

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons except in compliance with the registration requirements of the United States Securities Act of 1933, as amended, and applicable state securities laws, or under exemptions from those laws. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

December 11, 2001



DAVIS + HENDERSON INCOME FUND

\$172,350,000

17,235,000 Units

This offering is an initial public offering (the "offering") of 17,235,000 units of Davis + Henderson Income Fund. The Fund is a limited purpose trust formed to indirectly acquire 45.45% of the outstanding partnership units of Davis + Henderson, Limited Partnership, which, in turn, was formed to acquire the cheque supply outsourcing business currently carried on by MDC Corporation Inc. ("MDC") in Canada through its Davis + Henderson division. See "Acquisition" and "Use of Proceeds".

An investment in the units is subject to a number of risks that should be considered by a prospective purchaser. Cash distributions will be indirectly derived from the business operated by Davis + Henderson, Limited Partnership and its ability to maintain and increase its financial institution customer base, maintain and increase the volume and value of account holder orders and sustain margins, all of which are susceptible to a number of risks. See "Risk Factors".

Price \$10.00 per Unit

	Price to the Public (1)	Underwriters' Fee	Net Proceeds to the Fund (2)
Per Unit	\$10.00	\$0.575	\$9.425
Total (3)	\$172,350,000	\$9,910,125	\$162,439,875

- (1) The offering price of the units was determined by negotiation between the Fund, MDC and the underwriters.
- (2) Before deducting expenses of this offering estimated to be \$2,000,000 which, together with the underwriters' fee, will be paid from the proceeds of the offering.
- (3) The Fund has granted the underwriters an over-allotment option, exercisable for a period of 30 days from the date of the final prospectus filed in connection with this offering, to purchase up to a total of 1,720,000 additional units on the same terms as set out above solely to cover over-allotments, if any. If the over-allotment option is exercised in full, the total "Underwriters' Fee" and "Net Proceeds to the Fund" will be \$10,899,125 and \$178,650,875, respectively. This prospectus qualifies the distribution of the over-allotment option and the issuance and subsequent transfer of the units issuable upon exercise of that option. See "Plan of Distribution".

In connection with this distribution, the underwriters may over allot or effect transactions which stabilize or maintain the market price of the units at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the prospectus. The Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the units. Listing is subject to the Fund fulfilling all of the requirements of the TSE on or before March 6, 2002, including the distribution of the units to a minimum number of public unitholders.

In connection with this offering, the Fund may be considered a "connected issuer" of CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc. under applicable securities laws. The parent companies of those underwriters are lenders under a credit facility provided to MDC. See "Relationship Between the Fund and Certain of the Underwriters".

The underwriters, CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., TD Securities Inc. and Griffiths McBurney & Partners, as principals, conditionally offer the units, subject to prior sale, if, as and when issued by the Fund and accepted by the underwriters in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by Torys LLP and on behalf of the underwriters by Osler, Hoskin & Harcourt LLP. Subscriptions for the units 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 without notice. A book entry only certificate representing the units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the date of the closing which is expected to occur on or about December 20, 2001, or any later date as the Fund and the underwriters may agree, but in any event not later than January 11, 2002. A purchaser of units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the units are purchased.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
ELIGIBILITY FOR INVESTMENT	3	Meetings of Unitholders	38
PROSPECTUS SUMMARY	4	Limitation on Non-Resident Ownership	39
INDUSTRY OVERVIEW	11	Amendments to the Declaration of Trust	39
STRUCTURE OF THE FUND	12	Term of the Fund	39
BUSINESS	13	Take-over Bids	40
Overview	13	Exercise of Certain Voting Rights Attached	
Contractual Arrangements with		to Securities of D + H Holdings,	
Financial Institutions	15	Davis + Henderson G.P., and	
Other Arrangements	15	Davis + Henderson L.P.	40
Outsourcing Services	15	Information and Reports	40
Service Initiatives	17	Book-Entry Only System	41
Competition	17	CONSOLIDATED CAPITALIZATION	41
Strategy	18	D + H HOLDINGS	42
Intellectual Property	19	DAVIS + HENDERSON L.P.	44
Employees	19	PRINCIPAL UNITHOLDER	48
Operations and Facilities	20	PLAN OF DISTRIBUTION	48
Capital Expenditures	20	CERTAIN CANADIAN FEDERAL	
MANAGEMENT	22	INCOME TAX CONSIDERATIONS	49
ACQUISITION	26	RISK FACTORS	52
USE OF PROCEEDS	26	PROMOTER	58
PRINCIPAL AGREEMENTS	27	LEGAL PROCEEDINGS	58
Acquisition Agreement	27	INTEREST OF MANAGEMENT AND	
Non-Competition Agreement	27	OTHERS IN MATERIAL	
Operations Agreements	27	TRANSACTIONS	58
Credit Facility	28	RELATIONSHIP BETWEEN THE FUND	
SUMMARY OF DISTRIBUTABLE		AND CERTAIN OF	
CASH FLOWS OF DAVIS +		THE UNDERWRITERS	58
HENDERSON, LIMITED PARTNERSHIP	29	AUDITORS, TRANSFER AGENT AND	
SELECTED CONSOLIDATED FINANCIAL		REGISTRAR	58
INFORMATION AND MANAGEMENT'S		MATERIAL CONTRACTS	58
DISCUSSION AND ANALYSIS	30	EXPERTS	59
DESCRIPTION OF THE FUND	35	PURCHASERS' STATUTORY RIGHTS OF	
Declaration of Trust	35	WITHDRAWAL AND RESCISSION	59
Activities of the Fund	35	INDEX TO FINANCIAL STATEMENTS	
Units	35	AND FINANCIAL STATEMENTS	F-1
Issuance of Units	35	CERTIFICATE OF THE ISSUER AND	
Trustees	36	THE PROMOTER	C-1
Cash Distributions	36	CERTIFICATE OF THE UNDERWRITERS ..	C-2
Redemption Right	37		

Unless otherwise indicated or the context otherwise indicates, the ‘Fund’ refers to Davis + Henderson Income Fund alone, ‘Davis + Henderson L.P.’ refers to Davis + Henderson, Limited Partnership, ‘Davis + Henderson G.P.’ refers to Davis + Henderson G.P. Inc. alone and ‘Davis + Henderson’ or the ‘Company’ refers to the cheque supply outsourcing business currently carried on by MDC Corporation Inc. (‘MDC’) in Canada and which, following closing of the offering, will be carried on by Davis + Henderson L.P. Although MDC currently carries on the cheque supply outsourcing business, unless otherwise indicated, the disclosure in this prospectus assumes that the steps outlined under the heading ‘Acquisition’ have been completed and that Davis + Henderson L.P. operates the business.

References to ‘EBITDA’ are to earnings before interest, depreciation, amortization, income taxes, minority interest and gain or loss on disposal of property, plant and equipment.

Unless otherwise indicated, all information in this prospectus assumes no exercise of the over-allotment option.

The Davis + Henderson name and logo and ‘Custom Cheques of Canada®’ and ‘Intercheques®’ are currently registered trademarks of MDC and will be registered trademarks of Davis + Henderson L.P. following closing of the offering. All other trademarks or service marks appearing in this prospectus are the trademarks or service marks of the companies that use them.

ELIGIBILITY FOR INVESTMENT

Subject to compliance with the prudent investment standards and general investment provisions and restrictions of the statutes referred to below (and, where applicable, the regulations made under those statutes) and, in certain cases, subject to the satisfaction of additional requirements relating to investment policies, standards, procedures and goals, the purchase of the units offered under this prospectus will not, at the date of issue, be precluded under the following statutes:

<i>Insurance Companies Act (Canada);</i>	<i>The Pension Benefits Act (Manitoba);</i>
<i>Pension Benefits Standards Act, 1985 (Canada);</i>	<i>Pension Benefits Act (Nova Scotia);</i>
<i>Trust and Loan Companies Act (Canada);</i>	<i>Trustee Act (Nova Scotia);</i>
<i>Cooperative Credit Associations Act (Canada);</i>	<i>Pension Benefits Act (Ontario);</i>
<i>Loan and Trust Corporations Act (Alberta);</i>	<i>Trustee Act (Ontario);</i>
<i>Insurance Act (Alberta);</i>	<i>Loan and Trust Corporations Act (Ontario);</i>
<i>Employment Pension Plans Act (Alberta);</i>	<i>An Act respecting insurance (Quebec);</i>
<i>Alberta Heritage Savings Trust Fund Act (Alberta);</i>	<i>An Act respecting trust companies and</i>
<i>Pension Benefits Standards Act (British Columbia);</i>	<i>savings companies (Quebec);</i>
<i>Financial Institutions Act (British Columbia);</i>	<i>Supplemental Pension Plans Act (Quebec); and</i>
<i>The Insurance Act (Manitoba);</i>	<i>The Pension Benefits Act, 1992 (Saskatchewan).</i>
<i>The Trustee Act (Manitoba);</i>	

In the opinion of Torys LLP, counsel to the Fund and of Osler, Hoskin & Harcourt LLP, counsel to the underwriters, the units will be qualified investments under the *Income Tax Act* (Canada) (the ‘Tax Act’) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, the ‘plans’) provided the Fund is a mutual fund trust under the Tax Act. In the opinion of those counsel (based in part on a certificate of D + H Holdings Corp. as to factual matters), the units, if issued on the date of this prospectus, would not constitute ‘foreign property’ for the purpose of the tax imposed under Part XI of the Tax Act on those plans (other than registered education savings plans), registered investments and other tax exempt entities, including most registered pension funds or plans. Registered education savings plans are not subject to the foreign property rules.

The following is a summary of the principal features of this offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

PROSPECTUS SUMMARY

Davis + Henderson Income Fund

The Fund is a limited purpose trust established under the laws of the Province of Ontario formed to indirectly acquire 45.45% of the outstanding partnership units of Davis + Henderson L.P., which, in turn, was formed to acquire the cheque supply outsourcing business currently carried on by MDC in Canada.

Business of Davis + Henderson

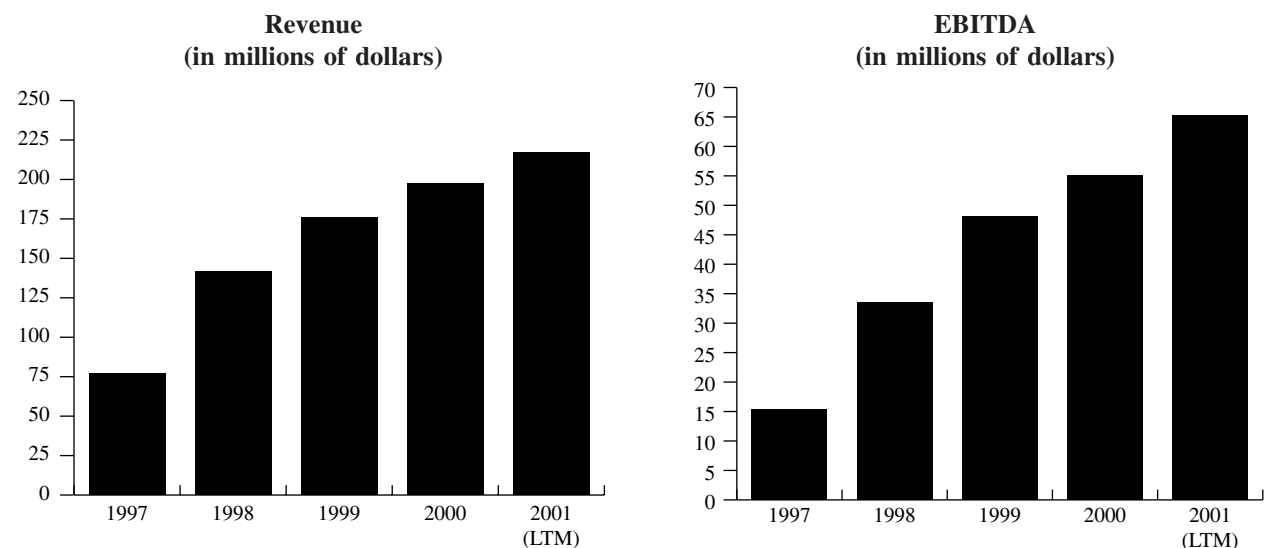
Davis + Henderson and its predecessors have been serving Canadian financial institutions and their account holders since 1875. The Company was originally a specialty printing business supplying printed cheques. Since 1996, the Company's strategy has been to consolidate the Canadian segment of the market, increase its level of integration with its financial institution customers, extend its product and service offerings to increase its average value per order and to expand the services which it offers to financial institutions.

During 1997 and 1998, Davis + Henderson secured long-term supply contracts with the major financial institutions in Canada. Davis + Henderson now manages the cheque supply programs for substantially all of the financial institutions in Canada including the six largest Canadian banks which represented approximately 71% of the Company's revenue in 2000.

Davis + Henderson has developed its relationships with financial institutions to the point that these institutions have now effectively outsourced to the Company the majority of the essential services for the institutions' cheque supply program. The outsourcing arrangements include activities which are integrated with financial institutions such as joint program development and implementation services, order processing and database management, customer support, integrated electronic billing and processing and reporting services.

Since consolidating the market and substantially increasing integration with customers, the Company has focused on extending its services and product offerings, which has enabled it to grow its revenues and EBITDA. Most recently, Davis + Henderson has begun to deliver new product offerings leveraging its financial institution relationships and existing capabilities.

