

HYPERION BROOKFIELD STRATEGIC MORTGAGE INCOME FUND, INC.

Form 40-17G

September 26, 2007

Chubb Group of Insurance Companies

15 Mountain View Road, Warren, New Jersey 07059

DECLARATIONS
FINANCIAL INSTITUTION INVEST
COMPANY ASSET PROTECTION BON

NAME OF ASSURED (including its Subsidiaries):

Bond Number: 82047607

THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

FEDERAL INSURANCE COMPANY

THREE WORLD FINANCIAL CENTER
NEW YORK, NY 10281010

Incorporated under the laws
of Indiana a stock insurance
Capital Center, 251 North IL
Suite 110
Indianapolis, IN 46204-1927

ITEM 1. BOND PERIOD: from 12:01 a.m. on July 30, 2007
to 12:01 a.m. on July 30, 2008

ITEM 2. LIMITS OF LIABILITY--DEDUCTIBLE AMOUNTS:

If "Not Covered" is inserted below opposite any specified INSURING CLAUSE, such INSURING CLAUSE and any other reference shall be deemed to be deleted. There shall be no deductible applicable to any loss under INSURING CLAUSE 1. sustained by any Investment Company.

| INSURING CLAUSE ----- | LIMIT OF LIABILITY ----- | DED AMO --- |
|--------------------------|-----------------------------|-------------------|
| 1. Employee | \$ 3,100,000. | \$ 2 |
| 2. On Premises | \$ 3,100,000. | \$ 2 |
| 3. In Transit | \$ 3,100,000. | \$ 2 |

| | | | |
|-----|--|---------------|------|
| 4. | Forgery or Alteration | \$ 3,100,000. | \$ 2 |
| 5. | Extended Forgery | \$ 3,100,000. | \$ 2 |
| 6. | Counterfeit Money | \$ 3,100,000. | \$ 2 |
| 7. | Threats to Person | \$ 3,100,000. | \$ 2 |
| 8. | Computer System | \$ 3,100,000. | \$ 2 |
| 9. | Voice Initiated Funds Transfer Instruction | \$ 3,100,000. | \$ 2 |
| 10. | Uncollectible Items of Deposit | \$ 50,000. | \$ 5 |
| 11. | Audit Expense | \$ 50,000. | \$ 5 |

ITEM 3. THE LIABILITY OF THE COMPANY IS ALSO SUBJECT TO THE TERMS OF THE FOLLOWING ENDORSEMENTS EXECUTED SIMULTANEOUSLY HEREWITH:

- 1) Stop Payment Order or Refusal to Pay Check,
- 2) Unauthorized Signature Endorsement,
- 3) New York Amendatory,
- 4) Deleting Valuation-Other Property,
- 5) Compliance w/ Trade Sanction Laws,
- 6) Amend Name of Assured,
- 7) Revise Item 2 Endorsement

IN WITNESS WHEREOF, THE COMPANY has caused this Bond to be signed by its authorized officers, but it shall not be valid unless also signed by an authorized representative of the Company.

| | |
|------------------|---------------------------|
| /s/ Illegible | /s/ Illegible |
| ----- | ----- |
| Secretary | President |
| | |
| Countersigned by | /s/ Illegible |
| ----- | ----- |
| | Authorized Representative |

ICAP Bond (5-98) - Federal
Form 17-02-1421 (Ed. 5-98) Page 1 of 1

The COMPANY, in consideration of payment of the required premium, and in reliance on the APPLICATION and all other statements made and information furnished to the COMPANY by the ASSURED, and subject to the DECLARATIONS made a part of this Bond and to all other terms and conditions of this Bond, agrees to pay the ASSURED for:

Insuring Clauses

Employee 1. Loss resulting directly from Larceny or Embezzlement committed by an Employee, alone or in collusion with others.

On Premises 2. Loss of Property resulting directly from robbery, burglary, common law or statutory larceny, misplacement, mysterious disappearance, damage, destruction or removal, from the possession or control of the ASSURED, while such Property is lodged on premises located anywhere.

In Transit 3. Loss of Property resulting directly from common law or statutory larceny, misplacement, mysterious unexplainable disappearance, damage or destruction, while the Property is in transit anywhere:

a. in an armored motor vehicle, including loading and unloading

b. in the custody of a natural person acting as a messenger or messenger of the ASSURED,

or

c. in the custody of a Transportation Company and being transported in a conveyance other than an armored motor vehicle provided that the covered Property transported in such manner is limited to

(1) written records,

(2) securities issued in registered form, which are negotiable or are restrictively endorsed, or

(3) negotiable instruments not payable to bearer, which are negotiable or are restrictively endorsed.

Coverage under this INSURING CLAUSE begins immediately upon the loss of such Property by the natural person or Transportation Company and ends immediately on delivery to the premises of the insured or any representative of the addressee located anywhere.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 1 of 19

Insuring Clauses
(continued)

Forgery Or Alteration 4. Loss resulting directly from:

a. Forgery on, or fraudulent material alteration of, any bond, note, check, exchange, checks, drafts, acceptances, certificates of deposit,

notes, due bills, money orders, orders upon public trust, or other written promises, orders or directions to pay sums of money, receipts for the withdrawal of Property, or

- b. transferring, paying or delivering any funds or other Property, establishing any credit or giving any value in reliance on any advices or applications directed to the ASSURED authorizing the transfer, payment, delivery or receipt of funds or other Property, which instructions, advices or applications fraudulently bear the handwritten signature of any customer of the ASSURED, or of any subscriber to shares of an Investment Company, or of an officer, institution or Employee but which instructions, advices or applications either bear a Forgery or have been fraudulently material alterations, without the knowledge and consent of such customer, shareholder, suitor, financial institution or Employee;

excluding, however, under this INSURING CLAUSE any loss covered by INSURING CLAUSE 5. of this Bond, whether or not coverage for such loss under CLAUSE 5. is provided for in the DECLARATIONS of this Bond.

For the purpose of this INSURING CLAUSE, a mechanically reproduced signature is treated the same as a handwritten signature.

Extended Forgery

- 5. Loss resulting directly from the ASSURED having, in good faith and in the ordinary course of business, for its own account or the account of any person in any capacity:

- a. acquired, accepted or received, accepted or received, sold, transferred, delivered, or given value, extended credit or assumed liability on any original Securities, documents or other written instruments

- (1) bear a Forgery or a fraudulently material alteration;

- (2) have been lost or stolen, or

- (3) be Counterfeit, or

- b. guaranteed in writing or witnessed any signatures on any transfer, assignment, bill of sale, power of attorney, guarantee, endorsement, or other obligation upon or in connection with any Securities, documents, or other written instruments.

Actual physical possession, and continued actual physical possession, as collateral, of such Securities, documents or other written instruments by the ASSURED, its Employee, Custodian, or a Federal or State chartered depository institution is a condition precedent to the ASSURED having relied on such collateral. Release or return of such collateral is an acknowledgment by the ASSURED that it no longer relies on such collateral.

Insuring Clauses

Extended Forgery
(continued)

For the purpose of this INSURING CLAUSE, a mechanically reproduced signature is treated the same as a handwritten signature.

Counterfeit Money

6. Loss resulting directly from the receipt by the ASSURED in good faith of Counterfeit money.

Threats To Person

7. Loss resulting directly from surrender of Property away from the ASSURED as a result of a threat communicated to the ASSURED to the harm to an Employee as defined in Section 1.e. (1), (2) and (3) or an invitee of such Employee, or a resident of the household of such Employee, or allegedly is, being held captive provided, however, that the surrender of such Property:

a. the Employee who receives the threat has made a reasonable effort to notify an officer of the ASSURED who is not involved in the threat and

b. the ASSURED has made a reasonable effort to notify the appropriate office of Investigation and local law enforcement authorities of such threat.

