

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. The securities offered by this prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States of America. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

February 25, 2005



**BRASCAN SOUNDVEST**  
*Rising Distribution Split Trust*

**\$140,000,000 (Maximum)**  
**14,000,000 Preferred Securities**  
**\$10.00 per Preferred Security**

**\$210,000,000 (Maximum)**  
**14,000,000 Capital Units**  
**\$15.00 per Capital Unit**

Brascan SoundVest Rising Distribution Split Trust (the "Trust"), an investment trust established under the laws of the Province of Ontario, proposes to offer its trust units (the "Capital Units") at a price of \$15.00 per Capital Unit and its preferred securities (the "Preferred Securities") at a price of \$10.00 per Preferred Security (collectively, the "Offering"). The Capital Units and Preferred Securities are being offered separately, but will be issued only on the basis that an equal number of Capital Units and Preferred Securities will be outstanding at the closing of the Offering. The Preferred Securities have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited. Brascan Rising Distribution Management Ltd. (in such capacity the "Manager") manages the Trust. The Manager has engaged SoundVest Capital Management Ltd. ("SoundVest" or the "Investment Advisor") to provide investment advisory and portfolio management services to the Trust.

Brascan Corporation or an affiliate intends to purchase Capital Units with a value of \$5 million.

The Trust's investment objectives are the following:

- (i) **Preferred Securities:** (a) to provide holders of Preferred Securities ("Securityholders") with fixed quarterly interest payments in the amount of \$0.15 per Preferred Security (\$0.60 per annum to yield 6% per annum on the original subscription price of \$10.00); and (b) to repay the original subscription price at maturity; and
- (ii) **Capital Units:** to provide holders of Capital Units ("Unitholders") with (a) tax efficient and growing monthly cash distributions, a significant portion of which is tax deferred; and (b) capital appreciation on the Portfolio (as hereinafter defined).

*(continued on next page)*

**Prices: \$10.00 Per Preferred Security**  
**\$15.00 Per Capital Unit**

	Price to Public <sup>(1)</sup>	Agents' Fee	Net Proceeds to the Trust <sup>(2)</sup>
Per Preferred Security . . . . .	\$ 10.00	\$ 0.325	\$ 9.675
Total Maximum Offering <sup>(3)</sup> . . . . .	\$140,000,000	\$ 4,550,000	\$ 135,450,000
Total Minimum Offering <sup>(3)(4)</sup> . . . . .	\$ 50,000,000	\$ 1,625,000	\$ 48,375,000
Per Capital Unit . . . . .	\$ 15.00	\$ 0.7875	\$ 14.2125
Total Maximum Offering <sup>(3)</sup> . . . . .	\$210,000,000	\$11,025,000	\$ 198,975,000
Total Minimum Offering <sup>(3)(4)</sup> . . . . .	\$ 75,000,000	\$ 3,937,500	\$ 71,062,500

- (1) The offering prices were established by negotiation between the Manager and the Agents (as hereinafter defined).
- (2) Before deducting the expenses of the Offering, which are estimated to be \$700,000, which, together with the Agents' fees, will be paid by the Trust from the proceeds of the Offering, subject to a maximum of 1.5% of the gross proceeds of the Offering (excluding the Agents' fees).
- (3) The Trust has granted to the Agents an option (the "Over-Allotment Option") exercisable for a period of 30 days from the closing of the Offering, to offer additional Preferred Securities and Capital Units in an amount equal to 15% of the aggregate number of Preferred Securities and Capital Units, respectively, sold on the closing of the Offering on the same terms as set forth above. If the Over-Allotment Option is exercised in full, under the maximum Offering, the price to the public, the Agents' fees and the net proceeds will be \$161,000,000, \$5,232,500 and \$155,767,500, respectively, in respect of the Preferred Securities, and \$241,500,000, \$12,678,750 and \$228,821,250, respectively, in respect of the Capital Units. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Securities and Capital Units issuable on the exercise of the Over-Allotment Option. See "Plan of Distribution".
- (4) There will be no closing unless a minimum of 5,000,000 Preferred Securities and 5,000,000 Capital Units are sold.

The Trust will terminate and be wound up on March 31, 2015, unless terminated earlier or extended in accordance with the provisions of the Trust's Declaration of Trust. See "Termination of the Trust".

The Toronto Stock Exchange has conditionally approved the listing of the Capital Units and Preferred Securities. Listing is subject to the Trust fulfilling all of the requirements of the Toronto Stock Exchange on or before May 18, 2005, including the distribution of Capital Units and Preferred Securities to a minimum number of holders.

**See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in Preferred Securities and Capital Units. There is no guarantee that the Trust will earn any return and no assurance that the Trust will be able to pay distributions or interest.** There is currently no market through which the Preferred Securities or Capital Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. The Agents may over-allot or effect transactions as described under "Plan of Distribution".

In the opinion of Torys LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, provided that the Trust qualifies as a "mutual fund trust" for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder, Capital Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, the "Plans"). Provided the Trust qualifies as a mutual fund trust and the Capital Units are listed on a prescribed stock exchange in Canada (which includes the Toronto Stock Exchange), the Preferred Securities will be qualified investments under the Tax Act for Plans. Provided that the Trust qualifies as a mutual fund trust within the meaning of the Tax Act and that the Trust complies with its investment criteria, neither the Capital Units nor the Preferred Securities will constitute foreign property for the purposes of Part XI of the Tax Act. The Canadian federal budget of February 23, 2005 included a proposal to amend the Tax Act to eliminate the foreign property limit for months ending in 2005 and subsequent calendar years. There can be no assurance that this proposal will be enacted into law.

**The Trust is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Trust is not a "mutual fund" as defined in the securities legislation applicable in certain jurisdictions and does not operate in accordance with the requirements of Canadian securities regulation applicable to mutual funds. Capital Units and Preferred Securities are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.** The Preferred Securities will not represent interests in or obligations of CIBC Mellon Trust Company (other than in its capacity as indenture trustee for the Preferred Securities), Computershare Trust Company of Canada (other than in its capacity as trustee of the Trust), the Manager, the beneficiaries of the Trust or any affiliate or any of the foregoing. As such, recourse under the Preferred Securities is limited to the assets of the Trust. A Securityholder will have no recourse against the indenture trustee or the trustee of the Trust in their respective personal capacities or to the assets of the indenture trustee or the trustee of the Trust other than the assets of the Trust, nor any recourse to Unitholders or their assets.

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Raymond James Ltd., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Trilon Securities Corporation, First Associates Investments Inc. and Wellington West Capital Inc. (collectively, the "Agents"), as agents, conditionally offer Preferred Securities and Capital Units for sale on a best efforts basis, subject to prior sale, if, as and when issued by the Trust and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Trust by Torys LLP and on behalf of the Agents by Osler, Hoskin & Harcourt LLP.

**Trilon Securities Corporation, one of the Agents, is an affiliate of Brascan Rising Distribution Management Ltd., the Manager and promoter of the Trust. Consequently, the Trust may be considered to be a "connected issuer" under applicable securities legislation. Trilon Securities Corporation will receive no benefit in connection with the Offering other than receiving a portion of the Agents' fees described under "Fees and Expenses". See "Plan of Distribution".**

Subscriptions will be received for the Preferred Securities and Capital Units subject to acceptance or rejection in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 16, 2005, but no later than April 29, 2005. Registrations and transfers of Preferred Securities and Capital Units will be effected only through the book-entry only system administered by The Canadian Depository for Securities Limited ("CDS"). Investors will not have the right to receive physical certificates evidencing their ownership of Preferred Securities and/or Capital Units. A purchaser of Preferred Securities and/or Capital Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which Preferred Securities and/or Capital Units are purchased. See "Plan of Distribution" and "Book-Entry Only System".

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this offering and is qualified in its entirety by, and should be read in conjunction with, the more detailed information contained elsewhere in this prospectus. All references in the prospectus to “dollars” or “\$” are to Canadian dollars unless otherwise indicated.*

- Issuer:** Brascan SoundVest Rising Distribution Split Trust (the “Trust”) is an investment trust established under the laws of the Province of Ontario which invests its assets in accordance with the investment objectives and strategy described under “Investments of the Trust”. Brascan Rising Distribution Management Ltd. (in such capacity the “Manager”) manages the Trust. The Manager has engaged SoundVest Capital Management Ltd. (“SoundVest” or the “Investment Advisor”) to provide investment advisory and portfolio management services to the Trust.
- Offering:** The offering (the “Offering”) consists of preferred securities (the “Preferred Securities”) and trust units (“Capital Units”) which are being offered separately, but which will be issued only on the basis that an equal number of Preferred Securities and Capital Units will be outstanding at the closing of the Offering. A “Combined Security” is considered to consist of one Preferred Security and one Capital Unit.
- Amount:**
- |   |
|---|
| <u>Preferred Securities</u>                               |
| Maximum — \$140,000,000 (14,000,000 Preferred Securities) |
| Minimum — \$50,000,000 (5,000,000 Preferred Securities)   |
| <u>Capital Units</u>                                      |
| Maximum — \$210,000,000 (14,000,000 Capital Units)        |
| Minimum — \$75,000,000 (5,000,000 Capital Units)          |
- Prices:** \$10.00 per Preferred Security  
\$15.00 per Capital Unit
- Minimum Subscription:** 100 Preferred Securities (\$1,000)  
100 Capital Units (\$1,500)
- Combined Value:** The total at any time of (a) the net asset value of the Trust (“NAV”) divided by the number of Capital Units then outstanding; and (b) the original subscription price of a Preferred Security, together with any accrued and unpaid interest thereon (the “Repayment Price”).
- Investment Objectives:** The Trust’s investment objectives (the “Investment Objectives”) are the following:
- (i) **Preferred Securities:** (a) to provide holders of Preferred Securities (“Securityholders”) fixed quarterly interest payments in the amount of \$0.15 per Preferred Security (\$0.60 per annum to yield 6.0% per annum on the original subscription price of \$10.00); and (b) to repay the original subscription price at maturity; and
  - (ii) **Capital Units:** to provide holders of Capital Units (“Unitholders”) with (a) tax efficient and growing monthly cash distributions, a significant portion of which is tax deferred; and (b) capital appreciation on the Portfolio.
- The Trust intends to use distributions from the Portfolio as follows: (i) to pay expenses of the Trust, including, without limitation, interest on the Loan Facility (as hereinafter defined); (ii) to pay interest on the Preferred Securities; and

(iii) to distribute any remaining amounts to Unitholders. See “Investments of the Trust”.

The Trust has been created using a dual security structure which offers investors flexibility to select the type of security and the tax character for distributions that is best suited to their investment needs. It is expected that a higher proportion of the amounts distributed to Unitholders will be returns of capital, when compared to the distributions that they would otherwise receive through a direct investment in securities making up the Portfolio.

**Investment Strategy:**

The Trust will seek to achieve its investment objectives by diligently selecting and actively managing a diversified portfolio (the “Portfolio”) of securities of selected income funds that the Investment Advisor believes may have the potential to increase their distributions over time or that have a demonstrated record of increasing annual distributions to their securityholders.

Of the 174 income funds existing on December 31, 2004, 60 have increased distributions within 2004 alone, and 85 have increased distributions since inception. The Investment Advisor has identified in excess of 90 publicly listed income funds, with a combined market capitalization of more than \$75 billion, that the Investment Advisor would consider for inclusion in the Portfolio; however, the Investment Advisor expects to hold the securities of a select group of between 30 and 40 income funds at any one time.

The Investment Advisor will use a conservative, long-term “growing-concern” approach to the management of investments in income funds and will also apply a rigorous buy/sell discipline to all investments. The Investment Advisor will seek to identify and invest in successful businesses which are run by strong and experienced management teams and which are available at attractive prices. In managing the Portfolio, the Investment Advisor will employ risk management and risk reduction techniques to preserve and protect capital.

Securities selection for the Portfolio will be based primarily on an assessment of the attractiveness of individual income funds, including those which the Investment Advisor believes have the greatest potential to increase annual distributions. This will involve an in-depth review of the business carried on by each income fund, its prospects, its management and its value. The Investment Advisor will also assess various macro factors to ensure diversification amongst the various sectors of income funds and to enable the Trust to benefit from trends and other factors affecting a particular sector.

In keeping with its active management strategy, the Trust’s Portfolio composition will vary over time, within the permitted weightings set out below, depending on the Investment Advisor’s assessment of the appropriate strategy given overall market conditions and outlook. The Investment Advisor contemplates that the Portfolio will initially be comprised of the types of securities in the targeted ranges shown in the table below:

<u>Type of Security</u>	<u>Expected Initial Allocation<sup>(1)</sup></u>	<u>Permitted Ranges<sup>(2)</sup></u>
Business Trusts . . . . .	56%	20% – 60%
Oil and Gas Royalty Trusts . . . . .	31%	10% – 50%
REITs . . . . .	8%	5% – 45%
Power Generation and Pipeline Trusts . . . . .	5%	5% – 35%
Cash and Cash Equivalents . . . . .	0%	0% – 10%

Notes:

(1) The actual composition of the Portfolio may initially and from time to time be different from the expected initial allocation shown in the table based on the Investment Advisor’s assessment of the prevailing or anticipated market conditions. Subject to certain limitations, the Trust may also have up to 10% of the value of its Portfolio assets comprised of other high-yielding equity-based securities (including but not limited to convertible securities and new income fund sectors). See “Investment Criteria”.

- (2) The Trust may, on the recommendation of the Investment Advisor, change the permitted weightings provided that the Trust will not change the permitted weightings if the same would result in a reduction of the rating of the Preferred Securities to less than Pfd-2 by Dominion Bond Rating Service Limited or an equivalent rating from Standard & Poor's ("S&P"), Moody's Investors Service Inc., Fitch Ratings or any of their respective successors.

**Tax Efficiency:**

**The information set forth below is provided for illustrative purposes only and should not be construed as a forecast or projection. No representation is made that the Trust will achieve the returns or yields described below or similar returns or yields, or that it will achieve any return, and no representation is made as to the ultimate composition of the Portfolio or the amount of the yield on Capital Units that will be return of capital. The tax deferrals described below are based on the assumptions set out below. Prospective purchasers of Capital Units are urged to consult with their own financial and tax advisors for further information regarding the consequences of an investment in Capital Units. Regardless of any tax deferral that may be obtained, a decision to purchase Capital Units should be based primarily on an appraisal of the investment and a purchaser's ability to bear a loss of the investment. See "Risk Factors" for a discussion of those matters that should be considered by prospective purchasers of Capital Units.**

The table below shows the tax deferral in respect of distributions on the Capital Units that the structure of the Trust would generate at four different representative gross yields generated by the Portfolio (i.e., the yield on the Portfolio prior to expenses of the Trust and interest payments on the Preferred Securities and the Loan Facility), given different levels of return of capital distributed from the Portfolio. Interest on the Preferred Securities and the Loan Facility and the expenses of the Trust are deducted from the gross yield to determine the amount that would be available for distribution to Unitholders. The numbers in the table indicate the percentage of such amount that would in such circumstances, be return of capital and therefore tax deferred. The tax deferrals below are applicable for the first five years of the Trust, during which time the expenses of the Offering would be amortized for tax purposes. The tax deferral after such time is expected to be lower. A Unitholder is required to reduce the adjusted cost base of Capital Units by the amount of any return of capital, which would increase the amount of any capital gain realized on a disposition of Capital Units. To the extent the adjusted cost base of a Capital Unit would otherwise be less than zero in a year, the negative amount would be deemed to be a capital gain realized by the Unitholder in that year and will increase the Unitholder's adjusted cost base of the Capital Unit. See "Canadian Federal Income Tax Considerations — Taxation of Unitholders".

The model expressed in the table below indicates that if, for example, the Portfolio generates a gross yield of 9.50%, of which 30% is a return of capital, and the expenses of the Trust are as assumed below, 74% of distributions to Unitholders would be tax deferred.

## Percentage of Distributions to Unitholders that would be Tax Deferred

<u>Return of Capital Generated by the Portfolio</u>	<u>Gross Yield Generated by the Portfolio</u>			
	<u>9.50%</u>	<u>10.00%</u>	<u>10.50%</u>	<u>11.00%</u>
20% . . . . .	56%	53%	51%	48%
25% . . . . .	65%	62%	59%	57%
30% . . . . .	74%	71%	67%	65%

**Assumptions:**

- (1) The Offering size is equal to \$100 million.
- (2) That 40% of the gross proceeds of the Offering comes from the sale of the Preferred Securities.
- (3) All Preferred Securities and Capital Units issued in the Offering remain outstanding.
- (4) No amount is borrowed under the Loan Facility.
- (5) The interest rate on the Preferred Securities is 6.00% per annum.
- (6) The costs of the Offering being amortized over five years are \$5.15 million.
- (7) The annual service fee is equal to 0.40% of the Trust's NAV.
- (8) The annual management fee is equal to 1.10% of the Trust's total assets less the amount outstanding under the Loan Facility.
- (9) The annual operating expenses of the Trust are estimated to be \$175,000.
- (10) The makeup of the Portfolio remains constant over time.
- (11) All funds available for distribution to Unitholders are distributed to Unitholders.

**Manager:**

Brascan Rising Distribution Management Ltd., a wholly-owned subsidiary of Brascan Asset Management Inc., is the manager of the Trust and responsible for managing all of the Trust's activities. The Manager has taken the initiative in founding and organizing the Trust and is a promoter of the Trust within the meaning of applicable securities legislation. Brascan Asset Management Inc. is a wholly-owned subsidiary of Brascan Corporation ("Brascan").

Brascan is an asset management company focused on the real estate and power generation sectors. With direct investments of US\$19 billion and a further US\$7 billion of assets under management, Brascan owns interests in over 70 premier office properties in North America and London, U.K. Brascan also own 120 power generating plants with a generating capacity of over 2,600 MW. Brascan's objective is to earn a superior return on equity by generating consistent and sustainable cash flows.

**Brascan's Investment:**

Brascan or an affiliate intends to purchase Capital Units with a value of \$5 million.

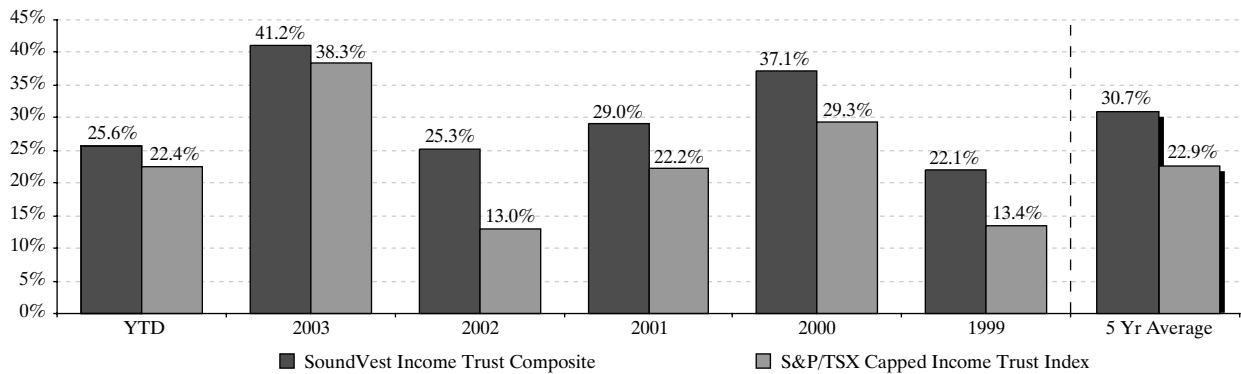
**Investment Advisor:**

SoundVest Capital Management Ltd. has been retained by the Manager to provide investment advisory and portfolio management services for the Trust. The individual who will primarily be responsible for managing the investments within the Portfolio is Kevin Charlebois, who will be supported by a team of experienced professionals. The Investment Advisor has been investing on behalf of its clients in income-producing real estate and oil and gas investments since the 1970s and in the public income fund market since its inception in the mid-1980s. As of November 30, 2004, the Investment Advisor had assets under management of approximately \$637 million on behalf of its clients, including approximately \$351 million in securities of income fund issuers.

The Investment Advisor manages diversified portfolios of income funds for its clients which collectively comprise the SoundVest Income Trust Composite. The SoundVest Income Trust Composite includes all Canadian income fund securities from discretionary fee-paying portfolios with multi-asset mandates or single-asset mandates for income fund units and having a market value of over \$100,000 for clients of SoundVest. Discretionary portfolios must be under management for at least one full quarter to be included in the SoundVest Income Trust Composite.