The following charts show revenue and EBITDA during 1997, 1998, 1999, 2000 and 2001 (LTM) (being the twelve month period ending September 30, 2001):



- (1) The revenue and EBITDA numbers shown for 2000 and 2001 (LTM) each include the three month period ending December 31, 2000.
- (2) The historical results shown above include only a nominal allocation of expenses related to certain administrative services provided by MDC. The reorganization and transfer of the business to Davis + Henderson L.P. will result in incremental expenses estimated to be approximately

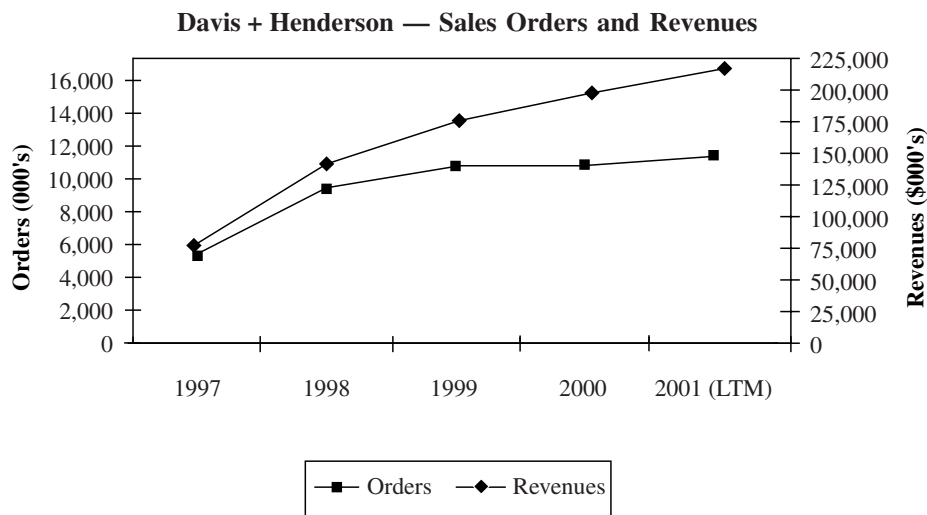
\$616,000 annually in respect of administration and insurance costs. See "Acquisition" and "Selected Consolidated Financial Information and Management's Discussion and Analysis — Management's Discussion and Analysis — Outlook".

Davis + Henderson's history of growing cash flows stems from its close relationships with its financial institution customers, its contractual arrangements with those institutions, its relatively low exposure to the cost of raw materials such as paper and its track record of improved service quality, process improvement and product enhancement.

The revenue of the Company is principally derived from orders of cheque products placed by account holders through the Company's financial institution customer base. The account holders serviced by Davis + Henderson comprise two primary end-user groups: individual accounts and small business accounts. Individual account holders in Canada are serviced almost exclusively through the financial institution that holds the account, while small business accounts are primarily serviced through their financial institution with a small segment serviced through direct selling agents or manufacturers.

The value of an order is determined based upon the selected product type, features, quantity of cheques in an order and the purchasing of related items. The volume of cheque orders is affected by account openings occurring within the Company's financial institution customer base, and by the reordering of product by account holders.

The following chart shows the total number of orders placed (including orders placed in connection with financial institution mergers) and total amount of revenue earned by the Company in each of 1997, 1998, 1999, 2000 and 2001 (LTM). In 1997, 1998 and 1999, Davis + Henderson increased the number of orders sold as a result of securing new outsourcing arrangements with financial institution customers and by acquiring the business of Custom Cheques of Canada. Davis + Henderson's number of cheque orders was largely unchanged from 1999 through 2001, although management expects a small decline in orders in 2001 compared to 2000 when excluding orders related to the merger of financial institutions.



- (1) The sales order and revenue numbers shown for 2000 and 2001 (LTM) each include the three month period ending December 31, 2000.
- (2) 2001 (LTM) means the twelve month period ending September 30, 2001.
- (3) Orders for 1997, 1998, 1999, 2000 and 2001 (LTM) were approximately 5.5 million, 9.7 million, 11.1 million, 11.2 million and 11.7 million, respectively.

Management believes that cheque usage is declining as a result of the introduction and acceptance of alternative payment methods. In response, the Company has focused its efforts on maintaining order volume, as distinct from cheque usage, and on maximizing order value. The Company has responded to the reduction in cheque usage and the related change in consumer demand by offering smaller order sizes, which provide a reduced number of cheques in an order. The selection of smaller order sizes by account holders is expected to accelerate and otherwise expand the reorder cycle. The Company has increased order value by adding cheque personalization features (for example options related to typestyles, monograms and lifestyle marks), by providing increased design choices (for example, licensed products and products with unique background designs), by enhancing security features and by selling related services and products, such as accessories (for example, cheque book covers, wallets and purses, organizers and deskbooks, and calculators), personalized stationery and envelopes, letterhead, business cards, customized rubber stamps, personalized

forms (for example, invoices and statements) and binders. By increasing the features and products available, the Company has achieved increased growth in average order value and increased revenue, as shown in the chart above.

The Company has also begun to provide a number of related services to its financial institutions customers, including order fulfilment and the provision of customer contact services.

Davis + Henderson has incurred approximately \$29.7 million in capital expenditures since January 1998 to improve the efficiency of its operations, primarily in the areas of electronic order processing, expansion of information technology capacity and functionality, increased plant automation and relocation of its Montreal and corporate facilities. Much of this capital was required as a result of securing additional business and acquiring Custom Cheques of Canada in 1998. Approximately \$18 million available under the capital expenditure portion of Davis + Henderson L.P.'s credit facility will be used to fund further capital expenditures and one time costs relating to cost cutting initiatives, the expansion of the Company into the United States markets and disbursement obligations related to certain of its cheque supply outsourcing contracts. See "Capital Expenditures".

MDC Corporation Inc.

MDC is a publicly traded international organization with operating units in Canada, the United States, the United Kingdom and Australia. After completion of the offering, MDC will hold 54.55% of the outstanding partnership units of Davis + Henderson L.P. and 51% of the shares of Davis + Henderson G.P. See "Exercise of Certain Voting Rights Attached to Securities of D + H Holdings, Davis + Henderson G.P., and Davis + Henderson L.P." MDC is a leading provider of secured transaction products and services and marketing communication services, to customers in more than 60 countries.

**Summary of Distributable Cash Flows of
Davis + Henderson, Limited Partnership**

Earnings of the Company before interest, income taxes, depreciation and amortization for the twelve months ended September 30, 2001 (excluding non-recurring charges and restructuring provision of approximately \$6,064,000) are derived from the statements of operations and divisional equity of Davis + Henderson L.P. and are calculated to be approximately \$65,192,000. Management believes that, upon completion of the transactions described under “Selected Consolidated Financial Information and Management’s Discussion and Analysis — Management’s Discussion and Analysis — Outlook”, the Company will incur additional administrative and insurance costs, interest expenses and maintenance expenditures that are not fully reflected in the pro forma consolidated statement of operations and distributable cash of the Fund. Although management does not have firm commitments for all of those expenses and, accordingly, the complete financial effects of all of those additional expenses and expenditures are not objectively determinable, management has, based on past experience, estimated that:

- the additional annual incremental administrative and insurance costs would total approximately \$616,000;
- additional interest expense would total approximately \$4,975,000, representing interest on Davis + Henderson L.P.’s credit facility, assuming \$98,000,000 had been drawn down on October 1, 2000; and
- estimated maintenance expenditures would total approximately \$7,800,000, consisting of approximately \$4,655,000 of capital payments and \$3,145,000 of contract payments.

Based on the foregoing, management believes that earnings of the Company before depreciation and amortization for the twelve months ended September 30, 2001 would have been approximately \$59,601,000 and that distributable cash of the Fund for the twelve months ended September 30, 2001 would have been its proportionate share of approximately \$51,801,000 (excluding up to approximately \$1,300,000 of capital tax and large corporation tax payable by the Fund through D + H Holdings).

The Offering

Securities to be Distributed:	17,235,000 units of the Fund
Amount:	\$172,350,000
Offering Price:	\$10.00 per unit
Unit Attributes:	Each unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each unit is transferable, entitles the holder to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders. See “Description of the Fund”.
Use of Proceeds:	The estimated net proceeds from this distribution, after deducting fees payable to the underwriters and the estimated expenses of the reorganization, acquisition and distribution payable by the Fund, will be \$160,439,875. The Fund will use the net proceeds of this distribution to subscribe for common shares and notes of D + H Holdings Corp. (“D + H Holdings”), which will in turn subscribe for partnership units of Davis + Henderson L.P. Davis + Henderson L.P. will use the subscription proceeds together with amounts drawn under the term loan portion of its credit facility to repay the reorganization note issued by Davis + Henderson L.P. to MDC in connection with the transfer of the business from MDC to Davis + Henderson L.P. See “Acquisition” and “Use of Proceeds”.
MDC’s Continuing Interest:	MDC will, on closing of the offering, hold 20,685,792 partnership units. Under the terms of an exchange agreement, MDC will be entitled to require D + H Holdings and the Fund to indirectly exchange MDC’s partnership units for units of the Fund. If the over-allotment option is exercised, the net proceeds received by the Fund will be used by the Fund to acquire additional common shares and/or notes of D + H Holdings which will purchase for cash a number of the partnership units held by MDC. See “Davis + Henderson L.P.” and “Principal Unitholder”.
Distribution Policy of the Fund:	The Fund will make distributions to unitholders of its available cash to the maximum extent possible. The Fund intends to make monthly cash distributions of its net monthly cash receipts, less estimated amounts required for the payment of expenses and cash redemptions of units. The initial cash distribution for the period from the closing of the offering to December 31, 2001 is expected to be paid on or before January 31, 2002 and is estimated to be \$0.0427 per unit (assuming that closing of the offering occurs on December 20, 2001), substantially all of which will be considered income of the unitholder for Canadian tax purposes. See “Description of the Fund — Cash Distributions” and “Certain Canadian Federal Income Tax Considerations”.
Distribution Policy of D + H Holdings:	<p>The board of directors of D + H Holdings has adopted a policy to distribute all of its available cash, subject to applicable law, by way of monthly dividends on its common shares or other distributions on its securities, after</p> <ul style="list-style-type: none">• satisfaction of its debt service obligations, if any;• satisfaction of its interest (including interest accrued or payable on its notes) and other expense obligations; and• making any principal repayments in respect of its notes considered advisable by its board of directors, with the consent of the Fund and the holders of the notes by extraordinary resolution. <p>See “D + H Holdings”.</p>

Distribution Policy of Davis + Henderson L.P.:

The partnership agreement of Davis + Henderson L.P. will require that it distribute all of its available cash by way of monthly distributions on its partnership units or other distributions on its securities, after

- satisfaction of its debt service obligations, if any;
- satisfaction of its interest, maintenance expenditures (capital and contract payments) and other expense obligations; and
- retaining reasonable working capital reserves as may be considered appropriate by the board of directors of Davis + Henderson G.P.

Capital expenditures and other expenditures may be financed with borrowings by Davis + Henderson L.P. under the capital expenditure or revolving portions of its credit facility or additional issuances of units or from the working capital and/or the cash flow of the business. See “Davis + Henderson L.P.” and “Principal Agreements — Credit Facility”.

Risk Factors:

Investment in the units is subject to a number of risk factors. Cash distributions to unitholders depend upon the ability of D + H Holdings to pay its interest obligations under its notes and to pay dividends on its common shares. D + H Holdings’ income will be earned from distributions made by Davis + Henderson L.P. on its partnership units. Davis + Henderson L.P.’s income, in turn, will be earned from its operation of the Davis + Henderson business which is susceptible to a number of risks.

These risks, and other risks associated with an investment in the units, include those related to:

- reliance on contracts with financial institution customers,
- competition from substitute products,
- competition from competitors supplying similar products and services,
- failure to develop product and service options,
- raw material exposure,
- leverage and restrictive covenants, and
- the fact that cash distributions are not guaranteed and will fluctuate with the performance of the business.

See “Risk Factors”.

Acquisition

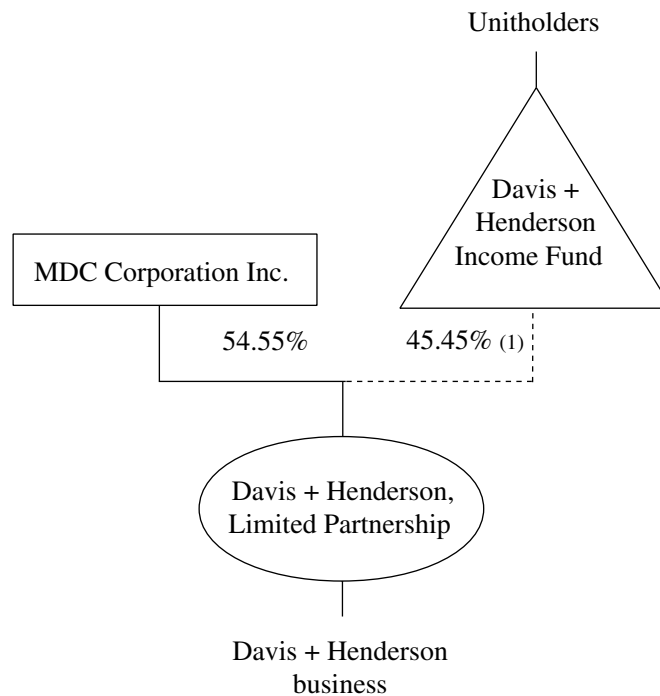
Immediately prior to the closing of the offering, the Davis + Henderson cheque supply outsourcing business will be reorganized and transferred from MDC to Davis + Henderson L.P. in exchange for 20,685,792 partnership units of Davis + Henderson L.P. valued at \$192,563,150 (which will then constitute 100% of all outstanding partnership units) and a promissory note (the “reorganization note”) issued by Davis + Henderson L.P. to MDC in the principal amount of \$240,439,875.