It is agreed that for purposes of this INSURING CLAUSE, any Employee of the ASSURED, as set forth in the preceding paragraph, shall be deemed to be an Employee hereunder, but only with respect to the surrender of such Property and other tangible personal property in which such Employee has an equitable interest.

Computer System

8. Loss resulting directly from fraudulent:

a. entries of data into, or

b. changes of data elements or programs within, a Computer System, provided the fraudulent entry or change causes:

(1) funds or other property to be transferred, paid or

(2) an account of the ASSURED or of its customer to be deleted, debited or credited, or

(3) an unauthorized account or a fictitious account to be opened or credited.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 3 of 19

Insuring Clauses
(continued)

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Voice Initiated Funds
Transfer Instruction

9. Loss resulting directly from Voice Initiated Funds Transfer Instruction directed to the ASSURED authorizing the transfer of dividends of Investment Company shares from a Customer's account, provided the Transfer Instruction was:
- a. received at the ASSURED'S offices by those Employees of the ASSURED specifically authorized to receive the Voice Initiated Funds Transfer Instruction,
 - b. made by a person purporting to be a Customer, and
 - c. made by said person for the purpose of causing the ASSURED to sustain a loss or making an improper personal financial gain to the person or any other person.

In order for coverage to apply under this INSURING CLAUSE, the Voice Initiated Funds Transfer Instructions must be received, reviewed and processed in accordance with the Designated Procedures set forth in the APPLICATION furnished to the COMPANY.

Uncollectible Items of
Deposit

10. Loss resulting directly from the ASSURED having credited an account of a customer, shareholder or subscriber on the faith of any Item of Deposit which prove to be uncollectible, provided that the crediting was caused by:
- a. redemptions or withdrawals to be permitted,
 - b. shares to be issued, or
 - c. dividends to be paid, from an account of an Investment Company.

In order for coverage to apply under this INSURING CLAUSE, the ASSURED shall hold Items of Deposit for the minimum number of days stated in the APPLICATION before permitting any redemptions or withdrawals, issuing shares or paying any dividends with respect to such Items of Deposit.

Items of Deposit shall not be deemed uncollectible until the standard collection procedures have failed.

Audit Expense

11. Expense incurred by the ASSURED for that part of the cost of examinations required by any governmental regulatory authority or self-regulatory organization to be conducted by such authority or appointee by reason of the discovery of loss sustained by the ASSURED under the Bond.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 4 of 19

General Agreements

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Additional Companies
Included As Assured

A. If more than one corporation, or Investment Company, or any other entity, or any of them is included as the ASSURED herein:

- (1) The total liability of the COMPANY under this Bond for loss sustained by any one or more or all of them shall not exceed the limit for which the COMPANY would be liable under this Bond if the loss were sustained by any one of them.
- (2) Only the first named ASSURED shall be deemed to be the representative of the others for all purposes under this Bond, including but not limited to the giving or receiving of any notice required to be given and for the purpose of effecting or accepting any amendments to or termination of this Bond. The COMPANY shall furnish each Investment Company with a copy of this Bond and with any amendment thereto, together with a copy of any formal filing of claim by any other named ASSURED, and with notification of the terms of the settlement of each claim, prior to the execution of such settlement.
- (3) The COMPANY shall not be responsible for the proper application of any payment made hereunder to the first named ASSURED.
- (4) Knowledge possessed or discovery made by any partner, director, trustee, officer or supervisory employee of any ASSURED shall be deemed to be knowledge or discovery by all the ASSUREDS for the purposes of this Bond.
- (5) If the first named ASSURED ceases for any reason to be named under this Bond, then the ASSURED next named on the APPLICATION shall thereafter be considered as the first named ASSURED for the purposes of this Bond.

Representation Made By
Assured

B. The ASSURED represents that all information it has furnished in the APPLICATION for this Bond or otherwise is complete, true and correct, and that the APPLICATION and other information constitute part of this Bond.

The ASSURED must promptly notify the COMPANY of any change in circumstance which materially affects the risk assumed by the ASSURED under this Bond.

Any intentional misrepresentation, omission, concealment or statement of a material fact, in the APPLICATION or otherwise, shall constitute a breach of this Bond.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 5 of 19

General Agreements
(continued)

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Additional Offices Or
Employees - Consolidation
Merger Or Purchase Or
Acquisition Of Assets
Or Liabilities - Notice
To Company

C. If the ASSURED, other than an Investment Company, while this force merges or consolidates with, or purchases or acquires of another institution, the ASSURED shall not have the cover this Bond for loss which has:

- (1) occurred or will occur on premises, or
- (2) been caused or will be caused by an employee, or
- (3) arisen or will arise out of the assets or liabilities, of such institution, unless the ASSURED:
 - a. gives the COMPANY written notice of the proposed cons merger or purchase or acquisition of assets or liability proposed effective date of such action, and
 - b. obtains the written consent of the COMPANY to extend so the coverage provided by this Bond to such additional e
 - c. on obtaining such consent, pays to the COMPANY an addit premium.

Change Of Control -
Notice To Company

D. When the ASSURED learns of a change in control (other than Company), as set forth in Section 2(a) (9) of the Investme 1940, the ASSURED shall within sixty (60) days give writte COMPANY setting forth:

- (1) the names of the transferors and transferees (or the nam beneficial owners if the voting securities are regis another name),
- (2) the total number of voting securities owned by the tr and the transferees (or the beneficial owners), both im before and after the transfer, and
- (3) the total number of outstanding voting securities. F give the required notice shall result in termination of for any loss involving a transferee, to be effective on control.

Court Costs And
Attorneys' Fees

E. The COMPANY will indemnify the ASSURED for court costs and attorneys' fees incurred and paid by the ASSURED in defens successful, whether or not fully litigated on the merits a settled, of any claim, suit or legal proceeding with respe would be entitled to recovery under this Bond. However, w

CLAUSE 1., this Section shall only apply in the event that

- (1) an Employee admits to being guilty of Larceny or Embe
- (2) an Employee is adjudicated to be guilty of Larceny or
or

General Agreements

Court Costs And
Attorney's Fees
(continued)

(3) in the absence of 1 or 2 above, an arbitration panel a review of an agreed statement of facts between the COM that an Employee would be found guilty of Larceny or E such Employee were prosecuted.

The ASSURED shall promptly give notice to the COMPANY of any such legal proceeding and at the request of the COMPANY shall furnish pleadings and pertinent papers to the COMPANY. The COMPANY may, a sole option, elect to conduct the defense of all or part of such The defense by the COMPANY shall be in the name of the ASSURED th attorneys selected by the COMPANY. The ASSURED shall provide all information and assistance as required by the COMPANY for such de

If the COMPANY declines to defend the ASSURED, no settlement with prior written consent of the COMPANY nor judgment against the ASS determine the existence, extent or amount of coverage under this

If the amount demanded in any such suit or legal proceeding is wi DEDUCTIBLE AMOUNT, if any, the COMPANY shall have no liability fo costs and attorney's fees incurred in defending all or part of su proceeding.

If the amount demanded in any such suit or legal proceeding is in LIMIT OF LIABILITY stated in ITEM 2. of the DECLARATIONS for the INSURING CLAUSE, the COMPANY'S liability for court costs and atto incurred in defending all or part of such suit or legal proceedin the proportion of such court costs and attorney's fees incurred t LIABILITY stated in ITEM 2. of the DECLARATIONS for the applicabl CLAUSE bears to the total of the amount demanded in such suit or proceeding.

If the amount demanded is any such suit or legal proceeding is in DEDUCTIBLE AMOUNT, if any, but within the LIMIT OF LIABILITY stat

2. of the DECLARATIONS for the applicable INSURING CLAUSE, the COMPA for court costs and attorney's fees incurred in defending all or part of such suit or legal proceedings shall be limited to the pr court costs or attorney's fees that the amount demanded that woul under this Bond after application of the DEDUCTIBLE AMOUNT, bears amount demanded.