The Investment Advisor has consistently outperformed the S&P®/TSX™ Capped Income Trust Index (the “Index”) as indicated in the following graphs for the periods shown:

**SoundVest Income Trust Composite Performance vs. Benchmark**  
*Average Returns (11 months ended November 30, 2004, years ended December 31 and five-year average ended December 31, 2003)*

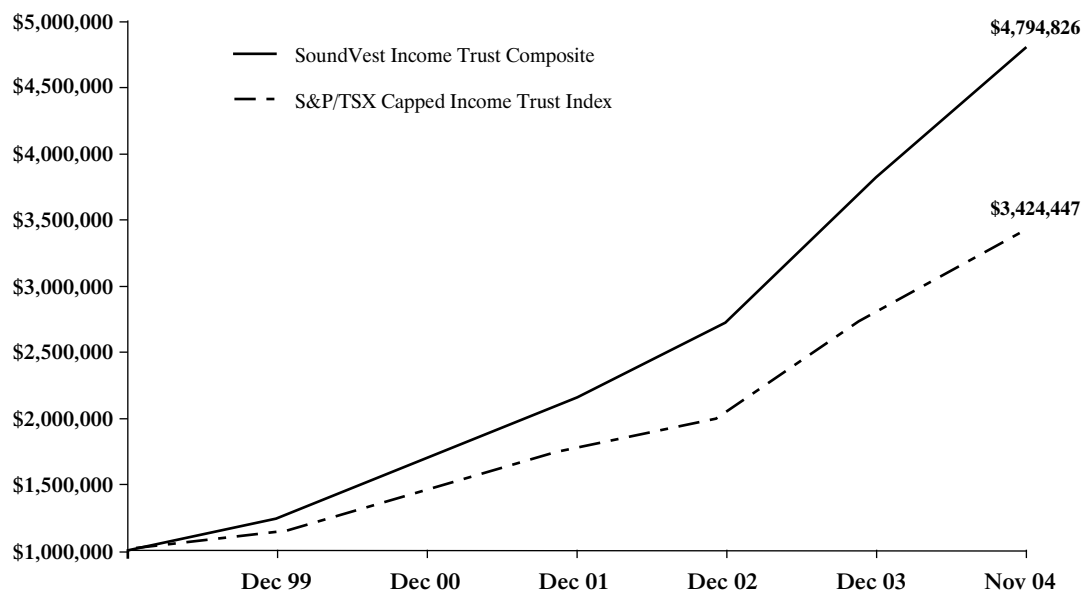


**SoundVest Canadian Income Trust Composite Annual Returns**  
*(years ended December 31 and 11 months ended November 30, 2004)*

	1999	2000	2001	2002	2003	Nov 2004
SoundVest Canadian Income Trust Composite	22.1%	37.1%	29.0%	25.3%	41.2%	25.6%
S&P®/TSX™ Capped Income Trust Index	13.4%	29.3%	22.2%	13.0%	38.3%	22.4%



**Growth of a hypothetical \$1,000,000 investment in the SoundVest Income Trust Composite  
from January 1, 1999 to November 30, 2004,  
relative to the S&P®/TSX™ Capped Income Trust Index**



Notes:

- (1) Returns are total returns including changes in share values and re-investment of all distributions. Information relating to these returns is based on information published by S&P, and is not intended to be, nor should it be construed to be, an indication of future returns on the Portfolio or the Index.
- (2) SoundVest claims compliance with the AIMR Performance Presentation Standards (AIMR — PPS®), the U.S. and Canadian version of Global Investment Performance Standards. AIMR has not been involved with or reviewed SoundVest’s claim of compliance. In accordance with these standards, SoundVest received firm-wide verification for the period from January 1, 1990 to April 30, 2004 and the SoundVest Income Trust Composite was subject to performance examinations for the period from its inception to April 30, 2004 by an independent chartered accountant. To receive a complete list and description of SoundVest composites and/or a presentation that adheres to the AIMR — PPS® standards, contact Ernest Meszaros at (613) 236-7361 or by email at [ernestm@soundvest.ca](mailto:ernestm@soundvest.ca) or write to SoundVest at 100 Sparks Street, 9th Floor, Ottawa, Ontario, K1P 5B7. Returns for the 11-month period ended November 30, 2004 have not been so verified.
- (3) Source for the Index: Bloomberg. For the period January 1, 1999 to October 11, 2002 returns for the Index are based on a synthetic history for the Index developed by S&P, according to S&P’s methodologies, at the time of the launch of the Index on October 15, 2002. A synthetic index history is an estimate of how a given index would have performed if such index had existed during the period in question, and if the index management methodology that the index provider currently employs had been applied to the universe of available securities during the period. All other returns in this chart reflect actual historical returns as calculated by S&P.

**Loan Facility:**

Following the closing of this Offering the Trust will enter into a loan facility (the “Loan Facility”) with one or more Canadian chartered banks (collectively, the “Lender”). The Loan Facility will permit the Trust to borrow an amount not exceeding 7% of the value of the assets within the Portfolio, which may be used for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Capital Units, maintaining liquidity, funding redemptions and for cash flow purposes. A maximum amount not exceeding 5% of the value of the assets within the Portfolio may be used to make additional investments. The interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature and the Trust expects that the Lender will require the Trust to provide a security interest in favour of the Lender over the assets of the Trust to secure such borrowings. See the “Loan Facility”.

## Preferred Securities

<b>Interest Payments:</b>	Securityholders will be entitled to receive fixed quarterly interest payments of \$0.15 per Preferred Security (the “Preferred Security Interest Amount”), or 6.0% per annum on the original subscription price of \$10.00, which will be paid quarterly in arrears on the fifteenth day of March, June, September and December in each year. The initial interest payment is expected to be paid on or about June 15, 2005 and will reflect interest from the date of issue of the Preferred Securities. See “Details of the Offering — Certain Provisions of the Preferred Securities — Interest Payments”.
<b>Payment on Maturity:</b>	<p>The Preferred Securities will mature on March 31, 2015, or automatically upon earlier termination of the Trust (any such date being the “Maturity Date”), at which date the original subscription price of each Preferred Security together with any accrued and unpaid interest thereon (the “Repayment Price”) will be payable by the Trust.</p> <p>Preferred Securities may be called by the Trust and purchased prior to the Maturity Date (the “Call Right”) if, as a result of the redemption of Capital Units, the aggregate number of outstanding Preferred Securities would exceed the aggregate number of outstanding Capital Units. In such case, Preferred Securities will be redeemed at a price per Preferred Security which until March 31, 2006 will be equal to \$11.00 and which will decline by \$0.10 each year thereafter to \$10.10 after March, 31, 2014, plus any accrued and unpaid interest. Notice of the exercise of the Call Right will be given by the Trust to Securityholders whose Preferred Securities will be redeemed.</p> <p>See “Details of the Offering — Certain Provisions of the Preferred Securities — Payment on Maturity”.</p>
<b>Concurrent Annual Redemption:</b>	Commencing in 2005, Preferred Securities may be surrendered together with an equal number of Capital Units for redemption in the month of November of each year for redemption on the last Business Day (any day on which the Toronto Stock Exchange is open for trading is hereinafter referred to as a “Business Day”) in November of that year (a “Redemption Date”), subject to the Trust’s right to suspend redemptions in certain circumstances. A Securityholder who surrenders Preferred Securities together with Capital Units for redemption at least 15 Business Days prior to a Redemption Date will receive payment for each Combined Security equal to the Combined Value determined as of the Redemption Date, less redemption costs. Redemption proceeds will be payable on or before the fifteenth Business Day after the applicable Redemption Date. See “Details of the Offering — Certain Provisions of the Preferred Securities — Concurrent Annual Redemption”.
<b>Priority:</b>	The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units. The Trust may not make any cash distributions on the Capital Units if, after giving effect to the proposed distribution, the Combined Value would be less than 1.4 times the Repayment Price. The Trust will fund the repayment to the Securityholders on the Maturity Date of the aggregate Repayment Price with the proceeds from the sale or redemption of the Portfolio securities and any other net assets of the Trust in priority to any distribution of assets on the Capital Units. See “Details of the Offering — Certain Provisions of the Capital Units — Distributions” and “Details of the Offering — Certain Provisions of the Preferred Securities — Priority over Capital Unit Distributions”.

**Credit Rating:**

The Preferred Securities have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited. See “Details of the Offering — Certain Provisions of the Preferred Securities — Credit Rating”.

**Capital Units****Distributions:**

The Trust intends to provide Unitholders with the opportunity to receive tax efficient and growing monthly cash distributions. The Trust intends to pay monthly cash distributions on the Capital Units to the extent that the distributions on the Portfolio securities exceed the sum of the expenses of the Trust, including interest expenses on the Loan Facility, and the aggregate Preferred Security Interest Amount. The Trust does not have a fixed monthly distribution target for the Capital Units, but will annually determine and announce each December an anticipated distribution amount (the “Anticipated Distribution”) for the following year based upon prevailing market conditions and the Trust’s estimate of distributable cash flow for the following year. The monthly Anticipated Distribution for the period ending December 31, 2005 is \$0.1125 per Capital Unit representing an annual yield of 9.0% based on the \$15.00 per Capital Unit subscription price. Distributions will be payable to Unitholders of record on the last Business Day of each month (each a “Record Date”). The Trust intends to pay distributions to Unitholders on or about the fifteenth day of the following month. The Trust expects that the initial distribution will be declared payable to Unitholders of record on April 30, 2005 and will be paid on or about May 15, 2005. **The amount of the distributions may fluctuate from month to month and there can be no assurance that the Trust will make any distribution on its Capital Units in any particular month or months.**

With an initial annual Anticipated Distribution of \$1.350 per Capital Unit (representing a yield of 9.0% per annum on the original subscription price of \$15.00) and assuming the Preferred Securities constitute 40% of the Offering and that the value of the Portfolio does not change, and assuming the other matters set out as assumptions below the tables under “Investments of the Trust — Tax Efficiency”, in order to make the estimated distributions on the Capital Units and return to Unitholders at least the subscription price of the Capital Units, it is currently expected that the Trust will be required to generate an average annual return on the Portfolio of approximately 9.9%. See “Investments of the Trust — Tax Efficiency”. There is no guarantee that the requisite return will be achieved by the Trust.

If, in any year after such distributions, there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends on or before December 31 of that year to make a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). If the Trust does not have sufficient cash available to fund all of such additional distributions, additional Capital Units will be issued in satisfaction of the deficiency.

See “Details of the Offering — Certain Provisions of the Capital Units — Distributions” and “Canadian Federal Income Tax Considerations”.

**Annual Redemption:**

*Concurrent Annual Redemption.* A Unitholder who surrenders Capital Units together with Preferred Securities for redemption in the month of November of each year at least 15 Business Days prior to a Redemption Date

will receive payment for each Combined Security equal to the Combined Value determined as of the Redemption Date, less redemption costs.

*Annual Redemption of Capital Units.* A Unitholder who surrenders Capital Units alone for redemption at least 15 Business Days prior to a Redemption Date will receive an amount equal to Combined Value determined as of the Redemption Date, less redemption costs and the costs incurred by the Trust in purchasing a Preferred Security either in the market or pursuant to the Call Right.

Redemption proceeds will be payable on or before the fifteenth Business Day after the applicable Redemption Date. See “Details of the Offering — Certain Provisions of the Capital Units — Redemption”.

**Redemption Upon Termination of the Trust:**

Any outstanding Capital Units will be redeemed by the Trust on the Termination Date (as hereinafter defined) and each Unitholder will be entitled to receive for each Capital Unit so redeemed the amount, if any, described under the heading “Details of the Offering — Certain Provisions of the Capital Units — Redemption”.

**Ranking:**

The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units. The Trust may not make any cash distributions on the Capital Units if, after giving effect to the proposed distribution, the Combined Value would be less than 1.4 times the Repayment Price. Distributions on the Capital Units are conditional upon the Trust being current in its obligation to pay interest on the Preferred Securities. See “Details of the Offering — Certain Provisions of the Capital Units — Distributions”.

**Voting:**

Each Unitholder is entitled to one vote for each whole Capital Unit held on matters coming before Unitholders and each Capital Unit is entitled to participate equally with respect to any and all distributions made by the Trust on the Capital Units, including distributions of net income and net realized capital gains, if any. See “Details of the Offering — Certain Provisions of the Capital Units — General”.

**Other Features of the Offering**

**Use of Proceeds:**

The Trust intends to use the total proceeds from the sale of Preferred Securities and Capital Units as follows:

	Maximum Offering	Minimum Offering
Gross proceeds to the Trust . . . . .	\$350,000,000	\$125,000,000
Agents’ Fee . . . . .	\$ 15,575,000	\$ 5,562,500
Expenses of issue . . . . .	\$ 700,000	\$ 700,000
Net proceeds to the Trust . . . . .	\$333,725,000	\$118,737,500

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to acquire the Portfolio securities.

**Market Purchases:**

The Trust will have the right, exercisable in its discretion, to purchase Preferred Securities and Capital Units offered in the market, subject to any applicable regulatory requirements and limitations; provided that, at the time of any such purchase, the Trust must concurrently purchase an equal number

of Preferred Securities and Capital Units (unless the purchase of Preferred Securities is being made in connection with a redemption of Capital Units) and the aggregate of the market price per Preferred Security and the market price per Capital Unit at such time shall be less than the Combined Value. See “Details of the Offering — Certain Provisions of the Preferred Securities — Market Purchases” and “Details of the Offering — Certain Provisions of the Capital Units — Market Purchases”.

**Termination:**

The Trust will terminate and be wound up on March 31, 2015 unless terminated earlier or extended in accordance with the provisions of the Declaration of Trust (such date, the “Termination Date”). See “Termination of the Trust”.

**Book-Entry Only System:**

The Preferred Securities and Capital Units will be evidenced by global certificates held by The Canadian Depository for Securities Limited (“CDS”), or its nominee on its behalf, as registered holder of the Capital Units and Preferred Securities. Registration of the interests in and transfers of the Preferred Securities and Capital Units will be made only through the book-entry only system of CDS. No holder will be entitled to a certificate or other instrument from the transfer agent or CDS for Preferred Securities or Capital Units evidencing that person’s interest in or ownership of Preferred Securities or Capital Units.

**Custodian:**

CIBC Mellon Trust Global Securities Services Company will be the custodian of the Trust. See “Custodian”.

**Eligibility for Investment:**

In the opinion of Torys LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, provided that the Trust qualifies as a “mutual fund trust” for the purposes of the Tax Act and the regulations thereunder, Capital Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, the “Plans”). Provided the Trust qualifies as a mutual fund trust and the Capital Units are listed on a prescribed stock exchange in Canada (which includes the Toronto Stock Exchange), the Preferred Securities will be qualified investments under the Tax Act for Plans. Provided that the Trust qualifies as a mutual fund trust within the meaning of the Tax Act and that the Trust complies with its investment criteria, neither the Capital Units nor the Preferred Securities will constitute foreign property for the purposes of Part XI of the Tax Act. Tax proposals tabled in the House of Commons on February 23, 2005 by the Minister of Finance (Canada) included a proposal to amend the Tax Act to eliminate the limit in respect of foreign property that may be held by pension plans and other deferred income plans for months that end in 2005 and subsequent calendar years. There can be no assurance that these proposals will be enacted into law.

**Canadian Federal Income Tax Considerations:**

*Unitholders.* Generally, a Unitholder will be required to include in computing income for a taxation year the amount of the Trust’s net income for the taxation year, including the taxable portion of any net realized capital gains, paid or payable to the Unitholder in the taxation year, whether the amount is paid or payable in cash, in additional Capital Units or otherwise. The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year. Generally, distributions by

the Trust to a Unitholder in excess of the Unitholder's share of the Trust's net income and net realized capital gains will not be included in the Unitholder's income for income tax purposes, but the adjusted cost base of the Capital Units held by the Unitholder as capital property will be reduced by that amount. Where reductions to the adjusted cost base of a Unitholder's Capital Units for the year result in the adjusted cost base becoming a negative amount, such amount will be treated as a capital gain realized by the Unitholder in the year. A Unitholder who disposes of Capital Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of the Capital Units and any reasonable costs of disposition.

*Securityholders.* A Securityholder who is an individual generally will be required to include, in computing income for a taxation year, all interest on the Preferred Securities that is received or receivable by the Securityholder (depending on the method regularly followed) or deemed to be received in that taxation year, except to the extent that the interest was included in the Securityholder's income for a preceding taxation year. A Unitholder who disposes of Preferred Securities held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition (excluding amounts received or deemed to be received as interest) exceed the adjusted cost base of the Preferred Securities and any reasonable costs of disposition.

See "Canadian Federal Income Tax Considerations". **Each investor should satisfy himself or herself as to the federal, provincial and territorial tax consequences of an investment in Preferred Securities and/or Capital Units by obtaining advice from his or her tax advisor.**

**Risk Factors:**

An investment in Capital Units and Preferred Securities is subject to certain risk factors, including:

- (i) there can be no assurance that the Trust will be able to achieve its objectives or be able to pay the interest on, or repay the original subscription price of, the Preferred Securities or to achieve the Anticipated Distribution;
- (ii) the potential decrease in value of the Trust's underlying investment in the Portfolio securities will result in a greater decrease in the value of the Capital Units due to the structural leverage of the Preferred Securities;
- (iii) the NAV per Capital Unit will vary according to, among other things, distributions paid on the Preferred Securities and the Capital Units and the value of the securities in the Portfolio;
- (iv) Capital Units may trade in the market at a premium or a discount to the NAV per Capital Unit and there can be no assurance that Capital Units will trade at a price equal to the NAV per Capital Unit;
- (v) the performance of business trusts and power generation and pipeline trusts will vary depending on a number of factors, including general economic conditions and industry specific economic conditions;
- (vi) commodity price fluctuations, including, in particular, fluctuations in the price of oil and gas which may affect the performance of oil and gas royalty trusts;

- (vii) general risks associated with real property investments may affect investments in REITs;
- (viii) the returns on the Portfolio may change as the composition or nature of the Portfolio changes;
- (ix) reliance on the Investment Advisor for portfolio management and investment advisory services, including there being no certainty that the employees of the Investment Advisor who will be primarily responsible for the management of the Portfolio will continue to be employees of the Investment Advisor throughout the term of the Trust;
- (x) risks associated with the use of leverage by the Trust;
- (xi) the risk of the Trust being unable to acquire or dispose of illiquid securities;
- (xii) the risk of the Trust being required to pay subsequent installments on a security that has declined in value where the security was purchased on an installment basis;
- (xiii) the fact that the Trust may not have made all of its income payable prior to December 31 in each year if issuers in which it has invested have failed to provide the Trust with sufficient information on a timely basis to enable the Trust to determine the amount to be distributed, thereby potentially subjecting the Trust to non-refundable income tax;
- (xiv) the possibility that the Trust may become taxable;
- (xv) the possibility that if, contrary to the advice of counsel to the Trust and to the Agents, a view expressed by the Canada Revenue Agency relating to the deductibility of certain interest on money borrowed to invest in income funds were to apply to the Trust, the after-tax returns to Unitholders could be reduced and the Trust could be subject to non-refundable income tax;
- (xvi) risks associated with the structure of the Trust, including the risk that Preferred Securities may be repaid prior to the Maturity Date;
- (xvii) the Preferred Securities are unsecured and subordinated to all indebtedness of the Trust ranking senior to the Preferred Securities;
- (xviii) a revision or withdrawal of the rating of the Preferred Securities may have an adverse effect on the market price of the Preferred Securities;
- (xix) counterparty risks associated with securities lending;
- (xx) the Trust's lack of operating history and the current absence of a public trading market for Preferred Securities and Capital Units;
- (xxi) potential conflicts of interest;
- (xxii) status of the Trust for securities law purposes;
- (xxiii) possible changes in legislation; and
- (xxiv) the possibility that certain expenses of the Trust may not be deductible for income tax purposes with the result that the after-tax returns to Unitholders could be reduced and the Trust could be subject to non-refundable income tax.

See "Risk Factors".

## SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Trust. For further particulars, see “Fees and Expenses”.

<u>Type of Charge</u>	<u>Description</u>
<b>Fees Payable to the Agents for Selling Preferred Securities and Capital Units:</b>	\$0.325 per Preferred Security (3.25%) \$0.7875 per Capital Unit (5.25%)
<b>Expenses of Issue:</b>	The Trust will pay the expenses incurred in connection with the Offering, which are estimated to be \$700,000, subject to a maximum of 1.5% of the gross proceeds of the Offering (excluding the Agents’ fees).
<b>Fees Payable to the Manager:</b>	Annual management fee of 1.10% of the total assets of the Trust less the amount outstanding under the Loan Facility, calculated and payable monthly, plus applicable taxes. Out of this management fee, the Manager will pay an advisory fee to the Investment Advisor pursuant to an Investment Advisory agreement. See “Fees and Expenses — Fees and Other Expenses”.
<b>Service Fee:</b>	The Trust will pay to the Manager a service fee (the “Service Fee”) (calculated and paid as soon as practicable after the end of each calendar quarter) equal to 0.40% per annum of the NAV represented by the Capital Units held at the end of the relevant quarter by clients of dealers, plus any applicable taxes. The Service Fee will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus any applicable taxes, to dealers based on the number of Capital Units held by clients of such dealers at the end of the relevant calendar quarter. See “Fees and Expenses — Service Fee”.
<b>Operating Expenses of the Trust:</b>	The Trust will pay all ordinary expenses incurred in connection with its operation and administration, estimated to be \$175,000 per annum. The Trust will also be responsible for its other costs of portfolio transactions, debt service and costs relating to the Loan Facility and any extraordinary expenses which it may incur from time to time.



