change the taxation of distributions of capital by the Fund to its Unitholders. As a result of this tax at the Fund level, it is expected that the amount of income that the Fund is able to distribute will be reduced by the amount of such taxation.

The Fund's income for a taxation year will generally consist of: (i) interest on the Notes that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, to the extent that the interest was not included in computing its income for a preceding taxation year; (ii) dividends (if any) received, or deemed to have been received, by it on the Common Shares of Carfinco; (iii) amounts of the Holdings Trust's income that are paid or payable to the Fund in the taxation year; and (iv) any capital gains realized by the Fund on the transfer of property *in specie* to a Unitholder in respect of a redemption of Trust Units. In computing its income for tax purposes, the Fund may deduct reasonable administrative costs, interest, and other expenses incurred by it for the purpose of earning income and 20% of the total issue expenses of the Offering and previous offerings (pro-rated where the Fund's taxation year is less than 365 days), to the extent such expenses were not otherwise deductible in a preceding taxation year.

Under the Deed of Trust, an amount equal to all of the income of the Fund, together with the non-taxable portion of any net capital gains realized by the Fund, but excluding capital gains arising on a distribution of property *in specie* upon a redemption of Trust Units which are payable and designated by the Fund to redeeming Unitholders, will be payable in the year to the holders of the Trust Units by way of cash distributions or, in certain circumstances specified in the Deed of Trust, by the issuance of additional Trust Units. Subject to the October 31 Proposals, income of the Fund payable to Unitholders, whether in cash or additional Trust Units, should generally be deductible by the Fund in computing its taxable income.

For purposes of the Tax Act and in accordance with the Deed of Trust, the Fund will claim the maximum deductions available to the Fund or such lesser amounts as the Trustees may determine to be in the best interests of Unitholders for the purposes of computing its income pursuant to the Tax Act to the extent required to reduce the taxable income of the Fund to nil. The Deed of Trust also permits the Fund to make various elections to tax income or capital gains distributed to Unitholders in the Fund in circumstances, for example, where the Fund has non-capital loss carry forwards or capital loss carry forwards that can be deducted against any such amounts. Counsel has been advised that it is expected that the Fund will generally not be liable for any material amount of income tax under the existing provisions of the Tax Act in respect of any taxation year. **Under the October 31 Proposals, commencing on January 1, 2011 the Fund will be liable for tax at rates of tax comparable to the combined federal and provincial corporate tax rate for all income payable to Unitholders, which the Fund will not be able to deduct as a result of being characterized as a SIFT trust.**

Taxation of Unitholders who are Residents of Canada

This portion of the summary is applicable to a Unitholder who, for the purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada.

Subject to the October 31 Proposals, a Unitholder will generally be required to include in income for a particular taxation year the portion of income of the Fund computed for tax purposes, including net realized taxable capital gains, that is paid or payable to the Unitholder in that particular taxation year, whether paid in cash or in additional Trust Units. Any deduction or loss of the Fund for purposes of the Tax Act cannot be allocated to and treated as a loss of the Unitholders. Pursuant to the October 31 Proposals, commencing on January 1, 2011 certain distributions from the Fund which would have otherwise been taxable as ordinary income generally will be characterized as dividends in the hands of the Unitholder. Under the October 31 Proposals an amount distributed by the Fund which is deemed by those proposals to be a taxable dividend will be entitled to the enhanced dividend tax credit if the deemed taxable dividend is paid to an individual resident in Canada.

Provided that appropriate designations are made by the Fund, such portions of its net taxable capital gains and taxable dividends received from taxable Canadian corporations as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. Amounts that are treated as taxable dividends from taxable Canadian corporations will be subject, among other things, to the normal gross-up and dividend tax credit provisions applicable in respect of Unitholders that are individuals, the refundable tax under Part IV of the Tax Act in respect of Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction in computing taxable income in respect of dividends received by taxable Canadian corporations. Amendments to the Tax Act, which received Royal Assent on February 21, 2007, enhance the gross-up and dividend tax credit for "eligible dividends" (as defined in such amendments) received after 2005 from taxable Canadian corporations.