Amounts paid by the COMPANY for court costs and attorneys' fees s addition to the LIMIT OF LIABILITY stated in ITEM 2. of the DECLA

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 7 of 19

Conditions And
Limitations

Definitions

1. As used in this Bond:
 - a. Computer System means a computer and all input, o

processing, storage, off-line media libraries, and communication facilities which are connected to the computer and which are under the control and supervision of the operating system(s) and the software used by the ASSURED.

- b. Counterfeit means an imitation of an actual valid original which is intended to deceive and be taken as the original.
- c. Custodian means the institution designated by an Investment Company to maintain possession and control of its assets.
- d. Customer means an individual, corporate, partnership, trust, customer, shareholder or subscriber of an Investment Company which has a written agreement with the ASSURED for an Initiated Funds Transfer Instruction.
- e. Employee means:

- (1) an officer of the ASSURED,
- (2) a natural person while in the regular service of the ASSURED at any of the ASSURED'S premises and compensated by the ASSURED through its payroll system and subject to the United States Internal Revenue Service Form W-2 or equivalent reporting plans of other countries, and whom the ASSURED has the right to control and direct both as to the manner in which the work is accomplished and details and means by which the work is accomplished in the performance of such service,
- (3) a guest student pursuing studies or performing duties at any of the ASSURED'S premises,
- (4) an attorney retained by the ASSURED and an employee of the ASSURED while either is performing legal services for the ASSURED,
- (5) a natural person provided by an employment contract to perform employee duties for the ASSURED under the ASSURED'S contract at any of the ASSURED'S premises,
- (6) an employee of an institution merged or consolidated with the ASSURED prior to the effective date of this Bond
- (7) a director or trustee of the ASSURED, but only if the person acts within the scope of the customary and usual duties of an officer or other employee of the ASSURED or was a member of any committee duly elected or appointed to conduct an audit or have custody of or access to Property of the ASSURED.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 8 of 19

Conditions And
Limitations

Definitions
(continued)

- (8) each natural person, partnership or corporation which has a written agreement with the ASSURED to perform services as a

processor of checks or other accounting records but only while such person, partnership or corporation is performing such services and not:

- a. creating, preparing, modifying or maintaining computer software or programs, or
 - b. acting as transfer agent or in any other capacity in connection with issuing checks, drafts or securities for the account of the Company.
- (9) any partner, officer or employee of an investment company, underwriter (distributor), a transfer agent, an accountant, an accounting recordkeeper, or an administrator, of the Company while performing acts coming within the scope of the customary and usual duties of an officer or employee of an Investment Company or acting as a member of any committee, board, elected or appointed to examine, audit or have access to Property of an Investment Company.

The term Employee shall not include any partner, officer, transfer agent, shareholder accounting recordkeeper, or administrator of the Company.

- a. which is not an "affiliated person" (as defined in Section 2 of the Investment Company Act of 1940) of the Company or of the investment advisor or underwriter of the Investment Company, or
- b. which is a "bank" (as defined in Section 2 of the Investment Company Act of 1940).

This Bond does not afford coverage in favor of the ASSURED persons as set forth in e. (4), (5) and (8) of this Bond for the ASSURED by the COMPANY resulting from an Embezzlement committed by any of the partners or employees of such employers, whether acting alone or in connection with an assignment of such of the ASSURED'S rights to the ASSURED it may have against such employers by reason of this Bond shall, to the extent of such payment, be given to the ASSURED COMPANY, and the ASSURED shall execute all assignments of such rights to the COMPANY the rights provided for hereunder.

Each employer of persons as set forth in e. (4), (5) and (8) above and the partners, officers and other employees of such employers shall collectively be deemed to be the ASSURED for all the purposes of this Bond; excepting, however, the provisions of paragraph of Section 13.

Independent contractors not specified in e. (4), (5) and (8) above, intermediaries, agents, brokers, salesmen, and representatives of the same general character shall not be considered Employees.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 9 of 19

Conditions And
Limitations

Definitions
(continued)

- f. Forgery means the signing of the name of another natural person with intent to deceive but does not mean a signature which consists in whole or in part of one's own name, with or without authority, for any purpose.
- g. Investment Company means any investment company registered under the Investment Company Act of 1940 and listed under the NAME OF ASSURED on the DECLARATIONS.
- h. Items of Deposit means one or more checks or drafts drawn upon a financial institution in the United States of America.
- i. Larceny or Embezzlement means larceny or embezzlement as defined in Section 37 of the Investment Company Act of 1940.
- j. Property means money, revenue and other stamps; securities; including any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of deposit, certificate of interest or participation in any profit-sharing agreement, collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any interest or instruments commonly known as a security under the Investment Company Act of 1940, any other certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the foregoing; bills of exchange; acceptances; checks; withdrawal orders; money orders; travelers' letters of credit; bills of lading; abstracts of title; insurance policies, deeds, mortgages on real estate and/or upon chattels and interests therein; assignments of such policies, deeds or mortgages; other valuable papers, including books of accounts and other records used by the ASSURED in the conduct of its business (but excluding all electronic data processing records); and, all other instruments similar to or in the nature of the foregoing in which the ASSURED acquired an interest at the time of the ASSURED'S consolidation or merger with, or purchase of the principal assets of, a predecessor or which are held by the ASSURED for any purpose or in any capacity and whether so held gratuitously or not and whether or not the ASSURED is liable therefor.
- k. Relative means the spouse of an Employee or partner of the ASSURED and any unmarried child supported wholly by, or living in the home of, such Employee or partner and being related to them by blood, marriage or legal guardianship.
- l. Securities, documents or other written instruments means original (including original counterparts) negotiable or non-negotiable instruments, or assignments thereof, which in and of themselves represent an equitable interest, ownership, or debt and which are in the ordinary course of business transferable by delivery of such instruments with any necessary endorsements or assignments.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 10 of 19

Conditions And
Limitations

Definitions
(continued)

- m. Subsidiary means any organization that, at the inception date is named in the APPLICATION or is created during the BOND PERIOD of which more than fifty percent (50%) of the outstanding shares or voting rights representing the present right to vote for directors is owned or controlled by the ASSURED either directly or through one or more of its subsidiaries.
- n. Transportation Company means any organization which provides transportation or its leased vehicles for transportation or which provides forwarding or air express services.
- o. Voice Initiated Election means any election concerning dividend options available to Investment Company shareholders or subscribers requested by voice over the telephone.
- p. Voice Initiated Redemption means any redemption of shares in an Investment Company which is requested by voice over the telephone.
- q. Voice Initiated Funds Transfer Instruction means any Voice Initiated Redemption or Voice Initiated Election.

For the purposes of these definitions, the singular includes the plural and the plural includes the singular, unless otherwise indicated.

