

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar regulatory authority in Canada or the United States has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold in the United States of America or to U.S. persons. See "Plan of Distribution".

Initial Public Offering

January 27, 1999



Income Financial
\$90,000,000 (Maximum)
3,600,000 Units

The net proceeds from the offering will be used by Income Financial Trust ("Income Financial") to invest in a diversified portfolio (the "Portfolio") consisting principally of common shares issued by corporations operating in the financial services industry. To generate additional returns above the dividend and interest income earned on the Portfolio, Income Financial will from time to time write covered call options in respect of all or part of the common shares in the Portfolio. The Portfolio will be actively managed by Income Financial's investment manager, Quadravest Capital Management Inc. ("Quadravest").

Income Financial's intention is to provide holders of Units ("Unitholders") with monthly cash distributions in the amount of \$0.17708 per Unit to yield 8.5% per annum and to return the original issue price of Units to Unitholders at the time of the redemption of such Units on January 1, 2009. The redemption price payable by Income Financial for a Unit when such Unit is redeemed on January 1, 2009 will be equal to the net asset value ("NAV") of Income Financial on that date divided by the number of Units then outstanding. Unitholders will also be entitled to redeem their Units on a regular basis prior to January 1, 2009. See "Redemption of Units".

The Toronto Stock Exchange has conditionally approved the listing of the Units, subject to Income Financial fulfilling all of the requirements of such Exchange on or before April 18, 1999.

In the opinion of counsel, provided Income Financial qualifies as a mutual fund trust for purposes of the *Income Tax Act* (Canada), the Units will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or, under proposed amendments, registered education savings plans. Units will, however, constitute foreign property to such plans and funds.

While Income Financial is considered to be a mutual fund under the securities legislation of certain of the provinces of Canada, it has been exempted from certain of the policies or rules of the Canadian securities regulators applicable to conventional mutual funds.

See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in Units.

	Price to the Public ⁽¹⁾	Agents' Fee	Net Proceeds to Income Financial ⁽²⁾
Per Unit	\$25.00	\$1.50	\$23.50
Total Maximum Offering ⁽³⁾	\$90,000,000	\$5,400,000	\$84,600,000
Total Minimum Offering ⁽⁴⁾	\$25,000,000	\$1,500,000	\$23,500,000

- (1) The offering price was established by negotiation between Income Financial and the Agents.
- (2) Before deducting the expenses of issue estimated at \$500,000 which, together with the Agents' fee, will be paid out of the proceeds of this offering.
- (3) Income Financial 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 up to 540,000 additional Units on the same terms as set forth above for market stabilization purposes, which additional Units are qualified for sale hereunder. If the Over-Allotment Option is exercised in full, the total price to the public under the offering will be \$103,500,000, the Agents' fee will be \$6,210,000 and the net proceeds to Income Financial, before expenses of the offering, will be \$97,290,000. See "Plan of Distribution".
- (4) There will be no closing unless a minimum of 1,000,000 Units are sold.

Nesbitt Burns Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., CIBC Wood Gundy Securities Inc., ScotiaMcLeod Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc., First Marathon Securities Limited, Goepel McDermid Inc., HSBC James Capel Canada Inc. and Research Capital Corporation (the "Agents") conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by Income Financial and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters by Blake, Cassels & Graydon, Toronto, on behalf of Income Financial, and Osler, Hoskin & Harcourt, Toronto, on behalf of the Agents. See "Plan of Distribution".

Subscriptions for the Units offered hereby will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of this offering is expected to occur on or about February 4, 1999, but no later than March 4, 1999. Proceeds from subscriptions will be held in a segregated account until the minimum amount of the offering has been obtained. Registrations and transfers of Units will be effected only through the book-based system administered by The Canadian Depository for Securities Limited. Beneficial owners of Units will not have the right to receive certificates evidencing their ownership.

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PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus.

Income Financial

Income Financial Trust (“Income Financial”) is an investment trust established under the laws of the Province of Ontario on January 27, 1999. The manager of Income Financial is Quadravest Inc. (the “Manager”) and the investment manager of Income Financial is Quadravest Capital Management Inc. (“Quadravest”).

Investment Strategy and Objectives

The net proceeds from this offering will be used by Income Financial to invest in a diversified portfolio (the “Portfolio”) consisting principally of common shares issued by corporations whose shares are included in The Toronto Stock Exchange Financial Services Index (the “TSE Financial Services Index”), the Standard & Poor’s Financials Index (the “S&P Financials Index”) or the Standard & Poor’s MidCap Financials Index (the “S&P MidCap Financials Index”). Income Financial may also from time to time hold short-term debt instruments issued by the government of Canada or a province or the government of the United States or short term commercial paper with a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited or the equivalent rating from another approved rating organization. See also “Income Financial — Investment Criteria”.

To generate additional returns above the dividend and interest income earned on the Portfolio, Income Financial will from time to time write covered call options in respect of all or part of the securities in the Portfolio. The composition of the Portfolio, the common shares that are subject to call options and the terms of such options will vary from time to time based on Quadravest’s assessment of market conditions. See “Covered Call Option Writing”.

Income Financial’s intention is to provide holders of Units (“Unitholders”) with monthly cash distributions in the amount of \$0.17708 per Unit to yield 8.5% per annum and to return the original issue price of Units to Unitholders at the time of the redemption of such Units on January 1, 2009.

The Offering

Offering:	The offering consists of transferable, redeemable trust units (the “Units”) of Income Financial.
Amount:	Maximum — \$90,000,000 (3,600,000 Units) Minimum — \$25,000,000 (1,000,000 Units)
Price:	\$25.00 per Unit
Minimum Purchase:	100 Units (\$2,500)
Eligibility for Investment:	In the opinion of counsel, provided Income Financial qualifies as a mutual fund trust for purposes of the <i>Income Tax Act</i> (Canada), the Units will be qualified investments under the <i>Income Tax Act</i> (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or, under proposed amendments, registered education savings plans. Such Units will, however, constitute foreign property to such plans and funds.
Investment Manager:	Quadravest Inc. is the manager of Income Financial. Quadravest Capital Management Inc., a subsidiary of the Manager, has been retained to act as the investment manager of Income Financial.

S. Wayne Finch, Chairman and Chief Investment Officer, has over 10 years of experience in designing and managing investment portfolios, including a number of publicly traded investment vehicles employing investment strategies similar to those proposed by Income Financial. Laura L. Johnson, Vice-President, has extensive experience with investment products employing investment strategies similar to those proposed by Income Financial.

Quadravest is the investment manager of Split Yield Corporation, a mutual fund corporation that completed a prospectus offering of \$76.5 million of shares in April 1998. Split Yield Corporation's capital shares and two classes of preferred shares are listed on The Toronto Stock Exchange and The Montreal Exchange under the trading symbol YLD, YLD.PR.A and YLD.PR.B.

Quadravest has taken the initiative in organizing Income Financial and is a promoter of Income Financial within the meaning of applicable securities legislation. S. Wayne Finch controls the Manager, which in turn owns all of the voting shares of Quadravest.

Trustee:

The Royal Trust Company is the trustee of Income Financial, acts as custodian of the assets of Income Financial and is responsible for certain aspects of the day-to-day administration of Income Financial. See "Management of Income Financial — The Trustee".

Distributions:

Income Financial will endeavour to make monthly distributions of net income, net realized capital gains and option premiums on Unitholders of record on the last business day of each month in the amount of \$0.17708 per Unit to yield 8.5% per annum. See "Distributions". The initial distribution on the Units will be payable to Unitholders of record on March 31, 1999. If in any year after such distributions there would otherwise remain in Income Financial additional net income or net realized capital gains, including option premiums, Income Financial intends on 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 Income Financial will not be liable for income tax thereon under the *Income Tax Act* (Canada). **Based on the current level of dividends, option premiums available under current market conditions and the anticipated expenses of Income Financial, it is believed that such monthly distributions are sustainable. However, there can be no assurance that Income Financial will be able to make distributions at such rate.**

Mandatory Redemption:

The Units will be redeemed by Income Financial on January 1, 2009. The redemption price payable by Income Financial for a Unit on that date will be equal to the Net Asset Value ("NAV") of Income Financial on that date divided by the number of Units then outstanding.

Optional Redemption Rights:

Monthly Redemptions: Units may be surrendered at any time for redemption by Income Financial but will be redeemed only on the last business day of a month (a "Valuation Date"). Units surrendered for redemption by a Unitholder at least five business days (a business day being any day that The Toronto Stock Exchange is open for trading) prior to a Valuation Date will be redeemed on such Valuation Date and such Unitholder will receive payment on or before the eighth business day following such Valuation Date. Unitholders whose Units are redeemed on a Valuation Date will be entitled to receive a redemption price per Unit equal to the NAV per Unit determined as of the relevant Valuation Date, less the lesser of (i) 4% of such NAV per Unit; and (ii) \$1.00. The difference between the NAV and the redemption price will be retained by Income Financial for the benefit of the remaining Unitholders. See "Redemption of Units".

Special Annual Redemption: A Unitholder may redeem Units on the February Valuation Date of each year, commencing on February 29, 2000, at a redemption price equal to the NAV per Unit on that date. To be redeemed in this manner, the Units must be surrendered for redemption at least five business days prior to the February Valuation Date. Payment of the proceeds of redemption will be made on or before the eighth business day following the February Valuation Date.

Risk Factors:

An investment in Units is subject to certain risk factors, including Income Financial's lack of operating history and the current absence of a public trading market for the Units; fluctuations in prevailing interest rates; fluctuations in the value of the Canadian dollar relative to the U.S. dollar or other currency in which securities included in the Portfolio are traded; exposure to financial services companies operating in foreign markets; the financial performance of the financial services companies whose securities are included in the Portfolio; the writing of covered call options; the fact that the amount of dividends and value of the securities comprising the Portfolio will be influenced by factors beyond Income Financial's control; Income Financial's reliance on its investment manager, QuadraVest; conflicts of interest may arise in connection with other business activities of QuadraVest; the fact that Income Financial is relying on Revenue Canada's published administrative practice regarding the manner in which Income Financial will treat the dispositions of securities and option transactions for tax purposes and that no advance income tax ruling in respect thereof has been requested or received; and the failure of any company in which Income Financial invests to be year 2000 compliant. See "Risk Factors".

Canadian Federal Income Tax Considerations

A Unitholder will generally be required to include in computing income for a year the amount of income of Income Financial for tax purposes, including net taxable capital gains, if any, paid or payable to the Unitholder by Income Financial in the year. Income Financial will generally be required to pay foreign withholding tax on its foreign source dividend income. A taxable Unitholder will generally be entitled to foreign tax credits in respect of foreign taxes paid by Income Financial on the Unitholder's share of foreign source dividend income of Income Financial designated in respect of the Unitholder, under and subject to the general foreign tax credit rules under the *Income Tax Act* (Canada) as amended in accordance with the Notice of Ways and Means Motion tabled in the House of Commons on December 10, 1998 and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder.

A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the aggregate of the adjusted cost base of the Units and any reasonable costs of disposition. In determining its income for tax purposes, Income Financial intends, in accordance with Revenue Canada's published administrative practice, to treat gains and losses realized on the disposition of securities in the Portfolio, option premiums received on the writing of covered call options and any losses sustained on closing out options, as capital gains and capital losses.

For a detailed explanation of the Canadian federal income tax considerations, see "Canadian Federal Income Tax Considerations".

Summary of Fees and Expenses Payable by Income Financial

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

<u>Type of Charge</u>	<u>Description</u>
Fee payable to the Agents:	6% (\$1.50 per Unit).
Expenses of issue:	Income Financial will pay the expenses incurred in connection with the offering of Units by Income Financial, estimated to be \$500,000.
Fees payable to the Manager:	The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.10% of Income Financial’s NAV calculated as at each monthly Valuation Date.
Fees payable to Quadravest:	Quadravest is entitled to (i) a base management fee payable monthly in arrears at an annual rate equal to 1.00% of Income Financial’s NAV calculated as at each monthly Valuation Date; and (ii) an annual performance fee per Unit equal to 20% of the amount by which the total return per Unit for a financial year exceeds the bonus threshold established for that year by 15%. No performance fee may be paid in any year if the NAV per Unit is less than \$25.00 or if Income Financial has not earned a total annual return per Unit of at least a base return on a cumulative basis since inception. See “Fees and Expenses — Fees and Other Expenses”.
Operating expenses of Income Financial:	Income Financial will pay all ordinary expenses incurred in connection with the operation and administration of Income Financial, estimated to be \$200,000 per annum. Income Financial will also be responsible for commissions and other costs of Portfolio transactions and any extraordinary expenses of Income Financial which may be incurred from time to time.

