Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2010

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of The McElvaine Investment Trust (the "Trust") have been prepared by the Manager, McElvaine Investment Management Ltd. The Manager is responsible for the preparation and presentation of the Trust's financial statements and for the development of internal controls over the financial reporting process.

The Manager is responsible for reviewing and approving the financial statements and for overseeing the Trust's financial reporting responsibilities. The Manager has approved the accompanying financial statements of the Trust.

KPMG LLP, the external auditors of the Trust, were appointed by the Manager. As explained in their auditors' report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors' report follows.

McElvaine Investment Management Ltd.

"Tim McElvaine"
Tim McElvaine, Director

February 9, 2011

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of The McElvaine Investment Trust

We have audited the accompanying financial statements of The McElvaine Investment Trust, which comprise the statement of net assets and the schedule of investment portfolio as at December 31, 2010, the statements of operations and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The McElvaine Investment Trust as at December 31, 2010, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
February 9, 2011

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Investment portfolio, at fair value	$ 64,160,256	$ 65,393,561
Cash and deposits	1,258,154	10,611,027
Subscriptions receivable	508,000	191,653
Distributions and interest receivable	69,371	84,493
	65,995,781	76,280,734
Liabilities		
Redemptions payable	1,409,218	1,125,781
Accounts payable and accrued liabilities	109,503	282,005
Due to brokers	-	14,670
	1,518,721	1,422,456
Net assets	$ 64,477,060	$ 74,858,278
Net assets by series:		
Series A	$ 57,803	$ 57,095
Series B	63,218,558	73,579,957
Series F	105,717	127,680
Series X	1,094,982	1,093,546
Number of units outstanding (note 3):		
Series A	4,375	4,375
Series B	3,872,896	4,609,224
Series F	15,391	18,901
Series X	165,860	168,975
Net assets per unit (note 10):		
Series A	$ 13.21	$ 13.05
Series B	16.32	15.96
Series F	6.87	6.76
Series X	6.60	6.47

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

“Tim McElvaine”

Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2010

	Number of shares/ par value	Cost	Fair value
Canada – Convertible Debentures (6.0%)			
TimberWest Forest Corp., 9%, Feb. 11, 2014	$ 2,863,675	$ 3,171,343	$ 3,873,120
Total Canadian convertible debentures		$ 3,171,343	$ 3,873,120
Canada - Equities (65.2%)			
Caldwell Partners International Inc.	2,441,500	$ 2,050,665	$ 1,538,145
EGI Financial Holdings Inc.	500,000	4,087,812	3,835,000
Glacier Media Inc.	5,202,000	11,792,263	12,224,701
Indigo Books & Music Inc.	300,000	2,114,893	4,380,000
Maple Leaf Foods Inc.	300,000	3,039,390	3,417,000
Patheon Inc.	982,800	2,457,316	2,230,956
PRT Forest Regeneration Income Fund	500,000	718,004	1,210,000
Rainmaker Entertainment Inc.	5,451,228	9,868,492	1,417,319
Sun Gro Horticulture Income Fund	539,700	1,727,009	2,752,470
Sun-Rype Products Ltd.	566,173	4,160,616	4,670,927
Swiss Water Decaffeinated Coffee Income Fund	500,000	1,510,000	1,835,000
Village Farms International Inc.	1,982,783	3,877,385	2,537,962
Total Canadian equities		$ 47,403,845	$ 42,049,480
United States - Equities (3.8%)			
ADPT Corp.	700,000	$ 2,113,236	$ 2,037,977
Bank of America Corp.	150,000	490,879	397,957
Total United States equities		$ 2,604,115	$ 2,435,934
Foreign - Equities (23.2%)			
Alpha Bank AE	300,000	$ 2,823,156	$ 1,527,654
Makita Corp.	75,000	2,267,250	3,050,601
Monex Group Inc.	17,500	5,357,983	5,119,864
RHJ International	638,688	5,363,086	5,236,055
Total Foreign equities		$ 15,811,475	$ 14,934,174
Miscellaneous securities (1.2%)		$ 699,148	$ 772,040
Transaction costs (note 2(c))		$ (217,645)	$ -
Total securities (99.4%)		$ 69,472,281	$ 64,064,748
Forward foreign currency contracts (0.1%) (note 4)			
Net unrealized gain on forward foreign currency contracts			$ 95,508
Total investment portfolio at fair value, December 31, 2010 **(99.5%)**			$ 64,160,256
Other assets less liabilities **(0.5%)**			316,804
Net assets (100%)			$ 64,477,060