General Exclusions -
Applicable to All
Insuring Clauses

- 2. This bond does not directly or indirectly cover:
 - a. loss not reported to the COMPANY in writing within sixty (60) days of the date of termination of this Bond as an entirety;
 - b. loss due to riot or civil commotion outside the United States of America and Canada, or any loss due to military, naval or usurped power, war or insurrection. This Section 2.b., however, shall not apply to loss which occurs in transit in the circumstances recited in INSURING CLAUSE 3. provided that when such transit was initiated there was no knowledge on the part of any person acting for the ASSURED of such riot, civil commotion, military, naval or usurped power, war or insurrection;
 - c. loss resulting from the effects of nuclear fission or fusion or radioactivity;
 - d. loss of potential income including, but not limited to, interest and dividends not realized by the ASSURED or by any customer of the ASSURED;
 - e. damages of any type for which the ASSURED is legally liable for compensatory damages, but not multiples thereof, arising from the performance of the ASSURED's obligations under the BOND.

covered under this Bond;

- f. costs, fees and expenses incurred by the ASSURED in establishing the existence of or amount of loss under this Bond, except to the extent covered under INSURING CLAUSE 11.;
- g. loss resulting from indirect or consequential loss of any n

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 11 of 19

Conditions And
Limitations

General Exclusions -
Applicable to All
Clauses
(continued)

- h. loss resulting from dishonest acts by any member of the Board or Board of Trustees of the ASSURED who is not an Employee acting alone or in collusion with others;
- i. loss, or that part of any loss, resulting solely from any act of the ASSURED or by any Employee:

(1) of any law regulating:

- a. the issuance, purchase or sale of securities, or securities transactions on security or commodity markets;
- b. exchanges or the over the counter market,
- c. investment companies,
- d. investment advisors, or

(2) of any rule or regulation made pursuant to any such law;

- j. loss of confidential information, material or data;
- k. loss resulting from voice requests or instructions received by telephone, provided however, this Section 2.k. shall not apply to INSURING CLAUSE 7. or 9.

Specific Exclusions -
Applicable To All
Insuring Clauses
Except Insuring
Clause 1.

3. This Bond does not directly or indirectly cover:

- a. loss caused by an Employee, provided, however, this Section shall not apply to loss covered under INSURING CLAUSE 2. or 3. directly from misplacement, mysterious unexplainable disappearance, damage or destruction of Property;
- b. loss through the surrender of property away from premises of the ASSURED as a result of a threat:
 - (1) to do bodily harm to any natural person, except loss of Property in transit in the custody of any person acting for the ASSURED, provided that when such transit was initiated there was no knowledge by the ASSURED of any such threat, and further that this Section 3.b. shall not apply to INSURING CLAUSE 7. or 9.

- (2) to do damage to the premises or Property of the AS
- c. loss resulting from payments made or withdrawals from an account involving erroneous credits to such account;
- d. loss involving Items of Deposit which are not finally paid for any reason provided however, that this Section 3.d. shall not apply to INSURING CLAUSE 10.;
- e. loss of property while in the mail;

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 12 of 19

Conditions And
Limitations

Specific Exclusions -
Applicable To All Insuring
Clauses Except Insuring
Clause 1.
(continued)

- f. loss resulting from the failure for any reason of a financial institution, its depository institution, its receiver or other liquidator or other Property to the ASSURED provided further that this Section shall not apply to loss of Property resulting directly from robbery, theft, misplacement, mysterious unexplainable disappearance, damage, destruction or removal from the possession, custody or control of the ASSURED.
- g. loss of Property while in the custody of a Transportation Carrier; however, that this Section 3.g. shall not apply to INSURING CLAUSE 10.
- h. loss resulting from entries or changes made by a natural person with authorized access to a Computer System who acts in good faith on instructions, unless such instructions are given in writing by a person by a software contractor or its partner, officer, director, employee authorized by the ASSURED to design, develop, supply, service, write or implement programs for the Computer System; or
- i. loss resulting directly or indirectly from the input of information into a Computer System terminal, either on the premises of the customer of the ASSURED or under the control of the customer, by a customer or other person who had authorized access to the customer's authentication mechanism.

Specific Exclusions -
Applicable To All Insuring
Clauses Except Insuring
Clauses 1., 4., And 5

- 4. This bond does not directly or indirectly cover:
 - a. loss resulting from the complete or partial non-payment on any loan whether such loan was procured in good faith or by artifice, fraud or false pretenses; provided, however, that this Section shall not apply to INSURING CLAUSE 8.;
 - b. loss resulting from forgery or any alteration;
 - c. loss involving a counterfeit provided, however, this Section shall not apply to INSURING CLAUSE 5. or 6.

Limit Of Liability/Non-
Reduction And Non-
Accumulation Of Liability

5. At all times prior to termination of this Bond, this Bond shall be limited to the limit stated in the applicable sections of ITEM 2. of the DECLARATIONS notwithstanding any previous loss for which the COMPANY may be liable to pay under this Bond provided, however, that the limit of liability of the COMPANY under this Bond with respect to all loss resulting from:
- a. any one act of burglary, robbery or hold-up, or attempt thereof in which an Employee is concerned or implicated, or
 - b. any one unintentional or negligent act on the part of any person or persons resulting in damage to or destruction or misplacement of any property of the COMPANY, or
 - c. all acts, other than those specified in a. above, of any one person which

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 13 of 19

Conditions And
Limitations

Limit Of Liability/Non-
Reduction And Non-
Accumulation Of Liability
(continued)

- d. any one casualty or event other than those specified in a., b. and c. above shall be deemed to be one loss and shall be limited to the amount of the LIABILITY stated in ITEM 2. of the DECLARATIONS of this Bond and shall not be cumulative with the total amount of such loss or losses and shall not be limited from year to year or from period to period.

All acts, as specified in c. above, of any one person which

- i. directly or indirectly aid in any way wrongful acts of any one person or persons, or
- ii. permit the continuation of wrongful acts of any other person or persons

whether such acts are committed with or without the knowledge of the person so aided, and whether such acts are committed with or without the intent to aid such other person, shall be deemed to be wrongful acts of all persons so aided.

Discovery

6. This Bond applies only to loss first discovered by an officer or employee of the COMPANY during the BOND PERIOD. Discovery occurs at the earlier of an officer or employee of the COMPANY being aware of:
- a. facts which may subsequently result in a loss of a type covered by this Bond, or

- b. an actual or potential claim in which it is alleged that the ASSURED is liable to a third party,

regardless of when the act or acts causing or contributing to the loss occurred, even though the amount of loss does not exceed the DEDUCTIBLE AMOUNT, or the exact amount or details of loss may not then be known.

Notice To Company -
Proof - Legal Proceedings
Against Company

- 7. a. The ASSURED shall give the COMPANY notice thereof at the earliest practicable moment, not to exceed sixty (60) days after the discovery of loss, in an amount that is in excess of 50% of the applicable DEDUCTIBLE AMOUNT, as stated in ITEM 2. of the DECLARATIONS.
- b. The ASSURED shall furnish to the COMPANY proof of loss, including a copy of the police report, to, with full particulars within six (6) months after the discovery of loss.
- c. Securities listed in a proof of loss shall be identified by their CUSIP numbers, if issued with them.
- d. Legal proceedings for the recovery of any loss under this policy shall not be brought prior to the expiration of sixty (60) days after the discovery of loss is filed with the COMPANY or after the expiration of sixty (60) days from the discovery of such loss.
- e. This Bond affords coverage only in favor of the ASSURED. Any lawsuit, action or legal proceedings shall be brought under this policy by anyone other than the ASSURED.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 14 of 19

Conditions And
Limitations

Notice To Company -
Proof - Legal Proceedings
Against Company
(continued)

- f. Proof of loss involving Voice Initiated Funds Transfer (VIFT) shall include electronic recordings of such instructions.

Deductible Amount

- 8. The COMPANY shall not be liable under any INSURING CLAUSES of this policy on account of loss unless the amount of such loss, after deduction of the DEDUCTIBLE AMOUNT, is more than the amount of all reimbursement and/or recovery obtained or made by the ASSURED from any Bond or policy of insurance issued by an insurer covering such loss, or by the COMPANY on account thereof prior to the discovery of such loss, shall exceed the DEDUCTIBLE AMOUNT stated in ITEM 3. of the DECLARATIONS, and then for such excess only, but not for more than the applicable LIMITS OF LIABILITY stated in ITEM 4. of the DECLARATIONS.

There shall be no deductible applicable to any loss under INS sustained by any Investment Company.