INCOME FINANCIAL

Income Financial Trust (“Income Financial”) is an investment trust established under the laws of the Province of Ontario on January 27, 1999 pursuant to a trust agreement (the “Trust Agreement”) between Quadravest Inc., as sponsor and manager (the “Manager”), and The Royal Trust Company, as trustee (the “Trustee”). The investment manager of Income Financial is Quadravest Capital Management Inc. (“Quadravest”). The principal office address of each of Income Financial, the Manager and Quadravest is 77 King Street West, Suite 2505, Toronto, Ontario, M5K 1K7. The website address of Quadravest is www.quadravest.com.

While Income Financial is considered to be a mutual fund under the securities legislation of certain provinces of Canada, it has been exempted from certain requirements of National Policy Statement No. 39 (“NP 39”), a policy statement or rule of the Canadian securities regulators.

Investment Strategy and Objectives

The net proceeds from the offering of the Units will be used by Income Financial to invest in a diversified portfolio (the “Portfolio”) consisting principally of common shares selected by Quadravest from among those issued by corporations whose shares are included in The Toronto Stock Exchange Financial Services Index (the “TSE Financial Services Index”), the Standard & Poor’s Financials Index (the “S&P Financials Index”) or the Standard & Poor’s MidCap Financials Index (the “S&P MidCap Financials Index”).

Quadravest anticipates that, on average, the Portfolio will consist of shares of between 25 and 40 issuers. The composition of the Portfolio will depend upon Quadravest’s assessment of the North American and overseas markets and the issuers in which Income Financial may invest, and Income Financial could from time to time be fully invested in shares of Canadian issuers or of U.S. issuers. The securities in the Portfolio may, in addition to common shares, also include instalment receipts for common shares, securities convertible into or exchangeable for common shares of corporations whose common shares are or may be included in the Portfolio and American Depositary Receipts (ADRs). The Portfolio will be actively managed by Quadravest to enhance returns to Income Financial.

Quadravest may from time to time determine, based on market conditions, the state of the financial services sector of the economy and other considerations, to invest less than 100% of the assets of Income Financial in securities of financial services companies. To that end, the Portfolio may also include debt securities having a remaining term to maturity of less than one year issued or guaranteed by the government of Canada or a province or the government of the United States or short term commercial paper with a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited (“DBRS”) or the equivalent rating from another approved rating organization.

To generate additional returns above the dividend and interest income earned on the Portfolio, Income Financial will from time to time write covered call options in respect of all or part of the securities in the Portfolio. The writing of covered call options will be managed by Quadravest in a manner consistent with the investment objectives of Income Financial. The individual securities within the Portfolio which are subject to call options and the terms of such options will vary from time to time based on Quadravest’s assessment of the market. See “Covered Call Option Writing”.

In addition to writing covered call options and to the extent permitted by securities regulators from time to time, Income Financial may purchase call options with the effect of closing out existing call options written by Income Financial and may also purchase put options in order to protect Income Financial from declines in the market prices of the securities in the Portfolio. Income Financial may enter into trades to close out positions in such permitted derivatives. Income Financial may also use derivatives permitted under NP 39, as it may be amended from time to time, to hedge Income Financial’s foreign currency exposure.

Income Financial’s intention is to provide holders of Units (“Unitholders”) with monthly cash distributions in the amount of \$0.17708 per Unit to yield 8.5% per annum and to return the original issue price of Units to Unitholders on termination of Income Financial on January 1, 2009.

Investment Criteria

Income Financial is subject to certain investment criteria that, among other things, limit the common shares and other securities Income Financial may acquire to comprise the Portfolio. Income Financial's investment criteria may not be changed without the approval of the Unitholders by a two-thirds majority vote at a meeting called for such purpose. See "Unitholder Matters — Acts Requiring Unitholder Approval". Income Financial's investment criteria provide that Income Financial may not:

- (a) purchase securities of an issuer (other than securities referred to in paragraphs (b) and (e)) unless:
 - (i) such securities are common shares, instalment receipts or ADRs for common shares or are convertible into or exchangeable for or carry the right to purchase common shares of the issuer;
 - (ii) such securities are issued by issuers engaged in the provision of banking, insurance, trust, investment banking, brokerage or wealth or financial asset management services (collectively, "financial services companies") or issuers the majority of whose revenues are derived from the provision of goods or services to financial services companies;
 - (iii) after such purchase, no more than 10% of the net asset value ("NAV") of Income Financial is invested in the equity securities of that issuer;
 - (iv) after such purchase, at least 75% of that portion of the NAV that is invested in equity securities is invested in securities of issuers included in the TSE Financial Services Index, the S&P Financials Index or the S&P MidCap Financials Index or, in the event that one or more of the TSE Financial Services Index, the S&P Financials Index or the S&P Mid Cap Financials Index cease to exist, any comparable index recognized as including mid or large capitalization North American financial services companies; and
 - (v) after such purchase, no more than 10% of the NAV is invested in securities that are not listed on a recognized North American stock exchange or over-the-counter market;
- (b) purchase debt securities unless such securities have a remaining term to maturity of less than one year and are issued or guaranteed by the government of Canada or a province or the government of the United States or are short-term commercial paper with a rating of at least R-1 (mid) by DBRS or the equivalent rating from another approved rating organization;
- (c) write a call option in respect of any security unless such security is actually held by Income Financial at the time the option is written;
- (d) dispose of a security included in the Portfolio that is subject to a call option written by Income Financial unless such option has either been terminated or has expired;
- (e) purchase call options or put options except as specifically permitted under NP 39; or
- (f) enter into any arrangement (including the acquisition of securities for the Portfolio and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable Income Financial to receive a dividend on such securities in circumstances where, under the arrangement, someone other than Income Financial bears the risk of loss or enjoys the opportunity for gain or profit with respect to such securities in any material respect.

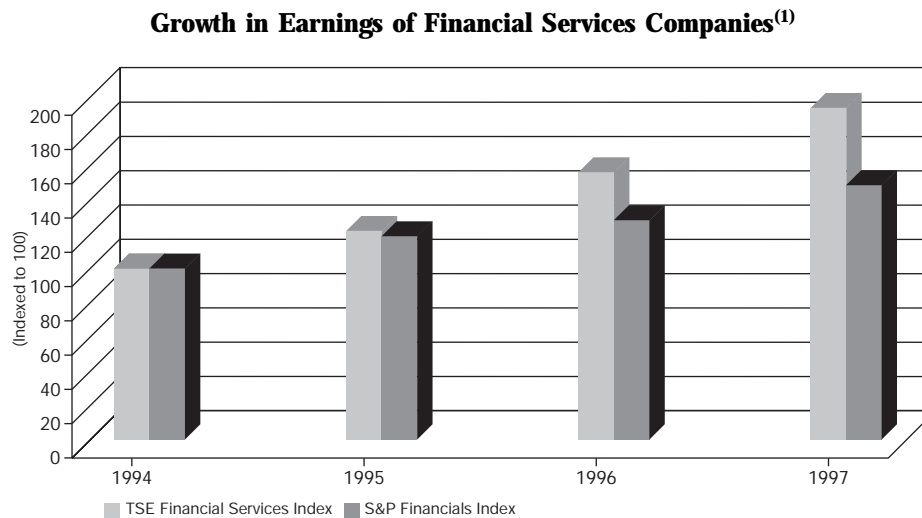
Income Financial has also adopted the standard investment restrictions and practices set forth in NP 39 (as it may be amended from time to time), to the extent such restrictions and practices are not inconsistent with the foregoing (in which event the foregoing provisions shall prevail). A copy of such standard investment restrictions and practices will be provided by Income Financial to any person on request.

THE FINANCIAL SERVICES INDUSTRY

Overview

Traditionally, the financial services industry was comprised of the “four pillars” of commercial banking, investment banking, insurance and trust services. However, the combined effects of consolidation, globalization and deregulation have led to the emergence of financial conglomerates that offer a broad array of services and products. These mergers have been effected with the intent of achieving economies of scale and creating opportunities for growth. In addition, new high growth specialties such as investment management and electronic commerce have emerged due to favourable demographics and technological advancements.

In recent years, providers of financial services in North America and Europe have benefited from a positive economic environment. Interest rates and inflation have remained low, while economic growth has improved the quality of loans by banks and other lenders. These and other factors have led to strong growth in profits for companies in the financial services industry, as illustrated in the chart below. The compound annual growth rate in earnings of all companies whose shares were included in the TSE Financial Services Index from 1994 to 1997 was 24.5%. The compound annual growth rate in earnings of all companies whose shares were included in the S&P Financial Services Index was 14.8% over the same period.



(1) Source: The Toronto Stock Exchange Review and Standard & Poor's Business Information Center.

A number of factors are influencing the development of the financial services industry including: consolidation and deregulation; strong underlying demand and favourable demographics; and technological advancements.

Consolidation and Deregulation

The key factors causing a record level of mergers and acquisitions activity within the North American and European financial services sector include: opportunities to realize operating efficiencies through economies of scale; globalization of the world economy; a belief that by combining distribution networks, financial services companies can increase revenues; and deregulation.

Consolidation in financial services has been prompted in part by a general relaxation in regulatory oversight of the industry, including reductions in constraints on multi-service, “one-stop” financial services providers. Some of these regulatory changes took place in Canada starting in the 1980s, when Canadian banks were permitted to acquire previously independent investment dealers. Today, Canadian banks also offer trust and insurance services, areas in which they were previously not allowed to operate. A diversification of products and services is also occurring in the United States. In December 1998, the proposed mergers of Royal Bank of

Canada and Bank of Montreal, and of Canadian Imperial Bank of Commerce and Toronto-Dominion Bank, were refused regulatory approval to proceed, however.

On a global basis, many financial services corporations have been expanding, seeking to take advantage of the increasingly international nature of the industry. A celebrated example of this trend is Merrill Lynch & Co., Inc., which purchased Mercury Asset Management Group in the United Kingdom for US\$5.3 billion in 1997, retained approximately 2,000 employees from Yamaichi Securities in Japan in 1998, and acquired Midland Walwyn Inc., a Canadian investment dealer, for C\$1.26 billion in 1998.

Strong Underlying Demand and Favourable Demographics

Favourable demographic trends have contributed to strong demand for financial services and the emergence of the wealth management business as an important element of the overall industry. As assets under the management of companies in the financial services industry have grown, so too has the number of services and products offered. Today, the wealth management industry consists of three main elements: (i) the institutional segment, often referred to as the pension fund or corporate segment; (ii) the mutual fund industry, which targets retail investors; and (iii) the private client business. Each of these segments has been characterized by sustained growth in recent years, due in part to changing demographics as the post-war “baby boom” generation, the largest segment of the population in North America and Europe, approaches retirement and shifts from a consumption-oriented phase to an accumulation and capital preservation phase. This shift has resulted in strong demand for savings and wealth management products such as mutual funds.

Low inflation and low interest rates have also contributed to the growth in the industry, as investors have sought alternatives to traditional savings products such as guaranteed investment certificates. In addition, concern over the future of government pension plans and changes to corporate pension plans have caused many individuals to take more responsibility for their retirement planning. A number of companies specializing in wealth management that have successfully taken advantage of these opportunities have recently undertaken public offerings, thereby providing investors with the opportunity to participate in the growth in the wealth management business.

The favourable economic environment in North America in recent years, characterized by low interest rates and growth in overall output, has also resulted in strong demand for credit in both the business and consumer finance sectors of the economy. Although this demand has been satisfied in part by traditional bank lenders, a variety of asset-based and specialty lenders have emerged as alternative sources of credit. Examples of companies which have grown to meet this demand for credit include Newcourt Credit Group Inc., a non-bank asset finance company with assets of C\$6.2 billion as at December 31, 1997 compared to C\$547 million in 1992, and credit card issuer MBNA Corp., which has grown to become one of the largest lenders in the United States with assets of US\$21.3 billion as at December 31, 1997. With approximately 21 million customers, MBNA has benefited from real average growth in U.S. consumer spending of 5.2% per year since 1993 along with low interest rates as measured on a historical basis.

Technological Advancements

Advances in technology have allowed financial institutions to reduce transaction costs through automation and, as a result, increase profit margins. For example, according to a study by McKinsey & Co., an international consulting firm, a branch transaction through a bank teller costs approximately US\$2.50 to process, while the same transaction processed electronically through an automated teller machine costs US\$0.40, and only US\$0.24 if processed by a telephone banking system. These advances have led to the emergence of a new, rapidly growing electronic commerce industry, which includes providers of consumer financial services through non-traditional means such as the Internet or personal computer software, as well as companies which provide systems to financial institutions to assist with the electronic processing of transactions.

