

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. **Information has been incorporated by reference in this 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 Secretary of DAVIS + HENDERSON INCOME FUND at 939 Eglinton Avenue East, Suite 201, Toronto, Ontario M4G 4H7, telephone (416) 696-7700, which is its head office and registered office, and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Secretary of DAVIS + HENDERSON INCOME FUND at the above-mentioned address and telephone number and is also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

May 30, 2006



DAVIS + HENDERSON INCOME FUND

\$116,000,500

6,026,000 Subscription Receipts,

each representing the right to receive one trust unit

Davis + Henderson Income Fund (the "Fund"), through Davis + Henderson, Limited Partnership ("Davis + Henderson LP"), is a market leader in Canada assisting financial institutions with the operations of programs to their chequing and lending accounts. On May 18, 2006, FHI Acquisition Inc. ("FHI"), Davis + Henderson LP (as guarantor of FHI) and MCEP II (CAD-LUX) S.à.r.l. entered into a share purchase agreement (the "Share Purchase Agreement") under which FHI has agreed to purchase all the shares of Filogix Holdings Inc. ("Filogix") for \$212.5 million in cash, subject to adjustments (the "Filogix Acquisition"). Filogix is the leading provider in Canada of information and transaction technology for residential mortgage and real estate transactions (the "Filogix Business"). The closing of the Filogix Acquisition is expected to occur on or about June 15, 2006.

This prospectus qualifies for distribution (the "Offering") 6,026,000 subscription receipts ("Subscription Receipts") of the Fund, each of which will entitle the holder thereof to receive, upon closing of the Filogix Acquisition and without payment of additional consideration, one trust unit (a "Unit") of the Fund. The Units issuable on exercise of the Subscription Receipts are also qualified hereby. If the closing of the Filogix Acquisition occurs prior to or concurrently with the closing of the Offering, investors in the Offering will receive Units on the closing date of the Offering instead of Subscription Receipts, which Units are also qualified hereby. The proceeds from the sale of the Subscription Receipts (the "Escrowed Funds") will be held by CIBC Mellon Trust Company, as escrow agent (the "Escrow Agent"), and invested in short term obligations of, or guaranteed by, the Government of Canada and other approved investments as directed by the Fund, pending the closing of the Filogix Acquisition.

If the closing of the Filogix Acquisition takes place on or before June 30, 2006, (i) holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt and will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on July 31, 2006 and (ii) the Escrowed Funds, together with any interest earned on those funds, will be released to the Fund. By way of example, if the closing of the Offering is June 6, 2006 and the Filogix Acquisition is completed on or about June 15, 2006, as expected, holders of Subscription Receipts will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on July 31, 2006 to Unitholders of record on June 30, 2006 but will not be eligible to receive any amount in respect of the distribution to be paid on June 30, 2006 to Unitholders of record on May 31, 2006.

If the closing of the Filogix Acquisition takes place after June 30, 2006, but prior to the Termination Date, holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt plus an amount equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the Offering to the date on which the Filogix Acquisition is completed.

If the Filogix Acquisition fails to close by 5:00 p.m. (Toronto time) on July 31, 2006 or the Share Purchase Agreement is terminated at any earlier time (in either case, the "Termination Date"), the Escrow Agent and the Fund will return to holders of Subscription Receipts on the third business day following the Termination Date an amount equal to the issue price therefor and their proportional entitlements to interest earned on such amount. See "Description of the Subscription Receipts".

Price: \$19.25 per Subscription Receipt

	Price to the Public (1)	Underwriters' Fee (2)	Net Proceeds to the Fund (3)
Per Subscription Receipt	\$19.25	\$0.96	\$18.29
Total	\$116,000,500	\$5,800,025	\$110,200,475

Note:

- The price of the Subscription Receipts has been determined by negotiation between the Fund and the Underwriters.
- One half of the Underwriters' fee is payable at the closing of the Offering. The other half is payable only upon release of the Escrowed Funds to the Fund. If the Filogix Acquisition is not completed, the Underwriters' fee with respect to the Subscription Receipts will be reduced to the amount payable upon closing of the Offering. The Underwriters' fee will be paid by the Fund.
- Before deducting expenses of the Offering, which are estimated to be approximately \$1 million.

The issued and outstanding Units of the Fund are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "DHF.UN". On May 17, 2006, the day before the announcement of the Offering, the closing price of the Units on the TSX was \$19.70 per Unit.

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BMO Nesbitt Burns Inc., Scotia Capital Inc., RBC Capital Markets, TD Securities Inc., CIBC World Markets Inc. and National Bank Financial Inc. (collectively, the “Underwriters”), as principals, conditionally offer the Subscription Receipts, subject to prior sale, if, as and when issued by the Fund and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters on behalf of the Fund by Torys LLP, Toronto, Ontario and on behalf of the Underwriters by Goodmans LLP, Toronto, Ontario.

The after-tax return to Unitholders for any Units (including Units issuable pursuant to the Subscription Receipts) owned by Unitholders which are subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of distributions may change over time, thus affecting the after-tax return to Unitholders. Income is generally taxed as ordinary income in the hands of a Unitholder. Returns of capital are generally non-taxable to a Unitholder (but reduce the Unitholder’s cost base in the Unit for tax purposes).

A return on an investment in the Fund 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. In addition, the market value of the Subscription Receipts and the Units may decline if the Fund’s cash distributions decline in the future and that decline may be material.

An investment in the Subscription Receipts is subject to a number of risks that should be considered by a prospective investor. Cash distributions on the Units are not guaranteed and will be entirely derived from the business operated by related entities of the Fund and from the ability of each such entity to make distributions on its securities, which is subject to a number of risks. For these and other risk factors, see “Risk Factors”. It is important for an investor to consider the particular risk factors that may affect the industry in which it is investing, and therefore the stability of the distributions paid by the Fund.

There is currently no market through which the Subscription Receipts may be sold and investors may not be able to resell the Subscription Receipts purchased under this prospectus. The Fund has received conditional approval to list the Subscription Receipts and the Units issuable on exchange of the Subscription Receipts on the TSX. Listing is subject to the Fund fulfilling all of the listing requirements of the TSX.

The Canadian chartered bank affiliate of each of BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. is a lender to an affiliate of the Fund under an existing credit facility (the “Existing Credit Facility”). The Canadian chartered bank affiliate of each of BMO Nesbitt Burns Inc. and Scotia Capital Inc. will be a lender to affiliates of the Fund under new senior secured credit facilities (the “New Credit Facilities”) which will be used, among other things, to refinance the Existing Credit Facility and to fund, in part, the Filogix Acquisition. Consequently, the Fund may be considered a connected issuer of BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. under applicable securities laws in certain Canadian provinces and territories. See “Relationship Between the Fund and Certain of the Underwriters”.

Subject to the applicable laws, in connection with the Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Subscription Receipts or Units at levels other than those that might otherwise prevail on the open market. See “Plan of Distribution”.

Subscriptions for Subscription Receipts 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. Book-entry only certificates representing the Subscription Receipts will be issued in registered form to The Canadian Depository for Securities Limited (“CDS”) or its nominee as registered global securities and will be deposited with CDS on the date of issue of the Subscription Receipts, which is expected to occur on June 6, 2006, or such later date as the Fund and the Underwriters may agree, but in any event not later than July 31, 2006. Book-entry only certificates representing the Units issuable upon the exchange of the Subscription Receipts will be issued in registered form to CDS or its nominee as registered global securities and will be deposited with CDS on the date of issue of the Units. Holders of Subscription Receipts and Units will not be entitled to receive physical certificates representing their ownership. See “Description of the Units — Book-Entry Only System”, “Description of the Subscription Receipts” and “Plan of Distribution”.

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Unless otherwise indicated or the context otherwise indicates, the “Fund” refers to Davis + Henderson Income Fund alone, “Davis + Henderson LP” refers to Davis + Henderson, Limited Partnership alone, “Davis + Henderson G.P.” refers to Davis + Henderson G.P. Inc. alone and “Davis + Henderson” or the “Company” refers to the business carried on by Davis + Henderson LP.

In this prospectus, unless otherwise indicated, all dollar amounts and references to “\$” are to Canadian dollars.

ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the Fund, and of Goodmans LLP, counsel to the Underwriters, provided that the Fund is a mutual fund trust on the date hereof, the Subscription Receipts and the Units, if issued on the date hereof, would be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, (collectively, the “Plans”), each as defined in the *Income Tax Act* (Canada) (the “Tax Act”) and the regulations thereunder (the “Regulations”) provided that, in the case of the Subscription Receipts, each person who is an annuitant, a beneficiary, an employer or subscriber under the particular Plan deals at arm’s length with the Fund. If the Fund ceases to qualify as a mutual fund trust, the Subscription Receipts and the Units issuable on exchange thereof will cease to be qualified investments for those Plans.

TRADEMARKS

Filogix's registered Canadian trademarks include "Filogix Expert", "Filogix Express", "Filogix dms" and "mobile dms".

NON-GAAP MEASURES

References to EBITDA are to earnings before interest, taxes, depreciation, amortization expenses, reorganization expenses and stock option expenses. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. Management also believes that EBITDA is a useful supplemental measure for evaluation of the Fund's performance. EBITDA is not a recognized financial measure under Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP and is not intended to be representative of cash flows or results of operations determined in accordance with GAAP. Investors should be cautioned that the Fund's method of calculating EBITDA should not be construed as an alternative to using net income (as determined in accordance with GAAP) as a measure of profitability or as an alternative to the statement of cash flows. The Fund's method of calculating EBITDA may differ from that of other issuers and, accordingly, EBITDA may not be comparable to similarly titled amounts reported by other issuers. For a reconciliation of EBITDA to net income, see "Reconciliation of Net Income to EBITDA".

FORWARD LOOKING STATEMENTS

Certain statements contained in this prospectus, and in certain documents incorporated by reference herein, constitute "forward-looking statements". When used herein and therein, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Fund or its management, are intended to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control that could cause actual results to differ materially from those expressed in the forward-looking statements. A discussion of such risk factors is referred to under the heading "Risk Factors". Neither the Fund nor Davis + Henderson LP assumes responsibility for the accuracy and completeness of the forward-looking statements and neither the Fund nor Davis + Henderson LP undertakes any obligations to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this 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 elsewhere in this prospectus.

The Fund

The Fund was formed under the laws of the Province of Ontario pursuant to a declaration of trust dated as of November 6, 2001, as amended and restated on July 23, 2004 (the “Declaration of Trust”). The Units of the Fund are posted and listed for trading on the TSX under the trading symbol “DHF.UN”.

Business of Davis + Henderson

Davis + Henderson and its predecessors have been serving Canadian financial institutions and their account holders since 1875. Currently, Davis + Henderson generates the majority of its sales from the delivery of the cheque supply program to substantially all of the financial institutions in Canada. The Company also delivers the deposit programs of these financial institutions, including security deposit bags and personalized deposit documents, and provides a pre-authorized payment switching service for its financial institution customers. Together, the six largest Canadian banks and one of the banks’ U.S.-based subsidiaries represented approximately 79% of the Company’s revenue in 2005. The Company also derives sales from cheque supply outsourcing arrangements with software publishers, a long-term agreement to supply cheque base stock to a U.S.-based supplier of direct-to-consumer cheques in the U.S. marketplace, and other specialty products. Since April 2005, through its ownership in Advanced Validation Systems Limited Partnership, Davis + Henderson also provides several electronic service programs to the lending account of its customers.

Business of Filogix

Filogix, through its subsidiaries, is the leading provider in Canada of information and transaction technology for residential mortgage and real estate transactions. Its three primary customer groups are mortgage intermediaries such as mortgage brokers and residential mortgage lenders’ in-house sales forces (collectively, “Intermediaries”), residential mortgage lenders and real estate agents and boards. In particular, Filogix provides:

- an electronic service used by the majority of Intermediaries in Canada to originate and manage mortgage related data;
- network access used by the majority of residential mortgage lenders in Canada to receive mortgage application transaction data from Intermediaries;
- electronic underwriting platforms for a growing number of mortgage lenders in Canada as a means of automating the workflow associated with the mortgage process, including activities relating to the adjudication, underwriting and closing of mortgages;
- network access for real estate agents, boards and associations to Filogix’s multiple listing services within many jurisdictions in Canada; and
- professional services related to the integration and customization of mortgage technology.

Filogix receives fees from lenders for origination and mortgage processing services based on a percentage of the funded mortgage amount. In addition to its mortgage origination and mortgage processing services activities, Filogix earns fees for ancillary products and services (such as creditor life policies, document imaging and scanning and legal closing services).

Filigix Acquisition Highlights

Filigix is the leading provider in Canada of information and transaction technology for residential mortgage and real estate transactions

- The Canadian mortgage market has been a stable and growing market. Within this market, an increasing number of mortgages have been originated through Intermediaries. Filigix has the leading market position in servicing these growing markets. With respect to real estate boards and associations, the Filigix systems are deployed in more real estate boards in Canada than is the case for any other system provider.

Builds on Davis + Henderson's strategy of being a leading service provider to the financial services marketplace

- Davis + Henderson has three primary strategies to grow and evolve its business: enhance the value of its cheque supply program; offer additional programs to serve the chequing accounts of financial institution customers; and deliver new service programs to the lending accounts offered by the Company's financial institution customers. Davis + Henderson advances these three primary strategies through a combination of internal initiatives, partnering with third parties and by way of acquisitions. The Filigix Acquisition is highly aligned with the Company's strategy, adding additional services offered to existing customers and adding new customers within the financial services marketplace.

Adds a meaningful additional platform to the Company's overall business

- Davis + Henderson's largest business platform is the cheque supply program. Over the last several years, it has been evolving its services to be a supplier to the chequing and lending accounts of its customers. The acquisition of Filigix adds a significant platform, providing additional sales diversification. The Filigix Acquisition adds additional customers to Davis + Henderson's existing portfolio of customers, including Intermediaries, real estate professionals, other participants in the mortgage and real estate sectors as well as financial institutions not currently serviced by Davis + Henderson.