Valuation

9. BOOKS OF ACCOUNT OR OTHER RECORDS

The value of any loss of Property consisting of books of account records used by the ASSURED in the conduct of its business shall be the value of the ASSURED for blank books, blank pages, or other materials lost or destroyed, plus the cost of labor and materials used by the ASSURED for the actual transcription or copying of data to new books of account or other records.

The value of any loss of Property other than books of account records used by the ASSURED in the conduct of its business, for which no market value shall be determined by the average market value of such Property on the first business day immediately preceding discovery of such loss provided that the value of any Property replaced by the ASSURED with that of the COMPANY and prior to the settlement of any claim for such Property shall be the actual market value at the time of replacement.

In the case of a loss of interim certificates, warrants, rights, or securities, the production of which is necessary to the exercise of redemption or deposit privileges, the value of them shall be the value of such privileges immediately preceding their expiration if discovered until after their expiration. If no market price is available or for such privileges, the value shall be fixed by agreement.

OTHER PROPERTY

The value of any loss of Property, other than as stated above, shall be the actual cash value or the cost of repairing or replacing such Property of like quality and value, whichever is less.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 15 of 19

Conditions And
Limitations

(continued)

Securities Settlement

10. In the event of a loss of securities covered under this Bond, the COMPANY, at its sole discretion, purchase replacement securities, tender the securities in money, or issue its indemnity to effect replacement of the securities.

The indemnity required from the ASSURED under the terms of this Bond shall be against all loss, cost or expense arising from the replacement of the securities by the COMPANY'S indemnity shall be:

- a. for securities having a value less than or equal to the applicable DEDUCTIBLE AMOUNT - one hundred (100%) percent;

- b. for securities having a value in excess of the DEDUCTIBLE within the applicable LIMIT OF LIABILITY - the percentage DEDUCTIBLE AMOUNT bears to the value of the securities;
- c. for securities having a value greater than the applicable LIABILITY - the percentage that the DEDUCTIBLE AMOUNT and the applicable LIMIT OF LIABILITY bears to the value of the securities.

The value referred to in Section 10.a., b., and c. is in accordance with Section 9, VALUATION, regardless of the value of the securities at the time the loss under the COMPANY'S indemnity is sustained.

The COMPANY is not required to issue its indemnity for any loss of securities which is not covered by this Bond; however, the COMPANY may do so as a courtesy to the ASSURED in its sole discretion.

The ASSURED shall pay the proportion of the Company's premium for the Company's indemnity as set forth in Section 10.a. No portion of the LIMIT OF LIABILITY shall be used as premium for any indemnity purchased by the ASSURED for replacement securities.

Subrogation - Assignment - 11.
Recovery

In the event of a payment under this Bond, the COMPANY shall assign all of the ASSURED'S rights of recovery against any person to the extent of such payment. On request, the ASSURED shall deliver an assignment of the ASSURED'S rights, title and interest and shall release against any person or entity to the extent of such payment.

Recoveries, whether effected by the COMPANY or by the ASSURED, shall be applied net of the expense of such recovery in the following order:

- a. first, to the satisfaction of the ASSURED'S loss which has been paid but for the fact that it is in excess of the LIMIT OF LIABILITY,
- b. second, to the COMPANY in satisfaction of amounts paid by the ASSURED of the ASSURED'S claim,
- c. third, to the ASSURED in satisfaction of the applicable DEDUCTIBLE AMOUNT, and

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 16 of 19

Conditions And
Limitations

Subrogation - Assignment -
Recovery

- d. fourth, to the ASSURED in satisfaction of any loss suffered by the ASSURED which was not covered under this Bond.

(continued)

Recovery from reinsurance or indemnity of the COMPANY shall be deemed a recovery under this section.

Cooperation Of Assured

12. At the COMPANY'S request and at reasonable times and places during the term of the Bond, the ASSURED shall:

- a. submit to examination by the COMPANY and subscribe to the following oath,
- b. produce for the COMPANY'S examination all pertinent records and documents,
- c. cooperate with the COMPANY in all matters pertaining to the Bond.

The ASSURED shall execute all papers and render assistance to the COMPANY in the defense of any suits or causes of action provided for under the Bond. The ASSURED shall do nothing after loss to prejudice such suits or causes of action.

Termination

13. If the Bond is for a sole ASSURED, it shall not be terminated unless written notice shall have been given by the acting party to the affected party to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such termination.

If the Bond is for a joint ASSURED, it shall not be terminated unless written notice shall have been given by the acting party to the affected party, and by the COMPANY to all ASSURED Investment Managers, and to the Securities and Exchange Commission, Washington, D.C., not less than sixty (60) days prior to the effective date of such termination.

This Bond will terminate as to any one ASSURED, other than a sole ASSURED, Company:

- a. immediately on the taking over of such ASSURED by a receiver, trustee, or other liquidator or by State or Federal officials, or
- b. immediately on the filing of a petition under any State or Federal statute relative to bankruptcy or reorganization of the ASSURED or the assignment for the benefit of creditors of the ASSURED,
- c. immediately upon such ASSURED ceasing to exist, whether by merger into another entity, disposition of all of its assets or otherwise.

The COMPANY shall refund the unearned premium computed at such time in accordance with the standard short rate cancellation tables applicable to the ASSURED or pro rata if terminated for any other reason.

Conditions And
Limitations

Termination
(continued)

If any partner, director, trustee, or officer or supervisory ASSURED not acting in collusion with an Employee learns of a dishonest act committed by such Employee at any time, whether by the ASSURED or otherwise, whether or not such act is of the type covered by this Bond, and whether against the ASSURED or any other person covered by this Bond, the ASSURED:

- a. shall immediately remove such Employee from a position and shall not enable such Employee to cause the ASSURED to suffer any loss covered by this Bond; and
- b. within forty-eight (48) hours of learning that an Employee has committed any dishonest act, shall notify the COMPANY of such act, take action and provide full particulars of such dishonest act.

The COMPANY may terminate coverage as respects any Employee within ten (10) days after written notice is received by each ASSURED Investor and the Securities and Exchange Commission, Washington, D.C. to terminate this Bond as to such Employee.

Other Insurance

14. Coverage under this Bond shall apply only as excess over any other insurance, indemnity or suretyship obtained by or on behalf of:
- a. the ASSURED,
 - b. a Transportation Company, or
 - c. another entity on whose premises the loss occurred or which was owned by the person causing the loss or engaged the messenger conveying the Property involved.

Conformity

15. If any limitation within this Bond is prohibited by any law, regulation or construction, such limitation shall be deemed to be amended to conform to the minimum period of limitation provided by such law.

Change or Modification

16. This Bond or any instrument amending or affecting this Bond shall not be amended or modified orally. No change in or modification of this Bond shall be effective except when made by written endorsement to this Bond by a representative of the COMPANY.

If this Bond is for a sole ASSURED, no change or modification of this Bond would adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been given to the Securities and Exchange Commission, Washington, D.C. by the acting party.

Conditions And
Limitations

Change or Modification
(continued)

If this Bond is for a joint ASSURED, no charge or modification which adversely affect the rights of the ASSURED shall be effective prior to (60) days after written notice has been furnished to all insured parties and to the Securities and Exchange Commission, Washington, D.C., and the COMPANY.

ICAP Bond (5-98)
Form 17-02-1421 (Ed. 5-98) Page 19 of 19

FEDERAL INSURANCE COMPANY

Endorsement No.: 1 Bond

Bond Number: 82047607

NAME OF ASSURED: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

STOP PAYMENT ORDER OR REFUSAL TO PAY CHECK ENDORSEMENT

It is agreed that this Bond is amended as follows:

1. By adding the following INSURING CLAUSE:

"12. Stop Payment Order or Refusal to Pay Check

Loss resulting directly from the ASSURED being legally liable to pay compensatory damages for:

- a. complying or failing to comply with notice from any customer of the ASSURED or any authorized representative of such customer, to stop payment on any check or draft made or drawn upon or against the ASSURED by such customer or by any authorized representative of such customer, or
- b. refusing to pay any check or draft made or drawn upon or against the ASSURED by any customer of the ASSURED or by any authorized representative of such customer."