The Financial Services Indices

The TSE Financial Services Index is a stock market sub-index that consists of the top ranking financial services companies (by quoted market value) that are included in the TSE 300 Composite Index. The TSE 300 Composite Index is a trademark of The Toronto Stock Exchange, which has not passed upon the merits of this offering. The S&P Financials Index is an index comprised of the shares of financial services companies that are included in the Standard & Poor's 500 Index, which is an index comprised of the shares of 500 large corporations whose shares are publicly traded in the United States. The S&P 500 is a trademark of McGraw-Hill Companies, Inc., which has not passed upon the merits of this offering. The S&P MidCap Financials Index is a capitalization-weighted index that measures the performance of the financials sector of the Standard & Poor's MidCap Index, which is a capitalization-weighted index that measures the mid-range sector of the U.S. stock market.

The table below sets out the following information for each corporation whose shares were included in the TSE Financial Services Index, the S&P Financials Index or the S&P MidCap Financials Index on December 31, 1998; the closing price of the shares on December 31, 1998; the dividend yield; the trailing 90-day average volatility; and the average annual price growth. **This information is historical and is not intended to be, and should not be construed as, an indication of the future trading or dividend levels of the securities in the Portfolio.**

<u>Financial Services Universe</u>	<u>Closing Price December 31, 1998⁽¹⁾</u>	<u>Dividend Yield⁽²⁾</u>	<u>Trailing 90-Day Volatility⁽³⁾</u>	<u>Average Annual Price Growth⁽⁴⁾</u>	<u>Price Data From</u>
BANKING					
Canada					
Bank of Montreal	\$ 61.700	2.85%	41.7%	17.4%	31-Dec-93
Bank of Nova Scotia	\$ 33.750	2.49%	50.9%	17.2%	31-Dec-93
Canadian Imperial Bank of Commerce	\$ 38.800	3.16%	51.9%	18.1%	31-Dec-93
Laurentian Bank	\$ 29.100	3.16%	31.6%	9.6%	31-Dec-93
National Bank of Canada	\$ 24.800	2.74%	38.6%	18.2%	31-Dec-93
Royal Bank of Canada	\$ 76.550	2.40%	38.2%	21.5%	31-Dec-93
The Toronto-Dominion Bank	\$ 53.800	2.53%	48.0%	20.4%	31-Dec-93
United States					
Associated Banc-Corp.	\$ 34.188	3.39%	44.3%	13.2%	31-Dec-93
Astoria Financial Corporation	\$ 45.750	1.75%	57.6%	26.9%	31-Dec-93
Banc One Corporation	\$ 51.063	3.29%	50.0%	11.7%	31-Dec-93
BankAmerica Corporation	\$ 60.125	2.99%	62.4%	19.7%	31-Dec-93
BankBoston Corporation	\$ 38.938	2.98%	70.0%	27.6%	31-Dec-93
Bankers Trust Corporation	\$ 85.438	4.68%	70.9%	1.5%	31-Dec-93
BB&T Corporation	\$ 40.313	1.74%	41.8%	32.5%	31-Dec-93
CCB Financial Corporation	\$ 57.000	1.82%	32.7%	27.9%	31-Dec-93
Charter One Financial, Inc.	\$ 27.750	2.02%	67.0%	26.6%	31-Dec-93
Citigroup Inc.	\$ 49.688	1.45%	67.7%	30.9%	31-Dec-93
City National Corporation	\$ 41.625	1.35%	46.2%	40.9%	31-Dec-93
Comerica Incorporated	\$ 68.188	2.11%	40.8%	30.9%	31-Dec-93
Dime Bancorp, Inc.	\$ 26.250	0.76%	76.5%	26.4%	31-Dec-93
First Security Corporation	\$ 23.375	2.22%	57.7%	24.6%	31-Dec-93
First Tennessee National Corporation	\$ 31.063	2.45%	46.2%	31.6%	31-Dec-93
Firststar Corporation	\$ 93.000	1.29%	45.3%	51.4%	31-Dec-93
Fifth Third Bancorp	\$ 71.313	1.12%	42.8%	36.0%	31-Dec-93
First Union Corporation	\$ 60.813	3.09%	44.2%	24.1%	31-Dec-93
First Virginia Banks, Inc.	\$ 47.000	2.72%	36.9%	16.6%	31-Dec-93
Fleet Financial Group, Inc.	\$ 44.688	2.42%	46.5%	21.8%	31-Dec-93
Golden West Financial Corporation	\$ 91.688	0.61%	42.3%	18.6%	31-Dec-93
GreenPoint Financial Corp.	\$ 35.125	1.82%	55.3%	29.3%	31-Jan-94
Hibernia Corporation	\$ 17.375	2.42%	46.6%	17.5%	31-Dec-93
Huntington Bancshares Incorporated	\$ 30.063	2.66%	49.8%	17.3%	31-Dec-93
J.P. Morgan & Company Incorporated	\$105.063	3.77%	57.0%	8.6%	31-Dec-93
KeyCorp	\$ 32.000	3.25%	55.1%	16.5%	31-Dec-93
Keystone Financial, Inc.	\$ 37.000	3.14%	39.9%	11.7%	31-Dec-93
Marshall & Ilsley Corporation	\$ 58.438	1.51%	47.3%	19.8%	31-Dec-93
Mercantile Bancorporation Inc.	\$ 46.125	2.69%	32.9%	18.1%	31-Dec-93

Financial Services Universe	Closing Price December 31, 1998⁽¹⁾	Dividend Yield⁽²⁾	Trailing 90-Day Volatility⁽³⁾	Average Annual Price Growth⁽⁴⁾	Price Data From
Mercantile Bankshares Corporation	\$ 38.500	2.29%	42.4%	24.7%	31-Dec-93
National City Corporation	\$ 72.500	2.87%	36.4%	24.2%	31-Dec-93
North Fork Bancorporation, Inc.	\$ 23.938	2.09%	55.4%	41.0%	31-Dec-93
Northern Trust Corporation	\$ 87.313	1.10%	55.0%	34.5%	31-Dec-93
Old Kent Financial Corporation	\$ 46.500	1.72%	44.6%	30.5%	31-Dec-93
Old Republic International Corporation	\$ 22.500	1.78%	58.8%	17.5%	31-Dec-93
Pacific Century Financial Corporation	\$ 24.375	2.79%	39.6%	12.3%	31-Dec-93
PNC Bank Corp.	\$ 54.000	3.04%	42.4%	13.2%	31-Dec-93
Provident Financial Group, Inc.	\$ 37.750	2.12%	65.3%	20.4%	31-Dec-93
Providian Financial Corporation	\$ 75.000	0.27%	81.1%	130.1%	30-Jun-97
Regions Financial Corporation	\$ 40.313	2.28%	47.0%	20.0%	31-Dec-93
Republic New York Corporation	\$ 45.563	2.19%	47.6%	14.3%	31-Dec-93
SouthTrust Corporation	\$ 36.938	2.38%	40.2%	23.9%	31-Dec-93
Sovereign Bancorp, Inc.	\$ 14.250	0.56%	70.2%	13.6%	31-Dec-93
Summit Bancorp	\$ 43.688	2.75%	43.1%	22.2%	31-Dec-93
SunTrust Banks, Inc.	\$ 76.500	1.31%	38.3%	27.7%	31-Dec-93
Synovus Financial Corp.	\$ 24.000	1.22%	44.5%	34.2%	31-Dec-93
The Bank of New York Company, Inc.	\$ 40.250	1.39%	49.8%	41.4%	31-Dec-93
The Chase Manhattan Corporation	\$ 71.000	2.03%	66.3%	28.7%	31-Dec-93
U.S. Bancorp	\$ 35.500	1.97%	64.0%	28.2%	31-Dec-93
Wachovia Corporation	\$ 87.438	2.24%	36.1%	21.1%	31-Dec-93
Washington Mutual, Inc.	\$ 38.375	2.40%	63.1%	19.0%	31-Dec-93
Wells Fargo & Company	\$ 39.938	1.85%	44.4%	26.8%	31-Dec-93
Zions Bancorporation	\$ 62.375	0.90%	53.4%	46.4%	31-Dec-93
International					
ABN Amro Holding N.V. (ADR) ⁽⁵⁾	\$ 21.750	2.88%	59.5%	28.4%	31-May-95
Banco Santander, S.A. (ADR) ⁽⁵⁾	\$ 19.750	2.44%	77.4%	21.0%	31-Dec-93
Barclays Bank PLC (ADR) ⁽⁵⁾	\$ 90.000	2.79%	56.2%	19.0%	31-Dec-93
Grupo Financiero Serfin, S.A. (ADR)	\$ 0.625	0.00%	169.0%	-53.7%	31-Dec-93
Banking Average		2.20%	52.6%	24.0%	
INVESTMENT MANAGEMENT					
Canada					
AGF Management Limited (Class B)	\$ 23.200	1.21%	63.2%	52.0%	31-Jan-96
C.I. Fund Management Inc.	\$ 14.000	0.71%	45.2%	29.0%	30-Jun-94
Dundee Bancorp Inc. (Class A)	\$ 16.500	1.21%	54.5%	12.6%	31-Dec-93
Investors Group Inc.	\$ 26.400	1.59%	56.5%	18.3%	31-Dec-93
Mackenzie Financial Corporation	\$ 20.900	0.48%	50.1%	29.7%	31-Dec-93
Sceptre Investment Counsel Ltd. (Class A)	\$ 32.500	3.20%	46.3%	26.3%	31-Dec-93
Trimark Financial Corporation	\$ 20.450	0.78%	46.2%	31.2%	31-Dec-93
United States					
Franklin Resources, Inc.	\$ 32.000	0.69%	78.7%	15.9%	31-Dec-93
Lincoln National Corporation	\$ 81.813	2.69%	39.1%	13.5%	31-Dec-93
Mellon Bank Corporation	\$ 68.750	2.09%	47.0%	31.2%	31-Dec-93
State Street Corporation	\$ 70.125	0.80%	41.2%	30.2%	31-Dec-93
T. Rowe Price Associates, Inc.	\$ 34.250	1.17%	78.7%	36.4%	31-Dec-93
Torchmark Corporation	\$ 35.313	1.02%	35.1%	12.7%	31-Dec-93
International					
AMVESCAP PLC (ADR) ⁽⁵⁾	\$ 38.500	1.27%	78.4%	28.3%	31-Aug-95
Investment Management Average		1.35%	54.3%	26.2%	
INSURANCE					
Canada					
E-L Financial Corporation Limited	\$215.000	0.23%	93.2%	21.8%	31-Dec-93
Fairfax Financial Holdings Limited	\$540.000	0.00%	51.8%	54.5%	31-Dec-93
Great-West Lifeco Inc.	\$ 26.000	1.77%	42.7%	35.4%	31-Dec-93
Kingsway Financial Services Inc.	\$ 12.000	0.00%	67.3%	68.4%	29-Dec-95
Power Financial Corporation	\$ 34.000	1.62%	40.0%	31.9%	31-Dec-93
Queensway Financial Holdings Ltd.	\$ 24.000	0.00%	50.7%	29.5%	28-Jun-96