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Investment income:		
Dividends	$ 425,955	$ 545,413
Interest	440,103	367,594
Withholding tax	(20,680)	(23,066)
	845,378	889,941
Expenses:		
Performance incentive fee (note 5)	-	1,237
Management fee (note 6)	716,357	702,961
Trustee, custodial and legal fees	54,172	72,433
Audit and tax fees	35,000	48,666
Goods and services taxes	63,917	40,394
	869,446	865,691
Net investment income (loss)	$ (24,068)	$ 24,250
Net realized gains:		
Proceeds from sale of securities	$ 30,605,168	$ 37,490,270
Securities at cost, beginning of year	65,806,476	86,987,878
Cost of securities purchased during the year	27,527,076	25,693,082
	93,333,552	112,680,960
Securities at cost, end of year	(69,472,281)	(65,806,476)
Cost of securities sold	23,861,271	46,874,484
Gain (loss) on sale of securities	6,743,897	(9,384,214)
Foreign exchange	(127,944)	(80,790)
Forward foreign currency contracts	532,072	1,196,300
Transaction costs (note 2(c))	(173,850)	(264,200)
	6,974,175	(8,532,904)
Change in net unrealized appreciation (depreciation) of:		
Securities	(5,109,857)	20,575,481
Forward foreign currency contracts	1,767	84,665
	(5,108,090)	20,660,146
Net gain from investing activities	1,866,085	12,127,242
Income from operations	$ 1,842,017	$ 12,151,492
Income from operations by series:		
Series A	$ 708	$ 7,371
Series B	1,815,329	11,950,182
Series F	2,475	19,764
Series X	23,505	174,175
Income (loss) from operations per unit (note 2(g))		
Series A	$ 0.16	$ 2.44
Series B	0.43	2.44
Series F	0.13	0.99
Series X	0.14	1.01

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	Series A	Series B	Series F	Series X	Total
Net assets, December 31, 2008	-	$ 66,929,391	$ 119,940	$ 954,434	$ 68,003,765
Income from operations	7,371	11,950,182	19,764	174,175	12,151,492
Unit transactions (note 3):					
Issued for cash	49,724	16,957,079	24,019	6,638	17,037,460
Redeemed	-	(22,256,695)	(36,043)	(41,701)	(22,334,439)
	49,724	(5,299,616)	(12,024)	(35,063)	(5,320,998)
Increase in net assets	57,095	6,650,566	7,740	139,112	6,854,513
Net assets, December 31, 2009	57,095	73,579,957	127,680	1,093,546	74,858,278
Income from operations	708	1,815,329	2,475	23,505	1,842,017
Unit transactions (note 3):					
Issued for cash	-	5,138,088	-	-	5,138,088
Redeemed	-	(17,314,816)	(24,438)	(22,069)	(17,361,323)
	-	(12,176,728)	(24,438)	(22,069)	(12,223,235)
Increase (decrease) in net assets	708	(10,361,399)	(21,963)	1,436	(10,381,218)
Net assets, December 31, 2010	$ 57,803	$ 63,218,558	$ 105,717	$ 1,094,982	$ 64,477,060

See accompanying notes to financial statements.

1. Organization:

The McElvaine Investment Trust (the “Trust”) is an unincorporated unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002 and January 1, 2008 (the “Trust Agreement”), between McElvaine Investment Management Ltd. and RBC Dexia Investor Services Trust (the “Trustee”). The Trust is managed by McElvaine Investment Management Ltd. (the “Manager” or “Investment Counsel”), which also provides investment counselling services.

Investment capital is contributed to the Trust through the purchase of Series A, B or F units at a net asset value established on a monthly basis (note 10).

2. Significant accounting policies:

The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to investment companies. The significant accounting policies are described below.

(a) Valuation of series:

Net assets are calculated monthly for each series of units. Net assets of a particular series of units is computed by calculating the value of that series’ proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the relative net assets of each series.

Investment income, net realized gains (losses) and change in net unrealized appreciation (depreciation) of securities are allocated among series of units based on each series’ proportionate share of the net assets of the Trust.