## THE TRUST

Brascan SoundVest Rising Distribution Split Trust (the “Trust”) is an investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of February 25, 2005 (the “Declaration of Trust”). The manager of the Trust is Brascan Rising Distribution Management Ltd. (in such capacity, the “Manager”) and the Trust’s investment advisor is SoundVest Capital Management Ltd. (“SoundVest” or the “Investment Advisor”). Computershare Trust Company of Canada is the trustee of the Trust (the “Trustee”). The Trustee and the Manager (or any replacement thereof) will at all times be residents of Canada for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”). The head office of the Trust is located at 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3.

The beneficial interest in the net assets and net income of the Trust is divided into trust units of equal value (the “Capital Units”). The Trust will issue preferred securities (the “Preferred Securities”) pursuant to a trust indenture (the “Trust Indenture”) to be entered into on or before the date of the closing of this offering (the “Offering”) between the Trust and CIBC Mellon Trust Company as indenture trustee (the “Indenture Trustee”).

### Status of the Trust

The Trust is not considered to be a mutual fund under the securities legislation of the provinces of Canada. Consequently, the Trust is not subject to the various policies and regulations that apply to mutual funds, including National Instrument 81-102 of the Canadian Securities Administrators (“NI 81-102”).

The Trust differs from a mutual fund in a number of respects, most notably as follows:

- (a) the Capital Units may only be surrendered annually, whereas the securities of most mutual funds are redeemable daily;
- (b) the Capital Units are to have a stock exchange listing whereas the securities of most mutual funds do not;
- (c) unlike most mutual funds, the Capital Units will not be offered on a continuous basis; and
- (d) the Trust is permitted to borrow whereas mutual funds are generally not permitted to do so.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Capital Units and Preferred Securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

## INVESTMENTS OF THE TRUST

### Investment Objectives

The Trust’s investment objectives are the following:

- (i) **Preferred Securities:** (a) to provide holders of Preferred Securities (“Securityholders”) with fixed quarterly interest payments in the amount of \$0.15 per Preferred Security (\$0.60 per annum to yield 6.0% per annum on the original subscription price of \$10.00); and (b) to repay the original subscription price at maturity; and
- (ii) **Capital Units:** to provide holders of Capital Units (“Unitholders”) with (a) tax efficient and growing monthly cash distributions, a significant portion of which is tax deferred; and (b) capital appreciation on the Portfolio (as hereinafter defined).

The Trust intends to use distributions from the Portfolio as follows: (i) to pay expenses of the Trust, including, without limitation, interest on the Loan Facility (as hereinafter defined); (ii) to pay interest on the Preferred Securities; and (iii) to distribute any remaining amounts to Unitholders.

The Trust has been created using a dual security structure which offers investors flexibility to select the type of security and the tax character for distributions that is best suited to their investment needs. It is expected that a higher proportion of the amounts distributed to Unitholders will be returns of capital, when compared to the

distributions that they would otherwise receive through a direct investment in securities making up the Portfolio. See “Details of the Offering”.

### **Investment Strategy**

The Investment Advisor will seek to achieve the Trust’s investment objectives by diligently selecting and actively managing a diversified portfolio (the “Portfolio”) of securities of selected income funds that the Investment Advisor believes may have the potential to increase their distributions over time or that have a demonstrated record of increasing annual distributions to their securityholders.

Of the 174 income funds existing on December 31, 2004, 60 have increased distributions within 2004 alone, and 85 have increased distributions since inception. The Investment Advisor has identified in excess of 90 publicly listed income funds with a combined market capitalization of more than \$75 billion, that the Investment Advisor would initially consider for inclusion in the Portfolio; however, the Investment Advisor expects to hold the securities of a select group of between 30 and 40 income funds at any one time.

The Investment Advisor will use a conservative, long-term “growing-concern” approach to the management of investments in income funds and will also apply a rigorous buy/sell discipline to all investments. The Investment Advisor will seek to identify and invest in successful businesses which are run by strong and experienced management teams and which are available at attractive prices. In managing the Portfolio, the Investment Advisor will employ risk management and risk reduction techniques to preserve and protect capital.

Securities selection for the Portfolio will be based primarily on an assessment of the attractiveness of individual income funds, including those which the Investment Advisor believes have the greatest potential to increase annual distributions. This will involve an in-depth review of the business carried on by each income fund, its prospects, its management and its value. The Investment Advisor will also assess various macro factors to ensure diversification amongst the various sectors of income funds and to enable the Trust to benefit from trends and other factors affecting a particular sector. From a macro perspective, weightings in power generation and pipeline trusts (which tend to be lower yielding) will be influenced by the Investment Advisor’s assessment of the level and direction of interest rates; weightings in oil and gas royalty trusts will be heavily influenced by the Investment Advisor’s assessment of the level and direction of oil and gas prices; and weightings in real estate investment trusts (“REITs”) will be affected by the overall level of vacancies, rental rates and absorption rates in the various real estate classes and locations. Business trusts tend to be less homogeneous as a category and are impacted individually by a wide variety of factors and will thus be less influenced as a group by macro factors.

The Investment Advisor’s examination of income funds will incorporate an intensive and ongoing analysis of the fundamentals of each income fund. As part of the process, the Investment Advisor will generally: (a) conduct interviews with the trust’s management, competitors and investment analysts; (b) assess the competitive position of the trust’s business, factors that affect the trust’s profitability, and the ability of the trust’s management to effectively allocate capital; and (c) analyze the capability of the trust to consistently earn a rate of return on its invested capital which is meaningfully higher than its cost of capital.

The criteria used to select specific income fund for the Portfolio will revolve around three key areas of analysis: management, the micro-economics of the business and valuation.

Management
<p>The Investment Advisor will assess the integrity, competence and track record of management of each income fund by examining a number of factors including the following:</p> <ul style="list-style-type: none"> <li>• cost control discipline;</li> <li>• prudent assumptions for both maintenance and growth capital expenditures;</li> <li>• conservative approach to the use of leverage;</li> <li>• margin of safety in the trust’s pay-out ratio;</li> <li>• customer and investor focus;</li> <li>• selection of conservative accounting practices; and</li> <li>• sound corporate governance.</li> </ul>

Micro-economics
<p>The Investment Advisor will seek the following factors in its selection of income fund investments:</p> <ul style="list-style-type: none"> <li>• sustainable competitive position in its chosen market place;</li> <li>• ability to consistently generate a steady or growing level of free cash flow on a per trust unit basis through various economic cycles;</li> <li>• ability to distribute substantially all of its free cash flow to unitholders without impairing the underlying prospects of the business; and</li> <li>• reasonable returns on invested capital with conservative leverage.</li> </ul>

Valuation
<p>The Investment Advisor will seek to invest in income funds that are priced below their intrinsic value. However, if the intrinsic value of an income fund is growing at a meaningful rate, the Investment Advisor may invest in such an income fund, particularly when cash distributions are at attractive yield levels. The Investment Advisor will determine intrinsic values using the following methods:</p> <ul style="list-style-type: none"> <li>• detailed discounted cash flow analysis;</li> <li>• private market valuation analysis based on standard metrics for the respective industry; and</li> <li>• comparative business analysis.</li> </ul>

To assess the relative attractiveness of a particular income fund, its intrinsic value will be compared with both its market price and an expected trading range as determined by the Investment Advisor.

**Investment Criteria**

The Trust is subject to certain investment criteria that, among other things, limit the equity securities and other securities the Trust may acquire for the Portfolio. The Trust’s investment criteria may not be changed without the approval of the Unitholders by a two-thirds majority vote of those Unitholders who attend and vote at a meeting called for such purpose. The Trust’s investment criteria for the Portfolio provide that the Trust may purchase:

- (a) units of business trusts;

- (b) units of power generation and pipeline trusts;
- (c) units of oil and gas royalty trusts;
- (d) units of REITs; or
- (e) cash or cash equivalents, including indebtedness that has a remaining term to maturity of less than one year and that is issued or fully guaranteed by the government of Canada or of a jurisdiction thereof, the government of the United States and of certain other foreign countries having an approved credit rating for the purposes of NI 81-102 (as if the Trust were subject to NI 81-102) and certain Canadian or foreign financial institutions rated as short-term debt and having an approved credit rating for the purposes of NI 81-102 (as if the Trust were subject to NI 81-102).

The Trust may also invest up to 10% of the value of its Portfolio assets in high-yielding, equity-based securities (including but not limited to convertible securities and new income fund sectors) other than those listed above and securities of issuers that have publicly announced their intention to convert to income funds. In the event that an issuer whose securities are held by the Trust has converted its business to an income fund, such a conversion may result in the Trust holding securities of a resulting successor company after the income fund conversion. The Trust may hold securities of such successor companies having an aggregate value of up to 5% of the value of the Portfolio for a transitional period in the discretion of the Investment Advisor, which amount forms a part of the aforementioned 10% limit.

Income funds include income funds, enhanced income securities (also referred to as income deposit or income participation securities), master limited partnerships and other similar securities structured to deliver a largely yield-based return.

Income funds are generally funds structured to own debt and equity of an underlying company, or a royalty in revenues generated by the assets thereof, which carries on an active business. The variety of businesses upon which income funds have been created is broad, both in the nature of the underlying industry and assets and in geographic location. Since 2000, a significant number of Canadian income funds have been created based on Canadian businesses or assets, while others have been created in Canada based on U.S. businesses and assets. Since distributions to holders of units of income funds are derived from the operation of an underlying business, many with additional growth potential, the projected life of distributions and the sustainability of distribution levels tend to vary with the nature of the business underlying the income fund. Generally, the income fund acquires equity and debt securities of an operating entity with the proceeds of the issue of trust units. The operating entity typically distributes cash flow from its assets to the income fund by means of dividends, interest and repayments of debt principal. That portion of unitholder distributions that is not currently taxable to Unitholders is treated as a return of capital and generally reduces the Unitholder's adjusted cost base for tax purposes.

Enhanced income securities, sometimes also referred to as income deposit or income participation securities, are a more recently developed investment product derived from income funds. They were developed primarily for U.S. businesses in the U.S. market but have now been offered in both the U.S. and Canada. These securities are intended to replicate the economic attributes of income funds and are typically structured as receipts representing underlying common shares and a specified principal amount of subordinated notes. Investors receive a return on the securities, accordingly, that is generated by interest on the subordinated notes and dividends on the underlying shares. Like income funds, they provide an efficient structure for distributing amounts earned from an active, operating business, and can be used by a variety of types of businesses.

The Trust intends to purchase securities of Canadian issuers but may from time to time invest in foreign securities which will primarily be securities issued by United States issuers.

### **The Portfolio**

In keeping with its active management strategy, the Portfolio's composition will vary over time, within the permitted weightings set out below, depending on the Investment Advisor's assessment of the appropriate

strategy given overall market conditions and outlook. The Investment Advisor contemplates that the Portfolio will initially be comprised of the types of securities in the targeted ranges shown in the table below:

<u>Type of Security</u>	<u>Expected Initial Allocation<sup>(1)</sup></u>	<u>Permitted Weighting<sup>(2)</sup></u>
Business Trusts . . . . .	56%	20% – 60%
Oil and Gas Royalty Trusts . . . . .	31%	10% – 50%
REITs . . . . .	8%	5% – 45%
Power Generation and Pipeline Trusts . . . . .	5%	5% – 35%
Cash and Cash Equivalents . . . . .	0%	0% – 10%

Notes:

- (1) The actual composition of the Portfolio may initially and from time to time be different from the expected initial allocation shown in the table based on the Investment Advisor’s assessment of the prevailing or anticipated market conditions. Subject to certain limitations, the Trust may also have up to 10% of the value of its Portfolio assets comprised of other high-yielding equity-based securities (including but not limited to convertible securities and new income fund sectors). See “Investment Criteria”.
- (2) The Trust may, on the recommendation of the Investment Advisor, change the permitted weightings provided that the Trust will not change the permitted weightings if the same would result in a reduction of the rating of the Preferred Securities to less than Pfd-2 by Dominion Bond Rating Service Limited or an equivalent rating from Standard & Poor’s (“S&P”), Moody’s Investors Service Inc., Fitch Ratings or any of their respective successors.

### **Tax Efficiency**

**The information set forth below is provided for illustrative purposes only and should not be construed as a forecast or projection. No representation is made that the Trust will achieve the returns or yields described below or similar returns or yields, or that it will achieve any return, and no representation is made as to the ultimate composition of the Portfolio or the amount of the yield on Capital Units that will be return of the capital.**

**The tax deferrals described below are based on the assumptions set out below. Prospective purchasers of Capital Units are urged to consult with their own financial and tax advisors for further information regarding the consequences of an investment in Capital Units.**

**Regardless of any tax deferral that may be obtained, a decision to purchase Capital Units should be based primarily on an appraisal of the investment and a purchaser’s ability to bear a loss of the investment. See “Risk Factors” for a discussion of those matters that should be considered by prospective purchasers of Capital Units.**

The table below shows the tax deferral in respect of distributions on the Capital Units that the structure of the Trust would generate at four different representative gross yields generated by the Portfolio (i.e., the yield on the Portfolio prior to expenses of the Trust and interest payments on the Preferred Securities and the Loan Facility), given different levels of return of capital distributed from the Portfolio. Interest on the Preferred Securities and the Loan Facility and the expenses of the Trust are deducted from the gross yield to determine the amount that would be available for distribution to Unitholders. The numbers in the table indicate the percentage of such amount that would in such circumstances, be return of capital and therefore tax deferred. The tax deferrals below are applicable for the first five years of the Trust, during which time the expenses of the Offering would be amortized for tax purposes. The tax deferral after such time is expected to be lower. A Unitholder is required to reduce the adjusted cost base of Capital Units by the amount of any return of capital, which would increase the amount of any capital gain realized on a disposition of Capital Units. To the extent the adjusted cost base of a Capital Unit would otherwise be less than zero in a year, the negative amount would be deemed to be a capital gain realized by the Unitholder in that year and will increase the Unitholder’s adjusted cost base of the Capital Unit. See “Canadian Federal Income Tax Considerations — Taxation of Unitholders”.

The model expressed in the table below indicates that if, for example, the Portfolio generates a gross yield of 9.50%, of which 30% is a return of capital, and the expenses of the Trust are as assumed below, 74% of distributions to Unitholders would be tax deferred.

## Percentage of Distributions to Unitholders that would be Tax Deferred

<u>Return of Capital Generated by the Portfolio</u>	<u>Gross Yield Generated by the Portfolio</u>			
	<u>9.50%</u>	<u>10.00%</u>	<u>10.50%</u>	<u>11.00%</u>
20% . . . . .	56%	53%	51%	48%
25% . . . . .	65%	62%	59%	57%
30% . . . . .	74%	71%	67%	65%

**Assumptions:**

- (1) The Offering size is equal to \$100 million.
- (2) That 40% of the gross proceeds of the Offering comes from the sale of the Preferred Securities.
- (3) All Preferred Securities and Capital Units issued in the Offering remain outstanding.
- (4) No amount is borrowed under the Loan Facility.
- (5) The interest rate on the Preferred Securities is 6.00% per annum.
- (6) The costs of the Offering being amortized over five years are \$5.15 million.
- (7) The annual service fee is equal to 0.40% of the Trust's NAV (as hereinafter defined).
- (8) The annual management fee is equal to 1.10% of the Trust's total assets less the amount outstanding under the Loan Facility.
- (9) The annual operating expenses of the Trust are estimated to be \$175,000.
- (10) The makeup of the Portfolio remains constant over time.
- (11) All funds available for distribution to Unitholders are distributed to Unitholders.

**Investment Restrictions**

The Trust will not engage in any undertaking other than the investment of the Trust's assets in accordance with the Trust's investment objectives, strategy and criteria specified herein. The Trust is subject to the following investment restrictions pursuant to which the Trust will not:

- (a) invest more than 10% of the net assets of the Trust in the securities of any single issuer, other than securities issued by the Government of Canada or a jurisdiction thereof;
- (b) for a period of more than 90 days have:
  - (i) less than 20% or more than 60% of the value of the Portfolio comprised of securities of business trusts;
  - (ii) less than 10% or more than 50% of the value of the Portfolio comprised of securities of oil and gas royalty trusts;
  - (iii) less than 5% or more than 45% of the value of the Portfolio comprised of securities of REITs;
  - (iv) less than 5% or more than 35% of the value of the Portfolio comprised of securities of power generation or pipeline trusts;
  - (v) more than 10% of the value of the Portfolio in cash or cash equivalents; or
  - (vi) more than 10% of the value of the Portfolio comprised of high-yielding, equity-based securities other than income fund securities;

provided that, notwithstanding the foregoing, the Trust may, on the recommendation of the Investment Advisor, deviate from the restrictions referred to in (i) to (iv) above so long as such deviation would not result in a reduction of the rating of the Preferred Securities to less than Pfd-2 by Dominion Bond Rating Service Limited or an equivalent rating from S&P, Moody's Investors Service Inc., Fitch Ratings or any of their respective successors;

- (c) purchase or sell derivative instruments except as described under “Investments of the Trust — Use of Derivative Investments”;
- (d) borrow money, other than under the Loan Facility;
- (e) make loans, provided that the Trust may engage in securities lending and may purchase and hold debt obligations (including bonds, debt securities or other obligations and certificates of deposit, bankers’ acceptances and fixed term deposits) in accordance with the Trust’s investment strategy, objectives and criteria specified herein;
- (f) purchase real estate or real estate mortgage loans, other than units of REITs;
- (g) purchase or sell commodities or commodities contracts;
- (h) make short sales of securities or maintain short positions;
- (i) own more than 10% of any class of securities of any one issuer or purchase the securities of an issuer for the purpose of exercising control over management of any issuer;
- (j) guarantee the securities or obligations of any person other than the Manager, and then only in respect of the activities of the Trust;
- (k) act as underwriter, except to the extent that the Trust may be deemed to be an underwriter in connection with the sale of Portfolio securities;
- (l) make or hold any investment that would result in the Trust failing to qualify as a “unit trust” within the meaning of paragraph 108(2)(b) of the Tax Act. Among other requirements, in order for the Trust to so qualify:
  - (i) at all times at least 80% of the property of the Trust must consist of a combination of: shares; property that, under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; cash; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;
  - (ii) not less than 95% of the Trust’s income for each year must be derived from, or from the disposition of, investments described in (i) above; and
  - (iii) at no time may more than 10% of the Trust’s property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in right of Canada or a province or a Canadian municipality;
- (m) make or hold any investment that would result in the Trust failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (n) invest in or hold the securities of any non-resident corporation or trust or other non-resident entity if the Trust would be required to include any significant amounts in income in respect of such securities pursuant to proposed sections 94.1 or 94.3 of the Tax Act, or to mark to market its investment in such securities in accordance with proposed section 94.2 of such Act, as set forth in the proposed amendments to such Act dealing with foreign investment entities released on October 30, 2003 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (o) invest in securities of a non-resident trust other than an “exempt trust” as such term is defined in the proposed amendments to the Tax Act dealing with non-resident trusts released on October 30, 2003 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);
- (p) invest in or hold “foreign property” if the “cost amount” (as those terms are defined in the Tax Act) to the Trust of all foreign property held by it would cause the Trust to be subject to tax under Part XI of such Act (unless the proposal to eliminate the foreign property limit in the Tax Act included in the

Canadian federal budget of February 23, 2005 is enacted), or would cause Units to be foreign property under such Act, or engage in any other transaction that would cause the Trust to be liable to tax under Part XI of such Act;

- (q) make or hold any investment that is a “tax shelter investment” for purposes of section 143.2 of the Tax Act; or
- (r) with the exception of securities of the Trust’s own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or the Investment Advisor or any of their respective affiliates, with any officer, director or shareholder of any of them, with any person, trust, firm or corporation managed by the Manager or the Investment Advisor or any of their respective affiliates or with any firm or corporation in which any officer, director or shareholder of the Manager or the Investment Advisor may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any such purchase or sale of securities, any such transaction is effected through normal market facilities, and the purchase price approximates the prevailing market price.

The Trust will not be considered to have breached the investment restrictions set forth above and will not be required to dispose of any security in the Portfolio as a result of changes to the value of such security, the Portfolio or the total assets of the Trust as a whole (except for the restrictions in paragraphs (k), (l), (m), (n), (o) and (p) above which must be complied with at all times and which may necessitate the sale of Portfolio securities from time to time) so long as any percentage restriction on investment or use of assets set forth above was adhered to at the time of purchase. If the Trust receives from an issuer subscription rights to purchase portfolio securities of that issuer, and if the Trust exercises those subscription rights at a time when the Trust’s holdings of Portfolio securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of Portfolio securities on exercise of those rights, the Trust has sold at least as many Portfolio securities of the same class and value as would result in the restriction being complied with.

#### **Use of Derivative Instruments**

The Trust may invest in or use derivative instruments for hedging purposes consistent with its investment objectives and investment strategy and subject to its investment restrictions, as permitted by Canadian securities regulators from time to time. For example, the Trust may use derivatives, including interest rate and foreign exchange hedges with the intention of offsetting or reducing risks associated with an investment or group of investments. These risks include currency value fluctuations, commodity price fluctuations, stock market risks and interest rate changes.