Financial Services Universe	Closing Price December 31, 1998⁽¹⁾	Dividend Yield⁽²⁾	Trailing 90-Day Volatility⁽³⁾	Average Annual Price Growth⁽⁴⁾	Price Data From
United States					
AFLAC Incorporated	\$ 43.875	0.59%	64.3%	35.8%	31-Dec-93
Ambac Financial Group, Inc.	\$ 60.188	0.66%	47.4%	23.4%	31-Dec-93
American Financial Group, Inc.	\$ 43.875	2.28%	30.4%	6.3%	31-Dec-93
American International Group, Inc.	\$ 96.625	0.23%	49.2%	30.0%	31-Dec-93
Aon Corporation	\$ 55.375	2.02%	45.5%	20.8%	31-Dec-93
CIGNA Corp.	\$ 77.313	1.48%	36.7%	29.9%	31-Dec-93
Cincinnati Financial Corporation	\$ 36.625	1.67%	65.5%	17.7%	31-Dec-93
Conseco, Inc.	\$ 30.500	1.84%	75.2%	16.9%	31-Dec-93
Everest Reinsurance Holdings, Inc.	\$ 38.938	0.51%	48.4%	22.7%	31-Dec-93
HSB Group, Inc.	\$ 41.063	4.09%	27.5%	6.7%	31-Dec-93
Jefferson-Pilot Corporation	\$ 75.000	1.57%	34.8%	29.2%	31-Dec-93
Loews Corporation	\$ 98.250	1.02%	25.4%	16.1%	31-Dec-93
Marsh & McLennan Companies, Inc.	\$ 58.438	2.74%	44.0%	16.6%	31-Dec-93
Protective Life Corporation	\$ 39.813	1.11%	49.6%	29.3%	31-Dec-93
Provident Companies, Inc.	\$ 41.500	0.96%	50.0%	21.9%	31-Dec-93
ReliaStar Financial Corp.	\$ 46.125	1.60%	53.8%	23.6%	31-Dec-93
SAFECO Corporation	\$ 42.938	3.26%	37.9%	9.3%	31-Dec-93
TCF Financial Corporation	\$ 24.188	2.69%	51.6%	23.2%	31-Dec-93
The Allstate Corporation	\$ 38.500	1.40%	46.8%	21.1%	31-Dec-93
The Chubb Corporation	\$ 64.750	1.92%	42.8%	10.7%	31-Dec-93
The Hartford Financial Services Group, Inc.	\$ 54.875	1.60%	45.8%	31.3%	29-Dec-95
The PMI Group, Inc.	\$ 49.375	0.41%	54.9%	8.0%	28-Apr-95
The Progressive Corporation	\$169.375	0.15%	49.3%	33.1%	31-Dec-93
The St. Paul Companies, Inc.	\$ 34.813	2.87%	42.7%	9.1%	31-Dec-93
Transamerica Corporation	\$ 57.750	1.73%	38.2%	15.3%	31-Dec-93
Union Planters Corporation	\$ 45.313	4.41%	45.3%	12.5%	31-Dec-93
UNUM Corporation	\$ 58.375	1.01%	45.8%	17.3%	31-Dec-93
Wilmington Trust Corporation	\$ 61.625	2.53%	41.3%	18.6%	31-Dec-93
International					
AEGON N.V. (ADR) ⁽⁵⁾	\$122.250	0.75%	51.7%	62.3%	31-Dec-93
AXA-UAP (ADR) ⁽⁵⁾	\$ 72.250	0.00%	58.0%	47.8%	28-Jun-96
ING Groep N.V. (ADR) ⁽⁵⁾	\$ 62.188	2.20%	70.5%	34.7%	31-May-95
Istituto Nazionale delle Assicurazioni (INA) (ADR) ⁽⁵⁾	\$ 26.500	1.50%	62.3%	19.9%	29-Jul-94
Sedgwick Group plc (ADR) ⁽⁵⁾	\$ 18.875	2.70%	27.5%	10.1%	31-May-95
Insurance Average		1.52%	48.9%	24.9%	
INVESTMENT BANKING/BROKERAGE					
Canada					
Fahnestock Viner Holdings Inc. (Class A)	\$ 26.250	1.07%	56.8%	17.4%	31-Dec-93
First Marathon Inc. (Class A)	\$ 17.750	3.04%	33.1%	0.6%	31-Dec-93
Merrill Lynch Canada Inc.	\$103.000	0.00%	72.9%	-5.6%	31-Aug-98
United States					
A.G. Edwards, Inc.	\$ 37.250	1.50%	60.8%	19.4%	31-Dec-93
Lehman Brothers Holdings Inc.	\$ 44.063	0.68%	103.0%	21.5%	31-May-94
Merrill Lynch & Co., Inc.	\$ 66.750	1.44%	75.2%	26.0%	31-Dec-93
Morgan Stanley Dean Witter & Co.	\$ 71.000	1.35%	82.6%	32.6%	31-Dec-93
Paine Webber Group Inc.	\$ 38.625	1.14%	87.3%	26.3%	31-Dec-93
The Bear Stearns Companies, Inc.	\$ 37.438	1.60%	71.7%	15.8%	31-Dec-93
The Charles Schwab Corporation	\$ 56.188	0.20%	80.7%	63.5%	31-Dec-93
Investment Banking Average		1.20%	72.4%	21.8%	
SPECIALTY FINANCE					
Canada					
Newcourt Credit Group Inc.	\$ 53.500	0.45%	66.8%	51.1%	28-Feb-94
Trilon Financial Corporation (Class A)	\$ 11.000	4.36%	38.1%	25.7%	31-Dec-93
United States					
American Express Company	\$102.500	0.88%	61.1%	30.5%	31-Dec-93
American General Corporation	\$ 78.000	1.92%	40.5%	22.2%	30-Nov-93

Financial Services Universe	Closing Price December 31, 1998⁽¹⁾	Dividend Yield⁽²⁾	Trailing 90-Day Volatility⁽³⁾	Average Annual Price Growth⁽⁴⁾	Price Data From
Associates First Capital Corporation	\$ 42.375	0.52%	61.9%	37.8%	31-May-96
Capital One Financial Corporation	\$115.000	0.28%	91.2%	63.9%	30-Nov-94
Countrywide Credit Industries, Inc.	\$ 50.188	0.64%	60.0%	24.5%	31-Dec-93
Fannie Mae	\$ 74.000	1.46%	38.6%	30.4%	31-Dec-93
Freddie Mac	\$ 64.438	0.74%	46.5%	38.9%	31-Dec-93
Household International, Inc.	\$ 39.625	1.51%	68.7%	29.5%	31-Dec-93
MBIA, Inc.	\$ 65.563	1.22%	48.6%	15.8%	31-Dec-93
MBNA Corporation	\$ 24.813	1.13%	82.5%	41.3%	31-Dec-93
MGIC Investment Corporation	\$ 39.813	0.25%	58.9%	22.2%	31-Dec-93
SLM Holding Corporation	\$ 48.000	1.25%	55.9%	30.2%	31-Dec-93
The FINOVA Group Inc.	\$ 53.938	1.19%	53.6%	30.0%	31-Dec-93
Specialty Finance Average		1.19%	58.2%	32.9%	

Notes:

- (1) Canadian stock prices are in Canadian dollars. All other stock prices are in U.S. dollars.
- (2) Based on the closing price on December 31, 1998 and the last regular dividend annualized, except where otherwise noted. Where the dividend was declared in a foreign currency (i.e. ADRs), the amount of the dividend has been converted to U.S. dollars at the exchange rate in effect on the date of declaration.
- (3) As at December 31, 1998.
- (4) Calculated from the first date on or after December 31, 1993 on which price data was available.
- (5) Dividend yield based on trailing 12 month yield.

COVERED CALL OPTION WRITING

General

A call option is a right, but not an obligation, of the holder of the call option to purchase a security from the seller of the call option at a specified purchase or “strike” price at any time during a specified time period. Income Financial intends to write call options in respect of certain of the securities held in the Portfolio. The call options may be either exchange traded options or over-the-counter options. As call options will be written only in respect of securities that are in the Portfolio and the investment criteria of Income Financial prohibit the sale of securities subject to an outstanding option, the options will be “covered call options” at all times.

By writing call options, Income Financial will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option the market price of the underlying securities in the Portfolio is above the strike price, such that the call option is “in-the-money”, the holder of the option may exercise the option and Income Financial will be obligated to sell the securities to the holder at the strike price per security. Alternatively, Income Financial may repurchase a call option which is in-the-money by paying the market value of the call option. However, if at expiration of a call option the strike price is greater than the current market price of the underlying security such that the option is “out-of-the-money”, the holder of the option will likely not exercise the option and the option will expire. In each case, Income Financial will retain the option premium. See “— Option Pricing”.

The amount of an option premium depends, among other factors, upon the tendency of the price of the underlying security to vary over time (the “volatility”). The higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely the option will become in-the-money during the term and, accordingly, the greater the option premium. See “— Option Pricing”.

If a call option is written on a security in the Portfolio, the amounts that Income Financial will be able to realize on the security during the term of the call option will be limited to the dividends received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In

essence, Income Financial will forego potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.

Option Pricing

Many investors and financial market professionals price call options based on the Black-Scholes Model, a widely used option pricing model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black-Scholes Model can be attained in the market. Under the Black-Scholes Model (modified to include dividends), the primary factors which affect the option premium received by the seller of a call option are the following:

The volatility of the price of the underlying security: the volatility of the price of an underlying security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or “trailing” the date of calculation.

The difference between the strike price and the market price of the underlying security at the time the option is written: the smaller the positive difference (or the larger the negative difference), the greater the option premium.

The term of the option: the longer the term, the greater the option premium.

The “risk-free” or benchmark interest rate in the market in which the option is issued: the higher the risk-free interest rate, the greater the option premium.

The dividends expected to be paid on the underlying security during the relevant term: the greater the dividends, the lower the option premium.

The table below illustrates the sensitivity of annualized option premiums from writing call options on a hypothetical portfolio of securities to (i) the average volatility of the individual securities comprising the hypothetical portfolio; and (ii) the excess of the strike price over the market price of the underlying securities expressed as a percentage of such market price at the time the options on the securities in the hypothetical portfolio are written (or percentage out-of-the-money). The option premiums are expressed as a percentage of the asset value of the portfolio and have been calculated using a Black-Scholes Model (modified to include dividends) based on the following assumptions:

1. all call options are exercisable at any time during their term and are written at the same percentage out-of-the-money;
2. all securities comprising the portfolio are subject to 90 day call options throughout the relevant period (note that this assumption is for illustrative purposes only and is not necessarily indicative of the extent to which covered call options will be written by Income Financial);
3. the Canadian and U.S. risk-free or benchmark interest rates equal 4.63% and 4.28%, respectively;
4. the average return from the dividends paid on the securities comprising the hypothetical portfolio is 1.64% for shares of Canadian issuers included in the financial services indices and 1.51% for shares of U.S. and international issuers included in the financial services indices (after the payment of U.S. or other foreign withholding taxes); and
5. one-third of the portfolio is invested in securities of Canadian issuers included in the financial services indices and two-thirds of the portfolio is invested in securities of United States and international issuers included in the financial services indices. See “Financial Services Indices”.

**Annualized Premiums from Covered Call Option Writing
(measured as a % return)**

Average Volatility of the Individual Common Shares in the Portfolio

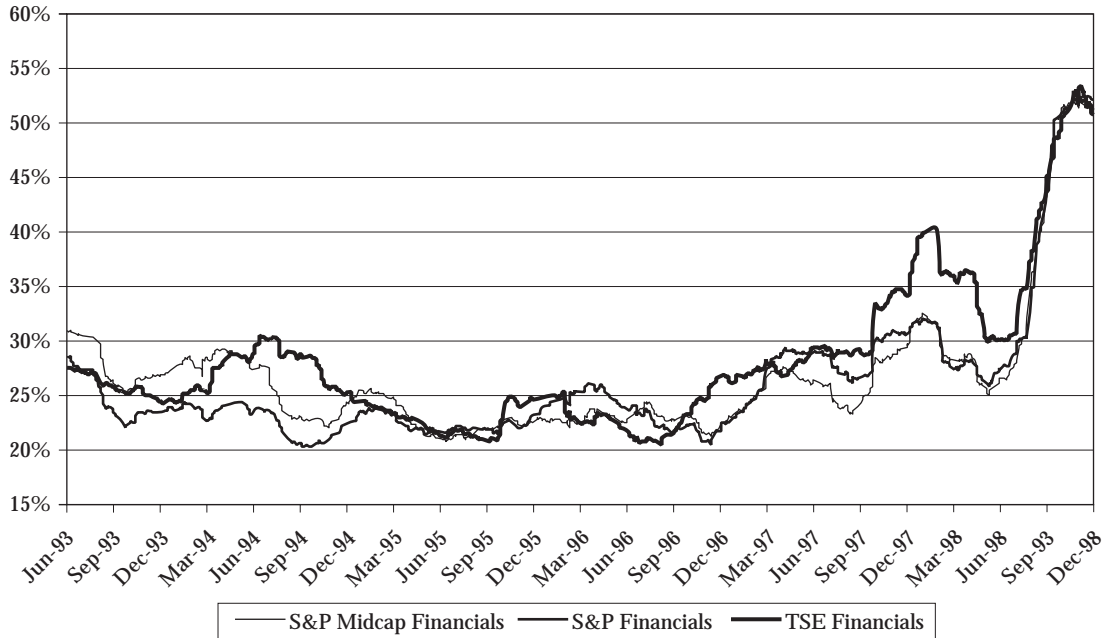
% Out-Of-The-Money	16%	20%	24%	28%	32%	36%
4%	7.3%	10.3%	13.4%	16.5%	19.6%	22.8%
2%	10.3%	13.4%	16.6%	19.7%	22.9%	26.0%
0%	14.0%	17.1%	20.3%	23.4%	26.5%	29.7%

The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis will be realized. The range of percentage out-of-the-money shown in the above table is based on the range generally expected to be utilized by Quadravest in writing call options.

Volatility History

Illustrated below is the historical average of the trailing 90 day volatility (expressed in percentage terms on an annualized basis) of all securities currently included in the TSE Financial Services Index, the S&P Financials Index and the S&P MidCap Financials Index based on prices from August 20, 1993 to December 31, 1998. The volatility of the common shares currently included in the TSE Financial Services Index ranged from a low of 20.6% to a high of 53.4%, with an average of 28.4%, the volatility of the common shares currently included in the S&P Financials Index ranged from a low of 20.3% to a high of 52.5%, with an average of 26.3%, and the volatility of the common shares currently included in the S&P MidCap Financials Index ranged from a low of 20.8% to a high of 52.3%, with an average of 26.6%.