(b) Investments:

Investments are stated at period-end fair values, which are generally determined based on closing bid prices reported either by appropriate securities exchanges or in the over-the-counter market (“net assets”). In respect of any securities for which the closing bid price is not considered to be representative of fair value, such securities will be valued at their fair value as determined by the Trustee, in consultation with the Manager, on the basis of the latest reported information available.

The Trust calculates net asset value for unit sales and redemption pricing purposes (“NAV”) on a basis consistent with the investment funds industry, in accordance with Rules and Policies issued by the Canadian Securities Administrators (the “CSA”). A reconciliation between net assets and NAV at the period end is disclosed in note 10.

Average cost is used to compute realized gains and losses on investments.

2. Significant accounting policies (continued):

(c) Transaction costs:

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities by the Trust, are charged to income from operations in the period incurred, as separately disclosed in the statement of operations.

(d) Foreign exchange:

Purchases and sales of foreign securities and the related income and gains (losses) are translated into Canadian dollars at the rate of exchange prevailing at the date of the respective transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the close of each business day. Realized gains and losses and the change in unrealized gains and losses on foreign currency transactions, including the purchase and sale of forward contracts, are included in the statements of operations.

(e) Forward foreign currency contracts:

The Trust may enter into forward foreign currency contracts, the purpose of which is to provide an economic hedge against exposure to foreign currency fluctuations. The carrying value of these forward contracts, which is recorded in the schedule of investments portfolio, is the gain or loss that would be realized if, on valuation day, the positions were closed out. For financial statement purposes this value is recorded as an unrealized gain or loss in the statements of operations. When the contracts are closed or expire, gains and losses are included in realized gains and losses in the statements of operations.

Gains and losses arise due to changes in the value of the foreign currency in relation to the Canadian dollar. Losses may also occur if the counterparty does not perform under the contract.

(f) Income and expenses:

The accrual method of recording income and expenses is followed by the Trust, with dividends recorded as receivable on the ex-dividend date of the related shares. Distributions received from income or royalty trusts are recorded as income, capital gain or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income and royalty trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment and are included as a reduction of the “cost of securities purchased during the year” in the statements of operations.

2. Significant accounting policies (continued):

(g) Per unit values:

Per unit amounts for each series of the Trust are calculated as follows:

Net assets per unit	On the number of units outstanding at the period-end with investments valued using closing bid prices
Net asset value (“NAV “) per unit	On the number of units outstanding at the period-end with investments valued using either the last sale price or the midpoint between closing bid and ask quotations
Income (loss) from operations	On the monthly weighted average number of units outstanding during the period

(h) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

3. Unitholders’ equity:

Pursuant to the Trust Agreement which was amended and restated as of January 1, 2008, the Trust is authorized to issue an unlimited number of units in three distinct series of units as follows:

Series A units were first made available for sale on February 26, 2009 and are available to all investors. May be subject to a fee if redeemed early. Dealers may charge a commission or fee of up to 2% of the total purchase. May be redesignated by the unitholder as Series F.

Series B units are available only from the Manager. May qualify for redesignation by the unitholder as Series A or F. Effective January 1, 2008, all then outstanding units of the Trust were designated as Series B units.

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. May qualify for redesignation by the unitholder as Series A.

Prior to February 26, 2009, Series X units were designated as “Series A units”. As of their redesignation date, Series X units are no longer offered for sale to the public.

Redemptions may only occur on the last business day of every month, with appropriate notice, and may be restricted in certain circumstances in accordance with the Trust Agreement.

3. Unitholders' equity (continued):

Continuity of the number of issued units is summarized as follows:

	2010	2009
Series A:		
Balance, beginning of year	4,375	-
Issued for cash	-	4,375
Redeemed	-	-
Balance, end of year	4,375	4,375
Series B:		
Balance, beginning of year	4,609,224	4,980,847
Issued for cash	304,345	1,346,684
Redeemed	(1,040,673)	(1,718,307)
Balance, end of year	3,872,896	4,609,224
Series F:		
Balance, beginning of year	18,901	21,123
Issued for cash	-	3,510
Redeemed	(3,510)	(5,732)
Balance, end of year	15,391	18,901
Series X:		
Balance, beginning of year	168,975	175,357
Issued for cash	-	1,211
Redeemed	(3,115)	(7,593)
Balance, end of year	165,860	168,975