Experienced management team within Filigix

- Management of Filigix has extensive experience both within the financial services industry and in the mortgage industry and its broad knowledge of the mortgage process will benefit Filigix and Davis + Henderson. Senior members of the Filigix executive team have agreed to continue in their leadership roles within the business.

Acquisition is expected to be accretive

- The addition of Filigix is expected to be accretive to cash flows available for distribution per Unit in its first full financial year as part of Davis + Henderson.

No expected change in the Fund's conservative distribution policy

- Davis + Henderson's financial objective is to deliver stable and modestly growing cash distributions to Unitholders. Since the Fund's initial public offering in December 2001, it has generated more cash flow available for distribution per Unit than has been distributed to Unitholders and has increased its cash distributions per Unit seven times.

Financial leverage of the Fund is expected to remain low with a debt to EBITDA ratio of approximately 1.55 times on a pro forma basis

- The Filigix Acquisition is being financed in part by additional borrowing. However, the debt to EBITDA ratio will be approximately 1.55 times on a pro forma basis, which the Fund believes is a prudent and conservative level for its business.

The Filigix Acquisition

On May 18, 2006 FHI, Davis + Henderson LP (as guarantor of FHI) and MCEP II (CAD-LUX) S.à.r.l. entered into the Share Purchase Agreement under which FHI has agreed to purchase all the shares of Filigix for \$212.5 million in cash. The purchase price is subject to adjustments for working capital, capital leases and capital expenditures.

Subject to the satisfaction of the conditions described under "Details of the Filigix Acquisition — Share Purchase Agreement", Davis + Henderson expects to complete the Filigix Acquisition on or about June 15, 2006.

The Offering

Securities to be Distributed:	6,026,000 Subscription Receipts. See “Description of the Subscription Receipts” and “Plan of Distribution”.
Total Amount:	\$116,000,500.
Offering Price:	\$19.25 per Subscription Receipt. See “Plan of Distribution”.
Expected Closing Date of the Offering:	June 6, 2006.
Use of Proceeds:	The proceeds to the Fund from the Offering will be used to fund a portion of the Filogix Acquisition. See “Use of Proceeds”, and “Details of the Filogix Acquisition”.
Escrowed Funds:	The Escrowed Funds will be held by the Escrow Agent and invested in short term obligations of, or guaranteed by, the Government of Canada and other approved investments as directed by the Fund pending the closing of the Filogix Acquisition.
Completion of the Filogix Acquisition:	<p>If the closing of the Filogix Acquisition takes place on or before June 30, 2006, (i) holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt and will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on July 31, 2006 and (ii) the Escrowed Funds, together with any interest earned on those funds, will be released to the Fund. By way of example, if the closing of the Offering is June 6, 2006 and the Filogix Acquisition is completed on or about June 15, 2006, as expected, holders of Subscription Receipts will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on July 31, 2006 to Unitholders of record on June 30, 2006 but will not be eligible to receive any amount in respect of the distribution to be paid on June 30, 2006 to Unitholders of record on May 31, 2006.</p> <p>If the closing of the Filogix Acquisition takes place after June 30, 2006, but prior to the Termination Date, holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt plus an amount equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the Offering to the date on which the Filogix Acquisition is completed. See “Plan of Distribution” and “Description of the Subscription Receipts”.</p>
Risk Factors:	Investment in the Subscription Receipts is subject to a number of risks that prospective investors should carefully consider. These risks include risks related to Davis + Henderson, Filogix and its business and risks related to the Filogix Acquisition. See “Risk Factors”.

Summary Financial Information

The following tables should be read in conjunction with the consolidated financial statements of the Company, the financial statements of Filogix Inc. and the pro forma financial statements of the Company and other information contained or incorporated by reference in this prospectus.

Summary Earnings Data

	For the fiscal year ended December 31	
	2005	2004
	(in thousands of dollars)	
The Fund		
Sales	\$276,537	\$275,586
EBITDA	79,581	78,797
Interest	3,301	4,193
Net income	60,751	54,268
Filogix		
Sales	\$ 40,831	\$ 35,595
EBITDA	14,563	11,467
Interest	3,060	2,110
Net income (loss)	3,498	(5,516)

	For the fiscal year ended December 31, 2005			
	The Fund	Filogix	Pro Forma Adjustments	Pro Forma Consolidated
	(in thousands of dollars)			
Pro Forma Consolidated (unaudited)				
Sales	\$276,537	\$40,831	\$ —	\$317,368
EBITDA	79,581	14,563	—	94,144
Interest	3,301	3,060	2,484	8,845
Net income	60,751	3,498	(8,343)	55,906

	For the three month period ended March 31, 2006			
	The Fund	Filogix	Pro Forma Adjustments	Pro Forma Consolidated
	(in thousands of dollars)			
Sales	\$ 71,918	\$ 9,680	\$ —	\$ 81,598
EBITDA	20,902	1,521	—	22,423
Interest	695	711	805	2,211
Net income (loss)	16,560	(405)	(3,030)	13,125

Summary Pro Forma Balance Sheet Data

	As at March 31, 2006 (unaudited)			
	<u>The Fund</u>	<u>Filogix</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Consolidated</u>
	(in thousands of dollars)			
Assets				
Current assets	\$ 26,577	\$ 7,547	\$ (7,405)	\$ 26,719
Due from parent company	—	1,588	(1,588)	—
Capital assets	22,009	12,506	—	34,515
Other assets	7,211	1,061	1,380	9,652
Intangible assets	7,630	2,121	125,966	135,717
Goodwill	361,501	15,751	56,095	433,347
Total assets	\$424,928	\$40,574	\$174,448	\$639,950
Liabilities and Unitholders' Equity				
Current liabilities	\$ 33,447	\$ 8,697	\$ (2,875)	\$ 39,269
Disbursement obligations on customer contracts	2,040	—	—	2,040
Long term indebtedness	50,000	25,994	74,006	150,000
Future income taxes	—	1,188	(1,188)	—
Other non-current liabilities	2,538	—	—	2,538
Equity	336,903	4,695	104,505	446,103
Total liabilities and equity	\$424,928	\$40,574	\$174,448	\$639,950

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this 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 Fund's Secretary at 939 Eglinton Avenue East, Suite 201, Toronto, Ontario, M4G 4H7, telephone (416) 696-7700. For the purposes of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary at the above-mentioned address and telephone number.

The following documents, filed with the securities commissions or similar authorities in the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this prospectus:

- (a) annual information form of the Fund dated March 15, 2006 (the "Fund's AIF");
- (b) management information circular of the Fund dated March 15, 2006 distributed in connection with the Fund's annual meeting of Unitholders held on May 2, 2006;
- (c) audited consolidated financial statements of the Fund as at and for the fiscal year ended December 31, 2005, together with the notes thereto and the auditors' report thereon;
- (d) management's discussion and analysis of financial condition and results of operation of the Fund for the fiscal year ended December 31, 2005 found at page 13 through 26 of the 2005 annual report to Unitholders of the Fund; and
- (e) interim financial statements of the Fund contained in the interim report to Unitholders of the Fund for the three month period ended March 31, 2006, including management's discussion and analysis of financial condition and results from operations of the Fund contained therein.

Any documents of the types referred to in the preceding paragraphs and any material change reports (excluding confidential reports) filed by the Fund with the securities regulatory authorities in Canada subsequent to the date of this prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained herein, or in any other subsequently filed document which 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 that if modifies or supersedes. The making of 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, except as so modified or superseded, to constitute a part of this prospectus.

DAVIS + HENDERSON

The Fund

The Fund was formed under the laws of the Province of Ontario pursuant to the Declaration of Trust dated as of November 6, 2001, as amended and restated on July 23, 2004. The Units of the Fund are posted and listed for trading on the TSX under the trading symbol "DHF.UN".

Business

Davis + Henderson and its predecessors have been serving Canadian financial institutions and their account holders since 1875. Currently, Davis + Henderson generates the majority of its sales from the delivery of the cheque supply program to substantially all of the financial institutions in Canada. The Company also delivers the deposit programs of these financial institutions, including security deposit bags and personalized deposit documents, and provides a pre-authorized payment switching service for its financial institution customers. Together, the six largest Canadian banks and one of the banks' U.S.-based subsidiaries represented approximately 79% of the Company's revenue in 2005. The Company also derives sales from cheque supply outsourcing arrangements with software

publishers, a long-term agreement to supply cheque base stock to a U.S.-based supplier of direct-to-consumer cheques in the U.S. marketplace, and other specialty products.

During 2005, Davis + Henderson acquired a partnership interest in Advanced Validation Systems Limited Partnership (“AVS”). The initial AVS investment is part of an agreement that will result in Davis + Henderson owning 50% of AVS by January or February 2007 with options to increase its ownership position to 100% thereafter. This investment has allowed Davis + Henderson to expand its service offering to the lending side of its financial services customers. AVS provides lenders with search and registration services related to personal property loans and appraiser management services related to mortgage loans.

Filogix Acquisition Highlights

Filogix is the leading provider in Canada of information and transaction technology for residential mortgage and real estate transactions

- The Canadian mortgage market has been a stable and growing market. Within this market, an increasing number of mortgages have been originated through Intermediaries. Filogix has the leading market position in servicing these growing markets. With respect to real estate boards and associations, the Filogix systems are deployed in more real estate boards in Canada than is the case for any other system provider.

Builds on Davis + Henderson’s strategy of being a leading service provider to the financial services marketplace

- Davis + Henderson has three primary strategies to grow and evolve its business: enhance the value of its cheque supply program; offer additional programs to serve the chequing accounts of financial institution customers; and deliver new service programs to the lending accounts offered by the Company’s financial institution customers. Davis + Henderson advances these three primary strategies through a combination of internal initiatives, partnering with third parties and by way of acquisitions. The Filogix Acquisition is highly aligned with the Company’s strategy, adding additional services offered to existing customers and adding new customers within the financial services marketplace.

Adds a meaningful additional platform to the Company’s overall business

- Davis + Henderson’s largest business platform is the cheque supply program. Over the last several years, it has been evolving its services to be a supplier to the chequing and lending accounts of its customers. The acquisition of Filogix adds a significant platform, providing additional sales diversification. The Filogix Acquisition adds additional customers to Davis + Henderson’s existing portfolio of customers, including Intermediaries, real estate professionals, other participants in the mortgage and real estate sectors as well as financial institutions not currently serviced by Davis + Henderson.

Experienced management team within Filogix

- Management of Filogix has extensive experience both within the financial services industry and in the mortgage industry and its broad knowledge of all aspects of the mortgage process will benefit Filogix and Davis + Henderson. Senior members of the Filogix executive team have agreed to continue in their leadership roles within the business.

Acquisition is expected to be accretive

- The addition of Filogix is expected to be accretive to cash flows available for distribution per Unit in its first full financial year as part of Davis + Henderson.

No expected change in the Fund’s conservative distribution policy

- Davis + Henderson’s financial objective is to deliver stable and modestly growing cash distributions to Unitholders. Since the Fund’s initial public offering in December 2001, it has generated more cash flow available for distribution per Unit than has been distributed to Unitholders and has increased its cash distributions per Unit seven times.

Financial leverage of the Fund is expected to remain low with a debt to EBITDA ratio of approximately 1.55 times on a pro forma basis

- The Filogix Acquisition is being financed in part by additional borrowing. However, the debt to EBITDA ratio will be approximately 1.55 times on a pro forma basis, which the Fund believes is a prudent and conservative level for its business.

FILOGIX

Business

Filogix was formed in December 2000 through a combination of various real estate and mortgage technology companies whose operations date back to 1988. Headquartered in Toronto, with offices in London and field staff in Calgary, Montreal and Vancouver, Filogix has approximately 250 employees. The Filogix systems operate across Canada and its various electronic networks connect more than 12,500 real estate agents, 9,500 Intermediaries and more than 80 lender options representing more than 60 residential mortgage lenders. The networks also connect with leading credit bureaus, mortgage insurers, creditor life and disability insurance companies, document management servicing, legal closing services and web portals.

Filogix, through its subsidiaries, is the leading provider in Canada of information and transaction technology for residential mortgage and real estate transactions. Its three primary customer groups are Intermediaries, residential mortgage lenders and real estate agents and boards. In particular, Filogix provides:

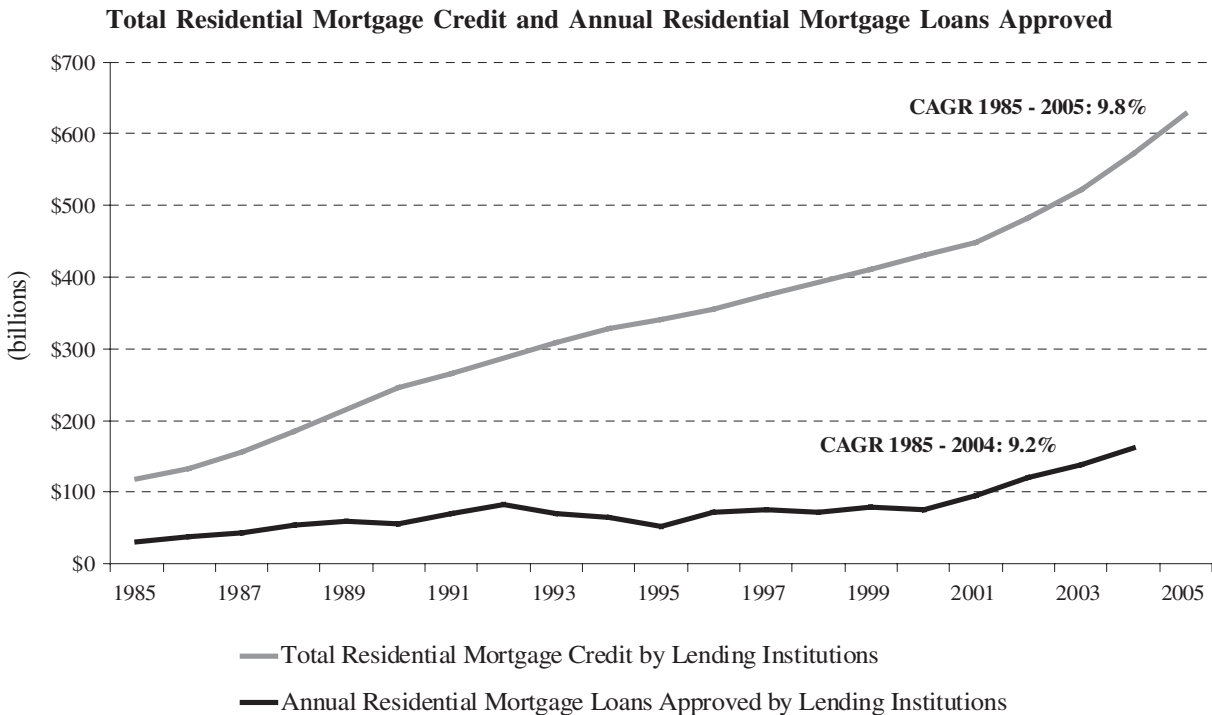
- an electronic service used by the majority of Intermediaries in Canada to originate and manage mortgage related data;
- network access used by the majority of residential mortgage lenders in Canada to receive mortgage application transaction data from Intermediaries;
- electronic underwriting platforms for a growing number of mortgage lenders in Canada as a means of automating the workflow associated with the mortgage process, including activities relating to the adjudication, underwriting and closing of mortgages;
- network access for real estate agents, boards and associations to Filogix's multiple listing services within many jurisdictions in Canada; and
- professional services related to the integration and customization of mortgage technology.