#### **Securities Lending**

In order to generate additional returns, the Trust may lend Portfolio securities to borrowers acceptable to the Trust pursuant to the terms of a securities lending agreement between the Trust and each borrower (a “Securities Lending Agreement”). Under a Securities Lending Agreement: (i) the borrower will pay to the Trust a negotiated securities lending fee and will make compensation payments to the Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act as proposed to be amended; and (iii) the Trust will receive collateral security which it may pledge as security as necessary under the Loan Facility.



## MANAGEMENT OF THE TRUST

### The Manager

Pursuant to a management agreement (the “Management Agreement”) dated as of February 25, 2005, the Manager, Brascan Rising Distribution Management Ltd., has been appointed to act as the manager of the Trust and has been given the authority to manage the activities and day to day operations of the Trust, including providing and arranging for the provision of marketing and administrative services required by the Trust. Under the Management Agreement, the Manager may delegate certain of its duties to third parties. The Manager’s duties include: maintaining accounting records for the Trust; authorizing the payment of operating expenses incurred on behalf of the Trust; preparing financial statements, income tax forms and financial and accounting information as required by the Trust; calculating the net asset value (“NAV”) of the Trust; ensuring that Unitholders are provided with financial statements and other reports as are required by applicable law from time to time; monitoring the Trust’s compliance with regulatory requirements and any applicable stock exchange listing requirements; preparing the Trust’s reports to Unitholders, the Canadian securities regulatory authorities and any stock exchange on which the Preferred Securities and Capital Units are listed; and negotiating contractual agreements with third party providers of services, including auditors and printers. The Manager will be responsible for ensuring that the proceeds of the Offering are invested as described under “Use of Proceeds”, but will not participate in the day to day management of the Portfolio.

The Manager, a wholly-owned subsidiary of Brascan Asset Management Inc., has taken the initiative in founding and organizing the Trust and is a promoter of the Trust within the meaning of applicable securities legislation. Brascan Asset Management Inc. is a wholly-owned subsidiary of Brascan Corporation (“Brascan”). Brascan or an affiliate intends to purchase Capital Units with a value of \$5 million.

Brascan is an asset management company focused on the real estate and power generation sectors. With direct investments of US\$19 billion and a further US\$7 billion of assets under management, Brascan owns interests in over 70 premier office properties in North America and London, U.K. Brascan also own 120 power generating plants with a generating capacity of over 2,600 MW. Brascan’s objective is to earn a superior return on equity by generating consistent and sustainable cash flows.

The directors and officers of the Manager are as follows:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
BRUCE ROBERTSON . . . . . Toronto, Ontario	Director, President and Chief Executive Officer	Managing Partner, Brascan Asset Management
LENIS QUAN . . . . . Toronto, Ontario	Director, Vice-President and Chief Financial Officer	Vice-President and Chief Financial Officer, Brascan Asset Management
JACK SIDHU . . . . . Toronto, Ontario	Director and Secretary	Vice-President and Assistant Treasurer, Brascan Asset Management

***Bruce Robertson*** is currently Managing Partner of Brascan Asset Management and has held this position since 1998. Between 1996 and 1998, Mr. Robertson held various positions within Brascan and its affiliates, including that of Vice-President and Chief Financial Officer of Brascan and Vice-President, Investment Banking of Trilon Securities Corporation. Prior to 1996, Mr. Robertson was a Vice-President with Deloitte & Touche Inc. Mr. Robertson is a Chartered Accountant.

***Lenis Quan*** is currently Vice-President and Chief Financial Officer of Brascan Asset Management. Between 1999 and 2002, Ms. Quan held various positions with Brookfield Properties Corporation, including Vice-President, Finance. Prior to 1999, Ms. Quan was with Deloitte & Touche LLP. Ms. Quan is a Chartered Accountant.

***Jack Sidhu*** is currently Vice-President and Assistant Treasurer of Brascan Asset Management. Mr. Sidhu earned a Bachelor of Commerce Degree from the University of Toronto (1995). Mr. Sidhu joined Brascan

Financial Corporation in 2000 after working with the Capital Markets Group at Deloitte and Touche LLP where he was involved in consulting on financial instruments. Mr. Sidhu is a Chartered Accountant.

### **The Management Agreement**

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust and to exercise the care, diligence and skill of a reasonably prudent person in the circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the securities comprising the investment Portfolio of the Trust if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of willful misconduct, bad faith, negligence, disregard of the Manager's standard of care or by any material breach or default by it of its obligations under the Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Trust. The Manager may resign if the Trust is in breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Trust and the Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for the purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution (as hereinafter defined) of the Unitholders. In the event that the Manager is in material breach or default of the provisions of the Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee to remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Management Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Trust. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against, the Manager, or any of its officers, directors, employees or agents, in the exercise of its duties as manager, except those resulting from the Manager's willful misconduct, bad faith, negligence, disregard of the Manager's standard of care or material breach or default by the Manager of its obligations under the Management Agreement.

The management services to be provided by the Manager under the Management Agreement are not exclusive to the Trust and nothing in the Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Trust) or from engaging in other activities.

### **Advisory Board**

The Trust will establish an advisory board (the "Advisory Board") consisting of three members appointed by the Manager, two of whom are independent of the Manager. The initial members of the Advisory Board will be Bruce Robertson, James C. Bacon and John P. Barratt. The Advisory Board will provide independent advice to the Manager to assist the Manager in performing its services under the Management Agreement, including with respect to conflicts of interest and potential conflicts of interest identified by the Manager.

The Manager will notify each member of the Advisory Board in writing of conflicts of interest or potential conflicts of interest concerning the Manager or the Trust (other than such conflicts of interest or potential conflicts of interest relating to matters with respect to which the approval of Unitholders is required under the Declaration of Trust) and will consult with the Advisory Board in respect of such conflicts of interest or potential conflicts of interest.

All fees and expenses of the Advisory Board will be paid by the Trust and the regular fees and expenses of the Advisory Board are included in the Trust's estimated annual operating expenses. See "Fees and Expenses — Fees and Other Expenses". In addition, the Advisory Board will have the authority to retain independent

counsel or other advisors if the Advisory Board deems it appropriate to do so. The Trust will be responsible for the fees and expenses of any such experts which may be retained.

The members of the Advisory Board will be indemnified by the Trust. The Advisory Board members are not responsible for the investments made by the Trust, or for the performance of the Trust. The members of the Advisory Board may serve in similar capacities in respect of other entities managed by the Manager.

**James C. Bacon** is currently a business consultant and corporate director, serving on a number of boards of directors. Previously, between 1995 and 1998, Mr. Bacon served as Chairman of the Board of NBS Technologies Inc., a manufacturer of products for the financial services industry. Prior thereto, Mr. Bacon spent over six years at Consumers Packaging Inc., a supplier of glass and plastic packaging materials, the last four years of which were as President and Chief Executive Officer. Mr. Bacon is a Professional Engineer.

**John P. Barratt** is currently the court-appointed Responsible Person and Liquidation Manager of Beyond.com Corporation, Debtor-in-Possession, a US Chapter 11 Bankruptcy case, in which capacity Mr. Barratt reports to the court and the U.S. Trustee's Office. From September 2000 until the date of its Chapter 11 bankruptcy filing, Mr. Barratt acted in the capacity of Chief Operating Officer of Beyond.com Corporation, an electronic fulfillment provider. Between 1996 and 2000, Mr. Barratt was partner in residence with the Quorum Group of Companies, an international investment partnership specializing in providing debt and/or equity capital coupled with strategic direction to emerging technology companies. Between 1988 and 1995, Mr. Barratt held a number of positions with Coscan Development Corporation, a real estate development company, the last position of which was Executive Vice-President and Chief Operating Officer. Mr. Barratt currently serves on a number of boards of directors and is Chairman of the Credit Committee for the Bank of China (Canada).

### **The Investment Advisor**

Pursuant to an investment advisory agreement (the "Investment Advisory Agreement") dated as of February 25, 2005, the Investment Advisor, SoundVest Capital Management Ltd., has been retained by the Manager to provide investment advisory and portfolio management services to the Trust.

SoundVest was established in 1970 and is registered as an investment manager with securities commissions in both Canada and the United States. SoundVest manages investment portfolios aggregating approximately \$637 million as of November 30, 2004 on behalf of pension funds, insurance companies, trusts and foundations, and high net worth individuals. SoundVest also provides investment advisory services to Brascan SoundVest Diversified Income Fund, a trust listed on the Toronto Stock Exchange, which, as of November 30, 2004, had assets of approximately \$126 million under management and Brascan SoundVest Total Return Fund, a trust listed on the Toronto Stock Exchange, which, as of November 30, 2004, had assets of approximately \$94 million under management.

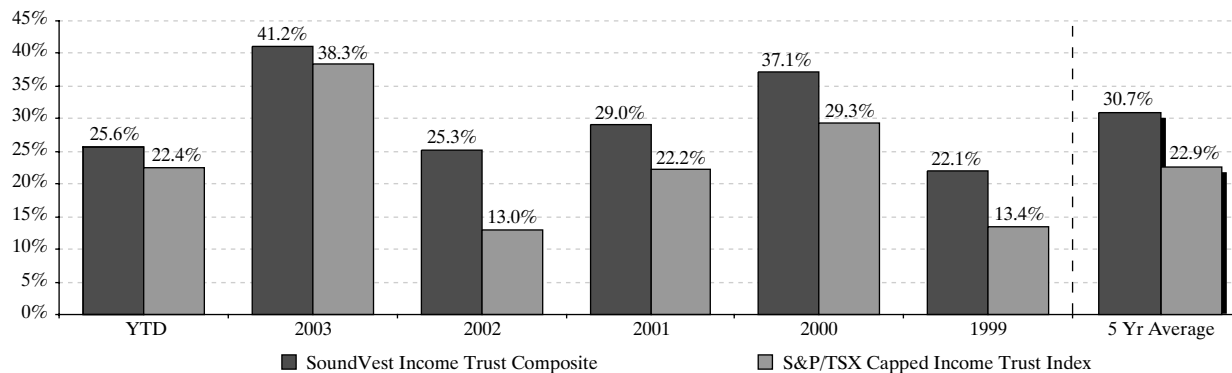
SoundVest is 50% owned by Brascan and 50% owned by entities controlled by Kevin Charlebois. In March 2003, the Investment Advisor's name was changed from Queensway Investment Counsel Limited to SoundVest Capital Management Ltd. From 1970 to 1996, the Investment Advisor's name was JRF Financial Consultants Ltd. The Investment Advisor's offices are located at 100 Sparks Street, Ottawa, Ontario K1P 5B7.

The individual who will be primarily responsible for managing the investments within the Trust's Portfolio is Kevin Charlebois, who will be supported by a team of experienced professionals.

The Investment Advisor manages diversified portfolios of income funds for its clients. As at November 30, 2004, the Investment Advisor had \$351 million in income fund securities in assets under management (including for Brascan SoundVest Diversified Income Fund and Brascan SoundVest Total Return Fund). The SoundVest Income Trust Composite is derived from the portfolios the Investment Advisor manages. The SoundVest Income Trust Composite includes all Canadian income fund securities from discretionary fee-paying portfolios with multi-asset mandates or single-asset mandates for income fund units (including securities of Brascan SoundVest Diversified Income Fund and Brascan SoundVest Total Return Fund) and having a market value of over \$100,000 for clients of SoundVest. Discretionary portfolios must be under management for at least one full quarter to be included in the SoundVest Income Trust Composite.

The following information with respect to the SoundVest Income Trust Composite demonstrates the returns achieved by the Investment Advisor for the periods shown. These returns demonstrate the superior performance that the Investment Advisor has achieved by using the investment approach described under “Investments of the Trust — Investment Strategy”.

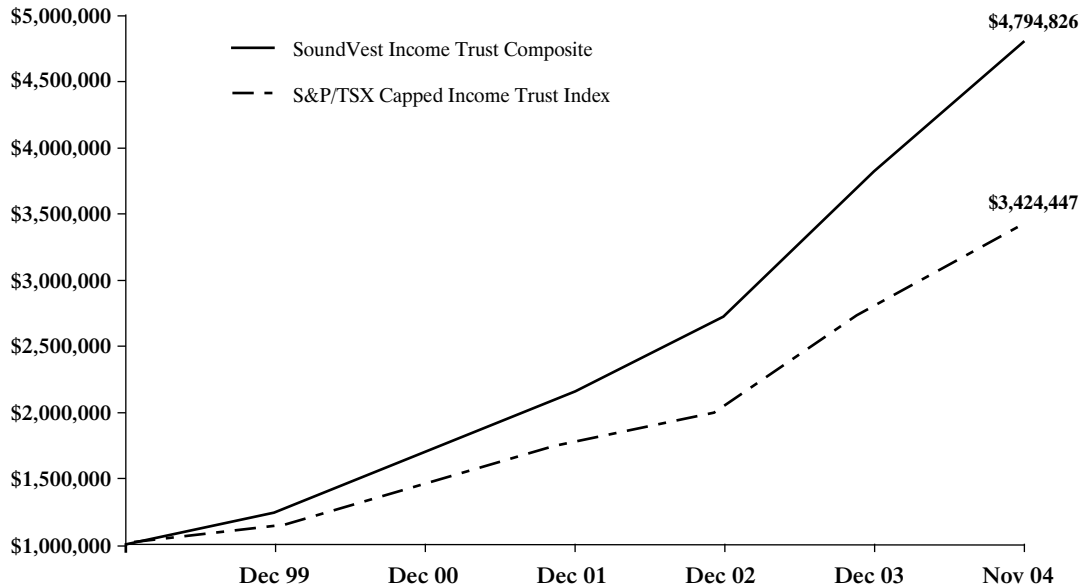
**SoundVest Income Trust Composite Performance vs. Benchmark**  
*Average Returns (11 months ended November 30, 2004, years ended December 31 and five-year average ended December 31, 2003)*



**SoundVest Canadian Income Trust Composite Annual Returns**  
*(years ended December 31 and 11 months ended November 30, 2004)*

	1999	2000	2001	2002	2003	Nov 2004
SoundVest Canadian Income Trust Composite	22.1%	37.1%	29.0%	25.3%	41.2%	25.6%
S&P®/TSX™ Capped Income Trust Index	13.4%	29.3%	22.2%	13.0%	38.3%	22.4%

**Growth of a hypothetical \$1,000,000 investment in the SoundVest Income Trust Composite  
from January 1, 1999 to November 30, 2004,  
relative to the S&P®/TSX™ Capped Income Trust Index**



Notes:

- (1) Returns are total returns including changes in share values and re-investment of all distributions. Information relating to these returns is based on information published by S&P, and is not intended to be, nor should it be construed to be, an indication of future returns on the Portfolio or the S&P®/TSX™ Capped Income Trust Index (the “Index”).
- (2) SoundVest claims compliance with the AIMR Performance Presentation Standards (AIMR — PPS®), the U.S. and Canadian version of Global Investment Performance Standards. AIMR has not been involved with or reviewed SoundVest’s claim of compliance. In accordance with these standards, SoundVest received firm-wide verification for the period from January 1, 1990 to April 30, 2004 and the SoundVest Income Trust Composite was subject to performance examinations for the period from its inception to April 30, 2004 by an independent chartered accountant. To receive a complete list and description of SoundVest composites and/or a presentation that adheres to the AIMR — PPS® standards, contact Ernest Meszaros at (613) 236-7361 or by email at [ernestm@soundvest.ca](mailto:ernestm@soundvest.ca) or write to SoundVest at 100 Sparks Street, 9th Floor, Ottawa, Ontario, K1P 5B7. Returns for the 11-month period ended November 30, 2004 have not been so verified.
- (3) Source for the Index: Bloomberg. For the period January 1, 1999 to October 11, 2002 returns for the Index are based on a synthetic history for the Index developed by S&P, according to S&P’s methodologies, at the time of the launch of the Index on October 15, 2002. A synthetic index history is an estimate of how a given index would have performed if such index had existed during the period in question, and if the index management methodology that the index provider currently employs had been applied to the universe of available securities during the period. All other returns in this chart reflect actual historical returns as calculated by S&P.

The employees of the Investment Advisor who will be involved in the provision of investment management services by the Investment Advisor to the Manager under the Investment Advisory Agreement are as follows:

<u>Name and Municipality</u>	<u>Principal Occupation and Position with the Investment Advisor</u>
KEVIN CHARLEBOIS, CFA . . . . . Ottawa, Ontario	President and Chief Investment Officer
ERNEST MESZAROS, CFA . . . . . Ottawa, Ontario	Vice-President and Portfolio Manager
TRACY ALBERT, CFA . . . . . Ottawa, Ontario	Analyst
SCOTT JARVIS, CA, CMC, CFA . . . . . Ottawa, Ontario	Analyst
BRIAN DURNO, CFP, CFA . . . . . Ottawa, Ontario	Analyst
SETH POWTER, CFA . . . . . Ottawa, Ontario	Analyst

**Kevin Charlebois** is the President and Chief Investment Officer of SoundVest and will be primarily responsible for providing investment advisory and portfolio management services for the Trust. Mr. Charlebois earned a Bachelor of Commerce degree from Carleton University (1974) and joined the company in 1975. He has managed investments in Canadian and U.S. stocks, bonds, money market, mortgages, real estate, venture capital, private placements and high yielding equities since that time. His experience in high yield equities dates back to the 1970s with direct, private investments in real estate and mortgages, and in oil and gas properties on behalf of pension fund clients. He has been involved in the public market for income funds since its inception in the mid-1980s. In addition, Mr. Charlebois has created and taught finance courses at Carleton University, is past Chairman of the Finance Committee of the School of Business at Algonquin College, is a past director of the Ottawa-Carleton Board of Trade (and past Chairman of the Board’s Finance and Taxation Committee), a past Chairman of the Young Professional Associates, a past director of the Foundation of the Ottawa General Hospital and a former President of the Ottawa Chapter of Financial Analysts. Mr. Charlebois is a Chartered Financial Analyst charterholder.

**Ernest Meszaros** is a Vice-President and a Portfolio Manager with SoundVest and is responsible for Canadian and U.S. fixed income and preferred stock operations. Mr. Meszaros earned a Bachelor of Science degree from McMaster University (1980) and a Master of Business Administration with a major in Finance from York University (1985). Mr. Meszaros joined the Investment Advisor in June 1998 after working for ten years as the senior fixed income manager for Canada Mortgage and Housing Corporation (“CMHC”). Prior to joining CMHC, Mr. Meszaros was an investment manager with the Ontario Treasury and Public Trustee of Ontario for three years. Mr. Meszaros is a Chartered Financial Analyst charterholder.

**Tracy Albert** is an Equity Research Analyst with SoundVest. Ms. Albert joined SoundVest in 1989 after graduating with an Honours Bachelor of Commerce degree with a major in Finance from the University of Ottawa. Ms. Albert was previously responsible for membership of the Ottawa Chapter of Financial Analysts. Ms. Albert is a Chartered Financial Analyst charterholder.

**Scott Jarvis** is an Equity Research Analyst with SoundVest. Mr. Jarvis earned an Honours Bachelor of Commerce degree from Queen’s University (1993). Mr. Jarvis joined SoundVest in November 2002 after working for five years with Ernst & Young LLP in its Corporate Finance group where he was involved with financings, mergers and acquisitions, and business valuations. Prior to joining Ernst & Young LLP, Mr. Jarvis worked four years with Deloitte & Touche LLP in its Audit and Business Systems groups. Mr. Jarvis is a Chartered Accountant, Certified Management Consultant, and Chartered Financial Analyst charterholder.

**Brian Durno** is an Equity Research Analyst with SoundVest. Mr. Durno earned an Honours Bachelor of Commerce degree from Queen’s University (1995). Mr. Durno joined SoundVest in July 2004 after working for four years with Canadian Imperial Bank of Commerce (“CIBC”) in its Wealth Management division where he

was responsible for providing investment education and training to CIBC's financial advisors. Prior to joining CIBC, Mr. Durno worked for three years with Investors Group Financial Services, providing investment planning advice to individual clients. Mr. Durno is a Certified Financial Planner, and a Chartered Financial Analyst charterholder.

**Seth Powter** is an Equity Research Analyst with SoundVest. Mr. Powter earned a Bachelor of Business Administration with a major in Finance from Bishop's University (1996). Mr. Powter joined SoundVest in 2004 after working for three years with Salomon Smith Barney's Investment Banking division in London, England, where he was involved in mergers and acquisitions, business valuations and financings. While at Salomon Smith Barney, Mr. Powter also completed a rotation in Hong Kong, where he was involved in financings for clients throughout southeast Asia. Prior to joining Salomon Smith Barney, Mr. Powter worked for three years with RBC Dominion Securities' Mergers & Acquisitions and Corporate Finance groups. Mr. Powter is a Chartered Financial Analyst charterholder.