4. Forward foreign currency contracts:

At December 31, 2010, the Trust had the following outstanding contracts to sell (buy) Euros, Japanese Yen and U.S. dollars and receive Canadian dollars:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date		
EUR 5,500,000	CAD 7,306,200	CAD (7,334,241)	January 18, 2011	$	(28,041)
YEN400,000,000	CAD 4,948,800	CAD (4,903,549)	January 18, 2011		45,251
YEN150,000,000	CAD 1,847,550	CAD (1,838,826)	January 18, 2011		8,724
USD 4,000,000	CAD 4,107,800	CAD (3,976,218)	January 18, 2011		131,582
USD (1,500,000)	CAD(1,553,100)	CAD 1,491,092	January 18, 2011		(62,008)
Net unrealized gain				$	95,508

At December 31, 2009:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date		
YEN133,744,000	CAD 1,599,966	CAD 1,506,225	January 20, 2010	$	93,741
Net unrealized gain				$	93,741

5. Performance incentive fee:

Effective January 1, 2008 (February 26, 2009 for Series A), the Trust will pay the Investment Counsel a performance incentive fee for its services as portfolio advisor at a rate of 20% (the “Incentive Fee Rate”) of:

For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the “Series A Hurdle Rate”).

For Series B and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the “Series B and F Hurdle Rate”).

If in any fiscal year the increase in a series NAV is less than the respective hurdle rate (a shortfall), the difference will be carried forward to the next fiscal year and, after adjustment for series redemptions, deducted from any increase in the NAV in the performance incentive fee calculation of the respective series of the Trust for that year.

5. Performance incentive fee (continued):

For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for contributions, redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the NAV per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

The adjusted shortfall carried forward in respect of each of Series A, B and F of the Trust at December 31, 2010 and December 31, 2009, as applicable, was as follows:

	December 31, 2010	December 31, 2009
Series A	$ 6,562	$ -
Series B	40,159,574	45,015,566
Series F	57,361	64,879

The shortfall carried forward in respect of Series B includes shortfall transferred to the Trust in respect of units issued to investors who redeemed Class B shares of McElvaine Value Fund Ltd and used the proceeds to subscribe for Series B units of the Trust.

No incentive fee was paid in respect of Series X of the Trust during the years ended December 31, 2010 or 2009 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

6. Management fee:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fee (note 5)) on the last business day of the preceding month. Effective January 1, 2008 (February 26, 2009 for Series A), the monthly fee payable to the Manager is based upon the following rates:

Series A 1/12 of 2.0% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Series X 1/12 of 1.2% per annum

7. Financial instruments:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

(a) Currency risk:

Currency risk is the risk that the value of the investments denominated in currencies, other than the Canadian dollar, will fluctuate due to changes in foreign exchange rates. The tables below summarize the Trust's exposure to currency risk as at December 31, 2010 and 2009. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and underlying principal (notional) amount of forward currency contracts, if any).

December 31, 2010	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian dollar	$ 45,987,161	$ 1,257,204	$ (941,350)	$ 16,657,250	$ 62,960,265
US dollar	3,143,414	950	-	(2,485,126)	659,238
European euro	6,763,708	-	-	(7,334,241)	(570,533)
Japanese yen	8,170,465	-	-	(6,742,375)	1,428,090
	$ 64,064,748	$ 1,258,154	$ (941,350)	$ 95,508	$ 64,477,060

December 31, 2009	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian dollar	$ 55,257,721	$ 10,604,270	$ (1,146,310)	$ 1,599,966	$ 66,315,647
US dollar	6,879,166	6,757	-	-	6,885,923
European euro	1,277,828	-	-	-	1,277,828
Japanese yen	1,885,105		-	(1,506,225)	378,880
	$ 65,299,820	$ 10,611,027	$ (1,146,310)	$ 93,741	$ 74,858,278

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net assets of the Trust could have decreased or increased by approximately $76,000 (2009 - increased or decreased by $427,000), respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

7. Financial instruments (continued):

(b) Interest rate risk:

Interest rate risk is the risk that the market value of the Trust's interest bearing investments, such as bonds, money market instruments and debentures, will fluctuate due to changes in market interest rates. The Trust's exposure to interest rate risk is concentrated in its investment in debt securities. As at December 31, 2010, the Trust held one convertible debt security with a fair value of $3,873,120 (6% of net assets) and a maturity date of 2014.

All other securities, comprising equity securities and forward foreign currency contracts, were not subject to significant interest rate risk.