2. By adding the following Specific Exclusion:

"Section 4.A. Specific Exclusions - Applicable to INSURING CLAUSE 12

This Bond does not directly or indirectly cover:

- a. liability assumed by the ASSURED by agreement under any contract, unless such liability would have attached to the ASSURED even in the absence of such agreement,
- b. loss arising out of:
 - (1) libel, slander, wrongful entry, eviction, defamation, false

arrest, false imprisonment, malicious prosecution, assault or battery,

(2) sickness, disease, physical bodily harm, mental or emotional distress or anguish, or death of any person, or

(3) discrimination."

This Endorsement applies to loss discovered after 12:01 a.m. on July 30, 2007.

/s/ Illegible

By -----
Authorized Representative

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 24, 2007

ICAP Bond

Form 17-02-2365 (Ed. 10-00)

FEDERAL INSURANCE COMPANY

Endorsement No.: 2 Bond

Bond Number: 82047607

NAME OF ASSURED: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

UNAUTHORIZED SIGNATURE ENDORSEMENT

It is agreed that this Bond is amended as follows:

1. By adding the following INSURING CLAUSE:

13. Unauthorized Signature

Loss resulting directly from the ASSURED having accepted, paid or cashed any check or Withdrawal Order made or drawn on or against the account of the ASSURED'S customer which bears the signature or endorsement of one other than a person whose name and signature is on file with the ASSURED as a signatory on such account. It shall be a condition precedent to the ASSURED'S right of recovery under this INSURING CLAUSE that the ASSURED shall have on file signatures of all the persons who are signatories on such account.

2. By adding to Section 1., Definitions, the following:

r. Instruction means a written order to the issuer of an Uncertificated Security requesting that the transfer, pledge or release from pledge of the specified Uncertificated Security be registered.

s. Uncertificated Security means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer, which is:

- (1) not represented by an instrument and the transfer of which is registered on books maintained for that purpose by or on behalf of the issuer, and
- (2) of a type commonly dealt in on securities exchanges or markets, and
- (3) either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

ICAP Bond
Form 17-02-5602 (Ed. 10-03) Page 1

- t. Withdrawal Order means a non-negotiable instrument, other than an Instruction, signed by a customer of the ASSURED authorizing the ASSURED to debit the customer's account in the amount of funds stated therein.

This Endorsement applies to loss discovered after 12:01 a.m. on July 30, 2007.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 24, 2007

/s/ Illegible
By -----
Authorized Representative

ICAP Bond
Form 17-02-5602 (Ed. 10-03) Page 2

FEDERAL INSURANCE COMPANY

Endorsement No.: 3 Bond

Bond Number: 82047607

NAME OF ASSURED: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

NEW YORK AMENDATORY ENDORSEMENT

It is agreed that this Bond is amended as follows:

1. By adding to Section 13, Termination, the following:

Bonds In Effect Sixty (60) Days Or Less

If this Bond has been in effect for less than sixty (60) days and if it is not a renewal Bond, the COMPANY may terminate it for any reason by mailing or delivering to the ASSURED and to the authorized agent or broker, if any,

written notice of termination at least sixty (60) days before the effective date of termination.

Bonds In Effect More Than Sixty (60) Days

If this Bond has been in effect for sixty (60) days or more, or if it is a renewal of a Bond issued by the COMPANY, it may be terminated by the COMPANY by mailing or delivering to the ASSURED and to the authorized agent or broker, if any, written notice of termination at least sixty (60) days before the effective date of termination. Furthermore, when the Bond is a renewal or has been in effect for sixty (60) days or more, the COMPANY may terminate only for one or more of the reasons stated in 1-7 below.

1. Nonpayment of premium;
2. Conviction of a crime arising out of acts increasing the hazard insured against;
3. Discovery of fraud or material misrepresentation in the obtaining of this Bond or in the presentation of a claim thereunder;
4. Violation of any provision of this Bond that substantially and materially increases the hazard insured against, and which occurred subsequent to inception of the current BOND PERIOD;
5. If applicable, material physical change in the property insured, occurring after issuance or last annual renewal anniversary date of this Bond, which results in the property becoming uninsurable in accordance with the COMPANY's objective, uniformly applied underwriting standards in effect at the time this Bond was issued or last renewed; or material change in the nature or extent of this Bond occurring after issuance or last annual renewal anniversary date of this Bond, which causes the risk of loss to be substantially and materially increased beyond that contemplated at the time this Bond was issued or last renewed;

ICAP Bond - New York
Form 17-02-2863 (Rev. 7-03) Page 1

6. A determination by the Superintendent of Insurance that continuation of the present premium volume of the COMPANY would jeopardize the COMPANY's policyholders, creditors or the public, or continuing the Bond itself would place the COMPANY in violation of any provision of the New York Insurance Code; or
7. Where the COMPANY has reason to believe, in good faith and with sufficient cause, that there is a probable risk or danger that the Property will be destroyed by the ASSURED for the purpose of collecting the insurance proceeds.

Notice Of Termination

Notice of termination under this SECTION shall be mailed to the ASSURED and

to the authorized agent or broker, if any, at the address shown on the DECLARATIONS of this Bond. The COMPANY, however, may deliver any notice instead of mailing it. Return Premium Calculations

The COMPANY shall refund the unearned premium computed pro rata if this Bond is terminated by the COMPANY."

2. By adding a new Section reading as follows:

"Section 17. Election To Conditionally Renew / Nonrenew This Bond

Conditional Renewal

If the COMPANY conditionally renews this Bond subject to:

1. Change of limits of liability;
2. Change in type of coverage;
3. Reduction of coverage;
4. Increased deductible;
5. Addition of exclusion; or
6. Increased premiums in excess of 10%, exclusive of any premium increase due to and commensurate with insured value added; or as a result of experience rating, retrospective rating or audit; the COMPANY shall send notice as provided in Notices Of Nonrenewal And Conditional Renewal immediately below.

Notices Of Nonrenewal And Conditional Renewal

1. If the COMPANY elects not to renew this Bond, or to conditionally renew this Bond as provided herein, the COMPANY shall mail or deliver written notice to the ASSURED at least sixty (60) but not more than one hundred twenty (120) days before:
 - a. The expiration date; or
 - b. The anniversary date if this Bond has been written for a term of more than one year.

ICAP Bond - New York
Form 17-02-2863 (Rev. 7-03) Page 2

2. Notice shall be mailed or delivered to the ASSURED at the address shown on the DECLARATIONS of this Bond and the authorized agent or broker, if any. If notice is mailed, proof of mailing shall be sufficient proof of notice.
 3. Paragraphs 1. and 2. immediately above shall not apply when the ASSURED, authorized agent or broker, or another insurer has mailed or delivered written notice to the COMPANY that the Bond has been replaced or is no longer desired.
3. By adding to General Agreement B., Representations Made By Assured, the

following:

No misrepresentation shall be deemed material unless knowledge by the COMPANY would have lead to the COMPANY'S refusal to write this Bond.