In conjunction with the closing of the offering, the Fund will subscribe for common shares and notes of D + H Holdings. D + H Holdings will, in turn, subscribe for partnership units of Davis + Henderson L.P. representing, post-subscription, 45.45% of the then outstanding partnership units. The Fund will also subscribe for common shares of Davis + Henderson G.P. representing, post-subscription, 49% of its then outstanding common shares. On or about the closing of the offering, Davis + Henderson L.P., MDC and a group of financial institutions will enter into arrangements which provide Davis + Henderson L.P. with a senior secured credit facility in the total amount of \$108 million, which will provide Davis + Henderson with (i) a \$80 million term facility to be used in the acquisition of the

Davis + Henderson business from MDC, (ii) a \$10 million revolving facility for operating purposes and (iii) a \$18 million capital expenditure facility. On closing of the credit facility, the term facility will be drawn in full and the revolving and capital expenditure facilities will be undrawn. Davis + Henderson L.P. will use amounts received from D + H Holdings' subscription and from its drawdown under the term loan portion of the credit facility to repay the reorganization note.

The closing of the acquisition is to occur in conjunction with, and is conditional upon, the closing of the offering. However, if the acquisition does not close, the Fund will refund to purchasers the consideration paid in respect of the units.

Immediately following the closing of the offering, the Fund will hold all of the common shares of D + H Holdings, all of the \$141,187,090 principal amount of notes issued by D + H Holdings and 49% of the common shares of Davis + Henderson G.P. D + H Holdings will hold 45.45% of the outstanding partnership units of Davis + Henderson L.P., and the remaining partnership units will be held by MDC. Immediately following the closing of the credit facility, Davis + Henderson L.P. will have drawn down \$80 million under the term loan portion of its credit facility. The following chart illustrates on a simplified basis the relationship of the Fund and MDC to Davis + Henderson L.P. and the Davis + Henderson business:



(1) The Fund's interest in Davis + Henderson L.P. is held indirectly through D + H Holdings.

If the over-allotment option is exercised, the net proceeds received by the Fund will be used by the Fund to acquire additional common shares and/or notes of D + H Holdings and D + H Holdings will purchase for cash a number of the partnership units issued to MDC under the reorganization.

See "Structure of the Fund", "Acquisition", "D + H Holdings", "Davis + Henderson L.P." and "Use of Proceeds".

INDUSTRY OVERVIEW

Over the past five years, the Canadian cheque supply industry has evolved from a products-focused industry to an outsourcing services business. In Canada, substantially all cheques for individual consumers and small businesses of less than 10 employees are supplied through financial institutions under their cheque supply outsourcing arrangements. These services require a high degree of process integration with financial institutions and a high degree of direct interaction with the financial institution account holders.

The cheque supply outsourcing industry in North America has four major players, three of which are based in the United States and Davis + Henderson, which is based in Canada. Currently, Davis + Henderson operates the cheque supply programs for substantially all of the financial institutions in Canada, including the six largest Canadian banks.

Under the outsourcing arrangements, many activities related to the cheque supply program are highly integrated between the outsourcer and the financial institution. Integrated activities include joint program development and implementation services, order processing, database management, customer support, integrated electronic billing and processing and reporting services. The outsourcing arrangements also include direct interaction related to ordering and ordering inquiry via the Internet and over the telephone through the Company's customer contact centres. The primary products supplied to account holders through the outsourcing arrangements include personal cheques and line of credit cheques for individual accounts, one-part or multi-part cheques and laser printed cheques for business accounts, and deposit slips for all types of accounts. These products are personalized by combining the imprinting of the account holder's name, address and account information with the account holder's selected designs, quantity size and product features. Suppliers of these products generally also offer related products such as accessories (for example, cheque book covers, wallets and purses, organizers and deskbooks, and calculators), personalized stationery and envelopes, letterhead, business cards, customized rubber stamps, personalized forms (for example, invoices and statements) and binders.

Outsourcing of the cheque supply programs benefits Canadian financial institutions and their account holders in two principal ways. Firstly, the industry is able to generate substantial economies of scale in process management and production which in turn has led to improved efficiency through investment in electronic order entry, data management and reporting technology. Secondly, greater specialization has led to an increase in the number of value-added products and services including a greater variety of cheque styles, fraud protection and other security features.

In addition to the supply of cheques through financial institutions, a direct channel serves medium to large businesses, and in certain cases, small businesses. The direct channel is generally supplied by large forms producers, such as Moore Corporation and Data Business Forms Inc. or by specialty printers or print brokers. The direct channel operates independent of the integrated services offered through the financial institution channel. Davis + Henderson has focused its services on the business of cheque supply outsourcing through financial institutions. Small businesses may purchase cheques directly from print brokers and other direct suppliers but this market generates substantially less revenue than the financial institutions market served by Davis + Henderson.

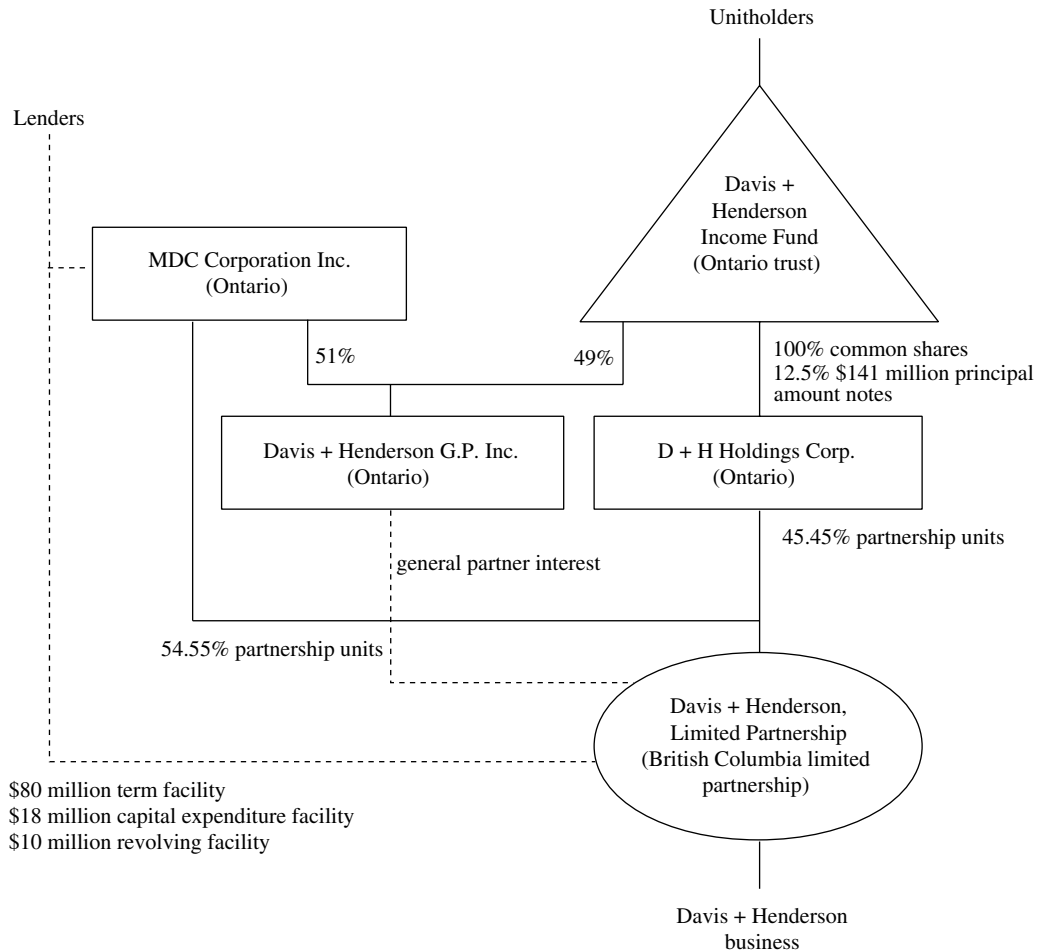
Payment systems and methods in North America have been subject to significant and on-going change in recent years as banking and related industries have introduced alternative payment products such as automated teller machines, pre-authorized debits, credit cards, debit cards and electronic payment systems, such as telephone and Internet bill payment. In response, companies involved in managing the cheque supply programs of financial institutions have consolidated the industry, reduced costs, increased integration with financial institution customers through investments in technology, increased the level of direct interaction with account holders and increased average order value through varied services (such as order fulfilment and the provision of customer contact services) and additional product offerings.

STRUCTURE OF THE FUND

The Fund is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust dated November 6, 2001. The Fund's head office is at 939 Eglinton Avenue East, Suite 201, Toronto, Ontario, M4G 4H7.

The Fund has been established to hold the securities of D + H Holdings, including its common shares and notes, and D + H Holdings will hold partnership units of the operating entity, Davis + Henderson L.P. Davis + Henderson L.P. is a limited partnership formed under the laws of the Province of British Columbia by the filing of a certificate of limited partnership dated December 11, 2001 and is governed by a limited partnership agreement dated as of December 11, 2001 entered into between MDC, as the initial limited partner, Davis + Henderson G.P., as general partner and the limited partners from time to time. Davis + Henderson G.P. was incorporated under the laws of the Province of Ontario on October 31, 2001. The head office of each of Davis + Henderson L.P. and Davis + Henderson G.P. and the registered office of Davis + Henderson G.P. is at 939 Eglinton Avenue East, Suite 201, Toronto, Ontario, M4G 4H7. The registered office of Davis + Henderson L.P. is 2000 Royal Centre, P.O. Box 11130, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R3.

The following chart illustrates the relationship of the Fund to its principal subsidiary entities and other affiliates and indicates their respective jurisdictions of incorporation or organization:



BUSINESS

Overview

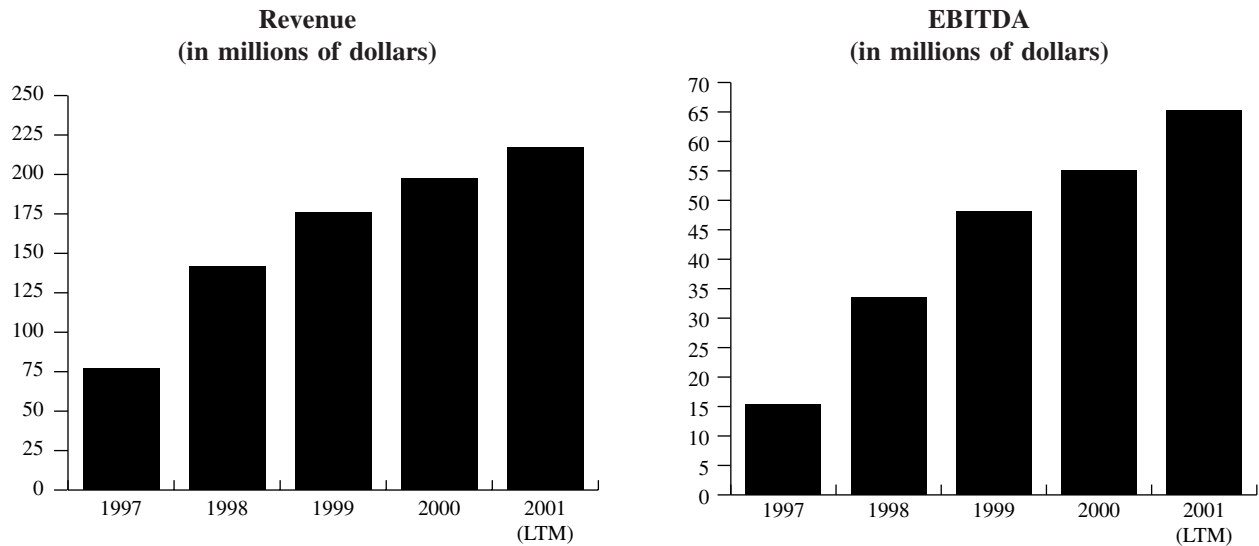
Davis + Henderson and its predecessors have been serving Canadian financial institutions and their account holders since 1875. The Company was originally a specialty printing business supplying printed cheques. Since 1996, the Company's strategy has been to consolidate the Canadian segment of the market, increase its level of integration with its financial institution customers, extend its product and service offerings to increase its average order value and expand the services which it offers to financial institutions.

During 1997 and 1998, Davis + Henderson secured long-term supply contracts with the major financial institutions in Canada. Davis + Henderson now manages the cheque supply programs for substantially all of the financial institutions in Canada, including the six largest Canadian banks which represented approximately 71% of the Company's revenue in 2000. The remaining portion of the Company's revenues is derived from cheque supply outsourcing arrangements with other financial institutions and software publishers, a long-term agreement to supply cheque base stock to an affiliate operating in the United States and other specialty products.