(c) Liquidity risk:

The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent positions to maintain liquidity. The Trust may, from time to time, enter into over-the counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. However, the Trust requires appropriate notice of unit redemptions, which may be restricted in certain circumstances. Accordingly, as at December 31, 2010, the Manager considered that the Trust did not have significant exposure to liquidity risk.

(d) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the counter derivative instruments is represented by any unrealized gain on the contractual obligations with the counterparty as at the reporting date. As at December 31, 2010, the Trust's exposure to credit risk related primarily to the TimberWest Forest Corp. convertible debentures.

(e) Other market risk:

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk.

The geographical and market sector breakdown of securities is disclosed in the Trust's Schedule of Investment Portfolio. For additional information on other market risks, refer to the Trust's Confidential Offering Memorandum.

7. Financial instruments (continued):

(f) Fair value:

Effective January 1, 2009, the Fund adopted the amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures ("S3862"), which established a fair value hierarchy that categorizes the inputs used to calculate a financial instrument's fair value. The hierarchy contains three "levels" of fair value inputs as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1)
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Trust's assets recorded at fair value have been categorised as follows:

December 31, 2010	Level 1	Level 2	Level 3	Total
Equities	$ 58,153,651	$ 2,037,977	$ -	$ 60,191,628
Bonds	-	3,873,120	-	3,873,120
Derivatives (note 4)	-	95,508	-	95,508
	$ 58,153,651	$ 6,006,605	$ -	$ 64,160,256

December 31, 2009	Level 1	Level 2	Level 3	Total
Equities	$ 61,766,042	$ -	$ -	$ 61,766,042
Bonds	-	3,533,778	-	3,533,778
Derivatives (note 4)	-	93,741	-	93,741
	$ 61,766,042	$ 3,627,519	$ -	$ 65,393,561

There were no transfers between Level 1 and Level 2 during the year and no investments were classified as Level 3 investments at any time during the year.

8. Rainmaker Income Fund:

On May 31, 2002, shares held by the Trust in Rainmaker Entertainment Group were exchanged for units in Rainmaker Income Fund. For tax purposes, this transaction resulted in a capital gain of $1,284,893 to the Trust during the year ended December 31, 2002. For accounting purposes, the gain was not recognized as the exchange did not represent the culmination of the earnings process. Accordingly, the cost of the units acquired was recorded at the cost of the shares given up in the exchange. A realized gain or loss on investment will be recorded for accounting purposes when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain.

9. Income taxes:

The Trust qualifies as a mutual fund unit trust under the Income Tax Act (Canada) and is not subject to income tax on the portion of its income, including net realized capital gains, which is paid or payable to unitholders. All or substantially all of the income for income tax purposes of the Trust is distributed to unitholders and, accordingly, no provision for income taxes has been made in the financial statements.

The payment or reinvestment of distributions reduces the net asset value per unit because distributions paid in cash reduce the net assets of the Trust while reinvestment results in an increase in the number of units outstanding.

The Trust has accumulated capital losses of $3,350,979, which may be carried forward indefinitely and applied against capital gains realized in future years.

10. Reconciliation of net assets and net asset value:

In accordance with GAAP, the calculation of the net assets of the Trust for financial reporting purposes (“net assets”) requires investments to be valued using the closing bid price. Consistent with the investment funds industry, in accordance with Rules and Policies issued by the CSA, the Trust determines net asset value (“NAV”) for purposes of unit sales and redemption based upon either last sale price or the midpoint between closing bid and ask quotations.

	NAV	S3855 adjustment	Net Assets
By series at December 31, 2010:			
Series A	$ 58,439	$ (636)	$ 57,803
Series B	63,923,149	(704,591)	63,218,558
Series F	107,148	(1,431)	105,717
Series X	1,107,021	(12,039)	1,094,982
	$ 65,195,757	$ (718,697)	$ 64,477,060

10. Reconciliation of net assets and net asset value (continued):

Per unit at December 31, 2010:			
Series A	$ 13.36	$ (0.15)	$ 13.21
Series B	16.51	(0.19)	16.32
Series F	6.96	(0.09)	6.87
Series X	6.67	(0.07)	6.60

11. Future changes in accounting standards:

The Manager is in the process of implementing a changeover plan to meet the timetable published by the CICA for changeover to International Financial Reporting Standards (“IFRS”) effective January 31, 2013. As at December 31, 2010, the Manager does not believe the impact on net assets from the changeover to IFRS will be significant. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the financial statements of the Trust.