The non-taxable portion of net realized capital gains (being one-half thereof) of the Fund that is paid or payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the income of the Fund that is paid or payable by the Fund to a Unitholder in a 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 Trust Units, such payment will give rise to a reduction in the adjusted cost base of the Trust Units held by such Unitholder, except to the extent that the amount was either included in the income of the Unitholder as described above or was the Unitholder's share of the non-taxable portion of the net capital gains of the Fund, the taxable portion of which was designated by the Fund in respect of the Unitholder. If the adjusted cost base of a Unitholder's Trust Units becomes negative as a result of such reduction, the negative amount is deemed to be a capital gain in the year such negative amount arises and is added to the adjusted cost base of such Trust Units.

The cost to a Unitholder of Trust Units acquired pursuant to the Offering will equal the purchase price of the Trust Units plus the amount of any reasonable costs incurred by the Unitholder in connection therewith. The cost to a Unitholder of additional Trust Units received in lieu of a cash distribution will generally be the amount of the Fund's income or capital gains which is paid or payable in respect of the distribution of Trust Units. The cost of Trust Units, whether acquired pursuant to the Offering, on a distribution from the Fund, or otherwise, will generally be averaged with the adjusted cost base of all other Trust Units held by the Unitholder as capital property immediately before such acquisition to determine the adjusted cost base of each Trust Unit.

Upon the disposition or deemed disposition by a Unitholder of Trust Units, whether on a redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition (excluding any amount payable by the Fund that must otherwise be included in the Unitholder's income as described above) are greater (or less) than the aggregate of the Unitholder's adjusted cost base of such Trust Units and any reasonable costs associated with the disposition.

A Unitholder will be required to include one-half of the amount of any capital gain (a "taxable capital gain") in income, and will be required to deduct one-half of the amount of any capital loss (an "allowable capital loss") against taxable capital gains realized in the year of disposition. Allowable capital losses in excess of taxable capital gains in the year of disposition may be carried back and deducted in any of the three preceding years or

carried forward and deducted in any following years against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act. Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Trust Unit, any capital loss arising on the disposition will generally be reduced by the amount of distributions designated as taxable dividends previously distributed to the Unitholder except to the extent that a loss on the previous disposition of a Trust Unit has been reduced by such dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Trust Units.

A Unitholder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) will be subject to a refundable tax of 6²/₃% in respect of its aggregate investment income for the year, including taxable capital gains and substantially all the income, other than taxable dividends, distributed to the Unitholder by the Fund.

A Unitholder who is an individual may be subject to alternative minimum tax as a result of receiving net income of the Fund that is designated as taxable dividends or as net realized taxable capital gains or realizing taxable capital gains on the disposition of Trust Units, depending on the Unitholder's circumstances.

Pursuant to the Deed of Trust, the Trustees are permitted, in certain circumstances, to transfer property held by the Fund to a Unitholder on a redemption of Trust Units in an amount equal to the cash redemption price. If the Fund satisfies a redemption of Trust Units by transferring property, the proceeds of disposition to a Unitholder on such redemption will generally equal the fair market value of the property transferred less the capital gain realized by the Fund on the redemption of such Trust Units (which capital gain will be designated and made payable by the Fund to the Unitholder), and in the case of Notes (or other indebtedness), the amount of accrued interest thereon. Where a capital gain realized by the Fund as a result of the distribution of property on the redemption of Trust Units has been designated and made payable by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the taxable portion of the capital gain so payable. The cost of property to a Unitholder acquired in respect of such redemption will generally be equal to the fair market value of the property on the date of transfer, less, in the case of a transfer of Notes (or other indebtedness), the amount of accrued interest thereon. Subsequently, a Unitholder will be required to include in income interest on the Notes (or other indebtedness) in accordance with the provisions of the Tax Act. To the extent that a Unitholder is required to include in income accrued interest on the Notes (or other indebtedness) up to the date of transfer, an offsetting deduction is available. Unitholders should consult their own tax advisors on the tax consequences of acquiring, holding and disposing of any property acquired from the Fund on a redemption of Trust Units, having regard to their own particular circumstances.