Davis + Henderson has developed its relationships with financial institutions to the point that these institutions have now effectively outsourced to the Company the majority of the essential services for the institutions' cheque supply program. The outsourcing arrangements include activities which are integrated with financial institutions such as joint program development and implementation services, order processing and database management, customer support, integrated electronic billing and processing and reporting services.

Since consolidating the market and substantially increasing integration with customers, the Company has focused on extending its services and product offerings, which has enabled it to grow its revenues and EBITDA. Most recently, Davis + Henderson has begun to deliver new product offerings leveraging its financial institution relationships and existing capabilities.

The following charts show revenue and EBITDA during 1997, 1998, 1999, 2000 and 2001 (LTM) (being the twelve month period ending September 30, 2001):



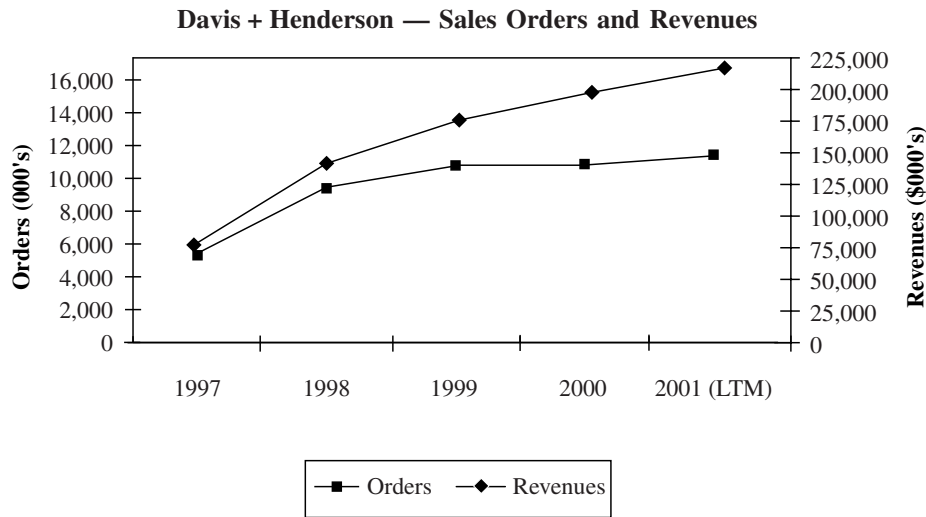
- (1) The revenue and EBITDA numbers shown for 2000 and 2001 (LTM) each include the three month period ending December 31, 2000.
- (2) The historical results shown above include only a nominal allocation of expenses related to certain administrative services provided by MDC. The reorganization and transfer of the business to Davis + Henderson L.P. will result in incremental expenses estimated to be approximately \$616,000 annually in respect of administration and insurance costs. See "Acquisition" and "Selected Consolidated Financial Information and Management's Discussion and Analysis — Management's Discussion and Analysis — Outlook".

Davis + Henderson's history of growing cash flows stems from its close relationships with its financial institution customers, its contractual arrangements with those institutions, its relatively low exposure to the cost of raw materials such as paper and its track record of improved service quality, process improvement and product enhancement.

The revenue of the Company is principally derived from orders of cheque products placed by account holders through the Company's financial institution customer base. The account holders serviced by Davis + Henderson comprise two primary end-user groups: individual accounts and small business accounts. Individual account holders in Canada are serviced almost exclusively through the financial institution that holds the account, while small business accounts are primarily serviced through their financial institution with a small segment serviced through direct selling agents or manufacturers.

The value of an order is determined based upon the selected product type, features, quantity of cheques in an order and the purchasing of related items. The volume of cheque orders is affected by account openings occurring within the Company's financial institution customer base, and by the reordering of product by account holders.

The following chart shows the total number of orders placed (including orders placed in connection with financial institution mergers) and total amount of revenue earned by the Company in each of 1997, 1998, 1999, 2000 and 2001 (LTM). In 1997, 1998 and 1999, Davis + Henderson increased the number of orders sold as a result of securing new outsourcing arrangements with financial institution customers and by acquiring the business of Custom Cheques of Canada. Davis + Henderson's number of cheque orders was largely unchanged from 1999 through 2001, although management expects a small decline in orders in 2001 compared to 2000 when excluding orders related to the merger of financial institutions.



- (1) The sales order and revenue numbers shown for 2000 and 2001 (LTM) each include the three month period ending December 31, 2000.
- (2) 2001 (LTM) means the twelve month period ending September 30, 2001.
- (3) Orders for 1997, 1998, 1999, 2000 and 2001 (LTM) were approximately 5.5 million, 9.7 million, 11.1 million, 11.2 million and 11.7 million, respectively.

Management believes that cheque usage is declining as a result of the introduction and acceptance of alternative payment methods. In response, the Company has focused its efforts on maintaining order volume, as distinct from cheque usage, and on maximizing order value. The Company has responded to the reduction in cheque usage and the related change in consumer demand by offering smaller order sizes, which provide a reduced number of cheques in an order. The selection of smaller order sizes by account holders is expected to accelerate and otherwise expand the reorder cycle. The Company has increased order value by adding cheque personalization features (for example options related to typestyles, monograms and lifestyle marks), by providing increased design choices (for example, licensed products and products with unique background designs), by enhancing security features and by selling related services and products, such as accessories (for example, cheque book covers, wallets and purses, organizers and deskbooks, and calculators), personalized stationery and envelopes, letterhead, business cards, customized rubber stamps, personalized forms (for example, invoices and statements) and binders. By increasing the features and products available, the Company has achieved increased growth in average order value and increased revenue, as shown in the chart above.

The Company has also begun to provide a number of related services to its financial institutions customers, including order fulfilment and the provision of customer contact services.

Davis + Henderson has incurred approximately \$29.7 million in capital expenditures since January 1998 to improve the efficiency of its operations, primarily in the areas of electronic order processing, expansion of information technology capacity and functionality, increased plant automation and relocation of its Montreal and corporate facilities. Much of this capital was required as a result of securing additional business and acquiring Custom Cheques of Canada in 1998. Approximately \$18 million available under the capital expenditure portion of Davis + Henderson L.P.'s credit facility will be used to fund further capital expenditures and one time costs relating to cost cutting initiatives, the expansion of the Company into the United States markets and disbursement obligations related to certain of its cheque supply outsourcing contracts. See "Capital Expenditures".

Contractual Arrangements with Financial Institutions

The Company has contracts with substantially all of the financial institutions in Canada, including the six largest Canadian banks which represented approximately 71% of the Company's revenue in 2000. The contracts are for terms of between three to five years. Currently, contracts with two financial institutions representing approximately 31% of the Company's revenue are due to expire in the second half of 2002. Davis + Henderson is currently conducting discussions with one of those financial institutions (representing approximately 19% of the Company's revenue) for an extension expected to be on terms no less favourable to Davis + Henderson than the existing contract. Discussions regarding renewals of other significant contracts are expected to commence early in 2002.

The contracts provide for the outsourcing of the majority of the essential services required in connection with the supply of cheques by the financial institutions to their account holders and are on terms and conditions typical for these outsourcing arrangements. Terms under the contracts vary among the Company's financial institution customers. Payments to the Company for the services provided are based upon the total value of account holder orders. The contracts often provide for contract initiation payments to be made to the financial institution and payments to be made to the financial institution over the life of the contract. These payments recognize, among other things, the high degree of integration and sharing between the Company and the financial institution of the many activities related to the ordering, data handling, customer service and other elements provided as part of the outsourcing of the cheque supply program. Most of the current elements of the contracts will likely remain a feature of renewed or extended contracts. In connection with the renewal of, and selected program changes for, certain of the Company's financial institution customers, the Company expects to have payment obligations of approximately \$3 million, which the Company does not expect will recur. These payments, together with certain other planned non-recurring capital expenditures contemplated by the Company's strategic plan, will be funded from drawdowns under the capital expenditure portion of Davis + Henderson L.P.'s credit facility. See "— Capital Expenditures".

Other Arrangements

In addition to orders placed through outsourcing relationships with financial institution customers, Davis + Henderson also markets cheques and related products through market leading publishers of accounting software for small businesses. The Company also sells non-personalized base cheque stock to an affiliate under a long term supply contract. See "Principal Agreements — Operations Agreements". In addition, the Company's plant in Waterloo, Ontario, produces a variety of specialty products.

Outsourcing Services

Davis + Henderson offers its financial institution customers a number of cheque program outsourcing services, including the following:

Cheque supply program development

The Company jointly develops with individual financial institutions program details which focus on the efficiency and effectiveness of the program. Examples include developing new products which improve security features of payment products and new deposit programs which improve the efficiency of deposit processing. The Company also jointly develops product extensions, such as new design features which provide account holders with increased selection choices.

Order processing and data base management

Order processing and data base management has become increasingly sophisticated as electronic connectivity between the Company, the financial institution and the account holder has increased. The Company receives orders either directly from the financial institution or directly from account holders. For all new orders, the financial institution provides relevant personal and selection data to the Company. For reorders, relevant data is maintained and managed by the Company. With the implementation of integrated electronic cheque ordering, order data (including order status) is shared interactively with the financial institution and the account holder.

Davis + Henderson receives its orders either electronically from the financial institution or from account holders through Internet-based cheque reordering systems maintained by the Company. Orders can also be received through fax or mail from the financial institution customer or by phone from either the financial institution or directly from account holders. For the convenience of account holders and efficiency of processing, the Company and financial institutions seek to increase the amount of ordering which occurs by electronic means or by phone through the Company's customer contact centres.

Orders under the cheque supply program include personal cheques, line of credit cheques, business flat cheques, business laser and multi-part cheques and deposit slips. The supply program also sells other products such as accessories (for example, cheque book covers, wallets and purses, organizers and deskbooks, and calculators), personalized stationery and envelopes, letterhead, business cards, customized rubber stamps, personalized forms (for example, invoices and statements) and binders.

Production and fulfilment

Production occurs as a two-step process. Davis + Henderson first produces the background design which is unique to each product ('base stock'). This base stock is produced in long runs at the Company's plant in Pickering, Ontario. The produced base stock, which includes many security features, is then inventoried and shipped as required to the Company's three imprinting plants in Markham, Ontario, Edmonton, Alberta and Montreal, Quebec. At the imprinting plants, the personalized data, including name, address and account information, is imprinted on the base stock using MICR (Magnetic Ink Character Recognition) ink. Orders are further processed for final inclusion in account holder packages and delivered to Canada Post or other delivery businesses for delivery to either the account holder directly or the financial institution. Orders are typically received by account holders within five business days of the day on which the order was initiated.

Contact centre support

Davis + Henderson operates customer contact centres to respond to inquiries from financial institution customers or account holders as to the status of, or other information regarding, orders which have been placed, to receive reorders or, in some cases, to receive customized business orders. Increasingly, financial institutions are encouraging direct contact between the Company and account holders in connection with order taking, order clarification and order status. This improves the efficiency of the order process for both account holders and the financial institution customers.

Electronic billing and reporting services

Customer billing is based on the product type, quantity, selected features, accessories and other related products of each individual order. Typically within one week after an order has been shipped, Davis + Henderson will electronically send aggregate billing data to the appropriate financial institution. The financial institution either debits the account holder's account directly for the products and services, or the Company charges the financial institution who either provides the products as part of a bundle of other services or charges the account holder directly. Of the Company's total invoicing, only a small proportion is conducted on a paper basis or conducted outside of the financial institutions. Davis + Henderson's integration with its financial institution customers allows for efficient billing and collection.

The Company actively shares order data with its financial institution customers in both electronic and paper formats. This reporting provides additional insight to the financial institution customer into the effectiveness of its cheque supply program.

Service Initiatives

The Company has undertaken the following service initiatives to continue to expand its business:

Enhance personalization features

For certain products supplied, Davis + Henderson offers account holders opportunities to express their personal style, which is a key element in its customer merchandising approach. In addition to including basic name, address and account information, account holders may add other details and may choose from many variations in the format and style of their cheques, including selection of typestyles, lifestyles, monograms and logos, enhanced security features, distinct designs (such as The Group of Seven, Anne Geddes and NHL hockey teams), choice of side or top tear options and choice of stock, among other choices. The Company continually develops new features, and the selection of premium features contributes to a higher average value per order.

Interactive reordering

The Company emphasizes interactive reorder mechanisms (such as telephone contact centres and the Internet) over standard mailing mechanisms. Davis + Henderson is better able to offer account holders its entire line of products and related features through interactive mechanisms. As well, interactive reordering improves the convenience and efficiency of the reordering process for both financial institutions and account holders.

Expanded product offerings and accessories

The Company supplies related products such as accessories (for example, cheque book covers, wallets and purses, organizers and deskbooks, and calculators), personalized stationery and envelopes, letterhead, business cards, customized rubber stamps, personalized forms (for example, invoices and statements) and binders, among other products. Sales of related products also contribute to a higher average value per order.