**Historical Volatility of Shares of Companies Currently
Included in the TSE Financial Services Index, the
S&P Financials Index and the S&P MidCap Financials Index**



The information set forth above is historical and is not intended to be, nor should be construed to be, an indication as to the future volatility levels of the securities in the Portfolio.

Sensitivity Analysis

The table below represents an assessment of the sensitivity of the net return to Unitholders from dividends and option premiums of Income Financial (excluding any gains or losses on Portfolio investments, dividend increases or decreases and any amounts paid to close out in-the-money options) to: (i) the average volatility of the individual securities that could be included in the Portfolio; and (ii) the excess of the strike price over the market price of the securities expressed as a percentage of such market price at the time the option is written (or percentage out-of-the-money) using a modified Black-Scholes Model. The table is based on the same assumptions set forth above under “— Option Pricing” and the additional assumptions that the issue size is \$100,000,000 and that all fees are paid to Quadravest as provided under “Fees and Expenses”.

Return (Net of Expenses) on Units from Dividends and Option Premiums (Annualized %)

Average Volatility of the Individual Common Shares in the Portfolio

<u>% Out-Of-The-Money</u>	<u>16%</u>	<u>20%</u>	<u>24%</u>	<u>28%</u>	<u>32%</u>	<u>36%</u>
4%	7.0%	9.8%	12.6%	15.3%	17.6%	20.0%
2%	9.7%	12.6%	15.3%	17.7%	20.0%	22.4%
0%	13.2%	15.7%	18.1%	20.4%	22.8%	25.1%

The information in the table is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis will ever be available or realized. The range of percentage out-of-the-money shown in the above table is based on the range generally expected to be utilized by Quadravest in writing call options.

MANAGEMENT OF INCOME FINANCIAL

The Manager

Pursuant to the Trust Agreement, Quadravest Inc. is the manager of Income Financial and, as such, is responsible for providing or arranging for administrative services required by Income Financial including, without limitation: authorizing the payment of operating expenses incurred on behalf of Income Financial; preparing financial statements, financial and accounting information as required by Income Financial; ensuring that Unitholders are provided with financial statements (including semi-annual and annual financial statements) and other reports as are from time to time required by applicable law; ensuring that Income Financial complies with regulatory requirements and applicable stock exchange listing requirements; preparing Income Financial's reports to Unitholders and the Canadian securities regulatory authorities; determining the amount of distributions to be paid by Income Financial; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

The Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Unitholders, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The Manager may resign upon 60 days' notice to Unitholders and Income Financial or such lesser notice as Income Financial may accept. If the Manager resigns it may appoint its successor, but its successor must be approved by Unitholders unless it is an affiliate of the Manager. If the Manager commits certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement and such breach or default has not been cured within 30 days after notice of same has been given to the Manager, Income Financial shall give notice thereof to Unitholders and the Unitholders may remove the Manager and appoint a successor manager. Except as described above, the Manager cannot be terminated as manager of Income Financial.

The Manager is entitled to fees for its services under the Trust Agreement as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of Income Financial. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified

by Income Financial 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 wilful misconduct, bad faith, negligence or material breach of its obligations under the Trust Agreement.

The management services of the Manager under the Trust Agreement are not exclusive and nothing in the Trust 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 Income Financial) or from engaging in other activities. For a list of the directors and officers of the Manager, see "— The Investment Manager". S. Wayne Finch controls the Manager, which in turn owns all of the voting shares of Quadravest.

The Investment Manager

Quadravest will manage Income Financial's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of Income Financial pursuant to an agreement (the "Investment Management Agreement") between Income Financial and Quadravest dated January 27, 1999. Quadravest is the investment manager of Split Yield Corporation, a mutual fund corporation that completed a prospectus offering of \$76.5 million of shares in April 1998.

Quadravest was incorporated on October 20, 1971 under the name Fry Mills Spence Investment Management Limited and underwent a number of name changes, the most recent of which was to Jones Heward Investment Funds Limited. In November 1997, the Manager purchased 100% of the shares of Jones Heward Investment Funds Limited from Jones Heward Investments Inc. and changed its name to Quadravest Capital Management Inc. As part of this transaction, the Manager issued preferred shares to Jones Heward Investment Inc. and entered into a consulting services agreement pursuant to which Jones Heward Investments Inc. provides certain accounting, administrative and other services to Quadravest and the Manager. Jones Heward Investments Inc. is majority-owned by Nesbitt Burns Inc., one of the Agents.

Directors and Officers of the Manager and Quadravest

The name and municipality of residence of each of the directors and officers of the Manager are as follows:

<u>Name and Municipality of Residence</u>	<u>Office</u>
S. Wayne Finch Brampton, Ontario	Chairman, Chief Executive Officer, President, Secretary and Director ⁽¹⁾
William C. Thornhill Mississauga, Ontario	Vice-Chairman and Director
Laura L. Johnson Oakville, Ontario	Vice-President and Director ⁽¹⁾

(1) Holds similar positions with Quadravest.

S. Wayne Finch is the Chairman and chief investment officer of Quadravest. Mr. Finch has over 10 years of experience in designing and managing investment portfolios. Prior to forming Quadravest, Mr. Finch was Vice-President at Mulvihill Capital Management Inc. ("Mulvihill") where he was a portfolio manager of a number of publicly traded investment vehicles employing investment strategies similar to those proposed by Income Financial. Mr. Finch was also the portfolio manager for the Canada Trust Everest Dividend Fund from 1994 to 1996. Prior to joining Mulvihill, Mr. Finch was a portfolio manager in the Treasury operations of The Canada Trust Company ("Canada Trust") where he managed a number of common and preferred share portfolios including one employing a similar investment strategy to that proposed by Income Financial.

Laura L. Johnson is Vice-President of Quadravest where she is responsible for fund management activities. Prior to forming Quadravest, Ms. Johnson was employed in the Structured Finance area at Mulvihill where she worked extensively on investment products employing investment strategies similar to those proposed by Income

Financial. Prior to that, Ms. Johnson held a number of equity and fixed income positions at Mulvihill and its predecessor company, CT Investment Counsel Inc.

William C. Thornhill is Vice-Chairman of Quadravest and is currently a consultant to Merrill Lynch Canada Inc., one of the Agents. Prior to joining Quadravest, Mr. Thornhill held a number of senior positions at Canada Trust including Executive Vice-President — Products, Senior Vice-President — Finance, and Vice-President — Treasury and Corporate Investments. Mr. Thornhill has extensive experience in all facets of financial services including product development, investment management, risk management and mutual funds.

Investment Management Agreement

The services to be provided by Quadravest pursuant to the Investment Management Agreement will include the making of all investment decisions for Income Financial and managing Income Financial's call option writing, all in accordance with the investment objectives, strategy and criteria of Income Financial. Decisions as to the purchase and sale of securities comprising the Portfolio and as to the execution of all portfolio and other transactions will be made by Quadravest. In the purchase and sale of securities for Income Financial and the writing of option contracts, Quadravest will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, Quadravest is required to act at all times on a basis which is fair and reasonable to Income Financial, to act honestly and in good faith with a view to the best interests of the Unitholders of Income Financial and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that Quadravest shall not be liable in any way for any default, failure or defect in or diminution in the value of any of the securities in the Portfolio if it has satisfied the duties and standard of care, diligence and skill set forth above. However, Quadravest will incur liability in cases of wilful misfeasance, bad faith, negligence or material breach of its obligations under the Investment Management Agreement.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the redemption of the Units on January 1, 2009. Income Financial may terminate the Investment Management Agreement if Quadravest has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such breach has not been cured within 30 days after notice thereof has been given to Quadravest. Otherwise, Quadravest cannot be terminated as investment manager of Income Financial.

Except as set out below, Quadravest may not terminate the Investment Management Agreement or assign the same except to an affiliate of Quadravest, without Unitholder approval. Quadravest may terminate the Investment Management Agreement if Income Financial is in material breach or default of the provisions thereof and such breach or default has not been cured within 30 days of notice of same to Income Financial or if there is a material change in the fundamental investment objectives, strategy or criteria of Income Financial.

If the Investment Management Agreement is terminated, the Trustee will promptly appoint a successor investment manager to carry out the activities of Quadravest until a meeting of Unitholders of Income Financial is held to confirm such appointment.

Quadravest is entitled to fees for its services under the Investment Management Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of Income Financial. In addition, Quadravest and each of its directors, officers, employees and agents will be indemnified by Income Financial for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claims that are made against Quadravest or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from Quadravest's wilful misconduct, bad faith, negligence or material breach of its obligations under the Investment Management Agreement.

The Trustee

The Royal Trust Company is the trustee of Income Financial under the Trust Agreement. It will act as custodian of the assets of Income Financial and is responsible for certain aspects of the day-to-day administration of Income Financial as described in the Trust Agreement, including executing instruments on

behalf of Income Financial, processing redemptions, calculating NAV, net income and net realized capital gains of Income Financial and maintaining the books and records of Income Financial.

The Trustee may resign upon 60 days' notice to Unitholders and the Manager or such lesser notice as the Manager may accept. The Trustee may be removed with the approval of a two-thirds majority vote cast at a meeting of Unitholders called for such purpose or by the Manager in the event the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns or is removed by the Manager, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 60 days, the Trustee or any Unitholder may apply to a court of competent jurisdiction of the appointment of a successor.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except in cases of wilful misfeasance, breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith with a view to the best interests of Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The address of the Trustee is Royal Trust Tower, 77 King Street West, 11th Floor, Toronto, Ontario M5W 1P9.

The Trustee is entitled to receive fees from Income Financial as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of Income Financial.

DESCRIPTION OF THE UNITS

Income Financial is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of Income Financial.

All Units have equal rights and privileges. Each whole 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 Income Financial, including distributions of net income and net realized capital gains, and distributions upon the termination of Income Financial. Units are issued only as fully paid and are non-assessable. Fractions of Units are proportionately entitled to all of these rights except voting rights.

The provisions or rights attaching to the Units may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in the Trust Agreement as described under the heading "Unitholder Matters — Acts Requiring Unitholder Approval".

Income Financial does not currently intend to issue additional Units following completion of this offering, but is not precluded from doing so in the future.

Book-Based System

Registration of interests in and transfers of the Units will be made only through a book-based system (the "book-entry only system") administered by The Canadian Depository for Securities Limited ("CDS"). On or about February 4, 1999 (the "Closing Date"), but no later than March 4, 1999, Income Financial will deliver to CDS certificates evidencing the aggregate Units subscribed for under this offering. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS book-entry only system (a "CDS Participant"). All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

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

An owner of Units who desires to exercise redemption privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to redeem Units, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to redeem Units should ensure that the CDS Participant is provided with notice (the "Redemption Notice") of his or her intention to exercise the redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Redemption Notice will be available from a CDS Participant or Montreal Trust Company of Canada, Income Financial's transfer agent and registrar. Any expense associated with the preparation and delivery of redemption notices will be for the account of the owner exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to redeem Units, an owner shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect, and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of Income Financial to the CDS Participant or the owner.

Income Financial has the option to terminate registration of the Units through the book-entry only system, in which case certificates for Units in fully registered form would be issued to beneficial owners of such Units, or their nominees.

NET ASSET VALUE

The NAV of Income Financial on any particular date will be equal to the aggregate value of the assets of Income Financial on such date, less the aggregate value of the liabilities of Income Financial on such date, including any distributions that are payable to Unitholders on or before such date. The "NAV per Unit" on any day is obtained by dividing the NAV of Income Financial on such day by the number of Units outstanding on that day.

The NAV per Unit will be calculated on the fifteenth day of each month and on each Valuation Date (as defined below). Such information will be provided by Income Financial to Unitholders upon request.

In determining the NAV of Income Financial at any time:

- (a) the value of a listed common share in the Portfolio or any listed security which is convertible into or exchangeable for common shares will be the closing sale price on the Valuation Date of such a share or other listed security on the stock exchange on which such share is listed or, if such closing price is not available, the average between the closing bid and the closing asked prices on the Valuation Date on such stock exchange (or, if such stock exchange is not open on that Valuation Date, then on the previous date on which such stock exchange was open for trading);
- (b) an option premium received by Income Financial for a clearing corporation option written by Income Financial will, so long as the option is outstanding, be reflected as a deferred credit which will be valued at an amount equal to the current market value of an option which would have the effect of closing the position. Any difference resulting from revaluation will be treated as an unrealized gain or loss on investment, and the deferred credit will be deducted in determining the NAV. The securities, if any, which are the subject of a written clearing corporation option will be valued at their then current market value;
- (c) the value of any cash on hand or on deposit, prepaid expenses, cash dividends declared and interest accrued and not yet received will be deemed to be the face amount thereof unless Income Financial determines that any such asset is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as Income Financial determines to be the fair value thereof;

- (d) money market instruments will be valued on a marked to market basis;
- (e) bonds, debentures and other debt securities will be valued by taking the average of the closing bid and the closing asked prices on the Valuation Date at such times as the Trustee, in its discretion, deems appropriate;
- (f) if a Valuation Date or the fifteenth day of any month is not a business day, then the securities in the Portfolio and other assets of Income Financial will be valued as if such Valuation Date or the fifteenth day of any month was the preceding business day; and
- (g) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by Income Financial to be inappropriate under the circumstances, then notwithstanding the foregoing rules Income Financial will make such valuation as it considers fair and reasonable.