In November 2000, upon the resignation of certain directors and to satisfy certain Canadian regulatory requirements, Kevin Charlebois became a director of a holding company which was, at that time, engaged in restructuring negotiations. In May 2001, the negotiations terminated, all of the directors including Mr. Charlebois resigned, and a receiver to the company was appointed.

### **The Investment Advisory Agreement**

The Investment Advisor will manage the Portfolio in a manner consistent with the investment objectives, strategy, criteria and restrictions of the Trust pursuant to the Investment Advisory Agreement to be entered into between the Manager and the Investment Advisor on or prior to the closing of the Offering. The services to be provided by the Investment Advisor pursuant to the Investment Advisory Agreement will include providing investment advice in respect of the Portfolio in accordance with the investment objectives, strategy and criteria of the Trust, and subject to the investment restrictions. In the purchase and sale of securities for the Trust, the Investment Advisor will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Advisory Agreement, the Investment Advisor is required to act at all times on a basis which is fair and reasonable to the Trust, to act honestly and in good faith with a view to the best interests of the Trust and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Investment Advisory Agreement provides that the Investment Advisor will not be liable in any way for any default, failure or defect in any of the securities of the Trust, nor will it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. The Investment Advisor may, however, incur liability in cases of willful misconduct, bad faith, negligence, disregard of the Investment Advisor's standard of care or material breach or default by the Investment Advisor of its obligations under the Investment Advisory Agreement.

The Investment Advisory Agreement, unless terminated as described below, will continue in effect until the termination of the Trust. The Manager may terminate the Investment Advisory Agreement if the Investment Advisor has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and, if capable of being cured, such breach has not been cured within 30 days after notice thereof has been given to the Investment Advisor and the Trustee by the Manager. Except as described above, the Investment Advisor cannot be terminated as the investment advisor to the Trust without Unitholder approval. See "Declaration of Trust and Unitholder Matters — Meetings of Unitholders and Extraordinary Resolutions".

The Investment Advisor may terminate the Investment Advisory Agreement if the Trust is in material breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 30 days of notice of same to the Manager and to the Trustee or if there is a material change in the investment objectives, strategy or criteria or investment restrictions of the Trust. If the Investment Advisory Agreement is terminated, the Manager will promptly appoint one or more successor investment managers to carry out the activities of the Investment Advisor until a meeting of Unitholders is held to confirm such appointment.

The Investment Advisor is entitled to fees for its services which are payable by the Manager under the Investment Advisory Agreement as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by the Investment Advisor on behalf of the Trust. In addition, the Investment Advisor and its directors, officers, employees and agents, will be indemnified by the Trust for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Investment Advisor or any of its officers, directors, employees or agents, in the exercise of its duties as an investment advisor, except those resulting from the Investment Advisor’s willful misconduct, bad faith, negligence, disregard of the Investment Advisor’s standard of care or material breach or default by the Investment Advisor of its obligations under the Investment Advisory Agreement.

### **The Trustee**

Computershare Trust Company of Canada is the trustee of the Trust under the Declaration of Trust. The address of the Trustee is 100 University Avenue, Toronto, Ontario M5J 2Y1.

The Trustee or any successor trustee may resign upon 60 days’ written notice to Unitholders and the Manager or such lesser notice as the Manager may accept. The Trustee will be required to resign at the request of the Manager in certain circumstances. The Trustee may be removed with the approval of a majority of the votes cast at a meeting of Unitholders called for such purpose. Any such resignation or removal shall become effective only upon the appointment of a successor trustee. If the Trustee resigns or is removed, its successor may be appointed by the Manager. If the Trustee is removed by Unitholders, the appointment of its successor must be approved by Unitholders. If, after the resignation of the Trustee, no successor has been appointed within 90 days, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties thereunder except in cases of willful misconduct, bad faith, negligence or material breach or default by the Trustee of its obligations under the Declaration of Trust or in cases where the Trustee fails to act honestly and in good faith and in the best interests of Unitholders to the extent required by laws applicable to trustees, or fails to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees for acting as trustee of the Trust and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with its duties.

### **CONFLICTS OF INTEREST**

Although the Manager does not currently engage in any other business, its services are not exclusive to the Trust. The Manager may in the future act as the manager to other funds which may invest in various asset classes and which may be considered competitors of the Trust. In addition, the directors and officers of the Manager may be directors, officers, shareholders or Unitholders of one or more issuers in which the Trust may acquire securities or of corporations which act as the manager of other investment funds that invest primarily in various asset classes and which may be considered competitors of the Trust. The Manager or its affiliates may be managers or portfolio managers of one or more issuers in which the Trust may acquire securities and may be managers or portfolio managers of investment funds that invest in the same securities as the Trust. Affiliates and associates of the Manager may be shareholders or Unitholders of one or more issuers in which the Trust may acquire securities. A decision to invest in such issuers will be made independently by the Investment Advisor and without consideration of the Manager’s relationship with such issuers.

The Investment Advisor is engaged in a broad range of portfolio management, investment advisory and other business activities. The services of the Investment Advisor under the Investment Advisory Agreement are not exclusive and nothing in the Investment Advisory Agreement prevents the Investment Advisor or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies or criteria are similar to those of the Trust) or from engaging in other activities.



The Investment Advisor's investment decisions for the Trust will be made independently of those made for its other clients and independently of its own investments. On occasion, however, the Investment Advisor may make the same investments for the Trust and for one or more of its other clients. If the Trust and one or more of the other clients of the Investment Advisor are engaged in the purchase or sale of the same securities, the transactions will be effected on an equitable basis.

The Declaration of Trust acknowledges that the Trustee may provide services to the Trust in other capacities, provided that the terms of any such arrangements are no less favourable to the Trust than those which would be obtained from other parties for comparable services. The services of the Trustee to the Trust are not exclusive.

## **LOAN FACILITY**

The Trust will enter into a loan facility (the "Loan Facility") with one or more Canadian chartered banks (collectively, the "Lender") subsequent to the closing of the Offering. The Lender will be at arm's length to the Trust, the Trustee, the Manager and the Investment Advisor and their respective affiliates and associates but may be affiliated with one or more of the Agents (as hereinafter defined).

The Loan Facility will permit the Trust to borrow up to an amount not exceeding 7% of the value of the assets within the Portfolio, which may be used for various purposes, including purchasing additional securities for the Portfolio, effecting market purchases of Capital Units, maintaining liquidity, funding redemptions and for cash flow purposes. A maximum amount not exceeding 5% of the value of the assets within the Portfolio may be used to make additional investments. The interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature and the Trust expects that the Lender will require the Trust to provide a security interest in favour of the Lender over the assets of the Trust to secure such borrowings.

In order to ensure that the total amount borrowed by the Trust under the Loan Facility does not exceed at any time 7% of the value of assets within the Portfolio, the Manager will take appropriate steps with the Portfolio securities which may include liquidating certain of the Portfolio securities and using the proceeds thereof to reduce the amount outstanding under the Loan Facility. The Loan Facility will contain provisions to the effect that in the event of a default under the Loan Facility, the Lender's recourse will be limited solely to the assets of the Trust. Such provisions are intended to ensure that Unitholders will not be liable for the obligations of the Trust under the Loan Facility.

Other than borrowing by the Trust under the Loan Facility and by issuing the Preferred Securities, the Trust will not engage in other borrowings.

## **VALUATION**

### **Net Asset Value**

The NAV of the Trust and the NAV per Capital Unit will be calculated on each Valuation Date. The NAV on a particular Valuation Date will be equal to the aggregate value of the assets of the Trust, less the aggregate value of the liabilities of the Trust, including any income, net realized capital gains or other amounts made payable to Unitholders on or before such Valuation Date. The liabilities of the Trust will include the obligation to repay the original subscription price of, and any accrued and unpaid interest on, the Preferred Securities. A "Valuation Date" is every Business Day (any day on which the Toronto Stock Exchange is open for trading is hereinafter referred to as a "Business Day"), December 31 of each year and the Termination Date (as hereinafter defined), as well as any other date on which the Manager elects, in its discretion, to calculate the NAV of the Trust and the NAV per Capital Unit.

In determining the NAV of the Trust at any time:

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to holders of record on a date before the day as of which the NAV is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Manager has determined that any such asset is not otherwise worth the face amount thereof,

in which case the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

- (b) the value of any security which is listed or traded upon a stock exchange shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price should be used), as at the day as of which the NAV is being determined, all as reported by any means in common use;
- (c) the value of any security which is not listed or traded on a stock exchange or the resale of which is restricted by reason of a representation, undertaking or agreement by the Trust (or by the Trust's predecessor in title) or by law shall be determined on the basis of such bid, ask price or yield equivalent quotations (which may be public quotations or may be obtained from major market makers) as the Manager reasonably determines best reflects fair value;
- (d) the value of a forward contract or of a futures contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract or the futures contract, as the case may be, were to be closed out unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (e) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (f) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices at the calculation time. Amounts drawn under the Loan Facility will be valued at par. Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest;
- (g) if the day as of which NAV is being determined is not a Business Day, then the securities comprising the Trust's Portfolio and other Trust property will be valued as if such day were the preceding Business Day; and
- (h) the value of all assets of the Trust quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Trust in foreign currency and the value of all liabilities and contractual obligations payable by the Trust in foreign currency shall be determined using the prevailing rate of exchange as determined by the Manager, on the day as of which NAV is being determined.

If an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding such rules, the Manager will make such valuation as it considers fair and reasonable in a manner consistent with industry practice for valuing such investment.

#### **NAV per Capital Unit**

The NAV per Capital Unit is the amount obtained by dividing the NAV of the Trust on a particular Valuation Date by the total number of Capital Units outstanding on that date. The NAV per Capital Unit determined on any Valuation Date will remain in effect until the next time NAV per Capital Unit is determined.

#### **Repayment Price**

The "Repayment Price" is the amount, in respect of a Preferred Security, equal to the original subscription price, together with any accrued and unpaid interest thereon.

## **Combined Value**

A “Combined Security” is considered to consist of one Preferred Security and one Capital Unit. The “Combined Value” is the amount determined on a particular Business Day equal to the NAV per Capital Unit plus the Repayment Price.

## **Publication of Information**

The Trust’s NAV, the NAV per Capital Unit, the Repayment Price and the Combined Value will be made available weekly to the financial press for publication and through the Internet at [www.bsvfunds.com](http://www.bsvfunds.com).

## **DETAILS OF THE OFFERING**

The Offering consists of a minimum of 5,000,000 Capital Units and a maximum of 14,000,000 Capital Units at a price of \$15.00 per Capital Unit and a minimum of 5,000,000 Preferred Securities and a maximum of 14,000,000 Preferred Securities at a price of \$10.00 per Preferred Security. The Capital Units and Preferred Securities are being offered separately, but will be issued only on the basis that an equal number of Capital Units and Preferred Securities will be outstanding at the closing of the Offering. The following is a summary of the material attributes and characteristics of the Capital Units and Preferred Securities as will be set out in the Declaration of Trust and the Trust Indenture, respectively. This summary does not purport to be complete and is subject to, and qualified by, reference to the terms of the Declaration of Trust with respect to the Capital Units and the Trust Indenture with respect to the Preferred Securities.

## **Certain Provisions of the Capital Units**

### *General*

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each representing an equal, undivided beneficial interest in the net assets of the Trust. All Capital Units have equal rights and privileges. Each whole Capital Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Trust, including distributions of net income and net realized capital gains, and any distributions upon the termination of the Trust after payment of debts and liabilities, including, without limitation, the aggregate Repayment Price of the Preferred Securities, and liquidation expenses of the Trust. Capital Units are issued only as fully paid and are non-assessable. Fractions of Capital Units are proportionately entitled to all of these rights except voting rights.

### *Distributions*

The Trust intends to provide Unitholders with the opportunity to receive tax efficient and growing monthly cash distributions. The Trust intends to pay monthly cash distributions on the Capital Units to the extent that the distributions on the Portfolio securities exceed the sum of the expenses of the Trust, including interest expenses on the Loan Facility, and the aggregate interest payments on the Preferred Securities (the “Preferred Security Interest Amount”). The Trust does not have a fixed monthly distribution target for the Capital Units, but will annually determine and announce each December an anticipated distribution amount (the “Anticipated Distribution”) for the following year based upon prevailing market conditions and the Trust’s estimate of distributable cash flow for the following year. The monthly Anticipated Distribution for the period ending December 31, 2005 is \$0.1125 per Capital Unit representing an annual yield of 9.0% based on the \$15.00 per Capital Unit subscription price.

Distributions will be payable to Unitholders of record on the last Business Day of each month (each a “Record Date”). The Trust intends to pay distributions, net of applicable non-resident withholding tax, to Unitholders on or about the fifteenth day of the following month. The Trust may make special distributions of amounts determined by the Manager to be amounts not required by the Trust for future monthly distributions. The Trust expects that the initial distribution will be declared payable to Unitholders of record on April 30, 2005 and will be paid on or about May 15, 2005.

**The amounts received by the Trust from issuers whose securities are held in the Portfolio may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result**

**that the monthly cash available for distribution to Unitholders could vary substantially and there can be no assurance that the Trust will make any distribution in any particular month or months. If the monthly cash available for distribution to Unitholders is consistently higher or lower than the Anticipated Distribution, then the Manager on behalf of the Trust may re-evaluate the Trust's distribution policy.**

**There is no guarantee that the requisite return will be achieved by the Trust in order to meet the Anticipated Distribution. If such return is not achieved or if the borrowing costs increase, monthly distributions may be significantly reduced.**

With an initial annual Anticipated Distribution of \$1.350 per Capital Unit (representing a yield of 9.0% per annum on the original subscription price of \$15.00) and assuming the Preferred Securities constitute 40% of the Offering and that the value of the Portfolio does not change, and assuming the other matters set out as assumptions below the tables under "Investments of the Trust — Tax Efficiency", in order to make the estimated distributions on the Capital Units and return to Unitholders at least the original subscription price of the Capital Units, it is currently expected that the Trust will be required to generate an average annual return on the Portfolio of approximately 9.9%. See "Investments of the Trust — Tax Efficiency". There is no guarantee that the requisite return will be achieved by the Trust.

The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units. The Trust Indenture will provide, and the Declaration of Trust provides, that the Trust may not make any cash distributions on the Capital Units if, after giving effect to the proposed distribution, the Combined Value would be less than 1.4 times the Repayment Price. Distributions on the Capital Units are conditional upon the Trust being current in its obligation to pay interest on the Preferred Securities in accordance with the terms of the Trust Indenture.

If, in any year after payment of the aggregate Preferred Security Interest Amount and any distributions paid on the Capital Units, there would otherwise remain in the Trust additional net income or net realized capital gains, the Trust intends on or before December 31 of that year to make a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Trust will not be liable for income tax thereon under Part I of the Tax Act. If the Trust does not have sufficient cash available to fund all of such additional distributions, additional Capital Units having a net asset value equal to the deficiency will be issued. Immediately after such issuance, the number of outstanding Capital Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Capital Units as the Unitholder held before the issuance of the additional Capital Units.

The Trust intends that the aggregate distributions of net income and net realized capital gains made in each year will be sufficient to ensure that the Trust will not be liable for ordinary income tax thereon under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Trust for a year that are retained by the Trust would be recoverable by it in such year.

Capital Units are intended to provide Unitholders with a tax efficient participation in returns on the Portfolio securities. Based on the character of distributions made on the Portfolio securities to date, it is anticipated that during the next twelve months, the majority of the amounts to be distributed to Unitholders will constitute returns of capital, which generally are not subject to tax but which would reduce the adjusted cost base of Capital Units held as capital property. It is expected that the return of capital character of all or a portion of these distributions will be achieved in part by the Trust deducting the interest paid or payable on the Preferred Securities as an interest expense. The proportion of distributions characterized as returns of capital for Unitholders will be affected by the amounts received by the Trust on the Portfolio securities that are characterized as returns of capital, and the amount of net capital gains realized by, and other income of, the Trust. See "Investments of the Trust — Tax Efficiency" and "Canadian Federal Income Tax Considerations".

### *Redemption*

For the purposes hereof, "Redemption Proceeds Per Combined Security" is the amount equal to the Combined Value determined as at the Redemption Date (as hereinafter defined), provided that, at the sole option of the Manager, for the purposes of calculating the Redemption Proceeds Per Combined Security, the Manager may value any security which is listed or traded upon a stock exchange (or if more than one, on the

stock exchange in which the security primarily trades, as determined by the Manager) by taking the volume weighted average trading price of the security on such exchange during the three most recent trading days of such exchange ending on and including such Valuation Date (as hereinafter defined), or lacking any sales during such period or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the fair market value as determined by the Manager shall be used), as at the Valuation Date, all as reported by any means in common use. The Trust may designate a portion of a Unitholder's Capital Unit redemption proceeds as a payment out of the Trust's net income or net realized taxable capital gains to effect an equitable allocation of such amounts among Unitholders.

Commencing in 2005, a Unitholder may surrender in the month of November of each year a Capital Unit for redemption (either alone or together with the surrender of a Preferred Security for repayment), to Computershare Investor Services Inc. (in the manner described below) at least 15 Business Days prior to the last Business Day in November (the "Redemption Date") for redemption and repayment on the Redemption Date, subject to the Trust's right to suspend redemptions or to postpone payment of redemption proceeds in certain circumstances described under "Details of the Offering — Suspension of Redemptions and Repayments". Capital Units and Preferred Securities surrendered for redemption and repayment in this manner will be redeemed on the Redemption Date (unless the Trust elects to re-circulate those Capital Units and Preferred Securities and the Unitholder has not withheld its consent to such re-circulation; see "Details of the Offering — Resale"). A Unitholder who redeems Capital Units and surrenders Preferred Securities will receive payment therefor on or before the fifteenth Business Day following such Redemption Date (the "Redemption Payment Date").

*Concurrent Annual Redemption:* A Unitholder who surrenders a Capital Unit together with a Preferred Security will receive an amount equal to the Redemption Proceeds Per Combined Security minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Trust in connection with such payment, including, but not limited to, expenses incurred in liquidating underlying Portfolio securities and securities movement charges.

*Annual Redemption of Capital Units:* A Unitholder who surrenders a Capital Unit for redemption (without surrendering a corresponding Preferred Security for repayment) will receive an amount equal to the Redemption Proceeds Per Combined Security, minus the price paid by the Trust for one Preferred Security in the market or, if the Trust is unable to purchase a Preferred Security in the market, pursuant to the Call Right (as hereinafter defined), and minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Trust in connection with such payment, including, but not limited to, expenses incurred in liquidating underlying Portfolio securities, securities movement charges and costs relating to the purchase of one Preferred Security. The price paid by the Trust for Preferred Securities in the market may be higher than the price the Trust would pay if it redeemed Preferred Securities pursuant to the Call Right.

Any unpaid distribution payable on or before the Redemption Date in respect of Capital Units tendered for redemption on a Redemption Date will also be paid on the Redemption Payment Date. **The NAV per Capital Unit may be lower than the original subscription price. The NAV per Capital Unit will vary depending on a number of market factors, including interest rates, volatility in the equity and debt markets and the volatility of the Portfolio securities. See "Risk Factors".**

The redemption proceeds paid by the Trust in connection with the redemption of a Combined Security shall be allocated as follows: (i) as to the portion of such value equal to the original subscription price of, and any accrued and unpaid interest on, the Preferred Security, as a repayment in full of such Preferred Security, and (ii) as to the remainder of such value, as the proceeds of redemption of the Capital Unit.

The redemption right and, as applicable, the repayment right must be exercised by causing written notice to be given to Computershare Investor Services Inc. and the Trust not later than 5:00 p.m. (Toronto time) on the fifteenth Business Day prior to a Redemption Date. The surrender of Capital Units and Preferred Securities will be irrevocable upon the delivery of notice to Computershare Investor Services Inc., except with respect to those Capital Units or Preferred Securities which are not paid for by the Trust on the relevant Redemption Payment Date.

Any Capital Units outstanding on the Termination Date will be redeemed by the Trust on such date. On such redemption, each Unitholder will receive for each Capital Unit redeemed the amount, if any, equal to a pro rata share of the net assets of the Trust remaining after payment or accrual of all debts and liabilities (including the aggregate Repayment Price and contingent expenses) and liquidation expenses of the Trust.

#### *Market Purchases*

The Trust may at any time, in its discretion, and subject to the receipt of any necessary regulatory approvals, purchase Capital Units offered in the market provided that, at the time of any such purchase, the Trust must concurrently purchase an equal number of Preferred Securities and the aggregate of the market price per Preferred Security and the market price per Capital Unit at such time shall be less than the Combined Value.

### **Certain Provisions of the Preferred Securities**

#### *General*

The Preferred Securities authorized for issue under this Offering will be limited in aggregate principal amount to \$161,000,000. The Trust may, however, from time to time, issue further Preferred Securities (or securities of another series), subject to the limitation described below. The Preferred Securities will be direct unsecured debt obligations issued by the Trust and will not be secured by any mortgage, pledge, hypothec or other charge. See “Details of the Offering — Certain Provisions of the Preferred Securities — Subordination” below. The Preferred Securities will be issuable only in denominations of \$10 and integral multiples thereof.