Order demand

Order demand is affected by account openings, which generate new orders for the Company, and reorders which are required by account holders to replenish supply. Customers will replenish supply when they exhaust their current supply or to update personalization data including change of name or address. In addition, upon the merging of branches, financial institutions frequently reissue account numbers, requiring replacement cheque orders. Approximately 44% of orders (excluding those associated with financial institution mergers) result from new account openings while the balance relate to reorders. The pace at which an account holder will reorder is affected by the quantity of cheques in their existing order and the rate of use. The Company has offered, and will continue to offer, a fewer number of cheques in its orders. The ordering of smaller quantity cheque packages will increase the pace at which the account holder may reorder.

Competition

Davis + Henderson faces competition from forms producers, cheque suppliers located outside of Canada and from alternative electronic payment systems such as automated teller machines, pre-authorized debits, credit cards, debit cards, and electronic payment systems, such as telephone and Internet bill payment.

With regard to competition from other cheque and form suppliers Davis + Henderson believes that competition primarily depends on quality, reliability, service, technological sophistication, innovation and price. Management believes that the Company competes favourably with respect to each of these criteria. In Canada, substantially all cheques for individual consumers and small businesses of less than 10 employees are supplied through financial institutions. Currently, the outsourcing of the cheque supply programs for most financial institutions in Canada has been largely consolidated by Davis + Henderson. Davis + Henderson's principal competitors are:

- the other three large North American cheque suppliers (Deluxe Corporation, The John Harland Company and Clarke American Checks, Inc.);
- New England Business Systems Inc., which currently focuses on small business demand through catalogue, direct sales and the Internet;
- print brokers, who currently focus on small and medium size business demand through direct sales; and
- other forms manufacturers, who currently focus on medium to large business demand through catalogue and direct sales.

Strategy

Davis + Henderson's strategy has been to consolidate the Canadian segment of the market, increase its level of integration with its financial institution customers, extend its product and service offerings to increase its average order value and to expand the services which it offers to financial institutions. The Company intends to strengthen its leading position in the markets in which it competes by continuing to extend both the services it offers and the value of the related products, introducing new product and service offerings into related areas which leverage its own capabilities, expanding its operations into the United States, and investing in technology to ensure the Company is maximizing the value of its existing relationships and improving its cost competitiveness.

Service extensions

Davis + Henderson has been able to increase revenues and profitability by extending the services it offers as part of its outsourcing arrangements and by introducing new products. Examples of service extensions include:

- the newly introduced Assured Delivery Program which will improve the efficiency of handling account holder orders which are otherwise returned to branches because of incorrect or obsolete shipping address data; and
- fulfilment services related to conversion programs which include the bundling of other services and products, such as matching account holder debit card and cheque products or providing customer care calls on behalf of the financial institution.

As well, new product offerings are continually introduced into the marketplace. Examples of new product offerings include new security features on business products and product packaging to help reduce the incidence of cheque fraud and the introduction of new licensed products to provide account holders with greater selection.

These and other activities have allowed Davis + Henderson to increase revenues and improve margins. Davis + Henderson believes that it will be able to continue to deliver new service extensions, product offerings and program modifications which will increase order value.

Service additions

The Company expects to develop additional and adjacent service offerings by leveraging its existing capabilities as a strategy to supplement its outsourcing services. Davis + Henderson's ability to manage personalized data has allowed it to expand its core offerings. Examples include the marketing of personalized forms, business cards and other products for financial institutions and their small business account holders. Davis + Henderson currently services, through its arrangements with financial institutions, over one million small business accounts. Although that segment represented only 11% of total orders in fiscal 2000, it represented 41% of total revenue. The Company intends to continue to expand the range and quantity of services supplied and products offered to those small businesses.

An additional example, which leverages the data management capabilities of the Company, includes a recently developed and implemented service which facilitates, on behalf of the financial institution's account holders, the switching of pre-authorized debits from one account to another. This is a valued service for financial institutions and their account holders. By focusing on account holders' specific preferences and requirements, the Company can supply a wider variety of product offerings.

Electronic connectivity

The Company has invested and will continue to invest to increase its electronic connectivity to the financial institutions and their account holders. These investments have focused primarily on electronic ordering, but also include sharing of order tracking data and electronic billing. Increased electronic ordering (for example, over the Internet):

- improves the convenience and efficiency of ordering for both the Company and its financial institution account holders; and
- enhances the Company's ability to market its existing products, and new products, features and accessories which will lead to higher average order values.

Financial institution connectivity also improves the Company's ability to provide additional products as it becomes part of the financial institution's electronically integrated supply chain. Examples of these products include business cards and other personalized supplies for use by the financial institution itself.

United States initiatives

Certain Canadian financial institutions have recently extended their operations geographically beyond Canada, particularly into the United States. Davis + Henderson has signed a letter of intent with a Canadian chartered bank to give the Company a mandate to service the bank's U.S. affiliate. The Company intends to work with this bank to deliver its cheque program outsourcing services in the United States. Davis + Henderson will seek to leverage its existing relationships and connectivity with those institutions for a competitive advantage in securing contracts to manage the cheque supply programs for their United States affiliates. Securing these contracts would assist the Company in increasing order volumes and total revenues. See "Risk Factors — Competition from Competitors Supplying Similar Products and Services" and "Risk Factors — Risks Related to the Business and the Industry — Non-Competition Agreement".

Davis + Henderson intends to make capital expenditures to create an infrastructure which will enable it to service the United States marketplace. Management believes those expenditures will total approximately \$5.8 million over the next two years, and will be funded under the capital expenditure portion of Davis + Henderson's credit facility. See "— Capital Expenditures" and "Principal Agreements — Credit Facility".

Cost saving initiatives

Davis + Henderson also has invested in technologies to improve the automation of its processing and fulfilment capabilities, its cost competitiveness and its earnings.

Data and data management have become increasingly important to the Company's service offerings. Effective handling of data provides Davis + Henderson with the ability to significantly improve its efficiency in order processing, order clarification and customer contact centre activities. The Company has invested substantial amounts in connection with its data management activities. The Company expects that implementation of Internet based cheque ordering and its increased use by financial institutions and account holders will deliver additional significant cost savings.

The Company has also invested in digital printing equipment and automated packaging equipment. Using this technology improves the efficiency of processing, production and fulfilment of orders. As account holders increasingly select smaller order quantities, the Company will increase the deployment of this technology to achieve additional cost savings. As well, the Company is in the process of implementing automated packaging and sorting equipment to improve the sophistication and efficiency of its fulfilment service. This equipment will allow customized insertion into individual account holder packages and will reduce the cost of preparing packages for induction into the postal service.

Intellectual Property

Davis + Henderson relies on a combination of trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect its intellectual property. Included within the Company's four Canadian trademark registrations are "Davis + Henderson", "Custom Cheques of Canada" and "Intercheques" and within its twenty unregistered trademarks are "The Guildhall", "Click Custom" and "The Personalized Transaction Solutions Company".

Employees

As at September 30, 2001, Davis + Henderson had a total of approximately 880 employees, involved in the following functions.

Plant operations	583
Technology services	69
Sales and marketing	38
Contact centres	132
Executive, finance and administration	58

One labour union represents approximately 100 employees of Davis + Henderson. Davis + Henderson L.P. will be a party to one collective bargaining agreement with respect to those unionized employees, which agreement has a five year term expiring in February 2002. The Company has never experienced a work stoppage and management believes that relations with employees are good.

Operations and Facilities

The primary raw materials used in the physical production of the Company's core products are paper and ink. Although paper is the most significant supply input, its cost only represents on average approximately 8% of the average selling price of an order. Davis + Henderson orders all of its raw materials from multiple suppliers or has identified multiple suppliers capable of supplying the raw materials. The Company generally buys paper under six month fixed price contracts. Davis + Henderson believes that its supplies of materials are sufficient to meet its planned operating needs for the foreseeable future.

Davis + Henderson delivers a substantial portion of its products to customers through an agreement with Canada Post that establishes pricing and service standards.

The production of cheques is carried out at four printing plants in Canada: Montreal, Quebec; Pickering and Markham, Ontario; and Edmonton, Alberta. The Pickering, Ontario plant produces the base stock for all cheques. The other plants perform imprinting services. In addition, a separate plant in Waterloo, Ontario, produces a variety of specialty products.

Davis + Henderson's head office in Toronto employs 165 people who provide corporate, sales and marketing, finance, human resources, information technology and engineering services. In addition, Davis + Henderson maintains sales offices in Vancouver and in Montreal. The Company provides customer support through its contact centres located in Markham, Montreal and Edmonton.

Davis + Henderson does not own any real estate. The following table sets out certain information regarding the Company's material leased premises:

<u>Location</u>	<u>Square Footage</u>	<u>Lease Expiry</u>
4817 89th Street, Edmonton Alberta	36,983	March 2004
81 Whitehall Drive, Markham, Ontario	61,251	April 2007
925 Brock Road, Pickering, Ontario	43,613	April 2005
1736 Orangebrook Court, Pickering, Ontario	42,524	April 2005
201-939 Eglinton Avenue East, Toronto, Ontario	49,802	March 2011
550 Parkside, Waterloo, Ontario	8,654	December 2001
830 Rue Delage, Longueuil, Quebec	50,291	December 2010

Capital Expenditures

The Company has made significant investments to maintain its technological sophistication and innovation and to secure the rights to provide its outsourcing services. Davis + Henderson incurred capital expenditures, excluding acquisitions, totalling \$29.7 million between January 1998 and September 2001 of which the Company considers approximately \$14.2 million to be maintenance capital expenditures. Other major projects initiated over the same time period include the development of electronic order processing, at a cost of \$4.3 million, upgrading of the production platforms to improve efficiency, at a cost of \$4.2 million and corporate plant and other premises upgrades required in response to the expansion of the business, at a cost of \$7.0 million.

Management expects that, for the foreseeable future, the level of capital expenditures required to maintain the Company's plants and other assets will be approximately \$4.7 million annually. In addition, management has made provisions for certain planned non-recurring capital disbursements. These capital items will be funded from drawdowns under the capital expenditure portion of the credit facility. The amount and timing of the planned non-recurring capital expenditures is detailed below:

	<u>Amount</u>	<u>Timing</u>
	(in millions of dollars)	
Buildout of United States infrastructure	\$ 5.8	2002 through 2003
Plant automation and new service initiatives	5.2	2003
Contract payments	3.0	2002
Disbursements related to cost reduction initiatives	<u>4.0</u>	2002
Total planned non-recurring capital expenditures	<u><u>18.0</u></u>	

MANAGEMENT

Directors and Officers of Davis + Henderson G.P.

The following table sets out, for each of the directors and executive officers of Davis + Henderson G.P., the person's name, municipality of residence, positions with Davis + Henderson G.P. and principal occupation. The term of office for each of the directors will expire at the time of the next annual shareholders meeting of Davis + Henderson G.P.

<u>Name and Municipality of Residence</u>	<u>Offices with Davis + Henderson G.P.</u>	<u>Principal Occupation</u>
Paul Damp (1)(2) Toronto, Ontario	Director	Managing Partner, Kestrel Capital (investment holdings company)
Allan Gotlieb (1)(3) Toronto, Ontario	Director	Chairman, Sotheby's Canada (auction, art-related financing and real estate company)
Jamie Johnson (1) Toronto, Ontario	Director	President and Chief Operating Officer, MDC Corporation Inc. (international business services organization)
Peter Lewis (2) Toronto, Ontario	Director	Executive Vice President and Chief Financial Officer, MDC Corporation Inc. (international business services organization)
Stephen Marshall Toronto, Ontario	Director	Executive Vice President, Corporate Development, MDC Corporation Inc. (international business services organization)
Brad Nullmeyer (2) Toronto, Ontario	Director	President and Chief Executive Officer, A & A Capital (investment company)
Stephen Pustil Toronto, Ontario	Chairman	President, Penwest Development Corporation Limited (real estate development company)
Robert Cronin Toronto, Ontario	President and Chief Operating Officer	President and Chief Operating Officer, Davis + Henderson G.P.
C. Sanford McFarlane Thornhill, Ontario	Chief Executive Officer	Chief Executive Officer, Davis + Henderson G.P.
Catherine Martin Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Davis + Henderson G.P.

- (1) Jamie Johnson is the chair of the compensation and corporate governance committee of the board of directors. Allan Gotlieb and Paul Damp are members of that committee.
- (2) Paul Damp is the chair of the audit committee. Peter Lewis and Brad Nullmeyer are members of that committee.
- (3) Allan Gotlieb was a director of People's Jewellers Inc. from 1992 to 1999. People's Jewellers Inc. made a voluntary assignment in bankruptcy in 1993. Mr. Gotlieb was also a director of Livent Inc. from January 1999 until September 1999. Livent Inc. filed for bankruptcy protection in the United States under Chapter 11 of the U.S. Bankruptcy Code on November 18, 1998 and filed for protection under the Companies' Creditors Arrangement Act in Canada on November 19, 1998.