Filogix receives fees from lenders for origination and mortgage processing services based on a percentage of the funded mortgage amount. In addition to its mortgage origination and mortgage processing services, Filogix earns fees for ancillary products and services (such as creditor life policies, document imaging and scanning and legal closing services).

Industry Overview

Mortgage Activity

In general, residential mortgage activity in Canada has expanded consistently over time, as set out in the graph below.



Source: Canada Mortgage and Housing Corporation and Statistics Canada. Note that annual residential mortgage loans approved by lending institutions amounts may exceed the amounts actually advanced by lending institutions as consumers often seek higher approvals than they ultimately require on closing of their home purchases.

In recent years, residential mortgage fundings have grown at a higher rate than the historical average. The Company believes this growth comes from an increase in the number of home sales and increases in home prices, generally driven by lower interest rates, positive demographic trends, the generally positive economic environment and an increase in the number of mortgage product choices and lenders available to consumers.

Origination Trends

Over the past decade, the number of mortgage lenders operating in Canada has increased significantly. Frequently, these new entrants to the market have originated mortgage sales through mortgage brokers. Over time, large scale lenders have developed their own dedicated in-house sales forces and in most instances have begun to originate mortgages through mortgage brokers. The Company believes that the volume of residential mortgage funding that originates from Intermediaries has grown to represent approximately 50% of the market in 2005, an increase from single digits during the 1980s.

Outsourcing Trends Related to the Underwriting Process

Historically, mortgage lenders relied on in-house developed systems to assess and process mortgage applications and to manage the related workflow of approved and funded mortgages. With the recent growth in mortgage activity originated by Intermediaries, many lenders began using third party systems to manage activities related to mortgages originated through Intermediaries. The Company believes that third party systems provide greater flexibility and functionality to better deal with competition and evolving mortgage products. Utilizing the mortgage application system provided by third parties such as Filogix can be more cost effective for lenders, particularly as mortgage volumes from Intermediaries increase, than continuing to operate and upgrade their existing systems.

Seasonal Trends

The business of Filogix is seasonal and varies according to the funding of residential mortgages and real estate activity in general which is typically strongest from late spring to early fall.

Products and Services

Intermediaries and lenders make use of Filogix products in mortgage origination and processing services. Filogix also provides a technology platform for real estate agents working within certain real estate boards in Canada. Other service providers related to real estate and mortgage origination and mortgage processing services also connect with the Filogix networks.

Mortgage Origination Services

Filogix's point of sale system ("POS") is the system by which Intermediaries create and submit mortgage applications to lenders through the Filogix data hub. Through its POS products, including the Filogix Expert® web-based platform (the "Expert Platform"), Filogix is the market leader in providing origination services to approximately 9,500 Intermediaries. The Expert Platform and its predecessors are used by Intermediaries to assess client needs, obtain information on lenders' current rates and products and upload mortgage applicant data to any mortgage lender connected to the Filogix network. Filogix origination software also provides full integration with credit bureaus, creditor life insurance, fulfillment services, consumer and referral origination tools as well as Filogix mortgage processing software, including the Express Platform (as described below).

Filogix contracts with 60 residential mortgage lenders for its POS services. This provides Intermediaries with more than 80 lender options for funding from these mortgage lenders. The Filogix network provides a link between the Intermediaries and the lenders, allowing lenders to receive and evaluate mortgage application information and to communicate lenders' additional requirements, credit approval and mortgage terms and conditions back to the Intermediaries. For this service, the lenders pay a service fee based on a percentage of the funded mortgage amount. Intermediaries either do not pay or pay a nominal fee for the use of Filogix's origination systems, which make it cost effective for the Intermediaries to continue to use the Filogix platform. The Expert Platform will also provide the Intermediaries with valuable customer relationship management tools.

In recent years, Filogix has experienced growth in total sales associated with use of the POS products, due primarily to the growth in mortgage activity among Intermediaries and to the growth in overall mortgage funding activity as described under "Industry Overview" above. In 2005, fees from mortgage originations accounted for approximately 77% of total sales for Filogix.

Mortgage Processing Services

Filogix's lender operating systems ("LOS") have varying degrees of underwriting and workflow capabilities which allow lenders to capture and process mortgage applications from various sources. The premier version of the Filogix LOS product system is the Filogix Express® platform (the "Express Platform"). This provides a fully integrated means of automating and customizing the workflow associated with the mortgage process, including underwriting, condition management, closing activities and integration with third party servicing systems. The Express Platform supports document tracking, audit control, manages directed workflow and business rules, automates the decision making process and enables lenders to process greater volumes of mortgage transactions with fewer personnel. The Express Platform is available in standard and enterprise versions and is used by a number of Canada's financial institutions.

Filogix earns fees from mortgage lenders based on a percentage of funded mortgage amounts processed with its LOS systems. In 2005, Filogix's fees from the LOS systems represented approximately 7% of its total sales. Based on the number of scheduled implementations of Filogix Express, the Company expects Filogix will see continued growth of sales attributable to the Express Platform.

Multiple Listing Service — Desktop Real Estate

Filogix's multiple listing service is called Filogix dms®. The platform has numerous features that allow real estate agents in the districts using Filogix dms® to search house price and listing data and track customer interest in various properties. This service enhances realtors' ability to run their business by providing online all necessary information. Its wireless complement, mobile dms™, provides mobile access to Filogix dms® from a wireless personal digital assistant. Filogix currently earns fees by providing and hosting the technology for approximately 35 real estate boards or associations in Canada.

Professional Services

In addition to mortgage origination and mortgage processing activities, Filogix provides consulting to lenders on a fee-for-service basis and earns fees for product implementations and customizations of mortgage related software. Professional services sales can vary from period to period, depending on the implementation and customization requirements of customers.

Trading Partners

Filogix earns fees on a per transaction basis from a number of trading partners providing products and services that are complementary to the residential real estate transactions in which Filogix is involved. These ancillary services and products include mortgage insurance, creditor life insurance, document imaging and scanning, customer relationship management services and legal closing services. Filogix enables these trading partners to transmit and receive information from mortgage originators and lenders electronically in exchange for fees.

Customers

A majority of Canada's Intermediaries utilize the Expert Platform and predecessor systems to aggregate and upload mortgage applicant information to potential lenders. The Company believes that Filogix processes the majority of the mortgages originating through Intermediaries in Canada.

Filogix's lending customers for its mortgage origination network include more than 80 lender options available to Intermediaries representing more than 60 residential mortgage lenders in Canada. The Filogix Express Platform and its predecessors are used by most mortgage lenders in the Canadian market.

With its Filogix dms® product, Filogix services approximately 35 real estate boards or associations in Canada but does not currently service any real estate boards in the major urban centres in Canada.

Management

Management of Filogix has extensive experience both within the financial services industry and in the mortgage industry. Led by Yousry Bissada, President and Chief Executive Officer, the Filogix management team has significant industry experience and broad knowledge of all aspects of the mortgage process. Senior management of Filogix have agreed to continue in their leadership roles within the business.

Employees

Filogix has approximately 250 employees, a significant percentage of which are involved in product development, implementation and operations. The remainder are involved in management, finance and administration, sales and marketing and customer service.

Facilities

Filogix operates out of leased offices, in Toronto and London, Ontario and has field staff in Montreal, Québec, Calgary, Alberta and Vancouver, British Columbia. The Toronto and London offices are approximately 19,000 and 14,600 square feet, respectively, and house call centre, finance and information technology staff.

Competition

Filogix is the leading provider of mortgage origination and underwriting software, as well as networks for real estate boards and associations in Canada. While there are certain direct competitors to Filogix's mortgage products, in particular, Marlborough Stirling, Canada, which is owned indirectly by United Utilities plc based in the United Kingdom, there are also a number of companies currently servicing other components of the mortgage industry which compete indirectly with the Company. The Company believes it is well positioned to compete favourably with any such

competitors due to its high level of customer service, product innovation and long standing relationships with Intermediaries. Additionally, the internally developed systems of financial institutions represents another source of competition for certain of Filogix's mortgage products. Similarly, the real estate boards in the major urban areas rely on systems provided by other parties in competition with Filogix. These include applications, systems and services provided by The First American Corporation, Stratus Data Systems Inc., Tarasoft Corporation, Sterling Marking Products Inc. and several other companies.

DETAILS OF THE FILOGIX ACQUISITION

Overview

On May 18, 2006 FHI, Davis + Henderson LP (as guarantor of FHI) and MCEP II (CAD-LUX) S.à.r.l. entered into the Share Purchase Agreement under which FHI agreed to purchase all the shares of Filogix for \$212.5 million in cash. The purchase price is subject to adjustments for working capital, capital leases and capital expenditures. Subject to the satisfaction of the conditions described under "Share Purchase Agreement", Davis + Henderson expects to complete the Filogix Acquisition on or about June 15, 2006.

Share Purchase Agreement

The following is a summary of the principal terms of the Share Purchase Agreement, which does not purport to be complete. Prospective investors should refer to the Share Purchase Agreement, a copy of which has been filed with Canadian securities regulatory authorities on SEDAR.

The Share Purchase Agreement contains representations and warranties of the sellers in respect of the Filogix Business, including those related to the conduct of its business, compliance with laws, status of its contracts and intellectual property, tax matters and other customary representations and warranties, and in respect of the sellers, including as to ownership of their shares of Filogix. The sellers have agreed to indemnify FHI for damages arising from breach of a representation and warranty, subject to the limitations in the Share Purchase Agreement. In particular, any claim by FHI for a breach of representation and warranty related to the Filogix Business will be limited to an escrow fund (to be funded at closing out of the purchase price), which initially will be \$12.75 million, reducing to the lesser of \$4.25 million and the amount actually remaining in the escrow fund on the first anniversary of closing and to zero on the second anniversary of closing, unless any claims have been made. Claims related to ownership of shares of Filogix do not expire and are not subject to these escrow limitations.

The completion of the Filogix Acquisition is subject to customary conditions, including obtaining all necessary consents and repayment by Filogix of all its indebtedness. Prior to closing, an internal reorganization of the Filogix Business will be completed. The reorganization involves the transfer of the Filogix Business to a limited partnership.

Filogix Acquisition Financing

Davis + Henderson LP has received a commitment from two Canadian financial institutions in respect of the New Credit Facilities to be entered into with a group of lenders on the closing of the Filogix Acquisition, subject to the satisfaction of certain customary conditions. Davis + Henderson LP's existing senior secured credit facilities consist of a \$40 million revolving credit facility and a \$50 million term loan facility, each maturing in January of 2009. The New Credit Facilities will consist of a \$50 million revolving credit facility (the "Revolving Facility") and a \$120 million term loan facility (the "Term Facility"), each having a 5-year term. The commitment from the new lenders also includes a one year bridge credit facility (the "Bridge Facility") of up to \$110 million, which, if necessary, is available to be drawn to complete the Filogix Acquisition. On closing \$120 million is expected to be drawn on the Term Facility and the funds applied to refinance Davis + Henderson's existing term loan facility and to finance part of the Filogix Acquisition and approximately \$30 million is expected to be drawn on the Revolving Facility. The balance of the financing requirements will be funded from Davis + Henderson's cash balances.

Unused amounts under the Revolving Facility will be available to finance Davis + Henderson LP's working capital requirements for general corporate purposes including acquisitions.

Advances under the New Credit Facilities will bear interest at a floating rate based on the applicable Canadian dollar prime rate, U.S. dollar base rate, LIBOR rate or bankers' acceptance rate, plus, in each case, an applicable margin to those rates.

The New Credit Facilities will be subject to customary terms and conditions for facilities of this nature, including limits on incurring additional indebtedness, granting liens, selling material assets, making acquisitions and investments and transactions with affiliates, without the consent of the lenders. The New Credit Facilities will also be subject to financial covenants customary for facilities of this nature, including covenants respecting the maintenance of a maximum ratio of total funded debt to EBITDA (as defined in the credit agreement) and a minimum ratio of adjusted EBITDA to fixed charges, in each case calculated on a rolling four quarter basis, and a covenant requiring a minimum partnership equity. Davis + Henderson LP's indebtedness under the New Credit Facilities will be guaranteed on a secured basis by, among others, Davis + Henderson G.P., the Fund, D+H Holdings Trust and by the entities acquired pursuant to the Filogix Acquisition. A change of control (as defined in the credit agreement) of Davis + Henderson LP will be an event of default under the New Credit Facilities. Similar to the Company's existing credit facilities, the New Credit Facilities will restrict the ability of Davis + Henderson LP, and thus the ability of the Fund, to make distributions. Distributions by Davis + Henderson LP during a particular fiscal quarter plus the preceding three fiscal quarters may not exceed the free cash flow (as defined in the credit agreement) generated during such four-quarter period.