#### *Interest Payments*

Securityholders will be entitled to receive fixed quarterly interest payments of \$0.15 per Preferred Security, (the “Preferred Security Interest Amount”) or 6.0% per annum on the original subscription price of \$10.00, which will be paid, net of applicable non-resident withholding tax, quarterly in arrears on the fifteenth day of each of March, June, September and December of each year up to and including the Maturity Date (or if the fifteenth day is not a Business Day, no later than the following Business Day). The initial interest payment is expected to be paid on or about June 15, 2005 and will reflect interest from the date of issue. Interest will accrue on all unpaid interest amounts.

#### *Payment on Maturity*

The Preferred Securities will mature on March 31, 2015, or automatically on such earlier date upon which the Trust terminates (any such date being the “Maturity Date”), at which date the Repayment Price of each Preferred Security will be payable by the Trust, by payment by the Trust of such amount to the Indenture Trustee. The Maturity Date also may be extended by Securityholders as described under “Termination of the Trust”.

Preferred Securities may be called by the Trust and purchased prior to the Maturity Date (the “Call Right”) if, as a result of the redemption of Capital Units, the aggregate number of outstanding Preferred Securities would exceed the aggregate number of outstanding Capital Units. The Trust will only exercise the Call Right to the extent that it is unable to purchase Preferred Securities in the market. In such case, Preferred Securities will be redeemed at a price per Preferred Security which until March 31, 2006 will be equal to \$11.00 and which will decline by \$0.10 each year thereafter to \$10.10 after March 31, 2014, plus any accrued and unpaid interest. The Trustee will, in its sole discretion, determine the Securityholders whose Preferred Securities will be redeemed pursuant to any exercise of the Call Right.

Notice of repayment will be given to CDS Participants on behalf of the beneficial owners of Preferred Securities at least 45 days prior to the Maturity Date and at least five Business Days prior to the date of any other purchase pursuant to the Call Right.

#### *Concurrent Annual Redemption*

Commencing in 2005, a Securityholder may surrender a Preferred Security for repayment together with a Capital Unit for redemption at least 15 Business Days prior to a Redemption Date for repayment on the

Redemption Date. See “Details of the Offering — Certain Provisions of the Capital Units — Redemptions” and “Details of the Offering — Suspension of Redemptions and Repayments”.

Preferred Securities which have been surrendered to the Trust for repayment in the manner described above are, subject to the Trust’s right to recirculate Capital Units and Preferred Securities described under the heading “Details of the Offering — Resale”, deemed to be outstanding until (but not after) the close of business on the Redemption Date, unless not repaid on or before the Redemption Payment Date in which event such Preferred Securities will remain outstanding.

#### *Subordination*

The payment of the principal of, and interest on, the Preferred Securities will be subordinated in right of payment, as set forth in the Trust Indenture, to the prior payment in full of all “Senior Indebtedness” of the Trust, which will be defined in the Trust Indenture as the principal of and premium, if any, and interest on, and other amounts in respect of, all indebtedness of the Trust (whether outstanding as at the date of the Trust Indenture or thereafter incurred, and including, without limitation, indebtedness to trade creditors of the Trust and ordinary and extraordinary liabilities), other than indebtedness evidenced by the Preferred Securities, and all other existing and future notes or other instruments of the Trust which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to rank *pari passu* with, or subordinate in right of payment to, the Preferred Securities.

The Trust Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relating to the Trust, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Trust, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Trust, then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the Securityholders will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Preferred Securities or any accrued and unpaid interest thereon. The Trust Indenture also will provide that the Trust will not make any payment, and the Securityholders will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Preferred Securities (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Preferred Securities, or (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Trust, unless the Senior Indebtedness has been repaid in full.

#### *Priority Over Capital Unit Distributions*

The payment of interest on the Preferred Securities will be made in priority to any distributions on the Capital Units. The Trust Indenture will provide, and the Declaration of Trust provides, that the Trust may not make any cash distributions on the Capital Units if, after giving effect to the proposed distribution, the Combined Value would be less than 1.4 times the Repayment Price.

The Trust will fund the repayment to the Securityholders on the Maturity Date of the aggregate Repayment Price with the proceeds from the sale or redemption of the Portfolio securities and any other net assets of the Trust in priority to any distribution of assets of the Trust on the Capital Units.

The Preferred Securities will not represent interests in or obligations of CIBC Mellon Trust Company (other than in its capacity as the Indenture Trustee), Computershare Trust Company of Canada (other than in its capacity as the Trustee), the Manager, the beneficiaries of the Trust or any affiliate or any of the foregoing. As such, recourse under the Preferred Securities is limited to the assets of the Trust. A Securityholder will have no recourse against the Indenture Trustee or the Trustee in their respective personal capacities or to the assets of the Indenture Trustee or the Trustee other than the assets of the Trust, nor any recourse to Unitholders or their assets.

### *Events of Default*

The Trust Indenture will provide that an event of default (“Event of Default”) in respect of the Preferred Securities will occur if any one or more of the following described events has occurred and is continuing with respect to the Preferred Securities: (a) failure to pay the Preferred Security Interest Amount for more than four calendar quarters after such amount becomes due; (b) failure to pay the Repayment Price of the Preferred Securities, whether at maturity, by declaration or otherwise (other than pursuant to a redemption when a suspension is in effect); (c) certain events of bankruptcy, insolvency or reorganization of the Trust; or (d) default in the observance or performance of any material covenant or condition of the Trust Indenture and the continuance of such default for a period of 30 days after notice in writing has been given by the Indenture Trustee to the Trust specifying such default and requiring the Trust to rectify the same. If an Event of Default has occurred and is continuing, the Indenture Trustee may, in its discretion, and must upon request of Securityholders holding not less than 25% of the number of Preferred Securities then outstanding (subject to receipt of an appropriate indemnity), declare the aggregate original subscription price of, and interest on, all outstanding Preferred Securities to be immediately due and payable. In certain cases, the Securityholders holding a majority of the number of the Preferred Securities then outstanding may, on behalf all Securityholders, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such Securityholders prescribe.

### *Modification*

The rights of the Securityholders, as well as holders of any other series of securities that may be issued under the Trust Indenture, may be modified in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture will contain certain provisions that will make binding on all Securityholders resolutions passed at meetings of Securityholders by votes cast thereat by Securityholders holding not less than 66 $\frac{2}{3}$ % of the number of Preferred Securities present at the meeting or represented by proxy, or rendered by instruments in writing signed by the Securityholders holding not less than 66 $\frac{2}{3}$ % of the number of Preferred Securities (an “Extraordinary Securityholder Resolution”). In addition, the Maturity Date also may be extended by Securityholders by a majority vote. See “Termination of the Trust”. Quorum for a meeting of Securityholders will consist of two or more Securityholders present in person or by proxy representing not less than 10% of the number of Preferred Securities then outstanding.

In addition, the Trust Indenture will provide and the Declaration of Trust provides that where the Indenture Trustee determines, on the advice of counsel, that any modification to the Declaration of Trust that requires the approval of Unitholders would affect the timeliness or priority of payments to Securityholders, or otherwise materially adversely affects the Securityholders as a class, such change may not be made to the Declaration of Trust unless (i) the Indenture Trustee has determined, on the advice of counsel, that such modification does not require the approval of Securityholders, or (ii) Securityholders have approved such modification as required under the Trust Indenture.

### *Limitation on Issuance of Additional Preferred Securities*

The Trust Indenture will provide that the Trust shall not issue additional debt securities ranking in preference to the Preferred Securities. The Trust will only issue additional Preferred Securities on the basis that, immediately following such issuance, an equal number of Preferred Securities and Capital Units will be outstanding.

### *Market Purchases*

The Trust may at any time, in its discretion, and subject to the receipt of any necessary regulatory approvals, purchase Preferred Securities offered in the market; provided, however, that if any such purchase is not made in conjunction with the redemption of Capital Units, the Trust will not purchase Preferred Securities unless it at the same time purchases an equal number of Capital Units and the aggregate of the market price per Preferred Security and the market price per Capital Unit is less than the Combined Value at such time.



### *Credit Rating*

The Preferred Securities have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited (“DBRS”). Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. DBRS’ rating of the Preferred Securities is on a preferred security rating scale that ranges from Pfd-1 to Pfd-5, which represents the range from highest to lowest quality of such securities rated. Securities rated in the Pfd-2 rating category by DBRS are in the second highest category of the relevant scale and are considered by DBRS to be of satisfactory credit quality. The credit ratings accorded to the Preferred Securities are not recommendations to purchase, hold or sell the Preferred Securities. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by a rating agency at any time.

### **Suspension of Redemptions and Repayments**

The Trust may suspend the redemption of Capital Units and the repayment of Preferred Securities or postpone repayment of redemption proceeds: (i) during any period when the Investment Advisor advises the Manager that normal trading is suspended on a market where more than 50% of the securities in the Portfolio (in terms of dollar value) trade and, if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Trust; (ii) with the permission of the securities regulatory authorities (if required), for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust, (iii) if, after giving effect to redemptions, the Combined Value would be less than 1.4 times the Repayment Price, or (iv) if the Trust would be insolvent or otherwise unable to pay its liabilities as they become due after giving effect to such redemptions (and repayment, if applicable). The suspension shall apply to all requests for redemption or repayment received prior to the suspension date but for which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders or Securityholders making such requests will be advised by the Manager of the suspension and that the redemption or repayment will be effected at a price determined following the resumption of redemptions and repayments. All such Unitholders and Securityholders will have, and will be advised that they have, the right to withdraw their requests for redemption or repayment if such requests were submitted prior to a suspension and payment has not been made, or if such requests were submitted during a period of suspension. Redemptions and repayments will resume in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other circumstances under which a suspension is authorized then exists. To the extent it is not inconsistent with rules and regulations promulgated by any government body having jurisdiction over the Trust, any declaration of suspension made by the Manager will be conclusive.

### **Resale**

The Trust will, prior to the closing of the Offering, enter into an agreement (a “Recirculation Agreement”) with RBC Dominion Securities Inc. (the “Recirculation Agent”) whereby the Recirculation Agent will agree to use commercially reasonable efforts to find purchasers for any Capital Units and Preferred Securities properly surrendered for redemption or repayment, provided that the holder of the Capital Units so surrendered has not withheld consent thereto. The Trust may from time to time appoint additional dealers to act as recirculation agents for any Capital Units and Preferred Securities surrendered for redemption or repayment. The Trust may, but will not be obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the Redemption Payment Date will be an amount equal to the proceeds of the sale of the Capital Units less any applicable commission and the amount to be received for Preferred Securities will be an amount equal to the proceeds of sale of the Preferred Securities less any applicable commission. Such amount will not be less than the redemption proceeds otherwise payable for such Capital Units and the Repayment Price otherwise payable for such Preferred Securities.

## DECLARATION OF TRUST AND UNITHOLDER MATTERS

### General

The Trust is an investment trust created pursuant to the Declaration of Trust and governed by the laws of the Province of Ontario.

### Issuances of Additional Capital Units

The Trust does not currently intend to issue additional Capital Units following completion of the Offering except: (i) by way of private placement or public offering where the net proceeds per Capital Unit to be received by the Trust are not less than the most recently calculated NAV per Capital Unit prior to the date of the setting of the subscription price by the Trust; (ii) on a distribution of Capital Units or on an automatic reinvestment of distributions of net income or net realized capital gains; or (iii) with the approval of Unitholders by Extraordinary Resolution. It is not anticipated that any additional Capital Units will be issued unless, after giving effect to such offering, there will be an equal number of Preferred Securities and Capital Units outstanding.

### Meetings of Unitholders and Extraordinary Resolutions

The Trustee may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request, in writing, by the Manager or by Unitholders holding in aggregate 10% or more of the outstanding Capital Units. The Trustee will convene such meeting within 60 days of receipt of such request.

Except in respect of an Extraordinary Resolution (as defined hereinafter), a quorum for any meeting of Unitholders is two or more persons present in person or by proxy representing not less than 5% of the Capital Units then outstanding. A quorum for a meeting at which an Extraordinary Resolution is to be considered is two or more Unitholders present in person or by proxy representing not less than 10% of the Capital Units then outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting will be cancelled if convened pursuant to a request of Unitholders, but otherwise will be adjourned, and will be held at the same time and place on the day which is 14 days later (or if that date is not a Business Day, the first Business Day prior to that date). The Manager will give at least three days' notice by press release to Unitholders of the date of the reconvening of the meeting and, at the reconvened meeting, persons present in person or represented by proxy will constitute a quorum. Each Unitholder is entitled to one vote per Capital Unit held.

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Extraordinary Resolution or unanimous approval of Unitholders as discussed under "Declaration of Trust and Unitholder Matters — Amendments to the Declaration of Trust", will require the approval of Unitholders by a resolution passed by holders of not less than 50% of the Capital Units voting thereon at a meeting duly convened for the consideration of such matter.

Certain matters will require the approval of Unitholders by extraordinary resolution (an "Extraordinary Resolution"). An Extraordinary Resolution is a resolution passed by holders of not less than 66 $\frac{2}{3}$ % of the Capital Units voting thereon at a meeting duly convened for the consideration of such matter. The following matters may be undertaken only with the approval of Unitholders by an Extraordinary Resolution:

- (a) any change in the investment objectives, investment strategy, investment criteria or investment restrictions as described under "Investments of the Trust", unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change of the Manager (other than to an affiliate) or termination of the Management Agreement except in accordance with its terms;
- (c) any change of the Investment Advisor (other than to an affiliate) or termination of the Investment Advisory Agreement other than in circumstances where the Investment Advisor has been removed by the Manager on behalf of the Trust pursuant to the Investment Advisory Agreement;

- (d) any material amendment to the Declaration of Trust, other than those amendments that require unanimous Unitholder approval or the consent of the Manager as discussed under “Declaration of Trust and Unitholder Matters — Amendments to the Declaration of Trust”;
- (e) any change in the basis of the calculation of a fee or expense charged to the Trust in a way that could result in an increase in charges to the Trust;
- (f) the liquidation, dissolution or early termination of the Trust, other than an extension of the Termination Date;
- (g) the sale of all or substantially all of the assets of the Trust other than in the ordinary course of its activities;
- (h) any amendment, modification or variation in the provisions or rights attaching to the Capital Units;
- (i) any issue of Capital Units at a subscription price less than the NAV per Capital Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Capital Units or prior to the pricing of the offering, as the case may be; and
- (j) any change in the frequency of calculating the NAV per Capital Unit to less often than daily.

The Trust, subject to obtaining all necessary regulatory approvals, does not intend to hold annual meetings of Unitholders.

#### **Amendments to the Declaration of Trust**

A material amendment to the Declaration of Trust may only be made with the consent of the Unitholders given by Extraordinary Resolution. However, unless all of the Unitholders consent thereto, no amendment can be made to the Declaration of Trust which would have the effect of reducing the interests in the Trust of the Unitholders, increasing the liability of any Unitholder, or changing the right of any Unitholder to vote at any meeting. No amendment may be made to the Declaration of Trust which would have the effect of reducing the fees payable to the Manager or terminating the Manager unless the Manager, in its sole discretion, consents.

The Trustee at the request of the Manager may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Trust;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities industry, provided that any such amendment does not adversely affect the pecuniary value of the interests of the Unitholders;
- (d) ensure continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental authority having jurisdiction over the Trustee or the Trust (including ensuring that the Trust continues to qualify as a “unit trust” and a “mutual fund trust” or a “registered investment” and the Preferred Securities and Capital Units do not constitute “foreign property” (unless the proposal to eliminate the foreign property limit in the Tax Act included in the Canadian federal budget of February 23, 2005 is enacted), each within the meaning of the Tax Act);
- (e) remove any requirement that Preferred Securities and Capital Units not constitute “foreign property” within the meaning of the Tax Act if the foreign property limitations in the Tax Act are repealed as proposed in the Canadian federal budget of February 23, 2005; or
- (f) make any change to the terms of the Declaration of Trust to provide added protection to Unitholders or which would otherwise not be prejudicial to Unitholders.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which require neither approval of nor prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Trustee at the request of the Manager upon not less than 30 days' prior written notice to Unitholders.

It is expected that the Loan Facility will require the Lender's prior written consent to amendments to the Declaration of Trust.

### **Reporting to Unitholders**

The Trust will furnish to Unitholders such financial statements (including unaudited and annual audited financial statements, accompanied by management's discussion and analysis of the affairs and operations of the Trust) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to any meeting of Unitholders which is called under the provisions of the Declaration of Trust, the Trust will provide the Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to such holders.

### **Non-Resident Unitholders**

At no time may non-residents of Canada, including for this purpose partnerships with one or more non-resident members, be the beneficial owners of a majority of the Capital Units. The Trustee shall inform the transfer agent and registrar of the Trust of this restriction. The Trustee may require declarations as to the jurisdictions in which beneficial owners of Capital Units are resident. If the Trustee becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Capital Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Trustee may make a public announcement thereof. If the Trustee determines that a majority of the Capital Units are beneficially held by non-residents, the Trustee may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the transfer agent and registrar of the Trust may consider equitable and practicable, requiring them to sell their Capital Units or a portion thereof to residents of Canada within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Capital Units or provided the Trustee with satisfactory evidence that they are not non-residents within such period, the Trustee may, on behalf of such Unitholders, sell such Capital Units and, in the interim, shall suspend the voting and distribution rights attached to such Capital Units. Upon such sale, the affected holders shall cease to be beneficial holders of Capital Units and their rights shall be limited to receiving the net proceeds of sale of such Capital Units.

### **BOOK-ENTRY ONLY SYSTEM**

Book-entry only certificates representing Capital Units and Preferred Securities will be issued in registered form to The Canadian Depository for Securities Limited ("CDS"), or its nominee on its behalf, on the date of the closing of the Offering. Any purchase or transfer of Capital Units or Preferred Securities must be made through participants in the CDS depository service ("CDS Participants"), which includes securities brokers and dealers, banks and trust companies. Indirect access to the CDS book-entry only system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of Capital Units and/or Preferred Securities will receive a customer confirmation of purchase from the CDS Participant from whom such Capital Units and/or Preferred Securities are purchased in accordance with the practices and procedures of such CDS Participant. Reference in this prospectus to a Unitholder or a Securityholder means, unless the context otherwise requires, the owner of the beneficial interest in such Capital Units or Preferred Securities, as applicable.

No Unitholder or Securityholder will be entitled to a certificate or other instrument from the transfer agent or CDS for Capital Units or Preferred Securities evidencing that person's interest in or ownership of Capital Units and/or Preferred Securities, or will be shown on the records maintained by CDS, except through an agent who is a CDS Participant. All distributions in respect of Capital Units and payments in respect of Preferred Securities will be made by the Trust or the Indenture Trustee, as applicable, to CDS and these amounts will be forwarded by CDS to CDS Participants, and thereafter to the applicable Unitholders and Securityholders.

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

The Trustee, on behalf of the Trust, has the option to terminate the book-entry only system through CDS, in which case Capital Units and Preferred Securities in fully registered certificated form will be issued to Unitholders and Securityholders, as of the effective date of such termination.

### **TERMINATION OF THE TRUST**

The Trust will terminate on March 31, 2015 (the "Termination Date") unless terminated earlier in accordance with the terms of the Declaration of Trust or unless Unitholders determine to terminate the Trust prior to the Termination Date or to continue the Trust beyond the Termination Date by Extraordinary Resolution at a meeting called for such purpose. The Trust, after termination and liquidation, and after paying or making adequate provision for all of the Trust liabilities, including, without limitation, the Preferred Securities, will distribute the net assets of the Trust to Unitholders, on a pro rata basis, as soon as practicable after the Termination Date.

Not less than six months, nor more than 12 months, prior to the Termination Date, the Manager may present a proposal to Securityholders providing an alternative to the repayment of the Preferred Securities on the Maturity Date and to Unitholders providing for a deferral of the termination of the Trust to a date that is later than the Termination Date. Such proposal may include, without limitation, a proposal: (i) to extend the Maturity Date and to continue the Trust beyond the Termination Date; or (ii) to exchange Capital Units and Preferred Securities for securities of one or more mutual funds or closed-end investment funds on or after the Termination Date.

In the event of the approval of a proposal referred to above, any dissenting Unitholder may require the Trustee to redeem all (but not less than all) of his or her Capital Units and Preferred Securities on the Termination Date at a price equal to the Redemption Proceeds Per Combined Security on the Termination Date.

### **PLAN OF DISTRIBUTION**

Pursuant to an agreement dated as of February 25, 2005 (the "Agency Agreement") between the Trust, the Manager and RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Raymond James Ltd., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Trilon Securities Corporation, First Associates Investments Inc. and Wellington West Capital Inc. (collectively, the "Agents"), the Agents have agreed to offer the Capital Units and Preferred Securities for sale, as agents of the Trust, on a best efforts basis, if, as and when issued by the Trust. The offering prices of \$15.00 per Capital Unit and \$10.00 per Preferred Security were established by negotiation between the Agents and the Manager. The Agents will receive a fee equal to \$0.7875 for each Capital Unit sold and a fee equal to \$0.325 for each Preferred Security sold and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fees payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Capital Units and Preferred Securities offered hereby, the Agents will not be obligated to purchase Capital Units and Preferred Securities that are not sold. The Capital Units and Preferred Securities are being offered by the Agents in the provinces of Canada pursuant to this prospectus.