This Endorsement applies to loss discovered after 12:01 a.m. on July 30, 2007.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 24, 2007

/s/ Illegible
By -----
Authorized Representative

ICAP Bond - New York
Form 17-02-2863 (Rev. 7-03) Page 3

ENDORSEMENT/RIDER

Effective date of

this endorsement/rider: July 30, 2007

FEDERAL INSURANCE COMPANY
Endorsement/Rider No. 4 Bond
To be attached to and
form a part of Bond No. 82047607

Issued to: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

DELETING VALUATION-OTHER PROPERTY AND AMENDING CHANGE OR MODIFICATION
ENDORSEMENT

In consideration of the premium charged, it is agreed that this Bond is amended as follows:

1. The paragraph titled Other Property in Section 9, Valuation, is deleted in its entirety.
2. The third paragraph in Section 16, Change or Modification, is deleted in its entirety and replaced with the following:

If this Bond is for a joint ASSURED, no change or modification which would adversely affect the rights of the ASSURED shall be effective prior to sixty (60) days after written notice has been furnished to all insured Investment Companies and the Securities and Exchange Commission, Washington, D.C., by the COMPANY.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this Bond shall remain unchanged.

/s/ Illegible

Authorized Representative

17-02-2437 (12/2006) rev. Page 1

Effective date of
this endorsement: July 30, 2007

FEDERAL INSURANCE COMPANY
Endorsement No.: 5 Bond
To be attached to and form a
part of Bond Number: 82047607

Issued to: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS RIDER

It is agreed that this insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit the coverage provided by this insurance.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 24, 2007

/s/ Illegible

By -----
Authorized Representative

Form 14-02-9228 (Ed. 4/2004)

FEDERAL INSURANCE COMPANY
Endorsement No: 6 BOND
Bond Number: 82047607

NAME OF ASSURED: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

AMEND NAME OF ASSURED ENDORSEMENT

It is agreed that NAME OF ASSURED of the DECLARATIONS for this Bond is amended to include the following:

The Hyperion Brookfield Total Return Fund, Inc.
The Hyperion Brookfield Strategic Mortgage Income Fund Inc.
The Hyperion Brookfield Income Fund, Inc
The Hyperion Brookfield Collateralized Security Fund, Inc.

This Endorsement applies to loss discovered after 12:01 a.m. on July 30, 2007.
ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 24, 2007

/s/ Illegible
 By -----
 Authorized Representative

ICAP Bond
 Form 17-02-6272 (Ed. 8-04) Page 1

FEDERAL INSURANCE COMPANY
 Endorsement No. 7 Bond
 Bond Number: 82047607

NAME OF ASSURED: THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

REVISE ITEM 2. ENDORSEMENT

It is agreed that this Bond is amended by deleting ITEM 2. in its entirety on the DECLARATIONS and substituting the following:

ITEM 2. LIMITS OF LIABILITY-DEDUCTIBLE AMOUNTS:

If "Not Covered" is inserted below opposite any specified INSURING CLAUSE, such INSURING CLAUSE and any other reference to such INSURING CLAUSE in this Bond shall be deemed to be deleted. There shall be no deductible applicable to any loss under INSURING CLAUSE 1 sustained by any Investment Company.

| INSURING CLAUSE ----- | SINGLE LOSS LIMIT OF LIABILITY ----- | DEDUCTI AMOUNT ----- |
|---|--|----------------------------|
| 1. Employee | \$ 3,100,000. | \$ 25,000 |
| 2. On Premises | \$ 3,100,000. | \$ 25,000 |
| 3. In Transit | \$ 3,100,000. | \$ 25,000 |
| 4. Forgery or Alteration | \$ 3,100,000. | \$ 25,000 |
| 5. Extended Forgery | \$ 3,100,000. | \$ 25,000 |
| 6. Counterfeit Currency | \$ 3,100,000. | \$ 25,000 |
| 7. Threats to Person | \$ 3,100,000. | \$ 25,000 |
| 8. Computer System | \$ 3,100,000. | \$ 25,000 |
| 9. Voice Initiated Funds Transfer Instruction | \$ 3,100,000. | \$ 25,000 |
| 10. Uncollectible Items of Deposit | \$ 50,000. | \$ 5,000 |

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| | | | |
|-----|--|------------|----------|
| 11. | Audit Expense | \$ 50,000. | \$ 5,000 |
| 12. | Stop Payment Order or Refusal to Pay Check | \$ 25,000. | \$ 5,000 |
| 13. | Unauthorized Signature | \$ 25,000. | \$ 5,000 |

This Endorsement applies to loss discovered after 12:01 a.m. on July 30, 2007.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 24, 2007

/s/ Illegible
By -----
Authorized Representative

ICAP Bond
Form 17-02-1582 (Ed. 5-98)

Page 1

IMPORTANT NOTICE TO POLICYHOLDERS

All of the members of the Chubb Group of Insurance companies doing business in the United States (hereinafter "Chubb") distribute their products through licensed insurance brokers and agents ("producers"). Detailed information regarding the types of compensation paid by Chubb to producers on US insurance transactions is available under the Producer Compensation link located at the bottom of the page at www.chubb.com, or by calling 1-866-588-9478. Additional information may be available from your producer.

Thank you for choosing Chubb.

10-02-1295 (ed. 5/2007)

Important Notice:

The SEC Requires Proof of Your Fidelity Insurance Policy

Your company is now required to file an electronic copy of your fidelity insurance coverage (Chubb's ICAP Bond policy) to the Securities and Exchange Commission (SEC), according to rules adopted by the SEC on June 12, 2006.

Chubb is in the process of providing your agent/broker with an electronic copy of your insurance policy as well as instructions on how to submit this proof of fidelity insurance coverage to the SEC. You can expect to receive this information from your agent/broker shortly.

The electronic copy of your policy is provided by Chubb solely as a convenience and does not affect the terms and conditions of coverage as set forth in the paper policy you receive by mail. The terms and conditions of the policy mailed to you, which are the same as those set forth in the electronic copy, constitute the entire agreement between your company and Chubb.

If you have any questions, please contact your agent or broker.

Form 14-02-12160 (ed. 7/2006)

Chubb & Son, div. of Federal Insurance Company
as manager of the member insurers of the
Chubb Group of Insurance Companies

POLICYHOLDER
DISCLOSURE NOTICE OF
TERRORISM INSURANCE COVERAGE
(for policies with no terrorism exclusion or sublimit)

You are hereby notified that, under the Terrorism Risk Insurance Act of 2002 (the "Act") effective November 26, 2002, this policy makes available to you insurance for losses arising out of certain acts of international terrorism. Terrorism is defined as any act certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States Mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

You should know that the insurance provided by your policy for losses caused by acts of terrorism is partially reimbursed by the United States under the formula set forth in the Act. Under this formula, the United States pays 90% of covered terrorism losses that exceed the statutorily established deductible to be paid by the insurance company providing the coverage. The portion of your policy's annual premium that is attributable to insurance for such acts of terrorism is: \$ -0-.

If you have any questions about this notice, please contact your agent or broker.

Form 10-02-1281 (Ed. 1/2003)

THE HYPERION STRATEGIC MORTGAGE INCOME FUND, INC.

Excerpts of Minutes of a Meeting
of the Board of Directors
Held on
May 7, 2007

Review and Renewal of Joint Fidelity Bond and Participation in
Joint Fidelity Bond Agreement among the Funds

Following discussion, and on a motion duly made and seconded, the Board unanimously approved the following resolution:

WHEREAS, the Fund has previously satisfied the fidelity bond coverage requirements of Rule 17g-1 under the Investment Company Act of 1940, as amended (the "1940 Act") by participating in a joint fidelity bond (the "Joint Fidelity Bond"); and

WHEREAS, in connection with the participation in the Joint Fidelity Bond, the Fund entered into a Joint Fidelity Bond Agreement (the "Joint Fidelity Bond Agreement") providing for the allocation of premiums and minimum levels of recoveries among the Fund and other Hyperion funds; and

WHEREAS, it is proposed that the Joint Fidelity Bond be continued for a one year period from July 30, 2007 through July 30, 2008, and that the Fund continue to satisfy its fidelity bond coverage requirements under the 1940 Act through participation in the continuance of the Joint Fidelity Bond; and

WHEREAS, it is also proposed that, in connection with the continuance of the Joint Fidelity Bond, that the Fund enter into a new Joint Fidelity Bond Agreement on substantially the same terms and conditions as contained in the current Joint Fidelity Bond Agreement, which the new Joint Fidelity Bond Agreement shall be in substantially the form presented to the Board.