DISTRIBUTIONS

In accordance with Income Financial's investment objectives and to the extent the undistributed net income and net realized capital gains of Income Financial permit, Income Financial will endeavour to make monthly distributions of at least \$0.17708 per Unit (8.5% per annum) to Unitholders of record on the last business day of each month (a "distribution date"). The initial distribution will be payable to Unitholders of record on March 31, 1999. **Based on the current level of dividends, option premiums available under current market conditions and the anticipated expenses of Income Financial, it is believed that such monthly distributions are sustainable. However, there can be no assurance that Income Financial will be able to make distributions at such rate.**

The amount of distributions in any particular month will be determined by the Manager, having regard to the investment objectives of Income Financial, the net income and net realized capital gains of Income Financial during the month and in the year to date, the net income and net realized capital gains of Income Financial anticipated in the balance of the year and distributions made in previous months.

If in any year after such distributions there would otherwise remain in Income Financial additional net income or net realized capital gains, Income Financial intends on 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 Income Financial will not be liable for income tax thereon under the *Income Tax Act* (Canada), except to the extent that any tax payable on net realized capital gains of Income Financial for a year that are retained by Income Financial would be recoverable by it in such year.

Distributions will be payable to Unitholders of record at 5:00 p.m. (Toronto time) on the distribution date. All distributions will be paid by cheque to Unitholders proportionately based on their respective holdings of Units and will be mailed to Unitholders within 15 days following the distribution date at their addresses listed in the register of Unitholders to be maintained by Income Financial's registrar and transfer agent or paid in such other manner as may be agreed to by the Trustee.

Each Unitholder will be mailed annually, no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by Income Financial in respect of the preceding taxation year of Income Financial. See "Canadian Federal Income Tax Considerations".

REDEMPTION OF UNITS

Redemption on Termination of Income Financial

All Units outstanding on January 1, 2009 will be redeemed by Income Financial on such date. The redemption price payable by Income Financial for a Unit on that date will be equal to the NAV on that date divided by the total number of Units then outstanding. Notice of redemption will be given to CDS Participants holding Units on behalf of the beneficial owners thereof at least 30 days before January 1, 2009.

Optional Redemptions

Units may be surrendered at any time for redemption but will be redeemed only on the last business day of each month (a "Valuation Date"). Units surrendered for redemption by a Unitholder at least five business days

prior to a Valuation Date will be redeemed on such Valuation Date and the Unitholder will receive payment on or before the eighth business day following such Valuation Date (the “Redemption Payment Date”). If a Unitholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth business day immediately preceding a Valuation Date, the Units will be redeemed on the Valuation Date in the following month and the Unitholder will receive payment for the Units so redeemed on the Redemption Payment Date in respect of such Valuation Date.

Except as noted below, Unitholders whose Units are redeemed on a Valuation Date will be entitled to receive a redemption price per Unit (the “Redemption Price”) equal to the NAV per Unit determined as of such Valuation Date, less the lesser of (i) 4% of such NAV per Unit; and (ii) \$1.00. The difference between the NAV and the redemption price will be retained by Income Financial for the benefit of the remaining Unitholders. Any distributions payable on or before a Valuation Date in respect of Units tendered for redemption on such Valuation Date will also be paid on the Redemption Payment Date.

Unitholders also have an annual redemption right under which they may redeem their Units on the February Valuation Date in each year, commencing on February 29, 2000, at a redemption price equal to the NAV per Unit on that date.

As disclosed below under “— Resale of Units Tendered for Redemption”, if the Unitholder of Units tendered for redemption has not withheld his or her consent thereto in the manner provided in the redemption notice delivered to CDS through a CDS Participant, Income Financial may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Payment Date pursuant to the Recirculation Agreement (as defined below). 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 Units less any applicable commission. Such amount will not be less than the Redemption Price described above. Unitholders are free to withhold their consent to such treatment and to require Income Financial to redeem their Units in accordance with their terms.

Subject to Income Financial’s right to require the Recirculation Agent to use its best efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Payment Date, any and all Units which have been surrendered to Income Financial for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Payment Date, unless the Redemption Price is not paid on the Redemption Payment Date, in which event such Units will remain outstanding.

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “Description of the Units — Book-Based System”. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Units which are not redeemed by Income Financial on the relevant Redemption Payment Date.

Resale of Units Tendered for Redemption

Income Financial has entered into an agreement dated January 27, 1999 (the “Recirculation Agreement”) with Nesbitt Burns Inc. (the “Recirculation Agent”) whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Payment Date, provided that the Unitholder of the Units so tendered has not withheld consent thereto. Income Financial is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Units is found in this manner, 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 Units less any applicable commission. Such amount will not be less than the applicable Redemption Price.

Suspension of Redemptions

Income Financial may suspend the redemption of Units or payment of redemption proceeds during any period when normal trading is suspended on any stock exchange within or outside Canada on which securities of Income Financial are listed which represent more than 50% by value of the total assets of Income Financial without allowance for liabilities, or with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which Income Financial determines that conditions exist which render impractical the sale of assets of Income Financial or which impair the ability of Income Financial to determine

the value of the assets of Income Financial. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by Income Financial of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over Income Financial, any declaration of suspension made by Income Financial shall be conclusive.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager or the Trustee at any time and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' notice will be given of any meeting of Unitholders. The quorum at any such meeting is two Unitholders present in person or by proxy and representing not less than 10% of the Units then outstanding. If no quorum is present at such meeting when called, the meeting will be terminated if called on the requisition of Unitholders and otherwise will be adjourned for not less than 10 days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any such meeting, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name.

Income Financial does not intend to hold annual meetings of Unitholders, but has agreed to do so if requested by The Toronto Stock Exchange.

Acts Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders by a two-thirds majority vote (other than items (iii), (vi) and (vii) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (i) a change in the fundamental investment objectives and strategy of Income Financial as described under "Income Financial — Investment Strategy and Objectives";
- (ii) a change in the investment criteria of Income Financial as described under "Income Financial — Investment Criteria";
- (iii) the entering into by Income Financial of transactions involving derivatives other than the writing of covered call options, the purchase of call options or put options and the entering into of trades by Income Financial to close out positions in such derivatives;
- (iv) any change in the basis of calculating fees or other expenses that are charged to Income Financial which could result in an increase in charges to Income Financial;
- (v) a change of the manager of Income Financial, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager or trustee of Income Financial, other than a change resulting in an affiliate of such person assuming such position;
- (vi) a decrease in the frequency of calculating the NAV per Unit or of redeeming Units;
- (vii) a change of the auditors of Income Financial;
- (viii) a termination of the Investment Management Agreement (except as described under "Management of Income Financial — The Investment Manager — Investment Management Agreement");
- (ix) a termination of Income Financial prior to the Termination Date or an extension of Income Financial beyond the Termination Date; and

(x) an amendment, modification or variation in the provisions or rights attaching to the Units.

The Manager and the Trustee may, without the approval of or notice to Unitholders, amend the Trust Agreement to:

- (i) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law or regulation applicable to or affecting Income Financial;
- (ii) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provisions, clerical omission, mistake or manifest error contained therein;
- (iii) bring the Trust Agreement into conformity with NP 39 or other 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 interest of any Unitholder;
- (iv) maintain the status of Income Financial as a “mutual fund trust” for the purposes of the *Income Tax Act* (Canada); or
- (v) provide added protection to Unitholders.

Except for changes to the Trust Agreement which require the approval of Unitholders or changes described above which do not require approval or prior notice to Unitholders, the Trust Agreement may be amended from time to time by the Manager and the Trustee upon not less than 30 days’ prior written notice to Unitholders.

Reporting to Unitholders

Income Financial will deliver to each Unitholder annual and semi-annual financial statements of Income Financial.

TERMINATION OF INCOME FINANCIAL

Income Financial will terminate on January 1, 2009 (the “Termination Date”) unless Unitholders determine to continue Income Financial by a majority vote at a meeting called for such purpose. Immediately prior to the Termination Date, QuadraVest will, to the extent possible, convert the Portfolio to cash and the Trustee will, after paying or making adequate provision for all of Income Financial’s liabilities (including all fees and incentive fees owed by Income Financial), distribute the net assets of Income Financial to Unitholders as soon as practicable after the Termination Date.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon, Toronto, counsel to Income Financial, and Osler, Hoskin & Harcourt, Toronto, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to prospective investors acquiring Units pursuant to this prospectus who are individuals (other than trusts) and who, for purposes of the *Income Tax Act* (Canada) (the “Act”), are resident in Canada, deal at arm’s length with Income Financial and hold their Units as capital property. This summary is based upon the facts set out in this prospectus, the current provisions of the Act, the regulations thereunder, and counsel’s understanding of the current administrative practices of Revenue Canada and the specific proposals to amend the Act and regulations thereunder announced prior to the date hereof by the Minister of Finance (the “Proposed Amendments”). No assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is also based on the assumption that Income Financial was not established and will not be maintained primarily for the benefit of non-residents of Canada for purposes of the Act. This summary is also based on the assumption that the issuers of securities in the Portfolio will not be foreign affiliates of Income Financial or of any Unitholder.

This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations summarized herein.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences to them of a prospective investment in Units in their individual circumstances.

Status of Income Financial

At any particular time, provided that Income Financial meets certain prescribed conditions (“minimum distribution requirements”) relating to the number of Unitholders, dispersal of ownership of Units and qualification for distribution to the public of its Units at such time and provided that its sole undertaking is and continues to be the investing of its funds in property (other than real property or an interest in real property) as described in this prospectus, Income Financial will at that time qualify as a “mutual fund trust” as defined in the Act. This summary assumes that Income Financial will satisfy the minimum distribution requirements on closing, so that it may elect to be deemed to be a mutual fund trust from the date that it was established to and including the date of closing. This summary further assumes that Income Financial will so elect in the manner and within the time provided in the Act and that it will continuously satisfy the minimum distribution requirements thereafter. If Income Financial were not to so qualify as a mutual fund trust, the income tax consequences described below would in some respects be materially different.

Taxation of Income Financial

Income Financial is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. Income tax paid by Income Financial on any net realized capital gains not paid or payable to Unitholders is recoverable by Income Financial to the extent and in the circumstances provided in the Act.

In determining the income of Income Financial, premiums received by Income Financial on call options written by Income Financial will constitute capital gains of Income Financial in the year received, and gains or losses realized upon dispositions of securities of Income Financial (whether upon the exercise of call options written by Income Financial or otherwise) will constitute capital gains or capital losses of Income Financial in the year realized unless Income Financial is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or Income Financial has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. Income Financial will earn dividends on the Portfolio over the life of Income Financial and will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio. In accordance with Revenue Canada’s published administrative practice, transactions undertaken by Income Financial in respect of options and shares will be treated and reported for purposes of the Act on capital account and designations by Income Financial with respect to its income and capital gains, as described below, will be made and reported to Unitholders on this basis.

Option premiums, cost and proceeds of disposition of shares, dividends received, interest income and all other amounts will be determined for the purposes of the Act in Canadian dollars, converted, where applicable at the exchange rate prevailing at the time of the transaction. Income Financial may realize gains or losses by virtue of the fluctuation in the value of U.S. dollars or other foreign currency relative to Canadian dollars.

Income Financial generally intends to deduct in computing its income in each taxation year for purposes of the Act the full amount available for deduction in each year (computed on the assumption that options outstanding after the year end will expire unexercised) and, therefore, provided Income Financial makes distributions in each year of its net income including net realized capital gains as described under the heading “Distributions”, it will generally not be liable in such year for income tax under Part I of the Act other than such tax on net realized capital gains that would be recoverable by it in such year.

The Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. The special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that Income Financial qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

Taxation of Unitholders

A Unitholder will generally be required to include in the calculation of the Unitholder's income under the Act the net income including the net realized taxable capital gains of Income Financial paid or payable to the Unitholder in the year. To the extent that distributions by Income Financial to a Unitholder in any year exceed the net income including the net realized capital gains of Income Financial for the year, such distributions generally will not be included in the calculation of the Unitholder's income for the year but will reduce the adjusted cost base of the Unitholder's Units.