Each of the directors and executive officers of Davis + Henderson G.P. has been engaged for more than five years in his or her present principal occupation or in other capacities with the company or organization (or predecessor) in which the person currently holds his or her principal occupation except: Allan Gotlieb, who in addition to his position as Chairman of Sotheby's Canada, is a Senior Advisor to Stikeman Elliott (international law firm); Jamie Johnson, who prior to September 2001 was Managing Partner at Dorset Partners, prior to September 1999 was Director, Structured Finance and Securitization at Scotia Capital Markets Inc., prior to December 1998 was Vice Chairman of Newcourt Capital and who prior to January 1998 was Senior Vice President and General Counsel at Newcourt Credit Group;

Stephen Marshall, who prior to July 1999 was a Partner at Torys (international law firm); Brad Nullmeyer, who prior to 2001 was Chief Executive Officer, Vendor Finance, of CIT Group (financing company) and who prior to 1999 was President of Newcourt Financial (financing company) and Catherine Martin, who prior to September 1999, was Vice President Finance and Chief Financial Officer of Intria Items Processing, a joint venture operated by Canadian Imperial Bank of Commerce and Fiserv Corporation (items processing for financial institutions).

Committees of the Board of Directors

The board of directors of Davis + Henderson G.P. has a compensation and corporate governance committee and an audit committee.

Compensation and Corporate Governance Committee

The compensation and corporate governance committee reviews and makes recommendations to the board concerning the appointment of officers of Davis + Henderson G.P. and the hiring, compensation, benefits and termination of senior executive officers and all other significant employees of Davis + Henderson L.P. The committee will annually review the chief executive officer's goals and objectives for the upcoming year and provide an appraisal of the chief executive officer's performance. The committee also makes recommendations concerning the remuneration of the board of directors. The committee administers and makes recommendations regarding the operation of the long-term incentive plan and any employee bonus plans. The committee is also responsible for developing Davis + Henderson G.P.'s approach to corporate governance issues, advising the board in filling vacancies on the board and periodically reviewing the composition and effectiveness of the board and the contribution of individual directors.

Audit Committee

The purpose of the audit committee is to assist the board in fulfilling its responsibilities of oversight and supervision of:

- the accounting and financial reporting practices and procedures;
- the adequacy of internal accounting controls and procedures; and
- the quality and integrity of financial statements.

In addition, this committee will be responsible for directing the auditors' examination into specific areas.

Remuneration of Directors of Davis + Henderson G.P.

Initial compensation for directors of Davis + Henderson G.P. who are not management of MDC or of Davis + Henderson will be \$5,000 per director per year and \$1,000 per director for attending meetings of the board of directors and committee meetings of the board of directors. Davis + Henderson G.P. will also reimburse directors for out-of-pocket expenses for attending board and committee meetings.

Management Arrangements

The success of Davis + Henderson is primarily attributable to the leadership, dedication and significant experience of the senior management group in directing and managing the business.

In connection with the reorganization of the business, Davis + Henderson will enter into employment arrangements with C. Sanford McFarlane (for a period of three years) and Robert Cronin (for a period of two years) that provide for, among other things, confidentiality, non-solicitation and non-competition covenants in favour of Davis + Henderson which will apply during the term of their employment and for a specific period of time following the termination of their employment.

Long Term Incentive Plan

The officers of Davis + Henderson G.P. and certain full-time employees of Davis + Henderson L.P. are eligible to participate in an over-achievement bonus plan. Davis + Henderson L.P. has established a long term incentive plan which will include the over-achievement bonus. The purpose of the long term incentive plan is to provide eligible participants with compensation opportunities that will enhance Davis + Henderson's ability to attract, retain and motivate key personnel and reward officers, employees and consultants for significant performance and cash flow growth of the Fund. The long term incentive plan will provide for cash payments that may be earned and paid over a three year period if distributable cash of Davis + Henderson L.P. exceeds specified threshold amounts. The long term

incentive plan will be administered by the compensation and corporate governance committee of Davis + Henderson G.P. The compensation and corporate governance committee will have the power to determine, among other things:

- which officers and employees will participate in the long-term incentive plan; and
- the percentage of the incentive pool to be allocated to each participant.

Insurance Coverage for the Fund and Related Entities, and Indemnification

The directors and officers of Davis + Henderson G.P. will be covered under MDC's existing directors and officers insurance policy. The aggregate limit of liability applicable to those insured directors and officers under the policy will be \$35 million inclusive of defence costs. Under the policy, Davis + Henderson G.P. will have reimbursement coverage to the extent that it has indemnified the directors and officers in excess of a deductible of \$100,000 for each loss. The policy includes securities claims coverage and insuring against any legal obligation to pay on account of any securities claims brought. The total limit of liability will be shared between MDC, its affiliates, Davis + Henderson G.P. and their respective directors and officers so that the limit of liability will not be exclusive to any one of the entities or their respective directors and officers.

The Fund will obtain or cause to be obtained a policy of insurance for the directors and officers of D + H Holdings and the trustees of the Fund. The aggregate limit of liability applicable to the insured directors and officers and the trustees under the policy will be \$20 million inclusive of defence costs. Under the policy, each entity will have reimbursement coverage to the extent that it has indemnified the directors and officers and trustees in excess of a deductible of \$100,000 for each loss. The policy will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought. The total limit of liability will be shared between the Fund and D + H Holdings and their respective directors, officers and trustees so that the limit of liability will not be exclusive to any one of the entities or their respective directors, officers and trustees.

The by-laws of each of Davis + Henderson G.P. and D + H Holdings also provide for the indemnification of their respective directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain limitations. The declaration of trust of the Fund also provides for the indemnification of its trustees from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties as trustees, subject to certain usual limitations.

Trustees of the Fund

The trustees of the Fund will initially be Paul Damp, Allan Gotlieb and Brad Nullmeyer. Initial compensation for trustees of the Fund will be \$5,000 per trustee per year and \$1,000 per trustee for attending meetings of the trustees. The Fund will also reimburse trustees for out-of-pocket expenses for attending trustee meetings, and trustees will participate in the insurance and indemnification arrangements described above. See "Description of the Fund — Trustees".

Governance

In lieu of a committee, the trustees will be directly responsible for developing the Fund's approach to governance issues, filling vacancies among the trustees and periodically reviewing the composition and effectiveness of the trustees and the contribution of individual trustees.

The trustees will also be responsible for adopting and periodically reviewing and updating the Fund's written corporate disclosure policy. This policy will, among other things:

- articulate the legal obligations of the Fund, its affiliates and their respective trustees, directors, officers and employees with respect to confidential corporate information;
- identify spokespersons of the Fund who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by senior representatives of any disclosure of financial information to ensure the information is not material, and ensure that selective disclosure of material information is not permitted, and that when it occurs, a news release is issued immediately; and

- establish “black-out” periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which the Fund, its affiliates and their respective trustees, directors, officers and employees may not purchase or sell units of the Fund.

Audit Review

In lieu of an audit committee, the trustees will directly fulfil their responsibilities of oversight and supervision of:

- the accounting and financial reporting practices and procedures;
- the adequacy of internal accounting controls and procedures; and
- the quality and integrity of financial statements.

In addition, the trustees will be responsible for directing the auditors’ examination into specific areas.

Directors of D + H Holdings

The directors of D + H Holdings will be the same persons who act as trustees of the Fund. Directors of D + H Holdings will not receive any remuneration for acting in that capacity but will be reimbursed for out-of-pocket expenses for attending meetings and will participate in the insurance and indemnification arrangements described above.

ACQUISITION

Immediately prior to the closing of the offering, the following reorganization will be completed under the terms of the acquisition agreement described below:

- The Davis + Henderson business will be transferred to Davis + Henderson L.P.
- In exchange for the transfer of the business, MDC will receive 20,685,792 partnership units of Davis + Henderson L.P. valued at \$192,563,150 (which will then constitute 100% of all outstanding partnership units) and a promissory note (the “reorganization note”) issued by Davis + Henderson L.P. to MDC in the principal amount of \$240,439,875.

In conjunction with the closing of the offering, the Fund will complete the acquisition of its interest in Davis + Henderson L.P. through the following steps:

- The Fund will subscribe for common shares and notes of D + H Holdings. The Fund will also subscribe for common shares of Davis + Henderson G.P. representing, post-subscription, 49% of its then outstanding common shares. The Fund will enter into a unanimous shareholder agreement with MDC with respect to Davis + Henderson G.P.
- D + H Holdings will subscribe for 17,235,000 partnership units of Davis + Henderson L.P. for \$160,439,875 representing, post-subscription, 45.45% of the then outstanding partnership units.
- On or about the closing of the offering, Davis + Henderson L.P., MDC and a group of financial institutions will enter into arrangements which provide Davis + Henderson L.P. with a senior secured credit facility described below under “Principal Agreements”. On closing of the credit facility, Davis + Henderson L.P. will draw \$80 million under the term portion of that credit facility.
- Davis + Henderson L.P. will use the money received from D + H Holdings’ subscription and from its drawdown under the term loan portion of its credit facility to repay the reorganization note.

The closing of the acquisition will occur in conjunction with, and is conditional upon, the closing of the offering. However, if the acquisition does not close, the Fund will refund to purchasers the consideration paid in respect of the units.

Immediately following the closing of the offering, the Fund will hold all of the common shares of D + H Holdings, \$141,187,090 principal amount of notes issued by D + H Holdings and 49% of the common shares of Davis + Henderson G.P. D + H Holdings will hold 45.45% of the outstanding partnership units of Davis + Henderson L.P., and the remaining partnership units will be held by MDC. Immediately following the closing of the credit facility, Davis + Henderson L.P. will have drawn down \$80 million under the term loan portion of its credit facility. See “Structure of the Fund”, “Principal Agreements”, “D + H Holdings” and “Use of Proceeds”.

If the over-allotment option is exercised, the net proceeds received by the Fund will be used by the Fund to acquire additional common shares and/or notes of D + H Holdings and D + H Holdings will purchase a number of the partnership units issued to MDC under the reorganization. See “Davis + Henderson L.P.”.

USE OF PROCEEDS

The estimated net proceeds from this distribution, after deducting fees payable to the underwriters and the estimated expenses of the reorganization, acquisition and distribution payable by the Fund, will be \$160,439,875. As described above, the Fund will use the net proceeds of this distribution to subscribe for common shares and notes of D + H Holdings, which will in turn subscribe for partnership units of Davis + Henderson L.P. Davis + Henderson L.P. will use the subscription proceeds together with amounts drawn under the term loan portion of its credit facility to repay the reorganization note.

PRINCIPAL AGREEMENTS

Acquisition Agreement

MDC and Davis + Henderson L.P. will enter into an acquisition agreement to be dated the date of the final prospectus. The acquisition agreement will provide for the terms of the reorganization and the acquisition described above under “Acquisition”, including the following:

- MDC will transfer the Davis + Henderson business to Davis + Henderson L.P. in exchange for the issuance by Davis + Henderson L.P. to MDC of partnership units and the reorganization note, and the assumption of certain liabilities. If requested by MDC, MDC and Davis + Henderson L.P. will make elections under the Tax Act to transfer the assets of the business on a fully or partially tax-deferred basis.
- The parties will estimate the value of the assets and liabilities associated with the business. The acquisition agreement will provide for a post-closing adjusting payment to the extent the actual value of the assets and liabilities transferred differs from the estimated amounts.
- The acquisition agreement will contain representations and warranties from MDC in favour of Davis + Henderson L.P. as to various matters, including that this prospectus constitutes full, true and plain disclosure of all material facts relating to the business and does not contain any misrepresentation. The representations and warranties will survive the closing for a period of two years, except for certain limited ones which will survive without the limitation of time, the tax representations that will survive for 90 days after the end of the period during which taxes may be assessed or reassessed and the “full, true and plain” representation which will survive for a period of three years.
- The completion of the acquisition will be conditional upon the completion of the offering, the receipt of certain consents, the discharge of certain security covering the Davis + Henderson business, and the credit facility or alternative arrangements being available to Davis + Henderson L.P. and funds as necessary being available for drawdown.
- Among other things, Davis + Henderson L.P. will indemnify MDC for any damages suffered by MDC in respect of certain liabilities including those assumed by Davis + Henderson L.P. in connection with the transfer of the business. MDC will indemnify Davis + Henderson L.P. in respect of breaches of representations and warranties. The total maximum liability of MDC under its indemnity will not exceed the purchase price of the business.

Non-Competition Agreement

Although certain of MDC’s operations could make it a competitor of the Davis + Henderson business and vice versa, MDC and Davis + Henderson L.P. will enter into a non-competition agreement upon the closing of the acquisition. Under the non-competition agreement, each of MDC and Davis + Henderson L.P. will agree not to compete with each other in their current businesses and not to solicit the customers or employees of the other party for a period commencing on the closing of the offering and ending five years after MDC ceases to own 25% or more of the common shares of Davis + Henderson G.P.

Operations Agreements

Davis + Henderson L.P. and MDC or its subsidiaries will enter into certain operations agreements in order to facilitate the orderly transition of the business from MDC to Davis + Henderson L.P. and to facilitate the on-going operation of the business as well as the operations retained by MDC, including the following:

- a supply agreement under which Davis + Henderson L.P. will supply an affiliate of MDC with base stock at specified prices for a period of at least four years; and
- an imprinting agreement under which the affiliate of MDC will provide order fulfilment services to Davis + Henderson L.P. only in the United States for a period of at least three years.

Credit Facility

Davis + Henderson L.P., MDC and a group of financial institutions will enter into arrangements which provide Davis + Henderson L.P. with a senior secured credit facility in the total amount of \$108 million consisting of:

- a \$80 million term loan facility repayable in three years;
- a \$18 million capital expenditure facility, repayable in three years, which will be undrawn at closing; and
- a \$10 million revolving facility for operating purposes which will be undrawn at closing.