Tax Exempt Unitholders

Subject to the specific provisions of any particular plan and provided that the Fund maintains its status as a mutual fund trust, as defined in the Tax Act, the Trust Units will constitute qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") and deferred profit sharing plans under the Tax Act (collectively referred to as "Exempt Plans"). Exempt Plans (and the annuitants of such plans) who redeem their Trust Units in circumstances which entitle them to property held by the Fund should consult their own tax advisors with regard to whether the property which they may receive will constitute a qualified investment for such Exempt Plans. If such property does not constitute a qualified investment for an Exempt Plan, adverse tax consequences can result. For example, where a trust governed by a RRSP or RRIF acquires property which is not a qualified investment, the value of such property will be included in the income of the annuitant in the year of acquisition. Trusts governed by RESPs can have their registration revoked by the CRA if they acquire property that is not a qualified investment.

Exempt Plans will generally not be liable for tax in respect of any distributions received from the Fund or any capital gains realized on the disposition of any Trust Units.

Taxation of Unitholders who are Non-Residents of Canada

Where the Fund makes distributions to a Unitholder who is not nor is deemed to be a resident of Canada for purposes of the Tax Act (referred to herein as a "Non-Resident Unitholder"), the same general considerations as those discussed above with respect to a Unitholder who is a resident of Canada will generally apply, except that any distribution of the Fund's income to a Non-Resident Unitholder which is fully deductible by the Fund in computing

its income will be subject to Canadian withholding tax at the rate of 25% unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident Unitholder's jurisdiction of residence. Non-Resident Unitholders resident in the United States for purposes of the *Canada-United States Tax Convention, 1980* will generally be entitled to have the rate of withholding reduced to 15% of the amount of any income distributed.

Pursuant to the October 31 Proposals, commencing on January 1, 2011 distributions of the Fund's income will be characterized as taxable dividends to Non-Resident Unitholders and as such will be subject to Canadian withholding tax at a rate of 25%, unless such rate is reduced under the provisions of a tax treaty between Canada and the Non-Resident Unitholder's jurisdiction of residence. A Non-Resident Unitholder resident in the United States who is entitled to claim the benefit of the *Canada-United States Tax Convention, 1980* generally will be entitled to have the rate of withholding tax reduced to 15%.

The Fund is required to maintain a special "TCP gains balance" account to which it will add its capital gains from dispositions after March 22, 2004 of "taxable Canadian property" (as defined in the Tax Act) and from which it will deduct its capital losses from dispositions of such property and the amount of all "TCP gains distributions" (as defined in the Tax Act) made by it in previous taxation years. If the Fund pays an amount to a Non-Resident Unitholder, makes a designation to treat that amount as a taxable capital gain of the Unitholder and the total of all such amounts designated by the Fund in a taxation year to Non-Resident Unitholders and any partnerships which are not "Canadian partnerships" for the purposes of the Tax Act exceeds 5% of all such designated amounts, such portion of that amount as does not exceed the Non-Resident Unitholder's pro rata portion of the Fund's "TCP gains balance" account (as defined in the Tax Act) for the taxation year effectively will be subject to the same Canadian withholding tax as described above for distributions of income (other than net realized capital gains).

A disposition or deemed disposition of Trust Units will not give rise to a capital gain subject to tax under the Tax Act to a Non-Resident Unitholder provided that the Trust Units held by the Non-Resident Unitholder are not "taxable Canadian property" for the purposes of the Tax Act. Trust Units will not constitute taxable Canadian property to a Non-Resident Unitholder unless: (i) the Non-Resident Unitholder holds or uses, or is deemed to hold or use, the Trust Units in the course of carrying on business in Canada; (ii) the Trust Units are "designated insurance property", as defined in the Tax Act, of the Non-Resident Unitholder; (iii) at any time during the period of five years immediately preceding the disposition of the Trust Units the Non-Resident Unitholder or persons with whom the Non-Resident Unitholder did not deal at arm's length or any combination thereof, held more than 25% of the issued Trust Units; or (iv) the Fund is not a mutual fund trust on the date of disposition.