Income Financial will designate to the extent permitted by the Act the portion of the net income distributed to Unitholders that may reasonably be considered to consist respectively of net realized taxable capital gains of Income Financial and taxable dividends received by Income Financial from taxable Canadian corporations. Any such designated amounts will be deemed for purposes of the Act to be received and/or realized by Unitholders in the year as a taxable capital gain or a taxable dividend received by the Unitholder from a taxable Canadian corporation. 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.

Income Financial will also make designations in respect of its income from foreign sources so that, for the purpose of computing any foreign tax credit to a Unitholder, the Unitholder will be deemed to have paid as tax to the government of a foreign country that portion of the foreign dividend withholding taxes paid by Income Financial to that government that is equal to the Unitholder's share of Income Financial's income (calculated under the rules in the Act) from sources in that country. A taxable Unitholder will generally be entitled to foreign tax credits in respect of such foreign withholding taxes under and subject to the general foreign tax credit rules under the Act as amended in accordance with the Notice of Ways and Means Motion tabled in the House of Commons on December 10, 1998 and depending upon other foreign source income or loss of and foreign taxes paid by the Unitholder. Unitholders will be informed each year of the amount of Income Financial's net income, net realized taxable capital gains, income from foreign sources and foreign taxes paid to enable the Unitholders to complete their income tax returns.

Under the Act, a trust is permitted to deduct in computing its income an amount which is less than the amount of its distributions. This will enable Income Financial to utilize, in a particular year, losses from prior years without affecting the ability of Income Financial to distribute its income annually. The amount distributed to a Unitholder but not deducted by Income Financial will not be required to be included in the income of the Unitholder. However, unless such amount relates to the non-taxable portion of capital gains, the taxable portion of which has been allocated to the Unitholder, the adjusted cost base of the Unitholder's Units would be reduced by such amount.

The NAV per Unit will reflect any income and gains of Income Financial that have accrued or have been realized but not made payable at the time Units are acquired. Consequently, Unitholders that acquire additional Units may become taxable on their share of income and gains of Income Financial that accrued or were realized before the Units are acquired and were not made payable before such time.

Upon the actual or deemed disposition of a Unit, including on a sale or redemption, a capital gain (or capital loss) will generally be realized by the Unitholder to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property before that time.

Three-quarters of any capital gains realized will be included in computing the income of a Unitholder and three-quarters of any capital loss realized may be deducted against such taxable capital gains in accordance with the provisions of the Act.

Individual Unitholders are generally subject to an alternative minimum tax. In general terms, net income of Income Financial paid or payable to a Unitholder will not increase the Unitholder's liability under the Act for alternative minimum tax. However, amounts designated as net realized capital gains or taxable dividends from taxable Canadian corporations paid or payable to a Unitholder by Income Financial or realized on the disposition of Units by the Unitholder may increase the Unitholder's liability for alternative minimum tax.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon, Toronto, and Osler, Hoskin & Harcourt, Toronto, provided Income Financial qualifies as a mutual fund trust for purposes of the *Income Tax Act* (Canada), the Units will be qualified investments under the Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or, pursuant to the Proposed Amendments, registered education savings plans. Such Units will, however, be foreign property to such plans and funds for purposes of the tax imposed under Part XI of the Act.

Eligibility of the Units offered hereby for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

<i>Insurance Companies Act</i> (Canada)	<i>Loan and Trust Corporations Act</i> (Ontario)
<i>Trust and Loan Companies Act</i> (Canada)	<i>Pension Benefits Act</i> (Ontario)
<i>Pension Benefits Standards Act, 1985</i> (Canada)	<i>Financial Institutions Act</i> (British Columbia)
<i>An Act respecting insurance</i> (Québec)	<i>Employment Pension Plans Act</i> (Alberta)
<i>Supplemental Pension Plans Act</i> (Québec)	<i>Loan and Trust Corporations Act</i> (Alberta)
<i>An Act respecting trust companies and savings companies</i> (Québec)	<i>Insurance Act</i> (Alberta)

USE OF PROCEEDS

The net proceeds from the issue of the Units offered hereby (after payment of the Agents' fee and expenses of the issue) are estimated to be \$84,100,000 (assuming the maximum offering and that the Over-Allotment Option (as defined below) is not exercised) and will be used to purchase the Portfolio as soon as possible after closing.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of January 27, 1999 (the "Agency Agreement") between Quadravest, the Manager, Income Financial and Nesbitt Burns Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., CIBC Wood Gundy Securities Inc., ScotiaMcLeod Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc., First Marathon Securities Limited, Goepel McDermid Inc., HSBC James Capel Canada Inc. and Research Capital Corporation (the "Agents"), the Agents have agreed to offer the Units for sale, as agents of Income Financial, on a best efforts basis, if, as and when issued by Income Financial. The Agents will receive a fee equal to \$1.50 (6.0%) for each Unit sold and will be reimbursed for out of pocket expenses incurred. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fee. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units which are not sold.

Income Financial has granted the Agents an option (the "Over-Allotment Option") to offer up to 540,000 additional Units, which Units are qualified for sale hereunder. 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 and to the extent the Over-Allotment Option is exercised, the additional Units will be offered by the Agents at the offering price hereunder and the Agents will be entitled to receive a fee of \$1.50 (6.0%) for each Unit sold.

Proceeds from subscriptions will be held by the Agents in trust in a segregated account until the minimum amount of the offering has been obtained. In the event that the minimum amount is not obtained, and the closing does not occur, subscription proceeds received from prospective purchasers will be returned promptly without interest or deduction. 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. Subscriptions for Units 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 is expected to occur on February 4, 1999, but no later than March 4, 1999.

The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. The Agents have agreed that, except as permitted by the Agency Agreement, they will not offer or sell the Units within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph of the meanings given to them by Regulation S under the U.S. Securities Act.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. 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 Units. 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 these offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail on the open market. In such event, an equal number of Units will be maintained. Such transactions, if commenced, may be discontinued at any time.

FEES AND EXPENSES

Initial Expenses

The expenses of this offering (including the costs of creating and organizing Income Financial, the costs of printing and preparing this prospectus, legal expenses of Income Financial, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will be paid by Income Financial out of the gross proceeds of this offering. In addition, the Agents’ fee will be paid to the Agents from the gross proceeds as described under “Plan of Distribution”.

Fees and Other Expenses

Pursuant to the Trust Agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.10% of Income Financial’s NAV calculated as at each monthly Valuation Date. Income Financial shall also pay any goods and services taxes applicable to this administration fee.

Pursuant to the terms of the Investment Management Agreement, Quadravest is entitled to a base management fee payable monthly in arrears at an annual rate equal to 1.00% of Income Financial’s NAV calculated as at each monthly Valuation Date. Quadravest is also entitled to a performance fee equal to 20% of the total return per Unit of Income Financial for a financial year (which includes all cash distributions per Unit made during the year and any increase in the NAV per Unit from the beginning of the year after the deduction on a per Unit basis of all fees, other expenses and distributions) that exceeds 115% of the Bonus Threshold. The “Bonus Threshold”, for any financial year immediately following a year for which a performance fee is payable, is equal to the NAV per Unit at the beginning of that financial year. The “Bonus Threshold”, for any financial year immediately following a year for which a performance fee is not payable, is equal to the greater of (i) the NAV per Unit at the end of the immediately prior financial year; and (ii) the Bonus Threshold for the prior year, minus the Adjustment Amount. The “Adjustment Amount” for any financial year is the amount, if any, by which the NAV per Unit at the end of the immediately prior financial year plus distributions paid in that prior year exceeds the Bonus Threshold for that prior year.

No performance fee may be paid in any year if, at the end of such year, the NAV per Unit is less than \$25.00 or if Income Financial has not earned an annualized total return of at least the Base Return on a cumulative basis since inception. The “Base Return” in any year is the greater of (i) 5%; and (ii) the annual total return for such year as measured by a published index measuring returns on three-month Canadian treasury bills.

The performance fee, if payable, shall be deducted from the amount otherwise payable to the Unitholders. Income Financial will also pay any goods and services taxes applicable to the base management fee or the performance fee.

Income Financial will pay for all expenses incurred in connection with the operation and administration of Income Financial, estimated to be approximately \$200,000 per annum. These expenses are expected to include, without limitation, mailing and printing expenses for periodic reports to Unitholders; fees payable to the Trustee

for acting as custodian of the assets of Income Financial and performing certain administrative services under the Trust Agreement; fees payable to Montreal Trust Company of Canada, as registrar and transfer agent with respect to the Units; any additional fees payable to the Manager for performance of extraordinary services on behalf of Income Financial; fees payable to the auditors and legal advisors of Income Financial; regulatory filing, stock exchange and licence fees; and expenditures incurred upon the termination of Income Financial. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or Quadravest is entitled to indemnity by Income Financial. See “Management of Income Financial”. Income Financial will also be responsible for all commissions and other costs of Portfolio transactions. All such expenses will be subject to an independent audit and report thereon to Income Financial.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Quadravest, the Manager and the Trustee will receive the fees described under “Fees and Expenses” for their respective services to Income Financial and will be reimbursed by Income Financial for all expenses incurred in connection with the operation and administration of Income Financial. In accordance with the requirements of the provincial securities regulatory authorities in connection with this offering, Quadravest has undertaken to file insider trading reports, as if Income Financial was not a mutual fund, in accordance with applicable securities legislation in respect of trades made by it in Units of Income Financial.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Trust Agreement described under “Income Financial”;
- (b) the Investment Management Agreement described under “Management of Income Financial — The Investment Manager — Investment Management Agreement”;
- (c) the Agency Agreement described under “Plan of Distribution”; and
- (d) the Recirculation Agreement described under “Redemption of Units — Resale of Units Tendered for Redemption”.

Copies of the foregoing agreements, after the execution thereof, may be inspected during business hours at the principal office of Income Financial during the course of distribution of the Units offered hereby.

RISK FACTORS

The following are certain considerations relating to an investment in Units which prospective investors should consider before purchasing such Units:

Operating History: Income Financial is a newly organized investment trust with no previous operating history and there is currently no public market for the Units.

Interest Rate Fluctuations: It is anticipated that the market price of the Units will, at any time, be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units.

Foreign Currency Exposure: As the Portfolio may, and will generally, include securities and options denominated in U.S. dollars or other foreign currencies, the NAV of Income Financial, when measured in Canadian dollars, will be affected by changes in the value of the U.S. dollar or those other foreign currencies relative to the Canadian dollar.

Foreign Market Exposure: A portion of the Portfolio at any time may consist of the securities of issuers operating outside Canada and the United States and not listed on stock exchanges in Canada or the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Volume and liquidity in some foreign stock markets may be less than in Canada and the U.S. and, at times, volatility of price may be greater than in Canada or the U.S. As a result, the price of ADRs may be affected by conditions in the market on which the securities underlying the ADRs are traded. In addition, with respect to certain foreign countries, particularly emerging countries, there is a possibility of

expropriation or confiscatory taxation, political or social instability, diplomatic developments or restrictions on the movement of capital that could affect investments in the countries.

Performance of the Corporations included in the Portfolio and Other Conditions: The value of Income Financial's Portfolio will be influenced by factors which are not within the control of Income Financial, including the financial performance of the corporations whose shares are included in the Portfolio, their dividend payment policies and financial market and economic conditions generally.

Use of Options and other Derivative Instruments: Income Financial is subject to the full risk of its investment position in the common shares of the corporations in the Portfolio, including those shares that are subject to outstanding call options, should the market price of the common shares decline. In addition, Income Financial will not participate in any gain on the common shares that are subject to outstanding call options above the strike price of the options.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit Income Financial to write covered call options on desired terms or to close out option positions should Quadravest desire to do so. In purchasing call or put options, Income Financial is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations. The ability of Income Financial to close out its positions may also be affected by exchange-imposed daily trading limits on options. If Income Financial is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

Net Asset Value and Distributions: The NAV of Income Financial and the funds available for distribution to Unitholders will vary, among other things, according to the value of the common shares of the corporations included in the Portfolio, the dividends paid thereon and the level of option premiums received. Although many investors and financial market professionals price call options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace. There is no assurance that Income Financial will be able to achieve its investment objectives of paying monthly cash distributions.

Return of Capital upon Redemption: While one of Income Financial's investment objectives is to return to the Unitholders the issue price of such Units on the redemption of such Units on January 1, 2009, there can be no assurances that this will be possible. Any decrease in the value of the Portfolio or the dividends paid on the common shares of the corporations held in the Portfolio will be for the account of the Unitholders.

Reliance on the Investment Manager: Quadravest will manage the Portfolio in a manner consistent with the investment objectives, strategy and criteria of Income Financial. The officers of Quadravest who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios. There is no certainty that such individuals will continue to be employees of Quadravest throughout the term of Income Financial.