The Trust has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the Offering, to offer additional Capital Units and Preferred Securities, in an amount equal to up to 15% of the aggregate number of Capital Units and Preferred Securities sold at the closing of the Offering, on the same terms set forth above, which Over-Allotment Option and additional Capital Units and Preferred Securities are qualified under this prospectus. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of the Offering. To the extent that the Over-Allotment Option is exercised, the additional Capital Units and Preferred Securities will be offered at the offering prices hereunder and the Agents will be entitled to a fee of \$0.7875 per

Capital Unit in respect of each Capital Unit purchased and a fee of \$0.325 per Preferred Security in respect of each Preferred Security purchased.

If subscriptions for a minimum of 5,000,000 Capital Units (or \$75,000,000) and 5,000,000 Preferred Securities (or \$50,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for the Capital Units and Preferred Securities within that period. The maximum number of Capital Units which will be sold pursuant to the Offering, excluding any Capital Units issued should the Over-Allotment Option be exercised, is 14,000,000 Capital Units (or \$210,000,000). The maximum number of Preferred Securities which will be sold pursuant to the Offering, excluding any Preferred Securities issued should the Over-Allotment Option be exercised, is 14,000,000 Preferred Securities (or \$140,000,000). Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum offering is not achieved and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned by the Agents to such purchasers promptly without interest or deduction. Subscriptions for Capital Units and Preferred Securities will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about March 16, 2005 or such later date as may be agreed upon by the Trust and the Agents that is on or before April 29, 2005.

Trilon Securities Corporation, one of the Agents is an affiliate of Brascan Rising Distribution Management Ltd., the Manager and promoter of the Trust. Consequently, the Trust may be considered a “connected issuer” under applicable securities legislation. Trilon Securities Corporation will receive no benefit in connection with the Offering other than receiving a portion of the Agents’ fees described under “Fees and Expenses”.

The Toronto Stock Exchange has conditionally approved the listing of the Capital Units and Preferred Securities. Listing is subject to the Trust fulfilling all of the requirements of the Toronto Stock Exchange on or before May 18, 2005, including the distribution of Capital Units and Preferred Securities to a minimum number of holders.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Capital Units or Preferred Securities. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Capital Units or Preferred Securities. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot and effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. The Capital Units and Preferred Securities are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

## USE OF PROCEEDS

The net proceeds from the sale of Capital Units and Preferred Securities will be as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross proceeds to the Trust . . . . .	\$350,000,000	\$125,000,000
Agents' fees . . . . .	\$ 15,575,000	\$ 5,562,500
Estimated expenses of issue . . . . .	\$ 700,000	\$ 700,000
Net proceeds to the Trust . . . . .	<u>\$333,725,000</u>	<u>\$118,737,500</u>

The Trust will use the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to: (i) invest in securities for the Portfolio in accordance with the Trust's investment objectives, strategy and criteria, and subject to its investment restrictions, as described herein as soon as practicable after the closing of the Offering; and (ii) fund the ongoing fees and expenses of the Trust as described under "Fees and Expenses".

## FEES AND EXPENSES

### Initial Expenses

The expenses of the Offering (including the costs of creating and organizing the Trust, the costs of printing and preparing this prospectus, legal expenses of the Trust, marketing expenses, certain expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid from the gross proceeds of the Offering, subject to maximum of 1.5% of the gross proceeds of the Offering (excluding the Agents' fees). The initial expenses are estimated to be \$700,000.

### Fees and Other Expenses

Pursuant to the terms of the Management Agreement, the Manager is entitled to a management fee at an annual rate of 1.10% of the total assets of the Trust less the amount outstanding under the Loan Facility. Pursuant to the terms of the Investment Advisory Agreement, the Investment Advisor is entitled to an advisory fee which will be payable by the Manager out of the management fee. Fees payable to the Manager and the Investment Advisor will be calculated and payable monthly based on the total assets of the Trust less the amount outstanding under the Loan Facility as at the last Valuation Date of each month.

The Trust will pay to the Manager a service fee (calculated and paid as soon as practicable after the end of each calendar quarter), equal to 0.40% per annum of the NAV, plus applicable taxes. In turn, the Manager will pay an equal aggregate service fee, plus applicable taxes, to investment dealers based on the respective number of Capital Units held by clients of the sales representatives of such dealers at the end of the relevant calendar quarter.

The Trust will pay for all expenses incurred in connection with the operation and administration of the Trust. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; (b) fees payable to the custodian for acting as custodian of the assets of the Trust; (c) fees payable to the Trustee for acting as trustee of the Trust; (d) fees payable to the Indenture Trustee for acting as indenture for the Preferred Securities; (e) fees payable to Computershare Investor Services Inc. at normal market rates for acting as registrar and transfer agent; (f) fees payable to the independent members of the Advisory Board; (g) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Trust; (h) fees payable to the auditors and legal advisors of the Trust; (i) regulatory filing, stock exchange and licensing fees; and (j) expenditures incurred upon the termination of the Trust. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Investment Advisor or the Trustee is entitled to indemnity by the Trust. See "Management of the Trust". The Trust will be subject to an independent audit and report thereon to the Trustee and the Manager will provide reasonable access to its books and records for such purpose. The aggregate annual amount of these fees and expenses is estimated to be \$175,000. The Trust will also be responsible for all commissions and other costs of securities transactions, debt

service and costs relating to the Loan Facility and any extraordinary expenses which it may incur from time to time.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Capital Units or Preferred Securities by a purchaser who acquires Capital Units or Preferred Securities pursuant to this prospectus. This summary is applicable to a purchaser of Capital Units or Preferred Securities who is an individual (other than a trust) and who, for purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada, deals at arm's length with the Trust and the Agents, is not affiliated with the Trust or the Agents and holds Capital Units or Preferred Securities, as applicable, as capital property. Generally, the Preferred Securities and Capital Units will be considered to be capital property to a purchaser provided that the purchaser does not hold such securities in the course of carrying on a business of buying and selling securities and has not acquired the Preferred Securities or Capital Units in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders or Securityholders who might not otherwise be considered to hold Capital Units or Preferred Securities as capital property may, in certain circumstances, be entitled to have such securities and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such holders should consult their own tax advisors regarding their particular circumstances.

This summary is based on the assumption that the Trust will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and that the Trust has not been established and will not be maintained primarily for the benefit of non-residents. The Trustee has advised counsel that the Trust intends to make an election so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. **In the event the Trust were not to qualify as a mutual fund trust at all times, the federal income tax consequences described below would in some respects be materially different.**

This summary is based on the provisions of the Tax Act and the regulations thereto (the "Regulations") in force on the date hereof and counsel's understanding of the current publicly available administrative and assessing practices of the Canada Revenue Agency (the "CRA"). There can be no assurance that the CRA will not change its administrative and assessing practices. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals") and certificates of the Trust and the Agents as to certain matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form proposed or at all.

On October 31, 2003, the Department of Finance released, for public consultation, draft proposed amendments (the "October 31 Proposals") to the Tax Act that would require, for taxation years commencing after 2004, that there be a reasonable expectation of cumulative profit from a business or property in order for a taxpayer to claim a loss in a particular taxation year from the business or property, and that would make it clear that "profit" for this purpose does not include capital gains. The October 31 Proposals could, among other things, adversely affect a Securityholder or a Unitholder who has borrowed funds in connection with the acquisition of Preferred Securities or Capital Units. In the Canadian federal budget tabled in the House of Commons on February 23, 2005 by the Minister of Finance (Canada), it was announced that the Department of Finance (Canada) would replace the October 31 Proposals with a more modest legislative initiative which is to be released for public comment. This summary does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Preferred Securities or Capital Units and any such Securityholders or Unitholders should consult their own tax advisors in this regard.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Capital Units or Preferred Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Capital Units or Preferred Securities will vary depending on the investor's**



**particular circumstances including the province(s) or territory(ies) in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any particular investor. Prospective investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Capital Units or Preferred Securities, based on their particular circumstances.**

### **Taxation of the Trust**

The Trust will be subject to tax under Part I of the Tax Act in each taxation year on its income for the year, including net realized taxable capital gains, computed in accordance with the provisions of the Tax Act, less the portion thereof that it claims in respect of amounts paid or payable to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Trust or the Unitholder is entitled in that year to enforce payment of the amount.

With respect to trust units included in the Portfolio, the Trust will be required to include in the calculation of its income such portion of the net income, including net taxable capital gains, of the issuer of such units as is paid or payable to the Trust by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided that appropriate designations are made by such issuer, net taxable capital gains and taxable dividends from taxable Canadian corporations treated as paid or payable by the issuer to the Trust will effectively retain their character in the hands of the Trust.

The Trust will be required to reduce the adjusted cost base of units of each such issuer by any amount paid or payable by such issuer to the Trust except to the extent that the amount was included in calculating the income of the Trust or was the Trust's share of the non-taxable portion of capital gains of such issuer, the taxable portion of which was designated in respect of the Trust. If the adjusted cost base to the Trust of such units becomes a negative amount at any time in a taxation year of the Trust, that negative amount will be deemed to be a capital gain realized by the Trust in that taxation year and the Trust's adjusted cost base of such units will be increased by the amount of such deemed capital gain.

The Trust will also be required to include in the calculation of its income any amount designated in respect of the Trust under subsection 104(29) of the Tax Act by a trust that is an oil and gas royalty trust relating to certain Crown royalties. The Trust may designate an amount in respect of such designated amount to Unitholders with the result that the Trust will be entitled to deduct the amount it designates in computing its income and Unitholders will be required to include their share of such amount in their income.

With respect to partnership units in the Portfolio of each issuer that is a limited partnership, the Trust will be required, in computing its income, to include or will be entitled to deduct, as the case may be, and subject to the "at-risk rules" in the Tax Act and the October 31 Proposals, its share of net income, capital gains, losses and capital losses for tax purposes of the issuer allocated to the Trust for the fiscal year of the issuer ending in the Trust's taxation year, whether or not a distribution is received in respect thereof from the issuer.

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

In computing its income for tax purposes, the Trust may deduct reasonable administrative and other expenses incurred to earn income, including interest on Preferred Securities. The Trust may deduct rateably over a five-year period (subject to reduction in any taxation year that is less than 365 days) the Agents' fees and other expenses of this Offering that are paid by the Trust and not reimbursed. Any non-capital losses incurred by the Trust may generally be carried forward or back and deducted in computing the taxable income of the Trust in

accordance with the detailed rules and limitations contained in the Tax Act (including the October 31 Proposals discussed below).

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income fund may be reduced on a pro rata basis in respect of distributions from the income fund that are a return of capital which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, the Trust should be able to deduct interest on money borrowed to acquire Portfolio securities. Income of the Trust that is not distributed to Unitholders would be subject to non-refundable income tax in the Trust.

It is possible that, if the October 31 Proposals are implemented in the form currently proposed, the deduction of losses of the Trust in a particular taxation year could be limited. Under the October 31 Proposals, with effect for taxation years commencing after 2004, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property. The Department of Finance has indicated that for this purpose “profit” is intended to mean profit determined in accordance with generally accepted commercial principles. The October 31 Proposals expressly provide that profit for this purpose will not include capital gains or capital losses, and do not provide for any carry forward of a loss that cannot be claimed as a result of the application of the proposed rules.

On a disposition of property held by the Trust that is capital property, the Trust will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of such property and any reasonable costs of disposition. The Trustee has advised counsel that the Trust intends to make an election under subsection 39(4) of the Tax Act so that all of the Trust’s investments that are “Canadian securities” (as defined in the Tax Act) will be deemed to be capital property. A distribution by the Trust of property so distributed upon a redemption of Capital Units will be treated as a disposition by the Trust of the property so distributed for proceeds of disposition equal to its market value.

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

The Trustee has advised counsel that the Trust generally intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year. Therefore, provided the Trust makes distributions in each year of its net income for tax purposes and net realized capital gains as described under “Details of the Offering — Certain Provisions of the Capital Units — Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year by reason of the capital gains refund.

### **Taxation of Unitholders**

A Unitholder generally will be required to include in computing income for a taxation year the amount of the Trust’s net income for the taxation year, including any deemed income arising as a result of a designation under subsection 104(29) of the Tax Act and the taxable portion of the Trust’s net realized capital gains, paid or payable to the Unitholder in the taxation year whether received in cash, in additional Capital Units or otherwise. The non-taxable portion of the net realized capital gains of the Trust paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year. Any amount in excess of the Unitholder’s share of the net income and the net realized capital gains of the Trust for a taxation year that is paid or becomes payable to the Unitholder in such year generally will not be included in the Unitholder’s income for the year but will reduce the adjusted cost base of the Unitholder’s Capital Units. It is expected that the adjusted cost base of a Unitholder’s Capital Units will be less than \$10.00 per Capital Unit at the Maturity Date. To the extent that the adjusted cost base of a Capital Unit becomes less than zero, the negative amount

will be deemed to be a capital gain and the adjusted cost base of the Capital Unit to the Unitholder will then be increased by the amount of such deemed capital gain.

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

A Unitholder who acquires additional Capital Units may become taxable on the Unitholder's share of any income and gains of the Trust that have accrued or been realized but have not been made payable at the time the additional Capital Units are acquired.

On the disposition or deemed disposition of Capital Units (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Trust which represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Capital Units and any reasonable costs of disposition.

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

Where the redemption price for Capital Units is paid by the transfer by the Trust of property of the Trust to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Capital Units will be equal to the fair market value of such property so transferred and the amount of any cash received less any gain realized by the Trust as a result of the transfer of property on the redemption of Capital Units which is made payable by the Trust to the redeeming Unitholder. The cost of any property distributed by the Trust to a Unitholder upon a redemption of Capital Units will be equal to the fair market value of that property at the time of the distribution.

One-half of any capital gain realized on the disposition of Capital Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Trust paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net taxable capital gains, and capital gains realized on the disposition of Capital Units, may increase the Unitholder's liability for alternative minimum tax.

### **Taxation of Securityholders**

A Securityholder generally will be required to include in computing income for a taxation year all interest on the Preferred Securities that is received or receivable by the Securityholder in that taxation year (depending upon the method regularly followed by the Securityholder in computing income), except to the extent that the interest was included in the Securityholder's income for a preceding taxation year.

Any amount paid by the Trust as a penalty or bonus because of the repayment of all or part of the principal amount of a Preferred Security before its maturity will be deemed to be received by the Securityholder as interest on the Preferred Security and will be required to be included in computing the Securityholder's income as described above to the extent that such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that, but for the repayment, would have been paid or payable by the Trust on the Preferred Security for a taxation year of the Trust ending after the repayment of such amount.

On a disposition or deemed disposition of a Preferred Security, including a redemption, payment on maturity, repurchase or purchase for cancellation, a Securityholder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest that has

accrued on the Preferred Security to that time except to the extent that such interest has otherwise been included in the Securityholder's income for the year or a preceding taxation year.

A disposition or deemed disposition of a Preferred Security by a Securityholder will generally result in the Securityholder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any amount included in the Securityholder's income as interest, exceed (or are less than) the aggregate of the Securityholder's adjusted cost base thereof and any reasonable costs of disposition. Any such capital gains or capital losses will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Capital Units, which treatment is discussed above under "Canadian Federal Income Tax Considerations — Taxation of Unitholders".

In general terms, capital gains realized on the disposition of Preferred Securities may increase the Securityholder's liability for alternative maximum tax.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Torys LLP, counsel to the Trust, and Osler, Hoskin & Harcourt LLP, counsel to the Agents, provided that the Trust qualifies as a "mutual fund trust" for the purposes of the Tax Act and the regulations thereunder, Capital Units offered hereby will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, the "Plans"). Provided the Trust qualifies as a mutual fund trust and the Capital Units are listed on a prescribed stock exchange in Canada (which includes the Toronto Stock Exchange), the Preferred Securities will be qualified investments under the Tax Act for Plans. Tax proposals tabled in the House of Commons on February 23, 2005 by the Minister of Finance (Canada) included a proposal (the "Foreign Property Proposal") to amend the Tax Act to eliminate the limit in respect of foreign property that may be held by pension plans and other deferred income plans for months that end in 2005 and subsequent calendar years. There can be no assurance that the Foreign Property Proposal will be enacted into law. However, provided that the Trust qualifies as a mutual fund trust within the meaning of the Tax Act and that the Trust complies with its investment criteria, neither the Capital Units nor the Preferred Securities will constitute foreign property for the purposes of Part XI of the Tax Act.

Subject to the outcome of an announcement of the Minister of Finance (Canada) made on May 18, 2004, the Trust would be a "business income trust" and the Capital Units would constitute "restricted investment property" as described in the Notice of Ways and Means tabled on March 23, 2004 (the "2004 Budget Proposals"). On May 18, 2004, the Minister of Finance (Canada) announced that the application of the 2004 Budget Proposals originally scheduled for January 1, 2005 was suspended to allow further consultations with interested parties. If the 2004 Budget Proposals were to be enacted in their current form, certain investors, including trusts governed by registered pension plans and pension corporations, could be liable to penalty taxes if they hold restricted investment property in excess of the limits described in the 2004 Budget Proposals. The 2004 Budget Proposals indicate that Plans would not be subject to these penalty taxes. Counsel can provide no assurance as to whether the 2004 Budget Proposals will be enacted as proposed, in an amended form or at all.

### **RISK FACTORS**

An investment in Capital Units and Preferred Securities is subject to various risk factors, including the following risks which prospective investors should consider before purchasing any Capital Units or Preferred Securities:

#### **No Assurances of Achieving Objectives**

There is no assurance that the Trust will be able to achieve its objectives, including being able to pay the interest on, and repay the original subscription price of, the Preferred Securities, or being able to pay the Anticipated Distributions. Furthermore, there can be no assurance that the Trust's NAV will be preserved or that distributions, if any, made to Unitholders will not be fully taxable.

The Trust expects to pay the interest on the Preferred Securities from distributions from the Portfolio securities. **There is no guarantee that distributions sufficient to fund the interest on the Preferred Securities**

**will be received by the Trust in respect of Portfolio securities. If sufficient distributions are not received by the Trust, interest payments on the Preferred Securities may require the liquidation of some or all of the Portfolio securities, and the ability of the Trust to achieve its objectives may be significantly reduced.**

The Trust intends to make monthly cash distributions to Unitholders. However, such distributions may not be made if, after giving effect to the proposed distributions, the Combined Value would be less than 1.4 times the Repayment Price. In addition, distributions on the Capital Units are conditional upon the Trust being current in its obligation to pay interest on the Preferred Securities in accordance with the terms of the Trust Indenture. There is no assurance that the Portfolio securities will pay distributions in an amount which will enable the Trust to pay any distributions on the Capital Units.

An investment in the Trust is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of no distributions (in respect of Capital Units) or interest (in respect of Preferred Securities) being paid in any given period.

### **Leverage**

Unitholders will be subject to a form of leverage such that any capital appreciation in the Capital Units purchased with the net proceeds from the issue of both the Preferred Securities and the Capital Units offered hereby after repaying the Preferred Securities and all accrued and unpaid interest thereon, the Loan Facility and any other indebtedness of the Trust, and any other expenses and liabilities of the Trust will be for the benefit of the Unitholders. In the event of a decrease in the value of the Portfolio, this leverage will work to the disadvantage of Unitholders, with the result that any net capital loss incurred by the Trust on its investment in the Portfolio will effectively first be for the account of Unitholders. Accordingly, any decrease in the value of the Portfolio will result in a greater proportionate decrease in the value of the Capital Units. If, at the Termination Date, the total assets of the Trust are less than or equal to the amount of the aggregate of all liabilities of the Trust (including the aggregate original subscription price of the Preferred Securities and all accrued and unpaid interest thereon and other indebtedness of the Trust), the Capital Units will have no value. There is no assurance that there will be any capital appreciation on the Capital Units.

### **Fluctuations in Net Asset Value**

The NAV per Capital Unit and the funds available for distributions will vary according to, among other things, distributions paid on the Preferred Securities and the Capital Units, the value of the securities in the Portfolio, the performance of the equity market generally, and interest rates. Fluctuations in the market values of the securities in the Portfolio may occur for a number of reasons beyond the control of the Manager and the Investment Advisor. See “Valuation”.

Capital Units may trade in the market at a premium or discount to the NAV per Capital Unit and there can be no assurance that Capital Units will trade at a price equal to the NAV per Capital Unit. Preferred Securities may trade in the market at a premium or discount to the Repayment Price.

### **Business Trust and Power Generation and Pipeline Trust Investments**

The value of the Trust’s investments in business trusts and power generation and pipeline trusts, and the income generated by such trusts, are subject to changes in general economic conditions including interest rates and in industry specific conditions including the performance of competitors and demand for specific products and services, and may be adversely affected by a change in any of such conditions.