In addition, Davis + Henderson L.P. intends to implement hedging programs to mitigate interest rate, foreign exchange and other similar exposures.

This credit facility will constitute senior indebtedness of the Company, will be secured in first position over substantially all of the assets of the Company and will be subject to customary terms, conditions, covenants and other provisions, including restrictions on incurring additional indebtedness. The credit facility will also be secured by a guarantee and security from Davis + Henderson G.P., and, if in the future all of the partnership units are owned by D + H Holdings, by a pledge of the Fund (on a limited recourse basis) of its shares of Davis + Henderson G.P.

These arrangements will be structured as two separate facilities, one between MDC, as lender, and Davis + Henderson L.P., as borrower, and the other between MDC, as borrower, and the financial institutions, as lenders. In addition to customary terms, conditions, covenants and other provisions, MDC's credit facility with the financial institutions will be secured by a pledge of Davis + Henderson L.P.'s indebtedness to MDC and the security related to that indebtedness and by a pledge of MDC's shares of Davis + Henderson G.P.

These lending arrangements are intended to isolate Davis + Henderson L.P., D + H Holdings and the Fund from any default by MDC under its parallel credit facilities. If MDC defaults under its obligations to its lenders, those lenders will have the right to realize on security granted by MDC. Accordingly, on default by MDC, those lenders would have the right, and would be expected, to take over the credit facilities with Davis + Henderson L.P. and all security for those credit facilities. However, Davis + Henderson L.P.'s credit facilities contain no cross-default or cross-acceleration to the MDC facilities.

Summary of Distributable Cash Flows of Davis + Henderson, Limited Partnership

Earnings of the Company before interest, income taxes, depreciation and amortization for the twelve months ended September 30, 2001 (excluding non-recurring charges and restructuring provision of approximately \$6,064,000) are derived from the statements of operations and divisional equity of Davis + Henderson L.P. and calculated to be approximately \$65,192,000. Management believes that, upon completion of the transactions described under “Selected Consolidated Financial Information and Management’s Discussion and Analysis — Management’s Discussion and Analysis — Outlook”, the Company will incur additional administrative and management expenses, interest expenses and maintenance expenditures that are not fully reflected in the pro forma consolidated statement of operations and distributable cash of the Fund. Although management does not have firm commitments for all of those expenses and, accordingly, the complete financial effects of all of those additional expenses and expenditures are not objectively determinable, management has, based on past experience, estimated that:

- the additional annual incremental administrative and management costs would total approximately \$616,000;
- additional interest expense would total approximately \$4,975,000, representing interest on Davis + Henderson L.P.’s credit facility, assuming \$98,000,000 had been drawn down on October 1, 2000; and
- estimated maintenance expenditures would total approximately \$7,800,000, consisting of approximately \$4,655,000 of capital payments and \$3,145,000 of contract payments.

Based on the foregoing, management believes that earnings of the Company before depreciation and amortization for the twelve months ended September 30, 2001 would have been approximately \$59,601,000 and that distributable cash of the Fund for the twelve months ended September 30, 2001 would have been its proportionate share of approximately \$51,801,000 (excluding up to approximately \$1,300,000 of capital tax and large corporation tax payable by the Fund through D + H Holdings).

**SELECTED CONSOLIDATED FINANCIAL INFORMATION AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table sets out selected consolidated financial information for Davis + Henderson L.P. for the periods indicated:

	<u>Nine months ended September 30,</u>		<u>Years ended December 31,</u>		
	<u>2001</u>	<u>2000</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(Unaudited)		(Thousands of dollars)		
Operating Data:					
Income statement data:					
Sales	\$164,719	\$145,453	\$197,718	\$175,808	\$141,619
Cost of sales	<u>84,105</u>	<u>76,671</u>	<u>104,845</u>	<u>94,766</u>	<u>81,433</u>
Gross profit	80,614	68,782	92,873	81,042	60,186
as a % of revenue	49%	47%	47%	46%	42%
Operating expenses	<u>36,083</u>	<u>28,354</u>	<u>37,848</u>	<u>32,871</u>	<u>26,565</u>
Operating income before other charges	44,531	40,428	55,025	48,171	33,621
as a % of revenue	27%	28%	28%	27%	24%
Loss (gain) on asset dispositions	(6)	—	579	—	29
Amortization	11,729	10,311	13,934	10,184	6,668
Interest expense	50	39	53	52	—
Income taxes	<u>14,413</u>	<u>13,234</u>	<u>17,802</u>	<u>16,805</u>	<u>11,927</u>
Income before goodwill amortization	18,345	16,844	22,657	21,130	14,997
Goodwill amortization	<u>2,042</u>	<u>2,042</u>	<u>2,722</u>	<u>2,743</u>	<u>2,104</u>
Net income for the period	<u>16,303</u>	<u>14,802</u>	<u>19,935</u>	<u>18,387</u>	<u>12,893</u>
Divisional equity, beginning of period	122,122	122,493	122,493	109,111	67,614
Distribution from (to) head office	<u>(21,772)</u>	<u>(10,709)</u>	<u>(20,306)</u>	<u>(5,005)</u>	<u>28,604</u>
Divisional equity, end of period	<u>116,653</u>	<u>126,586</u>	<u>122,122</u>	<u>122,493</u>	<u>109,111</u>
Cash flow data:					
Contract payments	4,934	5,230	5,250	2,495	1,900
Capital assets and other assets	8,561	6,945	11,353	12,396	5,752
Balance sheet data:					
Total assets	145,161	152,007	148,111	147,918	149,609
Total long-term financial liabilities	1,399	2,754	2,699	3,905	3,750

Management's Discussion and Analysis

Operating Results

Nine Months Ended September 30, 2001 compared to Nine Months Ended September 30, 2000

Sales for the nine months ended September 30, 2001 was \$164.7 million compared to \$145.5 million for the nine months ended September 30, 2000, an increase of \$19.2 million or 13%. The increase is primarily a result of the full year impact of higher order values related to the launch of new personal products in September 2000, as well as new order revenue associated with the merger of two of the Company's financial institution customers. As part of the merger activities, in fiscal 2001, Davis + Henderson provided replacement cheque products to the financial institution customer's small business and line of credit account holders. As well, the increase in sales is attributed to increases in the value of an average order on business products resulting from the launch of new business products in mid 2001.

Cost of sales for the nine months ended September 30, 2001 was \$84.1 million as compared to \$76.7 million, an increase of \$7.4 million or 10% over the nine months ended September 30, 2000. The increase in cost corresponds to the increases in revenues as described above. Gross margin as a percentage of sales was 49% as compared to 47% in the preceding period. This improvement results from manufacturing efficiencies and from the growth in average order value exceeding the growth in corresponding order costs.

Operating expenses for the nine months ended September 30, 2001 were \$36.1 million as compared to \$28.4 million for the nine months ended September 30, 2000, an increase of \$7.7 million or 27%. This increase primarily relates to non-recurring charges of \$6.1 million. The primary items included in the charge are provisions for future cost reduction activity. As well, costs increased as a result of growth in technology expenses and increased customer support costs related to revenue growth, including those costs associated with the merger activity described above.

Operating income for the nine months ended September 30, 2001 was \$44.5 million compared to \$40.4 million, an increase of \$4.1 million or 10% over the nine months ended September 30, 2000. Excluding the impact of the non-recurring charge, operating income would have increased 25%.

Amortization for the nine months ended September 30, 2001 increased \$1.4 million over the nine months ended September 30, 2000 or 14% as a result of asset additions made in fiscal 2000 and fiscal 2001, including, the implementation of changes to the Company's technology systems and the introduction of new automation in its imprinting operation. The changes to the technology systems have been implemented primarily to support increased electronic ordering and the introduction of new products. The new automation equipment implemented will improve the efficiency of the personalization, handling and sorting of orders.

Interest expense for the nine months ended September 30, 2001 of \$50,000, related to a capital lease, compares to \$39,000 in the previous period.

Taxes for the nine months ended September 30, 2001 of \$14.4 million have been calculated as 44% of income. As the business was a division of MDC, no cash taxes were paid by the business. The obligation related to the tax provision has been recorded on the balance sheet found elsewhere in this prospectus as part of divisional equity.

Amortization of goodwill was \$2.0 million for each of the nine-month periods.

Net income for the nine months ended September 30, 2001 was \$16.3 million, an increase of \$1.5 million or 10% over the nine months ended September 30, 2000.

Year Ended December 31, 2000 compared to Year Ended December 31, 1999

Sales for fiscal 2000 was \$197.7 million, an increase of \$21.9 million or 12% over fiscal 1999 revenues of \$175.8 million. This increase was primarily as a result of the introduction of new personal products, annual price increases and certain of the Company's financial institution customers repositioning products within their own cheque programs. The personal products catalogue introduced in the fall of 2000 included new designs and the repositioning of certain other personal products.

Cost of sales for fiscal 2000 increased to \$104.8 million from \$94.8 million in fiscal 1999, an increase of \$10 million or 11% as a result of increased costs directly related to the increases in revenues described above. Gross margin as a percentage of sales was 47% in fiscal 2000 as compared to 46% in fiscal 1999. The increase is attributed to the growth in the value of the orders shipped.

Operating expenses increased to \$37.8 million in fiscal 2000 from \$32.9 million in fiscal 1999, an increase of 15%. This increase was attributed to additional spending in the areas of marketing, engineering services, technology services and costs related to the relocation of the Company's Montreal imprinting plant. The increases in marketing expenditures supported the Company's product repositioning initiatives, particularly relating to the introduction of new personal products in the fall of 2000. The increase in technology expenses supported the product and program changes that contributed to the additional revenues described above. Additionally, Davis + Henderson increased staffing in the area of client support services as a result of increasing direct contact with financial institution's account holders. Increased engineering expenses supported initiatives directed toward increased delivery efficiencies and improved sourcing of direct and indirect materials, all of which contributed to improved gross margins in 2000 and in fiscal 2001.

Operating income in fiscal 2000 was \$55.0 million compared to \$48.2 million in fiscal 1999, representing a 14% increase.

In fiscal 2000, Davis + Henderson relocated its Montreal imprinting facility. In connection with the relocation, the Company sold its land and building at its previous location and recorded a loss on disposition of \$579,000.

Amortization expense increased in fiscal 2000 to \$13.9 million from \$10.2 million in fiscal 1999 as a result of capital asset additions made in 1999 and 2000. These additions included upgrading and expanding the technology platforms, including both desktop and server assets, and making modifications to the core software of the Company. Additionally, the Company invested in plant automation equipment, including digital printing assets and automated packaging and sorting equipment.

Interest expense of \$53,000 in fiscal 2000, related to a capital lease, compares to \$52,000, in fiscal 1999.

Taxes for fiscal 2000 of \$17.8 million have been calculated as 44% of income. As the business was a division of MDC, no cash taxes were paid by the business. The obligation related to the tax provision has been recorded on the balance sheet found elsewhere in this prospectus as part of divisional equity.

Amortization of goodwill was \$2.7 million for each of fiscal 2000 and fiscal 1999.

Net income for fiscal 2000 was \$19.9 million compared to \$18.4 million in fiscal 1999, an increase of 8%.

Year Ended December 31, 1999 compared to Year Ended December 31, 1998

Sales for fiscal 1999 increased to \$175.8 million from \$141.6 million in fiscal 1998, an increase of \$34.2 million or 24%. This increase primarily relates to the full year inclusion of the operating results of Custom Cheques of Canada, acquired in July 1998, the full year inclusion of the business of a major contract won in March 1998 and the repositioning of certain of its business products to include enhanced security features. Additionally, Davis + Henderson received new orders related to merger activity between two of its customers.

Cost of sales for fiscal 1999 was \$94.8 million compared to \$81.4 million in fiscal 1998, an increase of \$13.4 million or 16%. This increase resulted from the full year inclusion of the operating results of Custom Cheques of Canada and costs associated with the other revenue increases described above. Gross margin as a percentage of sales was 46% in fiscal 1999 as compared to 42% in fiscal 1998. The increase is attributed to the growth in the value of the orders shipped and improved operating efficiency associated with the consolidation of the operations of Custom Cheques of Canada. The consolidation of the operation commenced in 1998 and was completed in 1999.

Operating expenses increased to \$32.9 million in fiscal 1999 from \$26.6 million in fiscal 1998 as a result of the inclusion of the operations of Custom Cheques of Canada and additional spending in technology services. These increases supported the Company's efforts to improve efficiency in the combined operation of Custom Cheques and Davis + Henderson as well as to improve the underlying technology and processes associated with the much larger combined operation.

Operating income in fiscal 1999 was \$48.2 million compared to \$33.6 million in fiscal 1998, representing a 43% increase. This improvement was a result of inclusion of the operations of Custom Cheques of Canada, the efficiencies associated with the consolidation of the combined operations and the other benefits related to product repositioning as described above.

Amortization increased in fiscal 1999 to \$10.2 million from \$6.7 million in fiscal 1998 as a result of the full year inclusion of the accounts of Custom Cheques of Canada and capital asset additions made in 1998 and 1999. The asset additions included, among others, items related to Year 2000 remediation, expanding the technology platforms, including both desktop and server assets, making modifications to the core software platforms to accommodate the

integration of Custom Cheques of Canada onto a single unified operating platform and making other software modifications to support changes in certain of the customer's outsourcing programs.

