

STREAMS

December 4, 2002

A Refresher Course

Each STREAMS product has a unique split share structure, offering **two types** of shares. The shares trade separately on the TSX:

1) Capital Yield Share

*Suitable for investors who want **principal protection and capital appreciation potential**. Monthly distributions are targeted at 10% a year but may fluctuate. This share has principal protection on the full issue price by way of a forward agreement.*

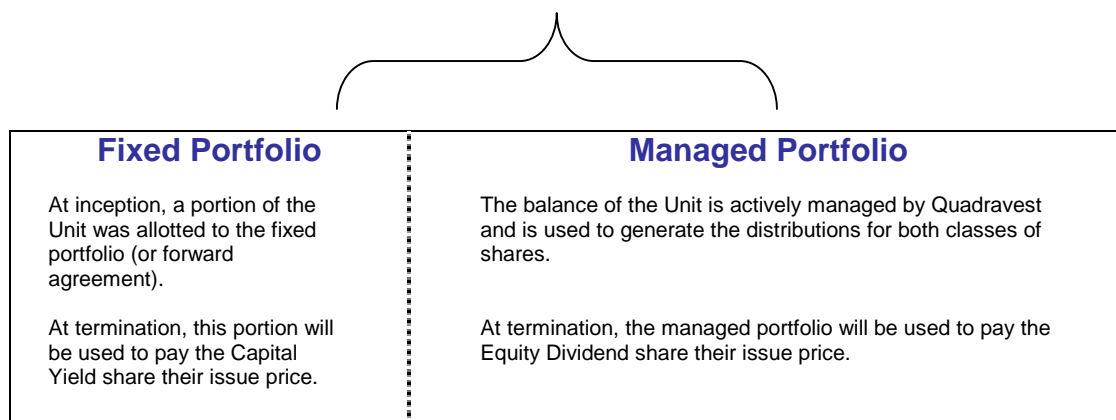
2) Equity Dividend Share

*Offers investors a stable income, with the objective of returning the issue price. Good alternative to preferred shares or bonds. Monthly distributions are at 7% per year and are **fixed and cumulative**. The issue price at wind-up is targeted to be paid from the money in the managed portfolio.*

Although the Capital Yield Shares and Equity Dividend shares have different characteristics and trade separately on the TSX, they are managed as **one Unit**:

STREAMS Unit

(Based on one Capital Yield share and one Equity Dividend share)



Frequently Asked Questions

Why purchase STREAMS?

- 1) Steady stream of monthly income
- 2) Attractive after tax yield
- 3) High level of security
- 4) Diversified portfolio of stocks selected from a quality universe (25-40 securities)
- 5) Quadravest's proven investment record

How does STREAMS differ from other conventional income products such as bonds?

STREAMS target a higher rate of annual dividends relative to conventional income products.

What is the difference between STREAMS and comparable single unit trust products with principal protection?

The innovative split share structure of **STREAMS** increases the potential for both capital appreciation and certainty of income because the managed portfolio (as a percent of proceeds) is much larger than comparable single unit trust products. Similar single unit principal protected trust products require much greater returns from the managed portfolio in order to achieve their targeted returns since the initial managed portfolio is much smaller than the **STREAMS** managed portfolio.

Why is covered call writing considered a conservative strategy?

The **STREAMS** managed portfolios consist of diversified blue chip holdings as well as a systematic covered call writing program. Covered call writing produces additional income (option premiums) in the form of capital gains while providing downside protection to the underlying portfolio. This has become a widely accepted income enhancement strategy.

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What is the difference between STREAMS and other split share securities that are based on one or a few underlying securities?

STREAMS invest in 25 to 40 stocks selected from quality universes, which effectively diversifies the risk of the underlying portfolios. If market conditions change or the outlook for any particular security changes, Quadravest, has the opportunity to rebalance the portfolio through active portfolio management. In addition, Quadravest can increase the cash position in the portfolio if market conditions dictate.

What is the difference between STREAMS Capital Yield shares and STREAMS Equity Dividend shares?

STREAMS Capital Yield shares have a monthly distribution targeted at 10% per annum and may fluctuate, however they have full principal protection with the potential for capital appreciation at wind-up. The Equity Dividend shares have a 7% per annum fixed cumulative monthly distribution, with the objective of returning the issue price.

How will 100% of the original investment amount of the Capital Yield Shares principal expect to be repaid?

STREAMS have entered into forward agreements with major financial institutions and/or Canadian Chartered Banks. **STREAMS** effectively allocated approximately 30-35% of the total gross proceeds to the forward agreements resulting in the financial institutions and/or a Canadian Chartered Banks collectively having debt obligations to repay the original amount of the investment made by Capital Yield shareholders at termination.

Which shareholder receives any potential capital appreciation in the underlying portfolio at the termination date?

The Equity Dividend shareholder will receive a maximum of the original issue price (paid from the managed portfolio), while the **Capital Yield shareholder** will receive **ALL** the appreciation in the managed portfolio at the termination date (as well as the original issue price from the forward agreement).

Why was the Disciplined Distribution Program instituted in July 2002?

This program was instituted to provide a balance between steady income and capital preservation for the long term, in light of the very challenging markets conditions of 2002. The program provides shareholders with distributions based on the size of the mid-month managed portfolio as follows:

CGQ & STQ

Mid-Month Mngd Portfolio	Payment Per Share	Yield
Over \$20	\$0.2083	10%
\$19 to \$20	\$0.1667	8%
\$18 to \$19	\$0.1250	6%
Under \$18	nil	nil

STR

Mid-Month Mngd Portfolio	Payment Per Share	Yield
Over \$28	\$0.2083	10%
\$27 to \$28	\$0.1667	8%
\$26 to \$27	\$0.1250	6%
Under \$26	nil	nil

This program is in place until the end of 2002 at which time it will be reviewed.

At what point would the Equity Dividend Shares not receive a distribution?

The Equity Dividend shares have preferential, fixed, cumulative distributions. Suspending a distribution would be highly unlikely however any outstanding distributions would have to be caught up before the Capital Yield shareholders receive any distributions.

What is my potential return at termination as a Capital Yield Shareholder?

At termination the **Capital Yield Shareholders will receive;**

- (i) the **original issue price** (by way of the forward agreement), plus
- (ii) the **residual balance** of the Managed Portfolio (once Equity Dividend shares have been paid)
- (iii) plus any **capital appreciation**, in the managed portfolio over the next 8 to 10 years.

How do I buy or sell Equity Dividend Shares or Capital Yield Shares?

Both the Equity Dividend Shares and the Capital Yield Shares are listed on the TSX. As such, these shares trade in the same manner as other publicly listed shares.

Financial Services Inc STREAMS	STR, STR.E
Capital Gains Income STREAMS	CGQ, CGQ.E
Income STREAMS III	STQ, STQ.E

How do I find out more information on Quadravest and its products?

Please visit our website at www.quadravest.com where you can view information on Quadravest, commentaries and press releases.