Non-Resident Unitholders are urged to consult their own tax advisors having regard to their own particular circumstances including the impact of the October 31 Proposals on the Canadian federal income tax consequences of acquiring the Trust Units pursuant to this Offering.

RISK FACTORS

A prospective purchaser of Trust Units should carefully consider the information described in the Management's Discussion and Analysis of the Fund for the year ended December 31, 2006 and for the three months ended March 31, 2007 as well as information described under the headings "Risk Factors - Risk Factors Affecting the Business of the Carfinco Group" and "Risk Factors - Risks Related to the Structure of the Fund" set forth in the AIF, all of which is incorporated by reference in this short form prospectus. In addition to the foregoing, prospective purchasers of Trust Units should consider the other information set forth below or contained elsewhere in this short form prospectus and in the documents incorporated by reference.

Sales of Additional Trust Units

The Fund may issue additional Trust Units in the future to finance certain of its capital expenditures, including acquisitions. The Deed of Trust permits the Fund to issue an unlimited number of additional Trust Units without the approval of the Unitholders. Any issuance of Trust Units may have a dilutive effect on the purchasers of Trust Units hereby.

Redemption of Trust Units

It is anticipated that the redemption right associated with Trust Units will not be the primary mechanism for Unitholders to dispose of their Trust Units. Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such Notes. Notes may not be qualified investments for trusts governed by Exempt Plans.

Income Tax Matters

Holdings Trust is subject to taxation in each taxation year on its income for the year, after deducting interest paid to the Fund on the Notes. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted by Holdings Trust or its affiliates in respect of the Notes. If such a challenge were to succeed, it could materially adversely affect the amount of cash available for distribution to the Unitholders. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the Notes.

Further, interest on the Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Deed of Trust provides that an amount equal to the taxable income of the Fund will generally be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. Where interest payments on the Notes are due but not paid in whole or in part, any additional amount necessary to be distributed to Unitholders will be distributed in the form of additional Trust Units rather than in cash. Unitholders will be required to include such additional amount in income even though they do not receive a cash distribution.

October 31 Proposals

It is expected that the October 31 Proposals, if enacted in the form proposed in Bill C-52, will subject the Fund to trust level taxation beginning on January 1, 2011, which will materially reduce the amount of cash available for distributions to the Unitholders. Based on the proposed Canadian federal income tax rates and tax rate on account of provincial taxes, the Fund estimates that the enactment of the October 31 Proposals will, commencing on January 1, 2011, reduce the amount of cash available to the Fund to distribute to its Unitholders by an amount equal to 31.5% multiplied by the amount of the pre-tax income distributed by the Fund. A reduction in the value of the Trust Units would be expected to increase the cost to the Fund of raising capital in the public capital markets. In addition, the October 31 Proposals are expected to substantially eliminate the competitive advantage the Fund currently enjoys compared to corporate competitors in raising capital in a tax efficient manner. The October 31 Proposals are also expected to make the Trust Units less attractive as an acquisition currency. As a result, it may be more difficult for the Fund to compete effectively for acquisition opportunities in the future. There can be no assurance that the Fund will be able to reorganize its legal and tax structure to reduce the expected impact of the October 31 Proposals.

In addition, there can be no assurance that the October 31 Proposals will not apply to the Fund prior to 2011. If the Fund is deemed to have exceeded "normal growth" as described in the Normal Growth Guidelines during the transitional period from October 31, 2006 to December 31, 2010, the October 31 Proposals would become effective on a date earlier than January 1, 2011.