### **Commodity Price Fluctuation**

The operations and financial condition of resource-based issuers, including oil and gas royalty trusts, and the amount of distributions paid on their units, is dependent in part on commodity prices applicable to the commodities sold by such issuers. Prices for commodities will vary and are determined by supply and demand factors, including weather, general economic conditions and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial conditions of such issuers and the amount of distributions paid on their units. In addition, certain commodity prices are based on a U.S. dollar market price.

Accordingly, an increase in the value of the Canadian dollar against the U.S. dollar could reduce the amount of distributions paid on the units of such resource-based issuers.

### **Real Estate Investments**

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

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

### **Changes in Portfolio Composition**

The income funds included in the Portfolio will change from time to time. The returns of the Portfolio may change as its composition changes.

### **Reliance on the Investment Advisor**

The Investment Advisor will advise the Trust in a manner consistent with the investment objectives, strategy and criteria of the Trust and subject to the investment restrictions. Although the employees of the Investment Advisor who will be primarily responsible for the management of the Trust's Portfolio have extensive experience in managing investment portfolios, there is no certainty that such individuals will continue to be employees of the Investment Advisor throughout the term of the Trust.

### **Use of Leverage**

It is anticipated that the Trust may at times incur indebtedness under the Loan Facility in an amount up to 7% of the value of the Portfolio. The indebtedness will be secured by the Portfolio. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns (both distributions and capital). If the securities in the Portfolio suffer a decrease in value, the leverage component will cause a decrease in NAV in excess of that which would otherwise be experienced. In the event that the Loan Facility is called by the Lender, the Trust may be required to liquidate the Portfolio to repay the indebtedness at a time when the market for the securities in the Portfolio may be depressed, thereby forcing the Trust to incur losses.

### **Illiquid Securities**

There is no assurance that an adequate market will exist for Portfolio securities acquired by the Trust. Portfolio securities purchased on a private placement basis or issued by issuers that are not reporting issuers in all provinces may be subject to hold periods under certain provincial securities legislation. The Trust cannot predict whether the Portfolio securities held by it will trade at a discount to, a premium to, or at their respective net asset values.

In addition, if the Manager is unable, or determines that it is inappropriate, to dispose of some or all of the Portfolio securities prior to the Termination Date, Unitholders may, subject to applicable laws, receive distributions of securities in kind upon the termination of the Trust, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration. Further, if the Investment Advisor determines that it is appropriate to acquire certain securities for the Trust, the Investment Advisor may be unable to acquire the number of such securities, or to acquire such securities at a price acceptable to the Investment Advisor, if the market for such securities is particularly illiquid.

## **Installment Receipts**

The Trust may purchase certain Portfolio securities as installment receipts representing ownership interests in trust units, the original subscription price of which is payable on an installment basis. The Trust may be required to pay subsequent installments despite a decline in the value of the securities of an issuer in which the Trust invests.

## **Taxation of the Trust**

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

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income fund may be reduced on a pro rata basis in respect of distributions from the income fund that are a return of capital and which are not reinvested for an income earning purpose. Counsel are of the view that, while the ability to deduct interest depends on the facts, based on the jurisprudence, the CRA's view should not affect the Trust's ability to deduct interest on money borrowed to acquire units of income funds included in the Portfolio securities. In addition, the Manager will take steps to ensure that money borrowed by the Trust is used to purchase units of income funds which are less likely to make return of capital distributions. If the CRA's view were to apply to the Trust, part of the interest payable by the Trust in connection with money borrowed to acquire certain Portfolio securities could be non-deductible, increasing the net income of the Trust for tax purposes and the taxable component of distributions to Unitholders. Income of the Trust which is not distributed to Unitholders would be subject to non-refundable income tax in the Trust.

On October 31, 2003, the Department of Finance released for public comment the October 31 Proposals. In general, the October 31 Proposals may deny losses in respect of a business or property if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business or has held and can reasonably be expected to hold, that property. The Manager believes that it is reasonable to expect that the Trust will realize a cumulative profit from each of its properties. If the October 31 Proposals applied to the Trust, losses in respect of property of the Trust could be denied, which may reduce after-tax returns to Unitholders and Securityholders as a result. Income of the Trust that is not distributed to Unitholders would be subject to non-refundable income tax in the Trust. The Trust will monitor its activities in this respect, as well as the October 31 Proposals. In the Canadian federal budget tabled in the House of Commons on February 23, 2005 by the Minister of Finance (Canada), it was announced that the Department of Finance (Canada) would replace the October 31 Proposals with a more modest legislative initiative to be released for public comment.

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

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada, including for this purpose partnerships with one or more non-resident members, unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of Capital Units of the Trust were held by non-residents, the Trust would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On

December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes, pending further consultation with interested parties.

The Department of Finance has indicated that it will continue to evaluate the development of the income fund market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. The Minister of Finance (Canada) indicated in the Canadian federal budget tabled in the House of Commons on February 23, 2005 that the monitoring of developments in the markets for business income trusts is continuing. Accordingly, changes in this area, in addition to those tabled as 2004 Budget Proposals, are possible. Such changes could result in the income tax considerations described under the heading “Canadian Federal Income Tax Considerations” being materially different in certain respects.

### **Risks Specific to the Structure of the Trust**

Distributions on Portfolio securities will be used to pay the expenses and other liabilities of the Trust and the Preferred Security Interest Amount. The net proceeds from the sale of the Preferred Securities will be used by the Trust to purchase Portfolio securities. To the extent that distributions made on the additional Portfolio securities purchased with the net proceeds of the Preferred Securities exceed the aggregate Preferred Security Interest Amount and quarterly expenses of the Trust, additional distributions may be made on the Capital Units. However, there can be no assurance that the distributions made on such investments in Portfolio securities will exceed or equal the aggregate Preferred Security Interest Amount and quarterly expenses of the Trust. If such distributions are less than the aggregate Preferred Security Interest Amount and quarterly expenses of the Trust, the distributions that could otherwise be made on the Capital Units if the Trust had not issued Preferred Securities would be reduced, possibly to zero.

In addition to periodic interest on the Preferred Securities, the Repayment Price of the Preferred Securities must be repaid on the Maturity Date. The amount to be repaid depends on the aggregate original subscription price of the Preferred Securities then outstanding, together with any accrued and unpaid interest thereon. A reduction in the total assets of the Trust does not change the amount that must be paid on account of the Preferred Securities. Due to this required repayment of the Preferred Securities, decreases in the total assets of the Trust will cause the value of a Capital Unit to decrease to a proportionately greater extent, as compared to the situation where the Trust did not issue Preferred Securities. There can be no assurance that the total assets of the Trust will not decrease.

There is a risk that the Preferred Securities may be repaid by the Trust prior to the Maturity Date, pursuant to the exercise of the Call Right or otherwise. In such event, the total return to a Securityholder would be less than the total return if Preferred Securities were held until the Maturity Date.

### **Status of Preferred Securities**

The Preferred Securities will be subordinate to all indebtedness of the Trust ranking senior to the Preferred Securities, including indebtedness to trade creditors of the Trust. The Preferred Securities will be direct unsecured debt obligations issued by the Trust. See “Details of the Offering — Certain Provisions of the Preferred Securities — Subordination”.

### **Change or Withdrawal of Rating on the Preferred Securities**

There can be no assurance that the provisional rating on the Preferred Securities of Pfd-2 by DBRS will remain in effect or not be revised. If such rating is withdrawn or revised, there may be an adverse effect on the market price of the Preferred Securities.

### **Securities Lending**

The Trust may engage in securities lending as described under “Investments of the Trust — Securities Lending”. Although the Trust will receive collateral for the loans, and such collateral is marked to market, the Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. In addition, the Trust will bear the risk of loss of any investment of cash collateral.



## **Operating History and Marketability of Capital Units and Preferred Securities**

The Trust is a newly organized investment trust with no previous operating history. There is currently no public market for the Capital Units or the Preferred Securities and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

## **Potential Conflicts of Interest**

The Investment Advisor and its directors and officers and its affiliates and associates may engage in the promotion, management or investment management of one or more funds or trusts which invest primarily in securities similar to the Portfolio securities.

Although none of the directors or officers of the Investment Advisor will devote his or her full time to the business and affairs of the Trust, each will devote as much time as is necessary to provide portfolio advice to the Trust. See "Conflicts of Interest".

## **Status of the Trust**

The Trust is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Capital Units and Preferred Securities and certain restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102, do not apply to the Trust.

## **Changes in Legislation**

There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects the distributions received by the Trust or by the Unitholders or Securityholders. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

## **Deductibility of Interest and Expenses**

On October 31, 2003, the Department of Finance released for public comment the October 31 Proposals. In general, the October 31 Proposals may deny losses in respect of a business or property if in the year it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business or has held and can reasonably be expected to hold, that property. The Manager believes that it is reasonable to expect that the Trust will realize a cumulative profit from its business and properties.

If the October 31 Proposals applied to the Trust, losses in respect of a business or property of the Trust could be denied, which may reduce after-tax returns to Unitholders and Securityholders as a result. The Trust will monitor its activities in this respect, as well as the October 31 Proposals. In the Canadian federal budget tabled in the House of Commons on February 23, 2005 by the Minister of Finance (Canada), it was announced that the Department of Finance (Canada) would replace the October 31 Proposals with a more modest legislative initiative to be released for public comment.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Investment Advisor and the Manager will receive the fees described under “Fees and Expenses — Fees and Other Expenses” for their respective services to the Trust and will be reimbursed by the Trust for all reasonable expenses incurred in connection with the operation and administration of the Trust.

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Preferred Securities and Capital Units:

- (a) the Declaration of Trust described under “The Trust” and “Declaration of Trust and Unitholder Matters”;
- (b) the Trust Indenture described under “Details of the Offering — Certain Provisions of the Preferred Securities — General”;
- (c) the Management Agreement described under “Management of the Trust — The Management Agreement”;
- (d) the Investment Advisory Agreement described under “Management of the Trust — The Investment Advisory Agreement”; and
- (e) the Agency Agreement described under “Plan of Distribution”.

Copies of the agreements referred to in (a) to (e), after the execution thereof, may be inspected during business hours at the principal office of the Trust during the course of distribution of the Capital Units and Preferred Securities offered hereby.

## **LEGAL OPINIONS**

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon by Torys LLP on behalf of the Trust and Osler, Hoskin & Harcourt LLP on behalf of the Agents.

## **PROMOTER**

The Manager has taken the initiative in organizing the Trust and accordingly may be considered to be a “promoter” of the Trust within the meaning of the securities legislation of certain provinces of Canada. The Manager will receive fees from the Trust and will be entitled to reimbursement of expenses incurred in relation to the Trust as described under “Fees and Expenses”.

## **AUDITORS**

The auditors of the Trust are Deloitte & Touche LLP, Toronto, Ontario.

## **CUSTODIAN**

CIBC Mellon Trust Global Securities Services Company will be appointed the custodian of the Trust’s assets on or prior to closing of the Offering pursuant to the Custodian Agreement. The address of the custodian is 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6. The custodian may employ sub-custodians as considered appropriate in the circumstances.

## **INDENTURE TRUSTEE**

CIBC Mellon Trust Company will be appointed the Indenture Trustee on or prior to closing of the Offering pursuant to the Trust Indenture.

## **REGISTRAR AND TRANSFER AGENT**

Pursuant to a registrar and transfer agency agreement to be signed on or prior to closing of the Offering, Computershare Investor Services Inc., at its principal offices located in Toronto, Ontario, will be appointed the registrar and transfer agent for the Capital Units.

## **PURCHASER'S STATUTORY RIGHTS**

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

## AUDITORS' REPORT

To the Trustee of  
**Brascan SoundVest Rising Distribution Split Trust**

We have audited the statement of financial position of Brascan SoundVest Rising Distribution Split Trust (the "Trust") as at February 25, 2005. This financial statement is the responsibility of the manager of the Trust. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Trust as at February 25, 2005 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
February 25, 2005

(Signed) DELOITTE & TOUCHE LLP  
Chartered Accountants

## COMPILATION REPORT ON UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION

To the Trustee of  
**Brascan SoundVest Rising Distribution Split Trust**

We have read the accompanying unaudited pro forma statement of financial position of Brascan SoundVest Rising Distribution Split Trust (the "Trust") as at February 25, 2005 and have performed the following procedures.

- (1) Made enquiries of certain officials of the Trust who have responsibility for financial and accounting matters about:
  - (a) the basis for determination of the pro forma adjustments; and
  - (b) whether the pro forma statement of financial position complies as to form in all material respects with the securities acts of the provinces of Canada (the "Acts") and the related regulations.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments; and
  - (b) stated that the pro forma statement of financial position complies as to form in all material respects with the Acts and related regulations.
- (2) Read the notes to the pro forma statement of financial position, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
  - (3) Recalculated the application of the pro forma adjustments to the statement of financial position as at February 25, 2005 in the column captioned "Actual" and found the amounts in the column captions "Pro Forma" to be arithmetically correct.

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

Toronto, Ontario  
February 25, 2005

(Signed) DELOITTE & TOUCHE LLP  
Chartered Accountants

**BRASCAN SOUNDVEST RISING DISTRIBUTION SPLIT TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**As at February 25, 2005**

	<b>Actual</b>	<b>Pro Forma</b>
		(unaudited) (Note 3)
<b>Assets</b>		
Cash .....	\$ 15	\$ 15
Investment in portfolio securities at market value:		
(Pro Forma cost = \$333,725,000) .....	—	333,725,000
	<u>\$ 15</u>	<u>\$333,725,015</u>
<b>Liabilities</b>		
Loan Payable (Note 3): .....	\$ —	\$ —
Preferred Securities (Note 3): .....	\$ —	\$140,000,000
<b>Unitholders' Equity</b>		
Unitholders' Equity (Notes 1 and 3):		
Units (Actual 1 Unit; Pro Forma 14,000,000 Units, net of issue costs) .....	\$ 15	\$193,725,015
	<u>\$ 15</u>	<u>\$333,725,015</u>

**Approved by the Manager**

(Signed) BRUCE ROBERTSON  
Director

(Signed) LENIS QUAN  
Director

**BRASCAN SOUNDVEST RISING DISTRIBUTION SPLIT TRUST**  
**NOTES TO STATEMENT OF FINANCIAL POSITION**  
**February 25, 2005**

**(1) FORMATION OF THE TRUST**

Brascan SoundVest Rising Distribution Split Trust (the "Trust") was established under the laws of the Province of Ontario by a declaration of trust made as of February 25, 2005. The manager of the Trust is Brascan Rising Distribution Management Ltd. (in such capacity, the "Manager") and the investment advisor is SoundVest Capital Management Ltd. (the "Investment Advisor"). Computershare Trust Company of Canada is the trustee of the Trust. The Trust is authorized to issue an unlimited number of units ("Capital Units"). On February 25, 2005, the Trust issued one unit for \$15.00 cash.

The Trust's stated investment objectives are:

- (a) (i) to provide holders of its preferred securities ("Preferred Securities") with fixed quarterly interest payments in the amount of \$0.15 per Preferred Security (\$0.60 per annum to yield 6% per annum on the original subscription price of \$10.00); and (ii) to repay the original subscription price at maturity; and
- (b) to provide holders of Capital Units with (i) tax efficient and growing monthly cash distributions, a significant portion of which is tax deferred; and (ii) capital appreciation on the Portfolio.

The Trust will seek to achieve its investment objectives by selecting and managing a diversified portfolio (the "Portfolio") of securities of selected income funds that the Investment Advisor believes may have the potential to increase their distributions over time or that have a demonstrated record of increasing annual distributions to their securityholders.

The Trust may also borrow up to 7% percent of the value of the assets within its Portfolio, from which an amount not to exceed 5% of the value of the Portfolio may be used to make additional investments for the Trust.

**(2) MANAGEMENT FEES AND OTHER EXPENSES**

The Manager is responsible for managing the business and day to day operations of the Trust, including providing or arranging for the provision of marketing services required by the Trust, and is entitled to a management fee at an annual rate of 1.10% of the total assets of the Trust less the amount outstanding under the Loan Facility, calculated and payable monthly.

The Trust will pay to the Manager a service fee (calculated and paid as soon as practicable after the end of each calendar month), equal to 0.40% per annum of the net asset value of the Trust, plus applicable taxes. In turn, the Manager will pay an equal aggregate service fee, plus applicable taxes, to investment dealers based on the respective number of Capital Units held by clients of the sales representatives of such dealers at the end of the relevant calendar quarter.

Fees to the Investment Advisor are payable by the Manager.

The Trust will pay for all expenses incurred in connection with the operation and administration of the Trust.

Trilon Securities Corporation, one of the agents, is an affiliate of the Manager. Consequently, the Trust may be considered a "connected issuer" under applicable securities legislation. Trilon Securities Corporation receives a portion of the agents' fees.

**(3) PRO FORMA STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

The pro forma statement of financial position gives effect, as at February 25, 2005, to the following transactions and pro forma adjustments:

- (a) The issue of 14,000,000 Capital Units for total gross proceeds of \$210,000,000.
- (b) The issue of 14,000,000 Preferred Securities for total gross proceeds of \$140,000,000.
- (c) The payment of estimated costs relating to this offering of \$16,275,000, which amount is comprised of the fee payable to the agents in this offering of \$15,575,000 and issue costs of \$700,000. Such costs, in connection with the organization of the Trust, have been charged against Unitholders' Equity.
- (d) The Trust has not borrowed under the Loan Facility.
- (e) The completion of the purchase of an investment portfolio at a cost of \$333,725,000.

### **AUDITORS' CONSENT**

We have read the prospectus of Brascan SoundVest Rising Distribution Split Trust (the "Trust") dated February 25, 2005 (the "Prospectus") relating to the offering of capital units and preferred securities of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Prospectus of our report to the Trustee of the Trust on the statement of financial position of the Trust as at February 25, 2005. Our report is dated February 25, 2005.

Toronto, Ontario  
February 25, 2005

(Signed) DELOITTE & TOUCHE LLP  
Chartered Accountants



## **CERTIFICATE OF THE TRUST AND THE PROMOTER**

Dated: February 25, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 9 of the Securities Act (Alberta), by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Section 63 of the Securities Act (Nova Scotia), by Part 6 of the Securities Act (New Brunswick) and the respective regulations thereunder, by Part XIV of The Securities Act (Newfoundland and Labrador), by Part II of the Securities Act (Prince Edward Island) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the Securities Act (Quebec) and the regulations thereunder.

**Brascan SoundVest Rising Distribution Split Trust**  
**By: BRASCAN RISING DISTRIBUTION MANAGEMENT LTD.**

By: (Signed) BRUCE ROBERTSON  
Chief Executive Officer

By: (Signed) LENIS QUAN  
Chief Financial Officer

**On behalf of the board of directors of**  
**BRASCAN RISING DISTRIBUTION MANAGEMENT LTD.**

(Signed) JACK SIDHU  
Director

(Signed) LENIS QUAN  
Director

(Signed) BRUCE ROBERTSON  
Director

**Promoter**  
**BRASCAN RISING DISTRIBUTION MANAGEMENT LTD.**

By: (Signed) BRUCE ROBERTSON  
Chief Executive Officer

## CERTIFICATE OF THE AGENTS

Dated: February 25, 2005

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 9 of the Securities Act (Alberta), by Part XI of The Securities Act, 1988 (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the Securities Act (Ontario), by Section 64 of the Securities Act (Nova Scotia), by Part 6 of the Securities Act (New Brunswick) and the respective regulations thereunder, by Part XIV of The Securities Act (Newfoundland and Labrador), by Part II of the Securities Act (Prince Edward Island) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the Securities Act (Quebec) and the regulations thereunder.

### **RBC DOMINION SECURITIES INC.**

By: (Signed) EDWARD V. JACKSON

### **CIBC WORLD MARKETS INC.**

By: (Signed) RONALD W.A. MITCHELL

### **BMO NESBITT BURNS INC.**

By: (Signed) DAVID R. THOMAS

### **NATIONAL BANK FINANCIAL INC.**

By: (Signed) MICHAEL D. SHUH

### **SCOTIA CAPITAL INC.**

By: (Signed) BRIAN D.  
MCCHESENEY

### **TD SECURITIES INC.**

By: (Signed) J. DAVID BEATTIE

### **RAYMOND JAMES LTD.**

By: (Signed) SARA MINATEL

### **CANACCORD CAPITAL CORPORATION**

By: (Signed) JENS  
MAYER

### **DESJARDINS SECURITIES INC.**

By: (Signed) BETH SHAW

### **DUNDEE SECURITIES CORPORATION**

By: (Signed) DAVID G.  
ANDERSON

### **HSBC SECURITIES (CANADA) INC.**

By: (Signed) CATHERINE  
J. CODE

### **TRILON SECURITIES CORPORATION**

By: (Signed) TREVOR D. KERR

### **FIRST ASSOCIATES INVESTMENTS INC.**

By: (Signed) PATRICK LEUNG

### **WELLINGTON WEST CAPITAL INC.**

By: (Signed) KEVIN M. HOOKE



BRASCAN SOUND VEST  

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*Rising Distribution Split Trust*