CONSOLIDATED CAPITALIZATION

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

<u>Designation (Authorized)</u>	<u>As at March 31, 2006 Before Giving Effect to the Offering and the Filogix Acquisition</u>	<u>As at March 31, 2006 After Giving Effect to the Offering and the Filogix Acquisition</u>
	(unaudited)	(unaudited)
Existing Credit Facility	\$50,000,000	n/a
New Credit Facilities	n/a	\$150,000,000
Trust Units	\$365,385,000	\$474,585,000
Units Issued (Authorized — Unlimited)	(37,920,792 Units)	(43,946,792 Units)
Deficit	\$(28,482,000)	\$(28,482,000)

PRICE RANGE AND TRADING VOLUME OF UNITS

Price Range and Trading Volume of Units

The Units are listed and posted for trading on the TSX under the trading symbol “DHF.UN”. The following table shows the monthly range of high and low prices per Unit and total monthly volumes and average daily volumes traded on the TSX during the period from January 1, 2005 to May 17, 2006.

<u>Month</u>	<u>Price per Unit</u>		<u>Total Monthly Volume</u>	<u>Average Daily Volume</u>
	<u>Monthly High</u>	<u>Monthly Low</u>		
January 2005	\$23.25	\$21.16	1,386,312	69,316
February 2005	\$23.24	\$21.78	1,224,650	61,233
March 2005	\$22.56	\$19.65	1,540,261	70,012
April 2005	\$22.85	\$20.20	790,730	37,654
May 2005	\$21.49	\$19.58	1,573,864	74,946
June 2005	\$21.49	\$20.05	1,534,104	69,732
July 2005	\$22.50	\$20.40	1,621,627	81,081
August 2005	\$23.50	\$21.80	1,512,104	68,732
September 2005	\$24.07	\$19.50	2,397,374	114,161
October 2005	\$21.30	\$16.32	1,868,385	93,419
November 2005	\$24.00	\$17.66	2,203,462	100,157
December 2005	\$23.75	\$22.02	1,602,094	80,105
January 2006	\$23.18	\$21.07	856,163	40,770
February 2006	\$22.48	\$19.50	1,259,375	62,969
March 2006	\$22.29	\$20.65	1,789,413	77,801
April 2006	\$21.99	\$19.88	2,046,163	107,693
May 1 to May 17, 2006	\$20.94	\$19.54	743,303	57,177

On May 17, 2006, being the last day on which the Units traded prior to the public announcement of the Offering, the closing price of the Units on the TSX was \$19.70.

RECORD OF CASH DISTRIBUTIONS

The following table shows the distribution history on the Fund's Units since the Fund's initial public offering to April 2006.

<u>Month</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Distributions per unit (1)</u>	
					<u>2002</u>	<u>2001</u>
January	\$0.1220	\$0.1200	\$0.1150	\$0.1117	\$0.1083	\$ —
February	0.1220	0.1200	0.1150	0.1117	0.1083	—
March	0.1250	0.1200	0.1168	0.1117	0.1083	—
April	0.1250	0.1200	0.1168	0.1133	0.1083	—
May		0.1200	0.1168	0.1133	0.1083	—
June		0.1200	0.1168	0.1133	0.1083	—
July		0.1200	0.1168	0.1133	0.1117	—
August		0.1220	0.1168	0.1133	0.1117	—
September		0.1220	0.1168	0.1133	0.1117	—
October		0.1220	0.1168	0.1150	0.1117	—
November		0.1220	0.1200	0.1150	0.1117	—
December (2)		0.1220	0.1200	0.1150	0.1117	0.0427
	<u>\$0.4940</u>	<u>\$1.4500</u>	<u>\$1.4044</u>	<u>\$1.3599</u>	<u>\$1.3200</u>	<u>\$0.0427</u>

(1) Monthly distributions are made to unitholders of record on the last business day of each month and are paid within 31 days following each month end.

(2) Distributions paid in 2001 were in respect of the 12 calendar days from December 20, 2001 to December 31, 2001.

RECONCILIATION OF NET INCOME TO EBITDA

The following table reconciles net income or losses to EBITDA based on the financial statements of the Fund and Filogix for the periods indicated.

	<u>For the three months ended March 31</u>		<u>For the fiscal year ended December 31</u>	
	<u>2006</u>		<u>2005</u>	<u>2004</u>
	(in thousands of dollars)			
The Fund				
Net income	\$16,560	\$60,751	\$ 54,268	
Add: Interest	695	3,301	4,193	
Amortization	3,647	15,529	15,842	
Income taxes	—	—	4,494	
	<u>4,342</u>	<u>18,830</u>	<u>24,529</u>	
EBITDA	<u>\$20,902</u>	<u>\$79,581</u>	<u>\$ 78,797</u>	
Filogix				
Net income (loss)	\$ (405)	\$ 3,498	\$ (5,516)	
Add (less): Interest	711	3,060	2,110	
Amortization	1,351	5,661	5,139	
Other expenses (1)	77	173	10,987	
Income taxes	(213)	2,171	(1,253)	
	<u>1,926</u>	<u>11,065</u>	<u>16,983</u>	
EBITDA	<u>\$ 1,521</u>	<u>\$14,563</u>	<u>\$ 11,467</u>	

(1) Other expenses relate to restructuring and reorganization charges, employee stock options and intercompany management fee.

	<u>For the three months ended March 31</u>	<u>For the fiscal year ended December 31</u>
	<u>2006</u>	<u>2005</u>
	(in thousands of dollars)	
Pro Forma Consolidated		
Net income	\$13,125	\$55,906
Add: Interest	2,211	8,845
Amortization	7,042	29,340
Other expenses	45	53
Income taxes	—	—
	<u>9,298</u>	<u>38,238</u>
EBITDA	<u>\$22,423</u>	<u>\$94,144</u>

USE OF PROCEEDS

The estimated net proceeds of the Offering, after deducting the fees payable to the Underwriters and the estimated expenses of the Offering, will be approximately \$109 million. The net proceeds of the Offering (following the release of the Escrowed Funds by the Escrow Agent) will be used to finance a portion of the Filogix Acquisition. The aggregate acquisition cost to acquire Filogix is approximately \$212.5 million, subject to an adjustment in accordance with the Share Purchase Agreement plus other transaction costs. Davis + Henderson LP will finance the remainder of the Filogix Acquisition through the New Credit Facilities and its cash balances.

DESCRIPTION OF THE SUBSCRIPTION RECEIPTS

Subscription Receipts

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the agreement to be dated the date of the closing of the Offering, between the Fund, the Underwriters and the Escrow Agent governing the terms of the Subscription Receipts (the “Subscription Receipt Agreement”).

The Escrowed Funds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada and other approved investments, as directed by the Fund, pending the closing of the Filogix Acquisition or the occurrence of the Termination Date. Provided that closing of the Filogix Acquisition occurs by the Termination Date, the Escrowed Funds, together with any interest earned on those funds, will be released to the Fund and the Units will be issued to holders of Subscription Receipts who will receive, without payment of additional consideration or further action, one Unit for each Subscription Receipt held, plus any additional amounts as described below.

Forthwith upon the closing of the Filogix Acquisition, the Fund will execute and deliver to the Escrow Agent a notice thereof, and will issue and deliver the Units to the Escrow Agent. Contemporaneously with the delivery of such notice, the Fund will issue a press release specifying that the Units have been issued.

If the closing of the Filogix Acquisition does not take place by the Termination Date, the Escrow Agent will return to the holders of Subscription Receipts, commencing on the third business day following the Termination Date an amount equal to the full subscription price therefor and their proportional entitlements to interest actually earned on such amount.

If the closing of the Filogix Acquisition takes place on or before June 30, 2006, (i) holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt and will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on July 31, 2006 and (ii) the Escrowed Funds, together with any interest earned on those funds, will be released to the Fund. By way of example, if the closing of the Offering is June 6, 2006 and the Filogix Acquisition is completed on or about June 15, 2006, as expected, holders of Subscription Receipts will be entitled as Unitholders to receive distributions from the Fund commencing with the distribution to be paid on July 31, 2006 to Unitholders of record on June 30, 2006 but will not be eligible to receive any amount in respect of the distribution to be paid on June 30, 2006 to Unitholders of record on May 31, 2006.

If the closing of the Filogix Acquisition takes place after June 30, 2006, but prior to the Termination Date, holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt plus an amount equal to the amount per Unit of any cash distributions for which record dates have occurred during the period from the date of closing of the Offering to the date on which the Filogix Acquisition is completed (the "Distribution Equivalent"). The Distribution Equivalent will include the holder's share of the interest earned on the Escrowed Funds.

If a former Subscription Receipt holder's share of interest earned on the Escrowed Funds is less than such holder's entitlement, if any, to a Distribution Equivalent, the Fund will pay the amount of any such shortfall to the former Subscription Receipt holder. The Fund will treat such shortfall as a purchase price adjustment.

In the event that the closing of the Filogix Acquisition occurs prior to or concurrently with the closing of the Offering, investors in the Offering will receive Units on the closing date of the Offering instead of Subscription Receipts.

At closing, a certificate representing the Subscription Receipts will be issued in registered form to CDS or its nominee and will be deposited with CDS on the closing date of the Offering pursuant to the Book-Entry Only System. Unless the Book-Entry Only System is terminated, and except in certain limited circumstances, owners of beneficial interests in Subscription Receipts will not receive a certificate for Subscription Receipts or for the Units issuable pursuant to the Subscription Receipts. Beneficial interests in Subscription Receipts will generally be represented solely through the Book-Entry Only System and such interests will be evidenced by customer confirmations from the Underwriters or the registered dealer which is a CDS Participant (as defined below) and from or through which such Subscription Receipts are held.

Holders of Subscription Receipts are not Unitholders. Holders of Subscription Receipts are entitled only to receive Units on surrender of their Subscription Receipts to the Escrow Agent or to a return of the subscription price for the Subscription Receipts together with any payments in lieu of interest or distributions, as applicable, as described above.

DESCRIPTION OF THE UNITS

The following summary of the Units does not purport to be complete and is subject to, and qualified by reference to, all of the provisions of the Declaration of Trust.

Units

An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each Unit held at all meetings of Unitholders. Except for certain redemption rights, the Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the trustees of the Fund determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis. The Declaration of Trust also provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Book-Entry Only System

Registration of interests in and transfers of Units will be made only through the Book-Entry Only System. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a "CDS Participant"). Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (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-Entry Only System in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated May 18, 2006 (the "Underwriting Agreement") between the Fund and the Underwriters, the Fund has agreed to issue and sell and the Underwriters have agreed to purchase, as principals, on the closing date, being June 6, 2006 or any other date as may be agreed upon by the Fund and the Underwriters, but in any event not later than July 31, 2006, subject to the conditions stipulated in the Underwriting Agreement, 6,026,000 Subscription Receipts offered hereby at a price of \$19.25 per Subscription Receipt for total gross consideration of \$116,000,500 payable in cash to the Escrow Agent against delivery by the Fund of global certificates evidencing the Subscription Receipts. The Subscription Receipts are being offered to the public in all of the provinces and territories of Canada. The offering price of the Subscription Receipts was determined by negotiations between the Fund and the Underwriters. The Underwriting Agreement provides that the Fund will pay the Underwriters' fee of \$0.96 per Subscription Receipt for Subscription Receipts issued and sold by the Fund, for an aggregate fee payable by the Fund of \$5,800,025, in consideration for their services in connection with the Subscription Receipts. The Underwriters' Fee in respect of the Subscription Receipts is payable as to 50% upon closing of the Offering and 50% upon closing of the Filogix Acquisition. If the Filogix Acquisition is not completed by July 31, 2006, the Underwriters' fee in respect of the Offering will be reduced to the amount payable upon closing of the Offering.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events. Under the terms of the Underwriting Agreement, the Underwriters may be entitled to indemnification by the Fund against certain liabilities, including liabilities for misrepresentations in this prospectus. The obligations of the Fund and the Underwriters under the Underwriting Agreement to complete the purchase and sale of the Subscription Receipts will terminate automatically if the Filogix Acquisition is terminated or the Fund has advised the Underwriters or announced to the public that it does not intend to proceed with the Filogix Acquisition. If an Underwriter fails to purchase the Subscription Receipts which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase any Subscription Receipts. The Underwriters are, however, obligated to take up and pay for all Subscription Receipts if any Subscription Receipts are purchased under the Underwriting Agreement.

There is currently no market through which the Subscription Receipts may be sold and investors may not be able to resell the Subscription Receipts purchased under this prospectus. The Fund has received conditional approval to list the Subscription Receipts and the Units issued on exchange of the Subscription Receipts on the TSX. Listing is subject to the Fund fulfilling all of the listing requirements of the TSX.

In connection with this Offering, the Underwriters may, subject to applicable laws, effect transactions which stabilize or maintain the market price of the Subscription Receipts and the Units at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has agreed that it will not, without prior consent of the Underwriters, issue, offer, or enter into a monetization, or other similar transaction with respect to the Units (other than the issuance of securities offered in connection with acquisitions or Units issuable upon the exchange of securities currently outstanding or in connection with existing commitments to issue securities) or agree to do so or publicly announce any intention to do so for 90 days following the closing of the Offering.

The Subscription Receipts and the Units issuable upon exchange of the Subscription Receipts have not and will not be registered under the *United States Securities Act of 1933*, as amended, and may not be offered or sold within the United States.

An original purchaser of Subscription Receipts under the Offering will have a contractual right of rescission following the issuance of Units to such purchaser upon the exchange of the Subscription Receipts to receive the amount paid for the Subscription Receipts if this prospectus (including documents incorporated by reference) and any

amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering.

The Subscription Receipts are issued in “book-entry only” form and must be purchased or transferred through a CDS Participant. The Fund will cause a global certificate or certificates representing any Subscription Receipts delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Subscription Receipts and Unitholders must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS Participant through which the holder holds such Subscription Receipts or Units. Each person who acquires Subscription Receipts and the Units issued on exchange thereof will receive only a customer confirmation of purchase from the Underwriters or registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its CDS Participants having interests in the Subscription Receipts and the Units issued on exchange thereof. See “Description of the Subscription Receipts” and “Description of the Units — Book Entry Only System”.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN OF THE UNDERWRITERS

In connection with the Subscription Receipts, the Fund may be considered a “connected issuer” to BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. under applicable securities laws. BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. are affiliates of Canadian chartered banks which are lenders to Davis + Henderson LP under the Existing Credit Facility and will be lenders to Davis + Henderson LP under the New Credit Facilities.