Conflicts of Interest: Quadravest is engaged in a variety of investment management, investment advisory and other business activities. The services of Quadravest under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents Quadravest or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of Income Financial) or from engaging in other activities. Quadravest's investment decisions for Income Financial will be made independently of those made for its other clients and independently of its own investments. However, on occasion, Quadravest may make the same investment for Income Financial and for one or more of its other clients. If Income Financial and one or more of the other clients of Quadravest are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

Treatment of Proceeds of Disposition and Option Premiums: In determining its income for tax purposes, Income Financial will treat gains and losses realized on the disposition of securities in the Portfolio, option premiums received on the writing of covered call options and any losses sustained on closing out options as capital gains and capital losses in accordance with Revenue Canada's published administrative practice. Revenue Canada's practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for or received from Revenue Canada.

If, contrary to Revenue Canada's published administrative practice, some or all of the transactions undertaken by Income Financial in respect of options and securities in the Portfolio were treated on income rather than capital account, after tax returns to Unitholders could be reduced and Income Financial may be subject to non-refundable income tax in respect of income from such transactions to the extent such amounts were not distributed to Unitholders.

Year 2000 Compliance: Most computer software systems developed since the advent of the computer era identify dates using two digits. The number "65" signifies 1965, the number "98" signifies 1998 and so on. If these systems are not converted to four digit date identification prior to the year 2000, they may recognize the year "00" as 1900 rather than 2000, thereby causing processing errors. This could have an impact on Income Financial if the computer systems used by Income Financial are not ready for the year 2000. Quadravest and the Manager believe that their computer systems are year 2000 compliant, as these systems have only recently been acquired and Quadravest and the Manager have received assurances from their hardware and software vendors that their systems are ready for the year 2000. Furthermore, neither Quadravest nor the Manager has any mainframe system and their computers are not required to interface with other computers, including those of service providers to Income Financial. Finally, Quadravest and the Manager do not believe that there would be any material impact on Income Financial if their respective systems were not year 2000 compliant, given that the assets of Income Financial and records relating to those assets, as well as accounting and other financial data, are maintained by The Royal Trust Company as trustee, and that Unitholder records maintained by Montreal Trust Company of Canada as registrar and transfer agent or by CDS through the book-based system.

Quadravest is in communication with service providers to Income Financial, including the Trustee and custodian of the assets of Income Financial, to assess their readiness for the year 2000. To date, Quadravest has received assurances from service providers that all internal testing and any adjustments will be completed well in advance of January 1, 2000. Costs relating to the year 2000 issue will be borne by Income Financial to the extent appropriate under the Trust Agreement. Quadravest anticipates that such costs will not be material to Income Financial.

With respect to the investments made on behalf of Income Financial by Quadravest, due diligence includes consideration of the impact of the year 2000 issue on the business of the companies in which Income Financial invests, but there can be no assurance that the companies in which Income Financial invests will not be adversely affected by these issues and therefore there can be no assurance that Income Financial will not be adversely affected. Given Income Financial's anticipated portfolio diversification, the failure of any one company in which Income Financial invests to be year 2000 compliant is not expected to have a material impact on Income Financial.

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 Blake, Cassels & Graydon, Toronto, on behalf of Income Financial, and Osler, Hoskin & Harcourt, Toronto, on behalf of the Agents.

PROMOTER

Quadravest has taken the initiative in organizing Income Financial and accordingly is a "promoter" of Income Financial within the meaning of applicable securities legislation. Quadravest will receive fees from Income Financial and will be entitled to reimbursement of expenses incurred in relation to Income Financial as described under "Fees and Expenses".

REGISTRAR AND TRANSFER AGENT AND AUDITORS

Pursuant to a Registrar and Transfer Agency Agreement dated January 27, 1999, Montreal Trust Company of Canada, at its principal offices in Toronto and Montreal has been appointed the registrar and transfer agent for the Units.

The auditors of Income Financial are PricewaterhouseCoopers LLP, 145 King Street West, Toronto, Ontario, M5H 1V8.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in several 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 where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided 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 Income Financial Trust:

We have audited the statement of financial position of Income Financial Trust as at January 27, 1999. This statement of financial position is the responsibility of Income Financial Trust's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

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

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of Income Financial Trust as at January 27, 1999 in accordance with generally accepted accounting principles.

Toronto, Canada
January 27, 1999

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

COMPILATION REPORT

To the Trustee of Income Financial Trust:

We have reviewed, as to compilation only, the accompanying pro forma statement of financial position of Income Financial Trust as at January 27, 1999, which has been prepared for inclusion in the prospectus relating to the issue of Units of Income Financial Trust. In our opinion, the pro forma statement of financial position has been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Toronto, Canada
January 27, 1999

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants

INCOME FINANCIAL TRUST
STATEMENT OF FINANCIAL POSITION
JANUARY 27, 1999

	<u>Actual</u>	<u>Pro-Forma (Note 2)</u> (unaudited)
ASSETS		
Cash	\$25	\$ —
Investment in portfolio securities	—	84,100,000
Total	<u>\$25</u>	<u>\$84,100,000</u>
UNITHOLDERS' EQUITY		
Unitholders' Equity:		
Units	<u>\$25</u>	<u>\$84,100,000</u>
(Actual — 1 Unit; pro-forma — 3,600,000 Units, net of issue costs)		

Approved by the Manager:

(Signed) S. WAYNE FINCH

(Signed) LAURA L. JOHNSON

INCOME FINANCIAL TRUST
NOTES TO STATEMENT OF FINANCIAL POSITION

1. UNITS AUTHORIZED AND OUTSTANDING

Establishment of Income Financial Trust and Authorized Units

Income Financial Trust ("Income Financial") was established under the laws of the Province of Ontario on January 27, 1999 by a trust agreement (the "Trust Agreement") made between The Royal Trust Company and QuadraVest Inc. (the "Manager"). Income Financial is authorized to issue an unlimited number of Units. On January 27, 1999, Income Financial issued 1 Unit for \$25 cash.

2. PRO-FORMA STATEMENT OF FINANCIAL POSITION

The pro-forma statement of financial position gives effect, as at January 27, 1999, to the following transactions:

- (a) The issue of 3,600,000 Units for total gross proceeds of \$90,000,000.
- (b) The payment of estimated costs relating to this offering of \$5,900,000, which amount is comprised of the fee payable to the agents in this offering of \$5,400,000 and issue costs of \$500,000.
- (c) The completion of the purchase of an investment portfolio comprised primarily of common shares of corporations listed in the proposed portfolio.

3. AGENCY AND TRUST AGREEMENTS

Income Financial has engaged Nesbitt Burns Inc., Merrill Lynch Canada, Inc., RBC Dominion Securities Inc., CIBC Wood Gundy Securities Inc., ScotiaMcLeod Inc., TD Securities Inc., Lévesque Beaubien Geoffrion Inc., First Marathon Securities Limited, Goepel McDermid Inc., HSBC James Capel Canada Inc. and Research Capital Corporation to offer for sale to the public pursuant to a prospectus dated January 27, 1999, the Units described in Note 1.

Pursuant to the Trust Agreement, The Royal Trust Company ("Royal Trust") acts as trustee and custodian of the assets of Income Financial and is also responsible for certain aspects of Income Financial's day-to-day operations. In consideration for the services provided by Royal Trust, Income Financial will pay a monthly fee as agreed upon by the trustee and the Manager.

4. INVESTMENT MANAGEMENT AGREEMENT

The Manager acts as the manager of Income Financial under the Trust Agreement. Income Financial has retained QuadraVest Capital Management Inc. ("QuadraVest") under an Investment Management Agreement dated January 27, 1999. Pursuant to such agreements, the Manager and QuadraVest are entitled to fees at the annual rates of 0.10% and 1.00%, respectively, of the net asset value ("NAV") of Income Financial. Such fees are payable monthly in arrears and are calculated as at each monthly Valuation Date. In addition, QuadraVest is entitled to a performance fee equal to 20% of the total return per Unit of Income Financial for a financial year that exceeds 115% of the Bonus Threshold. The "Bonus Threshold", for any financial year immediately following a year for which a performance fee is payable, is equal to the NAV per Unit at the beginning of that financial year. The "Bonus Threshold", for any financial year immediately following a year for which a performance fee is not payable, is equal to the greater of (i) the NAV per Unit at the end of the immediately prior financial year; and (ii) the Bonus Threshold for the prior year, minus the Adjustment Amount. The "Adjustment Amount" for any financial year is the amount, if any, by which the NAV per Unit at the end of the immediately prior year plus dividends paid in that prior year exceeds the Bonus Threshold for that prior year. No performance fee may be paid in any year if, at the end of such year, the NAV per Unit is less than \$25.00; or if Income Financial has not earned an annualized total return of at least the Base Return on a cumulative basis since inception. The "Base Return" in any year is the greater of (i) 5%; and (ii) the annual total return for such year as measured by a published index measuring returns on three-month Canadian treasury bills.

CERTIFICATE OF THE MANAGER AND THE PROMOTER

Dated: January 27, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part 8 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 Section 13 of the *Securities Act* (New Brunswick) and the respective regulations thereunder, by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island). This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

QUADRAVEST INC.

(as Manager and on behalf of Income Financial Trust)

(Signed) S. WAYNE FINCH
President and Chief Executive Officer

(Signed) LAURA L. JOHNSON
Vice-President, as
chief financial officer

On behalf of the Board of Directors of Quadravest Inc.

(Signed) WILLIAM C. THORNHILL
Director

(Signed) LAURA L. JOHNSON
Director

QUADRAVEST CAPITAL MANAGEMENT INC.

(as Promoter)

(Signed) S. WAYNE FINCH

CERTIFICATE OF INCOME FINANCIAL TRUST

Dated: January 27, 1999

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part 8 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 Section 13 of the *Securities Act* (New Brunswick) and the respective regulations thereunder, by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island). This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

QUADRAVEST INC.

(To whom authority to sign on behalf of
Income Financial Trust has been delegated)

(Signed) S. WAYNE FINCH
President and Chief Executive Officer

(Signed) LAURA L. JOHNSON
Vice-President, as
chief financial officer

CERTIFICATE OF THE AGENTS

Dated: January 27, 1999

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 7 of the *Securities Act* (British Columbia), by Part 8 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 Section 13 of the *Securities Act* (New Brunswick) and the respective regulations thereunder, by Part XIV of *The Securities Act* (Newfoundland) and by Part II of the *Securities Act* (Prince Edward Island). 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 within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

NESBITT BURNS INC.

MERRILL LYNCH CANADA INC.

By: (Signed) PAUL D. ALLISON

By: (Signed) COLIN S. MERCIER

RBC DOMINION SECURITIES INC.

By: (Signed) FREDERICK CHANN

CIBC WOOD GUNDY
SECURITIES INC.

SCOTIAMCLEOD INC.

TD SECURITIES INC.

By: (Signed) DANIEL J. MCCARTHY By: (Signed) BRIAN D. MCCHESENEY By: (Signed) J. DAVID BEATTIE

LÉVESQUE BEAUBIEN GEOFFRION INC.

By: (Signed) IAN D. MCPHERSON

FIRST MARATHON
SECURITIES LIMITED

GOEPPEL McDERMID INC.

HSBC JAMES CAPEL
CANADA INC.

RESEARCH CAPITAL
CORPORATION

By: (Signed) MICHAEL P.
MACKASEY

By: (Signed) DAVID E.
ROBERTS

By: (Signed) PAUL
A. PARISOTTO

By: (Signed) GORDON E.
PRIDHAM

The following includes the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of:

NESBITT BURNS INC.: a wholly-owned subsidiary of The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

MERRILL LYNCH CANADA INC.: indirectly, a wholly-owned subsidiary of Merrill Lynch & Co., Inc.;

RBC DOMINION SECURITIES INC.: a wholly-owned subsidiary of RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

SCOTIAMCLEOD INC.: a wholly-owned subsidiary of a Canadian chartered bank;

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

LÉVESQUE BEAUBIEN GEOFFRION INC.: a wholly-owned subsidiary of Lévesque Beaubien Geoffrion and Company Inc., a majority-owned subsidiary of a Canadian chartered bank;

FIRST MARATHON SECURITIES LIMITED: wholly-owned by First Marathon Inc.;

GOEPEL McDERMID INC.: owned by K.A. Shields, D.E. Roberts, R.E.T. Goepel, K.N. Aune, N. Dargan, G.M. Medland, I.S. Brown, G.L. Goad and M. Hagerman;

HSBC JAMES CAPEL CANADA INC.: a wholly-owned subsidiary of a Canadian chartered bank; and

RESEARCH CAPITAL CORPORATION: P.G. Walsh, I.G. Griffin, J.P. Palumbo, A.C. Selbie and D.H. Wilkes.