Accordingly, the October 31 Proposals, if enacted, are expected to materially and adversely affect the Fund, the Unitholders and the value of the Trust Units. Prospective Unitholders are urged to consult their own tax advisors having regard to their particular circumstances including the impact of the October 31 Proposals on the Fund and Unitholders.

Loss of Mutual Fund Trust Status

There can be no assurance that the Fund will continue to qualify as a mutual fund trust within the meaning of the Tax Act. The consequences of not being a mutual fund trust include the following:

- the Trust Units would cease to be a qualified investment for Exempt Plans which can have negative tax consequences to such plans and their annuitants and beneficiaries;

- the Fund would be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain Unitholders, including non-resident persons and residents of Canada who are exempt from Part I tax; and
- the Trust Units would constitute taxable Canadian property for the purposes of the Tax Act, potentially subjecting non-residents of Canada to tax pursuant to the Tax Act on the disposition (or deemed disposition) of such Trust Units.

The Fund could cease to qualify as a mutual fund trust if it is maintained primarily for the benefit of non-residents.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are Grant Thornton LLP, Chartered Accountants, 1401 Scotia Place 2, 10060 Jasper Avenue, Edmonton, Alberta, T5J 3R8.

The transfer agent and registrar for the Trust Units is Equity Transfer & Trust Company at its principal office in Toronto, Ontario.

ELIGIBILITY FOR INVESTMENT

In the opinion of counsel to the Fund and counsel to the Underwriters, provided the Fund qualifies as a mutual fund trust under the Tax Act, the Trust Units will, at the date of issue, be qualified investments for trusts governed by Exempt Plans.

LEGAL MATTERS

Certain legal matters relating to the offering of the Trust Units will be passed upon by Bennett Jones LLP on behalf of the Fund and Carfinco and by Wildeboer Dellelce LLP on behalf of the Underwriters. As at the date hereof, partners and associates of Bennett Jones LLP and Wildeboer Dellelce LLP as a group beneficially own, directly or indirectly, less than 1% of the outstanding Trust Units.

MATERIAL CONTRACTS

The following contracts may be material to an investor in Trust Units:

- (a) the Deed of Trust;
- (b) the Holdings Trust Deed;
- (c) the Limited Partnership Agreement;
- (d) the agreement in respect of the Credit Facility; and
- (e) the Underwriting Agreement.

Copies of each of the foregoing agreements may be inspected during regular business hours at the offices of the Fund, at Suite 300, 4245 – 97th Street, Edmonton, Alberta, until the expiry of the 30-day period following the date of the final short form prospectus. Copies of each of the foregoing agreements are also available on www.sedar.com.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Fund to which the Fund or Carfinco is a party or in respect of which any of their respective properties are subject, nor are there any such proceedings known to the Fund or Carfinco to be contemplated.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

Consent of Grant Thornton LLP

We have read the preliminary short form prospectus of Carfinco Income Fund ("the Fund") dated June 5, 2007 relating to the qualification for distribution and sale of trust units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2006 and 2005 and the consolidated statements of earnings and deficit and the consolidated statements of cash flows for the years then ended. Our report was dated March 15, 2007.

Edmonton, Canada
June 5, 2007

(SIGNED) GRANT THORNTON LLP
Chartered Accountants

CERTIFICATE OF CARFINCO INCOME FUND

June 5, 2007

This short form prospectus, together with the documents incorporated herein by reference, 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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

CARFINCO INCOME FUND

(SIGNED) Tracy Graf
Chief Executive Officer

(SIGNED) Troy Graf
Chief Financial Officer

On behalf of the Board of Trustees

(SIGNED) David Prussky
Trustee

(SIGNED) David Rosenkrantz
Trustee

CERTIFICATE OF THE UNDERWRITERS

June 5, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, 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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

GMP SECURITIES L.P.

(SIGNED) Neil Selfe

BLACKMONT CAPITAL INC.

(SIGNED) John M. Peltier

PACIFIC INTERNATIONAL SECURITIES INC.

(SIGNED) James P. Defer