As at May 18, 2006, \$50 million was outstanding under the Existing Credit Facility. Davis + Henderson LP is in compliance with all material terms of the agreement governing the Existing Credit Facility and none of the lenders have waived any material breach by Davis + Henderson LP since its execution.

The decision to distribute the Subscription Receipts and the determination of the terms of the Offering were made through negotiations between the Fund, BMO Nesbitt Burns Inc. and Scotia Capital Inc. each on its own behalf and on behalf of the remaining Underwriters. None of the lenders under the Existing Credit Facility or the New Credit Facilities had any involvement in such decision or determination, but have been advised of the issuance and the terms thereof. All of the net proceeds of the Offering will initially be used as described under “Use of Proceeds”. As a consequence of this issuance, each of BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. will receive its share of the Underwriters’ fee.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Fund, and Goodmans LLP, counsel to the Underwriters, the following summary describes, as of the date of this prospectus, the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a prospective purchaser of the Subscription Receipts and the Units issued pursuant to the Subscription Receipts (together, the “Fund Securities”) who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, holds the Fund Securities as capital property and deals at arm’s length with the Fund and is not affiliated with the Fund. Generally, Fund Securities will be considered to be capital property to an investor provided the investor does not hold the Fund Securities in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain investors who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to an investor that is a “financial institution” for purposes of the mark-to-market rules, to an investor an interest in which is a “tax shelter investment” or to an investor that is a “specified financial institution”, all within the meaning of the Tax Act.

This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act and the Regulations, counsel’s understanding of the current published administrative and assessing practices of the Canada Revenue Agency (“CRA”), the specific proposals to amend the Tax Act or the Regulations announced by the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”) and certificates of the Fund and the Underwriters as to certain factual matters. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or in the administrative or assessing policies of the CRA, whether by legislative, governmental or judicial action,

nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Fund Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of the Fund Securities will vary depending on the investor's particular circumstances, including the province or provinces or territory or territories in which the investor resides or carries on business. Accordingly, this summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular prospective purchaser of Fund Securities. Consequently, prospective purchasers of Fund Securities should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Fund Securities based on their particular circumstances.

This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and non-residents should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Fund Securities. Distributions on Units and all payments to non-residents of interest (or amounts deemed to be interest), whether paid in cash or Units, will be paid net of any applicable withholding taxes.

Mutual Fund Trust

This summary and the opinions expressed above under "Eligibility for Investment" are based on the assumption that the Fund will qualify as a "mutual fund trust" as defined in the Tax Act at the time of the Offering, and will thereafter continuously qualify as a mutual fund trust at all relevant times. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described herein would, in some respects, be materially different.

Taxation of Holders of Subscription Receipts

Exchange of Subscription Receipts

No gain or loss will be realized by a holder on the issuance of a Unit pursuant to a Subscription Receipt. This opinion is based upon the interpretation of counsel that a Subscription Receipt is an agreement to acquire a Unit on the satisfaction of certain conditions. No advance income tax ruling has been requested from the CRA, and counsel is not aware of any judicial consideration of this interpretation. The initial cost of a Unit received pursuant to a Subscription Receipt will be the subscription price thereof, less (in the event the Filogix Acquisition closes after June 30, 2006 but prior to the Termination Date) the amount paid by the Fund as a reduction in the purchase price of a Unit, as described below. The cost of any Units acquired must be averaged with the adjusted cost base of any other Units held as capital property by the holder to determine the adjusted cost base of each Unit held.

Other Dispositions of Subscription Receipts

A disposition or deemed disposition by a holder of a Subscription Receipt, other than on the exchange thereof for a Unit, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition.

One-half of any capital gain realized by the holder will be included in the holder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized on a disposition of a Subscription Receipt may be deducted against taxable capital gains realized by the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act. A capital gain realized by a holder who is an individual or trust (other than certain trusts) may give rise to a liability for alternative minimum tax. A holder that is throughout a taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6²/₃% on certain investment income, including interest and taxable capital gains.

Amounts Received by Holders of Subscription Receipts

If the Filogix Acquisition closes on or before June 30, 2006, Subscription Receipts will be exchanged for Units on or before June 30, 2006 and holders of Subscription Receipts will be entitled as Unitholders to receive distributions

from the Fund commencing with the distribution to be paid on July 31, 2006 to Unitholders of record on June 30, 2006. The tax treatment of such distributions will be as described below under “Fund Distributions”.

If the Filogix Acquisition closes after June 30, 2006 but prior to the Termination Date, holders of Subscription Receipts will be entitled to receive one Unit for each Subscription Receipt plus the Distribution Equivalent. The Distribution Equivalent will include the holder’s share of interest earned on the Escrowed Funds. The amount of such interest will be included in computing the holder’s income as described below. If the amount of this interest is less than the Distribution Equivalent, the Fund will pay to the holder the amount of any shortfall as a reduction in the purchase price of the holder’s Units. A holder will not be required to include in income the amount of any such purchase price reduction, however, any such amount will reduce the cost to the holder of the holder’s Units acquired on the exchange of the Subscription Receipts.

Repayment of Issue Price and Interest

If the Filogix Acquisition does not close before the Termination Date, a holder will receive the issue price paid for the Subscription Receipt and the holder’s share of any interest earned on the Escrowed Funds. The holder will not generally realize any income, gain or loss on the repayment to the holder of the issue price.

Where a holder is entitled to receive the holder’s share of interest earned on the Escrowed Funds, a holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing income for a taxation year any interest on the Escrowed Funds that accrues to the holder to the end of that holder’s taxation year, or that is receivable or received by the holder before the end of that taxation year, except to the extent that such interest was included in computing the holder’s income for a preceding taxation year. Any other holder that is entitled to receive the holder’s share of interest earned on the Escrowed Funds will be required to include in computing income for a taxation year all interest on the Escrowed Funds that is received or receivable by the holder in that taxation year (depending on the method regularly followed by the holder in computing income), except to the extent that the interest was included in computing the holder’s income for a preceding taxation year.

Taxation of the Fund

The Fund’s taxation year-end is December 15. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

The Fund will include in its income for each taxation year such amount of the D+H Holdings Trust’s (the “Trust”) income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the units of the Trust (“Trust Units”) and all interest on the notes of the Trust (“Trust Notes”) that accrues to the Fund to the end of the year, or that 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 year. The Fund will not be subject to tax on any amount received as a payment of principal in respect of the Trust Notes or any amount received as a return of capital from the Trust (provided that the capital returned, if any, does not exceed the cost amount of the Trust Units held by the Fund).

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to its fair market value (excluding any accrued interest on the Trust Notes that is required to be included in the Fund’s income). The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition. In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses, if any, incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the reasonable expenses incurred by it to issue Fund Securities pursuant to this Offering. The portion of the issue expenses deductible by the Fund in a taxation year is 20% of those issue expenses, pro rated where the Fund’s taxation year is less than 365 days.

Under the Declaration of Trust, an amount equal to all of the income (including taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gain realized by the Fund, but excluding income and capital gains arising in connection with a distribution *in specie* on a redemption of Units which are designated by the Fund to redeeming

Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund, will be payable in the year to Unitholders by way of cash distributions, subject to the exceptions described below. Where the income of the Fund in a taxation year exceeds the monthly cash distributions for that year, such excess income will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund’s tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income or taxable capital gain realized by the Fund as a result of that redemption may, at the discretion of the Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and will be deductible by the Fund in computing its income. In addition, accrued interest on the Trust Notes distributed to a redeeming Unitholder may be treated as an amount paid to the Unitholder and will be deductible by the Fund.

Tax counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

Taxation of the Trust, Davis + Henderson LP and Filogix LP

The Trust will be taxable on its income determined under the Tax Act for each taxation year (which is the calendar year), which will include its allocated share of the taxable income of Davis + Henderson LP for such partnership’s fiscal periods ending on or before the year end of the Trust, except to the extent such income is paid or payable in such year to the Fund and is deducted by the Trust in computing its income for tax purposes. The Trust will generally be entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable and otherwise deductible under the Tax Act. Under the declaration of trust of the Trust (the “Trust Declaration of Trust”), it is the present intention of the trustees of the Trust that all of the income of the Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any net capital gains realized by the Trust in the year, net of deductions and expenses, will generally be payable in the year to the Fund and will generally be deductible by the Trust in computing its taxable income. Counsel has been advised by the Fund that the Fund does not expect the Trust to be liable for any material amount of tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

Each of Davis + Henderson LP and Filogix LP is not subject to tax under the Tax Act. Each partner of Davis + Henderson LP (including the Trust) and each partner of Filogix LP (including Davis + Henderson LP) is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of Davis + Henderson LP or Filogix LP, as the case may be, for such partnership’s fiscal year ending in, or coincidentally with, the partner’s taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of Davis + Henderson LP or Filogix LP, as the case may be, will be computed for each fiscal year as if it were a separate person resident in Canada. In computing the income or loss of Davis + Henderson LP or Filogix LP, as the case may be, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred to earn income from its business or investments and available capital cost allowances. Davis + Henderson LP may also deduct in computing its income or loss for its fiscal year a portion of the reasonable expenses incurred by it in the course of issuing partnership units or borrowing money. The portion of the issue expenses deductible by Davis + Henderson LP in a fiscal year is 20% of those issue expenses, pro rated where the fiscal year is less than 365 days, subject to the detailed rules in the Tax Act. The net income or loss of Davis + Henderson LP or Filogix LP, as the case may be, for a fiscal year will be allocated to its partners in the manner set out in the applicable Partnership Agreement, subject to the detailed rules in the Tax Act in that regard. In addition, a limited partner of Davis + Henderson LP or of Filogix LP will be deemed to realize a capital gain to the extent the adjusted cost base of its interest in such partnership is negative at the end of such partnership’s taxation year.

If Davis + Henderson LP or Filogix LP incurs losses for tax purposes, the Trust or Davis + Henderson LP, as the case may be, will generally be entitled to deduct in the computation of its income for tax purposes its share of any such

losses for any fiscal year to the extent that the Trust or Davis + Henderson LP's investment, as applicable, is "at risk" within the meaning of the Tax Act. In general, the amount "at risk" for an investor in a partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to Davis + Henderson LP or Filogix LP, as the case may be, (or to a person with whom Davis + Henderson LP or Filogix LP, as the case may be, does not deal at arm's length) and less the amount of any benefits that a limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise. The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital, which are not included in a Unitholder's income but which reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of these distributions may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Fund and the Trust, that portion of their taxable dividends, if any, received (or deemed to be received) from taxable Canadian corporations, net taxable capital gains, if any, and foreign source income, if any, as is paid or payable to a Unitholder and the amount of foreign taxes paid or deemed to be paid by the Fund and the Trust, if any, 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 provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by 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 will be available to Unitholders that are corporations. An additional refundable 6²/₃% tax will be payable by Unitholders that are throughout a taxation year Canadian-controlled private corporations (as defined in the Tax Act) in certain circumstances. The May 2, 2006 Canadian federal budget (the "2006 Federal Budget") proposes to enhance the dividend gross-up and tax credit mechanism applicable to certain eligible dividends payable by corporations resident in Canada after 2005. However, there can be no assurance that this budget proposal will be enacted.

The non-taxable portion of any net realized capital gains of the Fund 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. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that 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 in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. 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 then be nil. The taxation of capital gains is described below.

Dispositions of Units

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any interest income or capital gain realized by the Fund in connection with a redemption which has been designated by the Fund to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition.

Where Units are redeemed and the redemption price is paid by the delivery of series 2 Trust Notes and series 3 Trust Notes (the “Series 2 Trust Notes and Series 3 Trust Notes”, respectively) to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Series 2 Trust Notes and Series 3 Trust Notes so distributed less any income or capital gain realized by the Fund in connection with the redemption of those Units which has been designated by the Fund to the Unitholder. Where any income or capital gain realized by the Fund in connection with the distribution of Series 2 Trust Notes and Series 3 Trust Notes on the redemption of Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or taxable portion of the capital gain so designated. The redeeming Unitholder will be required to include in income interest on any Series 2 Trust Notes and Series 3 Trust Notes acquired (including interest that accrued prior to the date of the acquisition of such notes by the Unitholder that is designated as income to the Unitholder by the Fund) in accordance with the provisions of the Tax Act. The cost of any Series 2 Trust Notes and Series 3 Trust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of those Trust Notes at the time of the distribution less any accrued interest on such Trust Notes. The Unitholder will thereafter be required to include in income interest on the Series 2 Trust Notes and Series 3 Trust Notes, in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income any interest accrued to the date of the acquisition of the Series 2 Trust Notes and Series 3 Trust Notes by the Unitholder (otherwise than as a result of the designation by the Fund of such amount as income on the redemption of Units), an offsetting deduction may be available. **Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.**

The consolidation of Units of the Fund will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder’s Units of the Fund will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will generally be included in the Unitholder’s income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units may generally be deducted against taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under circumstances described in the Tax Act. Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder’s capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual or a trust (other than certain trusts) that is designated as taxable dividends or capital gains, and capital gains realized on the disposition of Units, may increase the Unitholder’s liability for alternative minimum tax.

Budget Proposals

On September 8, 2005, the Department of Finance released a consultation paper on tax and other issues related to publicly listed flow-through entities, such as income trusts and limited partnerships, and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005 the Minister of Finance (Canada) announced that the CRA would postpone providing advance tax rulings respecting flow-through entities pending these consultations. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process

and no legislative amendments were proposed to change the taxation of mutual fund trusts. Instead, the Minister of Finance tabled a Notice of Ways and Means Motion that proposed to enhance the dividend gross-up and tax credit mechanism applicable to certain eligible dividends payable by corporations resident in Canada after 2005. In addition, the CRA resumed providing advance tax rulings in respect of flow-through entity structures. The 2006 Federal Budget proposes to implement this enhanced dividend gross-up and tax credit proposal. However, there can be no assurance that this budget proposal will be enacted.

LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and certain other legal matters relating to the Subscription Receipts offered by this prospectus will be passed upon at the date of closing on behalf of the Fund by Torys LLP and on behalf of the Underwriters by Goodmans LLP.

As of the date hereof, the partners and associates of each of Torys LLP and Goodmans LLP own beneficially, directly or indirectly, less than one per cent of the outstanding Units of the Fund.

AUDITOR AND TRANSFER AGENT

The auditor of the Fund is KPMG LLP, Chartered Accountants, Suite 3300, Commerce Court West, 199 Bay Street, Toronto, Ontario, M5L 1B2.

The transfer agent and registrar for the Subscription Receipts and the Units issuable on exchange thereof is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

RISK FACTORS

An investment in the Subscription Receipts of the Fund is subject to certain risks.

Prospective investors should carefully consider the risk factors set forth on pages 35 to 48 of the Fund's AIF. In addition to those risk factors, prospective investors should carefully consider the following additional risk factors:

Risks Relating to the Filogix Acquisition

Limit on Right to Recovery

On the closing of the Filogix Acquisition, the sellers will receive cash proceeds of \$212.5 million (less an amount of approximately \$28 million in repayment of indebtedness of Filogix). Of this amount, \$12.75 million will be paid into an escrow fund which will be available to satisfy claims by FHI for a breach of representation and warranty under the Share Purchase Agreement related to the Filogix Business. The amount in the escrow fund will reduce to the lesser of \$4.25 million and the amount actually remaining in the escrow fund on the first anniversary of closing of the Filogix Acquisition and to zero on the second anniversary of closing, unless any claims have been made. The sellers' liability to FHI under the Share Purchase Agreement for breach of representation and warranty related to the Filogix Business is capped at the amount in the escrow fund. In addition, the sellers have not made any representation to FHI, and are not making any representation to investors in the Offering, as to the disclosure in the prospectus related to Filogix constituting full, true and plain disclosure of all material facts related to Filogix, or that the prospectus does not contain a misrepresentation with respect to Filogix. Accordingly, the sellers will not have any liability to investors in the Offering if the prospectus disclosure relating to Filogix does not meet that standard or contains a misrepresentation.

Closing of Filogix Acquisition

The Filogix Acquisition is subject to the normal commercial risks that the transaction will not close on the terms negotiated or at all. Various third party consents are required in connection with the internal reorganization of Filogix. There can be no assurance that such third party consents will be received.

Potential Undisclosed Liabilities Associated with the Filogix Acquisition

In connection with the Filogix Acquisition, there may be liabilities that Davis + Henderson LP failed to discover or was unable to quantify in its due diligence prior to the closing of the Filogix Acquisition. Under the Share Purchase Agreement, Davis + Henderson LP may not be fully indemnified for some or all of these liabilities. In particular, claims under the Share Purchase Agreement may be limited to the Escrow Amount which reduces over time. The discovery of any material liabilities could have a material adverse affect on Davis + Henderson LP's business, financial condition or future prospects.

Leverage and Restrictive Covenants Regarding Future Borrowings

Davis + Henderson LP will have debt service obligations under the New Credit Facilities. These obligations rank ahead of Davis + Henderson LP's obligations to the Fund and, consequently, to Unitholders' entitlement to receive distributions and/or distributable cash flow from the Fund. The degree to which Davis + Henderson LP is leveraged could have important consequences to the holders of the Units, including:

- Davis + Henderson LP's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- Davis + Henderson LP's ability to extend the maturity date of the New Credit Facilities or to refinance outstanding indebtedness may be limited;
- a substantial portion of Davis + Henderson LP's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness and hedge contracts, thereby reducing funds available for future operations;
- Davis + Henderson LP's ability to continue making monthly distributions to its partners, and thus for the Fund to make distributions to its Unitholders, may be restricted by the financial and other covenants imposed under existing or future credit and loan agreements, hedging transactions or debentures entered into by Davis + Henderson LP or if the credit facilities cannot be extended or refinanced; and
- as the interest-rate swaps that Davis + Henderson LP has entered into mature, the underlying borrowings will be subject to short-term interest rates in effect at that time which may be higher than currently in effect.

Further, any existing indebtedness that is not hedged as to interest rates is, and additional borrowings under its credit facilities will be, subject to floating interest rates in effect from time to time or when drawn, which exposes Davis + Henderson LP to the risk of increased interest rates.

The New Credit Facilities contain numerous restrictive covenants that limit the discretion of Davis + Henderson LP's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of Davis + Henderson LP to incur additional indebtedness, to create liens or other encumbrances, to pay distributions on the partnership units of Davis + Henderson LP or to make certain other payments, investments, acquisitions, loans and guarantees, and to sell or otherwise dispose of assets and merge or consolidate with or acquire another entity. In addition, the New Credit Facilities contain a number of financial covenants that require Davis + Henderson LP to meet certain financial ratios and financial condition tests, including maximum distributions that may be made by Davis + Henderson LP to the Fund during a particular quarterly period. Similar restrictive covenants apply under the Existing Credit Facility. A failure to comply with the obligations in the Existing Credit Facility or New Credit Facilities and hedging instruments could result in a default, which, if not cured or waived, could permit acceleration of the relevant indebtedness by the applicable lenders. If the indebtedness under the existing or future credit facilities, hedging instruments or other debt obligations were to be accelerated, there can be no assurance that the assets of the Davis + Henderson LP would be sufficient to repay in full that indebtedness.

Cash Distributions Are Not Guaranteed and Will Fluctuate with Davis + Henderson's Performance

Although the Fund distributes the interest and dividend income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amount of income to be generated in the future by Davis + Henderson following the completion of the Filogix Acquisition and therefore funds available to the Fund. The actual amount to be distributed in respect of the Units issuable on exchange of the Subscription Receipts will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures. Although management of the Fund expects the Filogix Acquisition to be accretive to cash flows available for distribution to Unitholders in the first full financial year following completion of the acquisition, there can be no assurance that such accretion will occur.

Risks Relating to Income Tax Matters

The Fund's acquisition of the Filogix Business is intended to involve an internal reorganization as described under "Details of the Filogix Acquisition — Share Purchase Agreement". No advance income tax ruling has been or will be sought in respect of these transactions. The Fund believes that these transactions should not result in any material income tax payable by the Fund or its subsidiaries. There can be no assurance, however, that the CRA or another tax authority will not take a contrary view. In the event the CRA or another tax authority were successful in any such challenge, taxes of a material amount could be payable which could materially affect the amount of distributable cash available to the Fund and distributions payable to Unitholders.

Risks Relating to the Filogix Business

Key Customers and Mortgage Intermediaries

Although Filogix has a large number of lenders and Intermediaries that use Filogix's products, Filogix relies on certain key customers and Intermediaries for a significant portion of its revenue. There are also a large number of real estate boards that also use Filogix's products. If such parties were to terminate their relationship with Filogix, such terminations would have a materially negative effect on the Fund. Furthermore, there can be no assurance that the contracts between Filogix and such lenders, Intermediaries and real estate boards will continue on the same terms as to pricing and fee structures in the future.

Exposure to Fluctuations in Residential Real Estate and Mortgage Activity

The majority of Filogix's sales revenue is driven by mortgage activity and directly or indirectly by residential real estate activity. Mortgage activity in Canada has grown in recent years, driven by such factors as an increase in the number of home sales, increases in home prices, generally lower interest rates, positive demographic trends, the generally positive economic environment and an increase in the number of mortgage products available to consumers. There can be no assurance that such conditions will continue to prevail and that a change in any of these conditions would not have a materially negative effect on the Fund. For example, residential real estate and mortgage activity has

historically been adversely affected by cyclical changes including economic recessions and high interest rates. Such conditions would adversely affect Filogix's sales, net income and cash flows available for distribution.

Reliance on Key Personnel

Filogix's operations are dependent on the abilities, experience and efforts of its senior management team. While the Company expects the senior management of Filogix, including its President and Chief Executive Officer (Yousry Bissada), to continue after the closing of the Filogix Acquisition, should any of these individuals be unable or unwilling to continue his or her employment, it could have an adverse effect on the Filogix Business and on the Fund.

Competition

Filogix operates in competitive markets. There can be no assurance that Filogix's competitors will not develop software and electronic networks that better meet the needs of Filogix's customers and Intermediaries which could result in Filogix's customers and Intermediaries switching to a competitors' product. Such a switch would have a materially negative impact on the Fund.

Risk of Insourcing

Certain of Filogix's key customers are large financial institutions or mortgage brokers with significant resources. There can be no assurance that these institutions or brokers will not alter their existing operating methods and replace Filogix's products and services with internally developed technology applications.

Seasonality of the Filogix Business

The business of Filogix is seasonal and varies according to the funding of residential mortgages and real estate activity in general which is typically strongest from late spring to early fall. The Filogix Acquisition will introduce some level of seasonality to the business of Davis + Henderson and as such the Fund will have greater exposure to risks relating to seasonal economic cycles than it has had in the past. There can be no assurance that such additional risks to which the Fund will be exposed as a result of the Filogix Acquisition will not have a materially negative impact on the Fund.

Intellectual Property Rights

Filogix relies on a combination of trade mark and copyright laws, patent laws, trade secret protection, confidentiality and license agreements to protect its intellectual property. Intellectual property laws afford limited protection. It may be possible for a third party to copy Filogix's products and services or otherwise obtain its proprietary information without its permission. There is no assurance that competitors will not independently develop products and services that are substantially equivalent or superior to Filogix's products and services.

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 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 and territories 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 or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser. In addition, original purchasers of Subscription Receipts under the Offering will have the benefit of a contractual right of rescission following the issuance of Units to purchasers. See "Plan of Distribution".

AUDITORS' CONSENT

To the Board of Trustees of
Davis + Henderson Income Fund (the "Fund")

We have read the prospectus dated May 30, 2006 relating to the sale and issue of subscription receipts of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above mentioned prospectus of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2005 and 2004 and the consolidated statements of income, deficit and cash flows for the years then ended. Our report is dated February 27, 2006.

(signed) KPMG LLP
Chartered Accountants

Toronto, Canada
May 30, 2006

AUDITORS' CONSENT

To the Board of Directors of
Filogix Inc. (the "Company")

We have read the prospectus dated May 30, 2006 relating to the sale and issue of subscription receipts of Davis + Henderson Income Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the directors of the Company on the consolidated balance sheets of the Company as at December 31, 2005 and 2004 and the consolidated statements of income and cash flows for the years then ended. Our report is dated February 24, 2006 except as to Note 13, which is as of May 18, 2006.

Chartered Accountants

Toronto, Canada
May 30, 2006

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DAVIS + HENDERSON INCOME FUND

**Unaudited Pro Forma Consolidated
Financial Statements**

COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Trustees of
Davis + Henderson Income Fund

We have read the accompanying unaudited pro forma consolidated balance sheet of Davis + Henderson Income Fund (the "Fund") as at March 31, 2006 and unaudited pro forma consolidated statements of income for the three months then ended and for the year ended December 31, 2005, and have performed the following procedures:

1. Compared the figures in the columns captioned "Davis + Henderson Income Fund" to the unaudited consolidated financial statements of the Fund as at March 31, 2006 and for the three months then ended, and the audited consolidated financial statements of the Fund for the year ended December 31, 2005, respectively, and found them to be in agreement.
2. Compared the figures in the columns captioned "Filogix Inc." to the unaudited consolidated financial statements of Filogix Inc. as at March 31, 2006 and for the three months then ended, and the audited consolidated financial statements of Filogix Inc. for the year ended December 31, 2005, respectively, and found them to be in agreement.
3. Made enquiries of certain officials of the Fund who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the pro forma adjustments; and
 - (b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the applicable requirements of National Instrument 41-501.

The officials:

- (c) described to us the basis for determination of the pro forma adjustments; and
 - (d) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the applicable requirements of National Instrument 41-501.
4. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
 5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Davis + Henderson Income Fund" and "Filogix Inc." as at March 31, 2006 and for the three months then ended, and for the year ended December 31, 2005, and found the amounts in the column captioned "Pro forma consolidated" to be arithmetically correct.

A pro forma consolidated financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(signed) KPMG LLP
Chartered Accountants

Toronto, Canada
May 19, 2006

DAVIS + HENDERSON INCOME FUND

Pro Forma Consolidated Balance Sheet

(In thousands of dollars)

March 31, 2006

(Unaudited)

	Davis + Henderson Income Fund	Filogix Inc.	Pro forma adjustments	Pro forma consolidated
		(note 3)	(note 4)	
Assets				
Current assets:				
Cash and cash equivalents	\$ 9,441	\$ 227	\$ (7,037)	\$ 2,631
Accounts receivable	10,467	5,664	506	16,637
Income taxes receivable	—	506	(506)	—
Inventory	5,357	—	—	5,357
Prepaid expenses	1,312	782	—	2,094
Future income taxes	—	368	(368)	—
	26,577	7,547	(7,405)	26,719
Due from parent company	—	1,588	(1,588)	—
Capital assets	22,009	12,506	—	34,515
Other assets	7,211	1,061	1,380	9,652
Intangible assets	7,630	2,121	125,966	135,717
Goodwill	361,501	15,751	56,095	433,347
	\$424,928	\$ 40,574	\$174,448	\$639,950
Liabilities and Unitholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 26,062	\$ 4,876	\$ —	\$ 30,938
Current portion of long-term debt	—	2,875	(2,875)	—
Current portion of obligations under capital leases ...	—	264	—	264
Deferred revenue	—	682	—	682
Distributions payable to unitholders	4,740	—	—	4,740
Disbursement obligations on customer contracts	2,645	—	—	2,645
	33,447	8,697	(2,875)	39,269
Disbursement obligations on customer contracts	2,040	—	—	2,040
Long-term debt	50,000	25,994	74,006	150,000
Future income taxes	—	1,188	(1,188)	—
Other long-term liabilities	2,538	—	—	2,538
	88,025	35,879	69,943	193,847
Unitholders' equity:				
Trust units	365,385	—	109,200	474,585
Share capital	—	29,687	(29,687)	—
Contributed surplus	—	2,895	(2,895)	—
Deficit	(28,482)	(27,887)	27,887	(28,482)
	336,903	4,695	104,505	446,103
	\$424,928	\$ 40,574	\$174,448	\$639,950
Commitments (note 6)				

See accompanying notes to pro forma consolidated financial statements.