NOW THEREFORE, BE IT RESOLVED, that the Joint Fidelity Bond be continued for a one year period from July 30, 2007 through July 30, 2008, and that the Fund continue to satisfy its fidelity bond coverage requirements under the 1940 Act through participation in the continuance of the Joint Fidelity Bond; and be it further

RESOLVED, that, in connection with the continuance of the Joint Fidelity Bond, the Fund is authorized to enter into a new Joint Fidelity Bond Agreement on substantially the same terms and conditions as contained in the current Joint Fidelity Bond Agreement, which the new Joint Fidelity Bond Agreement shall be in substantially the form presented to the Board; and be it further

RESOLVED, that the Fund's officers are severally authorized to execute and deliver such documents as may be required to effectuate the foregoing resolutions, to pay any premium as may from time to time be required, and to take such further action as may be required by any applicable laws, rules or regulations in connection with implementing any of the foregoing resolutions.

JOINT FIDELITY BOND AGREEMENT
As of July 1, 2007

W I T N E S S E T H

WHEREAS, The Hyperion Brookfield Total Return Fund, Inc., The Hyperion Brookfield Strategic Mortgage Income Fund, Inc., Hyperion Brookfield Income Fund, Inc., and Hyperion Brookfield Collateralized Securities Fund, Inc. as parties to this Agreement (the "Insureds") are named insureds under a financial institution fidelity bond issued by Federal Insurance Company (the "Policy");

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual covenants contained herein, hereby agree as follows:

1. Joint Insured Bond. The Insureds shall maintain in effect the Policy or a substitute fidelity insurance policy providing comparable coverage from one or more reputable fidelity insurance companies which shall be authorized to do business in the place where the Policy is issued.

2. Allocation of Premium. The Insureds shall pay the portion of the total premium for the Policy set forth in Schedule A hereto.

3. Allocation of Proceeds.

(a) If one or more Insureds sustain a single loss for which recovery is received under the Policy, each Insured shall receive that portion of the recovery which is sufficient in amount to indemnify that Insured in full for the loss sustained by it (other than the portion thereof subject to a deductible), unless the recovery is inadequate to fully indemnify all Insureds for such single loss.

(b) If the recovery is inadequate to indemnify fully each Insured for such single loss (other than the portion thereof subject to a deductible), the recovery shall be allocated among the Insureds as follows:

(i) Each Insured shall be allocated an amount equal to the lesser of its actual loss (net of any deductible) and the minimum amount of coverage allocated to it in accordance with Schedule A attached hereto; and

(ii) The remaining portion of the recovery (if any) shall be allocated to each Insured for the portion of the loss not fully indemnified by the allocation under subparagraph (i) in the same proportion as the portion of each Insured's loss which is not fully indemnified bears to the sum of the unindemnified loss of itself and the other Insured. If such allocation would result in either Insured's receiving a portion of the recovery in excess of the loss actually sustained by it, the aggregate of such excess portion shall be reallocated to the other Insured if its losses would not be fully indemnified as a result of the foregoing allocation.

(c) If the recovery made pursuant to subparagraphs (a) and (b) hereof reduces the total amount of coverage provided by the Policy because recovery is made from a portion of the Policy written on an "annual aggregate" basis:

(i) The Insureds agree to seek additional coverage to reinstate the reduction in coverage; or

(ii) In the event any subsequent loss is sustained, any recovery by an Insured in excess of the minimum amount allocated to it in accordance with Schedule A from coverage written on an "annual aggregate" basis shall be reallocated in the event of subsequent single loss among the Insured or Insureds sustaining the earlier loss(es) and other Insureds in accordance with subparagraphs (a) and (b) above; or

(iii) Any recovery in excess of the minimum amount allocated in accordance with Schedule A from coverage written on an "annual aggregate" basis shall be paid into an escrow account and allocated in accordance with subparagraphs (a) and (b) above upon final determination of the aggregate losses for the policy year.

(d) In the event that a recovery by an Insured is less than its actual loss because of the applicability of a deductible clause that is applicable on an "annual aggregate" rather than a "per occurrence" basis and one or more other Insureds sustain a subsequent loss or losses to which none or only the remaining

portion of the deductible amount applies, the Insured(s) that sustained the earlier loss(es) shall be entitled to a portion of the recovery with respect to the later loss(es) such that the total burden of the deductible amount is borne between the Insureds in accordance with the percentages set forth in Schedule A hereto.

4. Claims and Settlements. Each Insured shall, within ten days after the making of any claim under the Policy, provide the other Insureds with written notice of the amount and nature of such claim. Each Insured shall, within ten days after the receipt thereof, provide the other Insureds with written notice of the terms of settlement of any claim made under the Policy by such Insured.

5. Withdrawal. Any Insured may withdraw from this Agreement at any time and cease to be a party hereto (except with respect to losses occurring prior to such withdrawal) by giving not less than 10 days' prior written notice to the other Insureds of such withdrawal. Upon withdrawal, such Insured shall cease to be named insured on the Policy and shall be entitled to receive any premium rebated by the insurance company with respect to such withdrawal.

6. Governing Law. This Agreement shall be construed in accordance with the laws of the State of New York.

7. No Assignment. This Agreement is not assignable.

8. Notices. All notices and other communications hereunder shall be in writing and shall be addressed to the appropriate party at Three World Financial Center, 200 Vesey Street, 10th Floor, New York, NY 10281-1010.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement as of the day and year first written above.

THE HYPERION BROOKFIELD TOTAL RETURN FUND, INC.

By: /s/ Thomas F. Doodian

HYPERION BROOKFIELD STRATEGIC MORTGAGE INCOME FUND, INC.

By: /s/ Thomas F. Doodian

HYPERION BROOKFIELD INCOME FUND, INC.

By: /s/ Thomas F. Doodian

HYPERION BROOKFIELD COLLATERALIZED SECURITIES FUND, INC.

By: /s/ Thomas F. Doodian

SCHEDULE A

HYPERION BROOKFIELD ASSET MANAGEMENT, INC.
 Summary of Proposed Fidelity Bond Insurance Program for the Hyperion Funds
 For the Insurance Policy Year Ending July 30, 2008

(\$3,100,000 Joint Fidelity Bond)

Total Quoted Premium

for 07/30/2007 through 07/30/2008

 \$8,865

 ALLOCATION OF PREMIUM TO THE INDIVIDUAL FUNDS FOR \$3.10 MILLION JOINT FIDELITY BOND

| FUND | Total Return Fund (HTR) | Strategic Mortgage Fund (HSM) | Brookfield Fund (HBI) |
|---|----------------------------|----------------------------------|--------------------------|
| Gross Assets (1) | \$407,000,000 | \$235,000,000 | \$304,000,000 |
| Minimum required coverage per Rule 17g-1 of the 1940 Act | \$750,000 | \$600,000 | \$750,000 |
| Net Assets (1) | \$276,049,834 | \$139,000,000 | \$283,000,000 |
| Allocation of \$3,100,000 Joint Fidelity Bond Premium (2) | \$1,742 | \$877 | \$1,786 |
| Stand Alone Premium(3) | \$2,750 | \$2,750 | \$2,750 |

Notes:

(1) As of March 31, 2007 (in millions)

(2) Allocation based on Fund's net assets as of March 31, 2007 in conjunction with Rule 17g-1 of the 1940 Act (2) Premium amounts for each Fund on a stand alone basis at minimum required coverage for one year