DAVIS + HENDERSON INCOME FUND

Pro Forma Consolidated Statement of Income
(In thousands of dollars, except per unit amounts)

Three months ended March 31, 2006
(Unaudited)

	Davis + Henderson Income Fund	Filogix Inc.	Pro forma adjustments	Pro forma consolidated
		(note 3)	(note 5)	
Sales	\$ 71,918	\$ 9,680	\$ —	\$ 81,598
Cost of sales	42,310	292	—	42,602
	29,608	9,388	—	38,996
Operating expenses	8,706	7,867	—	16,573
	20,902	1,521	—	22,423
Interest	695	711	805	2,211
Other expense	—	77	(32)	45
Amortization	3,647	1,351	2,044	7,042
Income before income taxes	16,560	(618)	(2,817)	13,125
Future income taxes	—	(213)	213	—
Net income	\$ 16,560	\$ (405)	\$ (3,030)	\$ 13,125
Net income per unit:				
Basic and fully diluted	\$ 0.44			\$ 0.30
Weighted average number of units outstanding:				
Basic and fully diluted	37,920,792			43,946,792

See accompanying notes to pro forma consolidated financial statements.

DAVIS + HENDERSON INCOME FUND

Pro Forma Consolidated Statement of Income
(In thousands of dollars, except per unit amounts)

Year ended December 31, 2005
(Unaudited)

	Davis + Henderson Income Fund	Filogix Inc.	Pro forma adjustments	Pro forma consolidated
		(note 3)	(note 5)	
Sales	\$ 276,537	\$40,831	\$ —	\$ 317,368
Cost of sales	162,675	1,485	—	164,160
	113,862	39,346	—	153,208
Operating expenses	34,281	24,783	—	59,064
	79,581	14,563	—	94,144
Interest	3,301	3,060	2,484	8,845
Other	—	173	(120)	53
Amortization	15,529	5,661	8,150	29,340
Income before income taxes	60,751	5,669	(10,514)	55,906
Future income taxes	—	2,171	(2,171)	—
Net income	\$ 60,751	\$ 3,498	\$ (8,343)	\$ 55,906
Net income per unit:				
Basic and fully diluted	\$ 1.60			\$ 1.27
Weighted average number of units outstanding:				
Basic and fully diluted	37,920,792			43,946,792

See accompanying notes to pro forma consolidated financial statements.

DAVIS + HENDERSON INCOME FUND

Notes to Pro Forma Consolidated Financial Statements

(In thousands of dollars, except per unit amount)

Three months ended March 31, 2006 and year ended December 31, 2005
(Unaudited)

1. Basis of presentation:

The accompanying pro forma consolidated balance sheet and the pro forma consolidated statements of income of Davis + Henderson Income Fund (the "Fund") have been prepared by management of the Fund in accordance with Canadian generally accepted accounting principles.

The pro forma consolidated balance sheet has been prepared from information derived from the unaudited consolidated balance sheet of the Fund as at March 31, 2006 and the unaudited balance sheet of Filogix Inc., a wholly owned subsidiary of Filogix Holdings Inc. ("Holdings") as at March 31, 2006 and the adjustments and assumptions outlined below. The pro forma consolidated statement of income for the year ended December 31, 2005 has been prepared from information derived from the consolidated statement of income of the Fund for the year ended December 31, 2005, the consolidated statement of income for Filogix Inc. for the year ended December 31, 2005 and the adjustments and assumptions outlined below. The pro forma consolidated statement of income for the three months ended March 31, 2006 has been prepared from information derived from the unaudited consolidated statement of income of the Fund and the unaudited consolidated statement of income of Filogix Inc. for the three months ended March 31, 2006 and the adjustments and assumptions outlined below.

The pro forma adjustments are based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements of the Fund will depend on a number of factors. Therefore, the actual adjustments will differ from the pro forma adjustments. Management believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the transactions contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated financial statements are not extended to reflect the results of operations which would have actually resulted had the acquisition and other pro forma transactions and adjustments been effected on the dates indicated. Further, the unaudited pro forma consolidated statements of income are not necessarily indicative of the results of operations or the financial position that may be obtained by the Fund in the future.

The pro forma consolidated financial statements should be read in conjunction with the financial statements of the Fund and the financial statements of Filogix Inc. that are incorporated by reference or included herein.

2. Description of transactions:

The Fund will raise approximately \$116 million through the issuance of 6,026,000 trust units to purchase the Filogix business.

The Fund will use the proceeds to acquire additional units of D+H Holdings Trust ("D+H Trust"). With these proceeds, D+H Trust will, in turn, invest in additional units of Davis + Henderson, Limited Partnership ("D+H LP").

Prior to the above steps, the Filogix business will be reorganized and transferred to a limited partnership which will ultimately be acquired by D+H LP.

3. Historical financial statements presented for Filogix Holdings Inc.

Historical financial statements presented are those of Holdings' wholly owned subsidiary Filogix Inc. Holdings' only asset as at March 31, 2006 is its investment in Filogix Inc. All intercompany balances were eliminated as part of the pro forma adjustments.

4. Pro forma consolidated balance sheet of the Fund:

The pro forma consolidated balance sheet of the Fund as at March 31, 2006 was created through the combination of the Fund's and Filogix Inc.'s historical balances sheets as at March 31, 2006, along with the following adjustments and proposed transactions, as if the transactions had been completed on March 31, 2006:

- (a) The Fund will raise pursuant to an underwriting agreement gross proceeds of \$116 million through the issuance of 6,026,000 units at a price of \$19.25 per unit. Costs relating to the offering are estimated to be \$5.8 million for underwriter fees and \$1 million for other expenses of the offering.
- (b) Upon the acquisition, the Fund will draw down under a new long-term debt facility an additional \$100 million and incur deferred financing costs of approximately \$1,380.

DAVIS + HENDERSON INCOME FUND

Notes to Pro Forma Consolidated Financial Statements

(In thousands of dollars, except per unit amount)

Three months ended March 31, 2006 and year ended December 31, 2005
(Unaudited)

4. Pro forma consolidated balance sheet of the Fund (continued):

(c) The purchase price for Filogix is \$212.5 million plus adjustment for working capital, capital leases and capital expenditures. Transaction costs are estimated to be \$1 million. This acquisition will be accounted for under the purchase method. The fair value of the net assets required and the consideration paid are as follows:

Assets acquired:	
Receivables	\$ 6,170
Prepaid expenses	782
Capital assets and other assets	13,567
Intangible assets	128,087
Goodwill	71,846
	220,452
Liabilities assumed	(5,822)
	\$214,630
Consideration paid:	
Cash on hand	\$ 5,430
Net proceeds from issuance of trust units	109,200
Proceeds from draw down of debt	100,000
	\$214,630

Intangible assets in the amount of \$128,087 consist of \$77,887 of customer relationships, \$41,800 of internally developed software and \$8,400 of brand names. Customer relationships and software will be amortized over 15 years and 10 years respectively and brand names will not be amortized as they are considered to have an indefinite life.

The actual calculation and allocation of the purchase price of the acquisition will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date to support the allocation of the purchase price to the respective acquired assets. Accordingly, the actual amounts for each of the assets will vary from the pro forma amounts and the variations may be material.

The Fund has engaged a third party valuator to report on the value of intangibles.

5. Pro forma consolidated statement of earnings of the Fund:

The pro forma consolidated statements of income of the Fund for the three months ended March 31, 2006 and for the year ended December 31, 2005 were created through the combination of the historical consolidated statement of income for the Fund and the consolidated statement of earnings of Filogix Inc. for the respective periods adjusted for the effects of the following proposed transactions as if they had taken place at January 1, 2005:

- (a) The elimination of all historical interest expenses for both the Fund and Filogix Inc. and the recognition of interest expense on a total of \$150 million of long-term debt at interest rates which may be in effect on the date at which the credit facilities is restructured. Deferred finance costs are also included in interest expense based on an amortization period of five years.
- (b) The elimination of Filogix Inc.'s amortization of intangible assets expense and recognition of amortization of \$2,343 of intangible assets recognized on consolidation for the three months ended March 31, 2006 and \$9,372 for the year ended December 31, 2005.
- (c) The elimination of inter-company management fees between Holdings and its wholly owned subsidiary, Filogix Inc.
- (d) The elimination of Filogix Inc.'s future income tax expense.

6. Commitments:

As of December 31, 2005, the Fund, on a pro forma basis, has annual lease obligations with respect to real estate, vehicles and equipment as follows for the years ending:

2006	4,194
2007	3,780
2008	2,928
2009	2,095
2010	2,096
Thereafter	977
	16,070

FILOGIX INC.

Consolidated Financial Statements

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Filogix Inc. as at December 31, 2005 and 2004 and the consolidated statements of earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

February 24, 2006

except for note 13 which is as of May 18, 2006

FILOGIX INC.

Consolidated Balance Sheet

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 660,599	\$ 774,858
Accounts receivable	5,223,036	4,086,756
Prepaid and other	716,638	452,506
Note receivable	—	64,714
Future income taxes (note 6)	368,000	1,253,000
	6,968,273	6,631,834
Due from parent company (note 5)	1,607,389	1,944,836
Capital assets (note 2)	12,811,702	12,172,611
Deferred charges (note 3)	1,139,078	1,455,998
Intangible assets (note 4)	2,419,484	3,641,445
Goodwill	15,857,339	15,857,339
	\$ 40,803,265	\$ 41,704,063
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,503,083	\$ 5,897,730
Current portion of long-term debt	2,750,000	2,250,000
Current portion of obligations under capital leases	408,147	763,524
Deferred revenue	463,653	208,334
	9,124,883	9,119,588
Obligations under capital leases (note 7)	25,182	432,995
Long-term debt (note 8)	25,409,983	30,770,849
Future income taxes (note 6)	1,188,000	—
Shareholder's equity:		
Share capital (note 9)	29,686,954	29,686,954
Contributed surplus	2,850,327	2,673,287
Deficit	(27,482,064)	(30,979,610)
	5,055,217	1,380,631
Commitments and contingencies (note 10)		
Related party transactions (note 11)		
Subsequent event (note 13)	\$ 40,803,265	\$ 41,704,063

See accompanying notes to consolidated financial statements.

FILOGIX INC.

Consolidated Statement of Earnings and Deficit
Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Technology fees	\$ 38,376,563	\$ 33,450,991
Computer support services	<u>2,454,112</u>	<u>2,143,974</u>
	40,830,675	35,594,965
Interest and other income	<u>3,222</u>	<u>96,575</u>
	40,833,897	35,691,540
Expenses:		
Cost of revenue (including amortization of \$155,461)	1,485,068	2,862,084
Salaries and benefits	16,118,318	14,270,284
General and office	4,161,335	3,642,857
Professional fees	3,163,973	2,251,684
Advertising and promotion	597,913	540,288
Computer support	<u>741,120</u>	<u>560,652</u>
	<u>26,267,727</u>	<u>24,127,849</u>
Earnings before the undernoted	14,566,170	11,563,691
Depreciation and amortization	5,661,400	5,138,713
Other expense	172,603	10,986,779
Interest (notes 7 and 8)	<u>3,063,490</u>	<u>2,207,359</u>
Earnings (loss) before income taxes	5,668,677	(6,769,160)
Income taxes:		
Future (recovery)	<u>2,171,131</u>	<u>(1,253,000)</u>
Net earnings (loss)	3,497,546	(5,516,160)
Deficit, beginning of year	(30,979,610)	(2,086,898)
Excess of redemption price on stated value of Class A preferred shares	—	(17,076,552)
Dividends	<u>—</u>	<u>(6,300,000)</u>
Deficit, end of year	<u><u>\$(27,482,064)</u></u>	<u><u>\$(30,979,610)</u></u>

See accompanying notes to consolidated financial statements.

FILOGIX INC.

Statement of Cash Flows

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ 3,497,546	\$ (5,516,160)
Adjustments for:		
Future income taxes	2,073,000	(1,253,000)
Depreciation and amortization	5,816,861	5,294,173
Gain on disposal of capital assets	—	(11,138)
Write-down of deferred charges	—	486,762
Goodwill purchase price adjustment	—	(14,744)
Stock compensation	177,040	2,673,287
Change in non-cash operating working capital:		
Accounts receivable	(1,136,280)	826,218
Prepaid and other	(264,132)	(156,492)
Accounts payable and accrued liabilities	(394,647)	807,196
Deferred revenue	255,319	(337,946)
	10,024,707	2,798,156
Financing:		
Repayment of long-term debt	(5,486,564)	(8,500,000)
Long-term debt	625,698	33,520,849
Repayments of obligations under capital leases	(763,190)	(612,054)
Increase in deferred charges	—	(1,604,667)
Note receivable	64,714	385,314
Dividends paid	—	(6,300,000)
Due from parent company	337,447	(1,944,836)
Decrease in share capital	—	(3,161,058)
Excess of redemption price on stated value of Class A preferred shares	—	(17,076,552)
	(5,221,895)	(5,293,004)
Investments:		
Additions to capital assets	(4,920,072)	(4,343,564)
Proceeds on disposal of capital assets	3,001	67,781
	(4,917,071)	(4,275,783)
Decrease in cash and cash equivalents	(114,259)	(6,770,631)
Cash and cash equivalents, beginning of year	774,858	7,545,489
Cash and cash equivalents, end of year	\$ 660,599	\$ 774,858
Supplemental cash flow information:		
Income taxes paid	\$ 186,314	\$ 35,491
Interest paid	2,433,036	1,982,153
Interest received	3,184	96,544

See accompanying notes to consolidated financial statements.

FILOGIX INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2005

Filogix Inc. is incorporated under the laws of Ontario and its principal business activity is the development of software and systems applications for the financial services, mortgage and real estate industries.

1. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. The results of subsidiaries acquired during the year are consolidated from their respective dates of acquisition. Intercompany accounts and transactions have been eliminated.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid debt instruments with remaining maturities of three months or less, when purchased.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization provided using the following bases and annual rates:

<u>Asset</u>	<u>Basis</u>	<u>Rate</u>
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Computer software	Straight-line	2 to 5 years
Leasehold improvements	Straight-line	over the term of the lease
Assets under capital leases	Declining balance	20%

(d) Revenue recognition:

Technology fees consist primarily of arrangements whereby the Company earns a fee on each funded transaction processed/funded by its customers. The Company recognizes revenue on fee arrangements as transactions are reported by the customers, provided collectibility is reasonably assured. Computer support services are comprised primarily of revenue derived from professional services, such as consulting, customization and change requests, and is recognized as the services are performed.

(e) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of earnings before extraordinary items and discontinued operations.

At the date of cessation of amortization, accumulated amortization of goodwill was \$10,155,028.

The Company has completed the annual impairment test for its reporting units and has determined that there is no impairment of goodwill.

(f) Intangible assets:

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives as follows:

Customer list	4 years
Contracts	0.5 to 5.5 years
Non-compete agreement	10 years

The amortization methods and estimated useful lives of intangible assets are reviewed annually.

FILOGIX INC.

Notes to Consolidated Financial Statements
Year ended December 31, 2005

1. Significant accounting policies (continued):

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compared the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

(g) Long-term assets:

For both amortizable intangible assets and capital assets the Company reviews the carrying value of these assets whenever events indicate evidence of impairment. An impairment loss is recognized when the estimate of undiscounted future cash flows generated by such assets is less than the carrying amount. Measurement of the impairment loss is based on the fair value of the asset. Fair value is measured using discounted cash flows when quoted market prices are not available. For indefinite lived intangible assets the company performs an impairment test at least annually by comparing the carrying value to its fair value.

(h) Deferred charges:

Deferred charges represent deferred financing costs and are amortized over the term of the loan.

(i) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of enactment or substantive enactment. A valuation allowance is recorded to reduce future tax assets to an amount that is anticipated to be realized on a more likely than not basis.

(j) Stock-based compensation plan:

The Company's parent maintains one stock-based compensation plan, which is described in note 9. Any consideration paid by employees of the Company on the exercise of stock options or the purchase of shares is credited to shareholder's equity.

The Company follows the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3870 ("HB 3870"), Stock-Based Compensation and Other Stock-Based Payments, which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires the Company to use the fair value-based method to account for all awards of stock-based compensation to non-employees and for employee awards.

The fair value of each option granted to employees and directors in the years above was estimated on the date of the grant using the minimum value method with the following assumptions:

Risk-free rate	4.4%
Expected dividend yield	—
Weighted average expected life of options	4 years
Weighted average grant date fair values of options issued	\$4.26

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, such as collectibility of accounts receivable, useful life of intangible assets, as well as ascribing values to acquired assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(l) Deferred revenue:

Deferred revenue represents advance payments received from customers for future services. The amounts are recognized in revenue when earned.

(m) Financial instruments:

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. These estimates, although based on the relevant market information about the financial instrument, are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair values because of the near-term nature of these instruments.

FILOGIX INC.

Notes to Consolidated Financial Statements
Year ended December 31, 2005

3. Deferred charges:

Deferred charges consist of fees incurred relating to long-term financing.

	2005		
	Cost	Accumulated amortization	Net book value
Finance charges	\$1,579,667	\$ 440,589	\$1,139,078

	2004		
	Cost	Accumulated amortization	Net book value
Finance charges	\$1,579,667	\$ 123,669	\$1,455,998

4. Intangibles:

	2005		
	Cost	Accumulated amortization	Net book value
Customer list	\$3,409,000	\$2,130,625	\$1,278,375
Contracts	1,581,010	938,651	642,359
Non-compete agreement	665,000	166,250	498,750
	\$5,655,010	\$3,235,526	\$2,419,484

	2004		
	Cost	Accumulated amortization	Net book value
Customer list	\$3,409,000	\$1,278,375	\$2,130,625
Contracts	1,581,010	635,440	945,570
Non-compete agreement	665,000	99,750	565,250
	\$5,655,010	\$2,013,565	\$3,641,445

5. Due from parent company:

The amount due from parent company is non-interest bearing, unsecured and has no specific repayment terms. The Company has indicated that no amount is currently due within the next twelve months.

6. Income taxes:

Income tax expense differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate of 36.12% (2004 — 36.12%) to income before income taxes. The reason for the differences are as follows:

	2005	2004
Computed tax expense	\$ 2,047,528	\$(2,445,018)
Increase (decrease) resulting from:		
Non-deductible expenses	679,603	992,018
Change in valuation allowance	(556,000)	200,000
Income tax expense (recovery)	\$ 2,171,131	\$(1,253,000)

FILOGIX INC.

Notes to Consolidated Financial Statements
Year ended December 31, 2005

6. Income taxes (continued):

The tax effects of temporary differences that give rise to significant portions of the future tax assets (liabilities) at December 31, 2005 and 2004 are presented below:

	2005	2004
Future tax assets:		
Short-term:		
Accrued liabilities	\$ 407,000	\$ 519,000
Other	(39,000)	734,000
	\$ 368,000	\$ 1,253,000
Future tax assets (liabilities):		
Long-term:		
Capital assets and intangibles	\$ (1,622,000)	\$ (1,741,000)
Non-capital losses and future deductions	434,000	2,251,000
Corporate minimum tax	—	46,000
	(1,188,000)	556,000
Less valuation allowance	—	556,000
	\$ (1,188,000)	\$ —

7. Obligations under capital leases:

The future minimum annual lease payments under capital leases that have initial or remaining terms in excess of one year as at December 31, 2005, are as follows:

2006	\$423,964
2007	25,547
Total minimum lease payments	449,511
Less amount representing interest at rates varying between 6.7% to 10.6%	16,182
Present value of net minimum capital lease payments	433,329
Less current portion	408,147
	\$ 25,182

Interest on capital leases totalled \$76,233 (2004 — \$128,667).

8. Long-term debt:

	2005	2004
Term loan, bearing interest at 16%, the Company had the option and elected in 2005, to accrue 6% per annum and pay 10% per annum in 2005 on a cash basis, interest due on a quarterly basis, due August 17, 2010	\$10,850,903	\$10,225,205
Term loan, bearing interest at prime rate plus a variable margin between 0.5% to 2%, with interest payable monthly, quarterly principal repayments ranging from \$500,000 to \$1,375,000 due February 17, 2010	17,250,000	19,500,000
Revolving facility, bearing interest at the bank prime rate plus a variable margin between 0.5% to 2%, with interest payable monthly, maximum amount of \$12,500,000 may be drawn on the facility, due February 17, 2010	59,080	3,295,644
	28,159,983	33,020,849
Current portion of long-term debt	2,750,000	2,250,000
	\$25,409,983	\$30,770,849

Interest of \$2,987,257 (2004 — \$2,078,692) relating to term loans has been included in interest expense.

FILOGIX INC.

Notes to Consolidated Financial Statements
Year ended December 31, 2005

8. Long-term debt (continued):

Principal repayments required over the next five fiscal years are as follows:

2006.....	\$ 2,750,000
2007.....	4,000,000
2008.....	5,125,000
2009.....	4,000,000
2010.....	12,284,983

The term loans and revolving credit facility are secured by a general security agreement of the Company and its subsidiaries, as well as a share pledge agreement, and all other assets, other than assets under capital leases.

9. Share capital:

	<u>2005</u>	<u>2004</u>
Authorized:		
Unlimited common shares		
Issued:		
13,674,696 common shares	\$29,686,954	\$29,686,954

On August 17, 2004, the Company entered into a Share Purchase Agreement with MCEP Acquisition Inc. and MCEP Finance Inc. Each holder of common shares (common shares, and the previously issued Class A common shares, Series G special shares) agreed to sell to MCEP Acquisition Inc. all of the issued and outstanding common shares. The purchase price payable by MCEP Acquisition Inc. to the common shareholders for each common share purchased was \$4.75 reduced for capital dividend payment of \$0.65 per share. MCEP Acquisition Inc. satisfied the purchase price for each purchased common share by the payment at closing of cash and issuance of shares in its capital.

As part of the purchase, each holder of the Series A preferred shares agreed to sell to MCEP Finance Inc. their shares for an aggregate purchase price of \$37,923,080.

On August 17, 2004, 3,989,312 common shares of MCEP Finance Inc. were issued to MCEP Acquisition Inc. for aggregate consideration of \$18,123,612 as part of the transaction to acquire the Series A preferred shares as described above.

Effective August 17, 2004 the Company amalgamated with MCEP Finance Inc. The amalgamated corporation continued under the name of the Company. The Company was authorized to issue an unlimited number of common shares.

At the time of amalgamation the outstanding common shares, Class A common shares and Series G special shares in the capital of the pre-amalgamated company became 9,685,384 common shares and the 3,989,312 common shares of MCEP Finance Inc. became 3,989,312 common shares for an aggregate number of issued and outstanding shares of 13,674,696.

All of the issued and outstanding Series A preferred shares in the capital of the Company were cancelled upon the amalgamation.

The Company's parent maintains a stock option plan to allow key management employees, and consultants to acquire stock of the Company's parent. As a result of the transaction described above the Company purchased 2,374,950 stock options, and 846,494 share options were exchanged for options in a newly created stock option plan created by MCEP Acquisition Inc.

Total options outstanding under the stock option plan maintained by MCEP Acquisition Inc. plan at December 31, 2004, totaled 1,903,454 at a weighted average exercise price of \$5.71. The term of each option is 10 years and has a vesting period of approximating 4 years.

Information with respect to outstanding options in the parent's option plan is as follows:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Balance, beginning of year	1,903,454	\$5.71
Granted	12,000	6.39
Forfeited	(12,231)	3.62
Exercised	<u>(9,206)</u>	<u>.01</u>
Balance, end of year	<u>1,894,017</u>	<u>\$5.75</u>

At December 31, 2005, a total of 698,821 of the options are vested.

The Company has determined that the total compensation expense, using the minimum value method for all stock based compensation awards granted was \$177,040 (2004 — \$2,673,287).

FILOGIX INC.

Notes to Consolidated Financial Statements Year ended December 31, 2005

10. Commitments and contingencies:

The Company has operating lease commitments covering buildings and equipment. Annual lease payments are as follows:

2006	\$800,466
2007	792,590
2008	352,300

The Company has contractual commitments of approximately \$645,000 to acquire computer hardware and software over the next twelve months.

The Company has contractual severance arrangements with certain key employees.

11. Related party transactions:

During the year, the Company incurred management fees from its parent of \$120,000.

12. Segmented information:

Management has determined that the Company operates in one dominant industry segment, the providing of information and technology for residential mortgages in the real estate industry. Substantially all of the Company's operations, assets and employees are located in Canada.

The Company's customers are located throughout Canada. Two customers account for 20% (2004 — 21%) and 15% (2004 — 17%) respectively of the Company's revenues.

13. Subsequent event:

On May 18, 2006, the shareholders of the parent company of Filogix Inc. entered into an agreement to sell all of the shares to an affiliate of Davis + Henderson, Limited Partnership.

14. Recently issued accounting policies:

(i) Financial Instruments:

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook sections 3855, "Financial Instruments — Recognition and Measurement", 1530, "Comprehensive Income", and 3854, "Hedges". The new standards will be effective for interim and annual financial statements commencing in 2007. Earlier adoption is permitted. Most significantly for the Company, the new standards will require presentation of a separate statement of comprehensive income. Foreign exchange gains and losses on the translation of the financial statements of self-sustaining subsidiaries previously recorded in a separate section of shareholder's equity will be presented in comprehensive income. Derivative financial instruments will be recorded on the balance sheet at fair value and the changes in fair value of derivatives designated as cash flow hedges will be reported in comprehensive income. The existing principles of AcG-13 will be maintained. The Company is currently assessing the impact of this new standard.

(ii) CICA Handbook 3831, "Non-Monetary Transactions":

In June 2005, the CICA released this section effective for interim or annual periods beginning on or after January 1, 2006. This standard requires all non-monetary transactions to be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. The adoption of this standard is not expected to have a significant impact on the Company.

(iii) Emerging Issues Committee ("EIC") 150, "Determining Whether an Arrangement Contains a Lease":

This abstract provides guidance on whether certain characteristics within an agreement convey the right to use a tangible asset in return for a payment or series of payments, which is similar to the substance of a lease, although it might not take the form of a lease. This EIC is effective for new arrangements entered into after December 2004. In addition, existing arrangements that have been modified or renewed after the effective date must be analyzed under the new criteria. The Company has assessed the effect of this new standard and have determined that it does not have a material impact on the consolidated financial statements.

(iv) EIC-19, "Conditional Asset Retirement Obligations":

This abstract clarifies that the term conditional asset retirement obligation as used in CICA Handbook section 3110, "Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This abstract also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This abstract should be applied retroactively, to interim and annual financial statements for fiscal years ending after March 31, 2006. The adoption of this standard is not expected to have a significant impact on the Company.

CERTIFICATE OF THE FUND

Date: May 30, 2006

This 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 each of the provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

By its attorney Davis + Henderson G.P. Inc.

By: (Signed) ROBERT J. CRONIN
Chief Executive Officer

By: (Signed) CATHERINE MARTIN
Chief Financial Officer

On behalf of the Board of Trustees

By: (Signed) HELEN K. SINCLAIR
Trustee

By: (Signed) ALLAN E. GOTLIEB
Trustee

CERTIFICATE OF THE UNDERWRITERS

Date: May 30, 2006

To the best of our knowledge, information and belief, this 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 each of the provinces and territories of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

BMO NESBITT BURNS INC.

SCOTIA CAPITAL INC.

By: (Signed) HAROLD WOLKIN

By: (Signed) SARAH B. KAVANAGH

RBC DOMINION SECURITIES INC.

By: (Signed) STEWART C. BURTON

TD SECURITIES INC.

By: (Signed) JEREMY WALKER

CIBC WORLD MARKETS INC.

By: (Signed) KEVIN W. DALTON

NATIONAL BANK FINANCIAL INC.

By: (Signed) JAMES R. HARDY



Davis + Henderson