Interest expense of \$52,000 in fiscal 1999, related to a capital lease, compares to \$0 in fiscal 1998.

Taxes for fiscal 1999 of \$16.8 million have been calculated as 44% of income. As the business was a division of MDC, no cash taxes were paid by the business. The obligation related to the tax provision has been recorded on the balance sheet found elsewhere in this prospectus as part of divisional equity.

Amortization of goodwill was \$2.7 million for fiscal 1999 compared to \$2.1 million in fiscal 1998. This increase results from the full year amortization related to the acquisition of Custom Cheques of Canada.

Net income for fiscal 1999 was \$18.4 million compared to \$12.9 million in fiscal 1998, an increase of 43%.

Liquidity and Capital Resources

Business Acquisitions

In 1998 the Company purchased Custom Cheques of Canada for \$38.7 million. The Company recorded a restructuring provision of \$18.8 million related to the planned integration of the combined operations.

Cash Flow From Operations

During the nine months ended September 30, 2001, the Company generated cash flow from operating activities of \$35.3 million compared to \$22.9 million in the comparable period in fiscal 2000. Approximately \$9.5 million of the \$12.4 million improvement relates to a change in non-cash working capital. In September 2001, the Company recorded a restructuring provision for future cost reduction activities. At September 30, 2000, the Company was carrying higher than normal levels of receivables and prepaids. These balances subsequently returned to normal levels during the balance of fiscal 2000. For the years ended December 31, 2000, 1999 and 1998 cash flow from operating activities were \$36.4 million, \$20.5 million and \$18.4 million, respectively. In 1999 and 1998, the Company charged \$15.6 million and \$3.2 million, respectively, of integration disbursements against a restructuring provision recorded on the acquisition of Custom Cheques of Canada.

Fixed Contract Payments

The Company's long-term outsourcing contracts with certain of its major customers provided for contract initiation payments to be made to the financial institution and payments to be made to the financial institution over the life of the contract. For the nine months ended September 30, 2001, those payments to financial institutions totalled \$4.9 million as compared to \$5.2 million for the comparable period in fiscal 2000. For the fiscal years 2000, 1999 and 1998, these payments were \$5.2 million, \$2.5 million and \$1.9 million, respectively.

Capital and Other Asset Expenditures

Expenditures in 1998 of \$5.8 million included the purchase of digital printing equipment, hardware and software to support the integration and increased volumes related to the acquisition of Custom Cheques of Canada and expenditures related to the design and development of a new customer catalogue. Additionally, the Company commenced developing electronic order entry systems for servicing certain of its major customers.

In 1999, as part of the continuing consolidation and integration of the operations of Custom Cheques of Canada, the Company expanded the capacity and functionality of its computing platform. As well, the Company consolidated and relocated its corporate premises. In 1999, the Company continued its development efforts related to electronic ordering, including Internet based ordering. Total capital expenditures in fiscal 1999 were \$12.4 million. Surplus production and other equipment related to the integration of the operations of Custom Cheques of Canada were sold for proceeds of \$655,000.

Total capital expenditures in fiscal 2000 were \$11.4 million. During this period, the Company incurred capital expenditures relating to the relocation of its imprinting facility in Montreal. The land and building from the previous location were sold for consideration of \$546,000. Other major initiatives included continued investing in Internet cheque ordering, acquiring additional digital printing equipment and the purchase of custom built automated packaging and sorting equipment to improve the automation of its facilities.

During the nine months ended September 30, 2001, the Company incurred \$8.6 million of capital expenditures. Major expenditures included additional disbursements for the automated packaging and sorting equipment and further

investing in core systems, primarily focused on Internet ordering and on changes to support new products introduced during the period.

Risk and Uncertainties

See “Risk Factors” for a discussion of the risks affecting the Davis + Henderson business.

Outlook

Prior to completion of the offering, the business operated as a division of MDC and the historical results include a nominal allocation of expenses related to certain administrative services performed by MDC. The reorganization of the business as a limited partnership owned by MDC and the Fund will result in incremental expenses estimated to be \$616,000 annually in respect of administration and insurance costs. Future strategic initiatives may be financed with borrowings, the additional issuance of units, from working capital or from the cash flow of the business. The Company anticipates continuing to enhance its service and product offerings under its current cheque supply outsourcing arrangements with its customers and by extending into new service arrangements. Additionally the Company expects to grow through providing cheque supply outsourcing services to its Canadian financial institution customer’s subsidiaries in the United States.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is a limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated November 6, 2001. It is intended that the Fund will qualify as a mutual fund trust for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the units and certain provisions of the declaration of trust, which summary is not intended to be complete. Reference is made to the declaration of trust for a complete description of the units and the full text of its provisions. See “Material Contracts”.

Activities of the Fund

The declaration of trust provides that the Fund is restricted to:

- investing in securities, including those issued by D + H Holdings and Davis + Henderson G.P.;
- temporarily holding cash in interest bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any units and making distributions to unitholders;
- issuing units or securities convertible into units (i) for cash or in satisfaction of any non-cash distribution or in order to acquire securities including those issued by D + H Holdings, or (ii) upon the exchange of the partnership units held by MDC under the exchange agreement. See “Davis + Henderson L.P.”;
- issuing debt securities;
- guaranteeing the obligations of D + H Holdings or any direct or indirect wholly-owned entity of the Fund pursuant to any good faith debt for borrowed money incurred by D + H Holdings or any such entity, as the case may be, and pledging securities held by the Fund or any such entity, as the case may be, as security for that guarantee;
- issuing rights and units under any unitholder rights plan adopted by the Fund;
- purchasing securities under any issuer bid made by the Fund; and
- undertaking all other activities or taking any actions, including investing in securities as are approved by the trustees from time to time provided that the Fund will not undertake any activity, take any action, or make any investment which would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act.

As at the date of this prospectus, the Fund does not intend to hold securities of entities other than D + H Holdings or in connection with its short-term cash management.

Units

An unlimited number of units may be issued under the declaration of trust. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All units are of the same class with equal rights and privileges. The units issued in connection with the offering are not subject to future calls or assessments, and entitle the holder to one vote for each unit held at all meetings of unitholders. Except as set out under “Redemption Right” below, the units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The declaration of trust provides that the units or rights to acquire units may be issued at those times, to those persons, for that consideration and on the terms and conditions that the trustees determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to unitholders on a pro rata basis. The declaration of trust also provides that immediately after any pro rata distribution of units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding units will be consolidated so that each unitholder will hold after the consolidation the same number of units as the unitholder held before the non-cash distribution. In this case, each certificate representing a number of units prior to the non-cash distribution is deemed to represent the same number of units after the non-cash distribution and the consolidation.

Trustees

The Fund will have a minimum of three trustees and a maximum of ten trustees. The trustees are to supervise the activities and manage the affairs of the Fund.

The initial trustees of the Fund (who are also directors of D + H Holdings and Davis + Henderson G.P.) are Paul Damp, Allan Gotlieb and Brad Nullmeyer. See “Management” for the principal occupations of the trustees. Trustees will be appointed at each annual meeting of unitholders to hold office for a term expiring at the close of the next annual meeting.

The declaration of trust provides that, subject to its terms and conditions, the trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner and will supervise the investments and conduct the affairs of the Fund. The declaration of trust prohibits a non-resident of Canada (as that term is defined in the Tax Act) from acting as a trustee. The trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of D + H Holdings;
- maintaining records and providing reports to unitholders;
- supervising the activities of the Fund;
- effecting payments of distributable cash from the Fund to unitholders; and
- voting in favour of the Fund’s nominees to serve as directors of D + H Holdings and Davis + Henderson G.P.

The trustees will have the right to approve the adoption of a unitholder rights plan if the trustees determine in good faith that the action is appropriate. That unitholder rights plan will be effective as at the date of the adoption. That unitholder rights plan will terminate six months from the date of its adoption unless ratified and confirmed by the unitholders in accordance with the declaration of trust.

Any one or more of the trustees may resign upon 30 days’ written notice to the Fund and may be removed by a resolution passed by a majority of the unitholders and the vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the former trustee or trustees.

Initial compensation will be \$5,000 per year per trustee and \$1,000 per trustee for each trustees’ meeting.

A quorum of the trustees, being the greater of two trustees or a majority of the trustees then holding office, may fill a vacancy in the trustees, except a vacancy resulting from an increase in the number of trustees or from a failure of the unitholders to elect the required number of trustees. In the absence of a quorum of trustees, or if the vacancy has arisen from a failure of the unitholders to elect the required number of trustees, the trustees will promptly call a special meeting of the unitholders to fill the vacancy. If the trustees fail to call that meeting or if there are not trustees then in office, any unitholder may call the meeting. The trustees may, between annual meetings of unitholders, appoint one or more additional trustees to serve until the next annual meeting of unitholders, but the number of additional trustees will not at any time exceed one-third of the number of trustees who held office at the expiration of the immediately preceding annual meeting of unitholders.

The declaration of trust provides that the trustees will act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The declaration of trust provides that each trustee will be entitled to indemnification from the Fund in respect of the exercise of the trustee’s power, and the discharge of the trustee’s duties provided that the trustee acted honestly and in good faith with a view to the best interests of all the unitholders.

Cash Distributions

The amount of cash to be distributed monthly per unit to the unitholders will be equal to a pro rata share of interest and principal repayments on the notes issued by D + H Holdings and dividends or distributions on or in respect of the common shares of D + H Holdings owned by the Fund less:

- administrative expenses and other obligations of the Fund;
- amounts which may be paid by the Fund in connection with any cash redemptions of units; and
- any other interest expense incurred by the Fund between distributions.

Under the terms of the D + H Holdings notes, interest is accrued at 12.5% and is to be paid monthly within 31 days following the end of each month. The Fund may make additional distributions in excess of the monthly distributions during the year, as the trustees may determine.

Any income of the Fund which is applied to any cash redemptions of units or is otherwise unavailable for cash distribution will be distributed to unitholders in the form of additional units. Those additional units will be issued under applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Monthly distributions are to be paid to unitholders of record on the last business day of each month and will be paid within 31 days following each month end. The initial cash distribution for the period from the closing of this offering to December 31, 2001 is estimated to be \$0.0427 per unit (assuming that closing of the offering occurs on December 20, 2001), substantially all of which will be considered income of the unitholder for Canadian tax purposes, and is expected to be paid on or before January 31, 2002. See “Certain Canadian Federal Income Tax Considerations”.

Holders of units who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the units.

Redemption Right

Units are redeemable at any time on demand by the holders. As the units will be issued in book entry form, a unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the unitholder’s investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the units tendered for redemption will be surrendered and the holder will be entitled to receive a price per unit (the “redemption price”) equal to the lesser of:

- 90% of the “market price” of the units on the principal market on which the units are quoted for trading during the 10 trading day period commencing immediately subsequent to the redemption date, being the date on which the units were surrendered for redemption; and
- 100% of the “closing market price” on the principal market on which the units are quoted for trading on the redemption date.

For the purposes of this calculation, “market price” will be an amount equal to the weighted average of the closing price of the units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the units traded on a particular day, the “market price” will be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the “market price” will be the weighted average of the following prices established for each of the 10 trading days: the weighted average of the last bid and last asking prices of the units for each day there was no trading; the closing price of the units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the units for each day that there was trading if the market provides only the highest and lowest prices of units traded on a particular day. The “closing market price” will be an amount equal to the closing price of the units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the units if there was trading and the exchange or other market provides only the highest and lowest prices of units traded on a particular day; or the weighted average of the last bid and last asking prices of the units if there was no trading on that date.

The total redemption price payable by the Fund in respect of all units surrendered for redemption during any calendar month will be satisfied by way of a cash payment no later than the last day of the month following the month in which the units were tendered for redemption, provided that the entitlement of unitholders to receive cash upon the redemption of their units is subject to the limitations that:

- the total amount payable by the Fund in respect of those units and all other units tendered for redemption in the same calendar month will not exceed \$50,000, provided that the trustees may, in their sole discretion, waive this limitation in respect of all units tendered for redemption in any calendar month;

- at the time the units are tendered for redemption, the outstanding units are not listed for trading on a stock exchange or traded or quoted on another market which the trustees consider, in their sole discretion, provides representative fair market value prices for the units; and
- the normal trading of units is suspended or halted on any stock exchange on which the units are listed (or, if not listed on a stock exchange, on any market on which the units are quoted for trading) on the redemption date or for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

If a unitholder is not entitled to receive cash upon the redemption of units as a result of the foregoing limitations, then each unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a distribution in specie of a pro rata number of securities of D + H Holdings held by the Fund. No fractional common shares or notes in integral multiples of less than \$100 will be distributed and, where the number of securities of D + H Holdings to be received by a unitholder includes a fraction or a multiple less than \$100, that number will be rounded to the next lowest whole number or integral multiple of \$100. The Fund will be entitled to all interest paid on the notes and the distributions paid on the common shares on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of a pro rata number of securities of D + H Holdings on the redemption of units of a unitholder, the Fund currently intends to designate to that unitholder any capital gain realized by the Fund as a result of the distribution of those securities to the unitholder. See “Certain Canadian Federal Income Tax Considerations”.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of units to dispose of their units. Securities of D + H Holdings which may be distributed in specie to unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in securities of D + H Holdings, and they may be subject to resale restrictions under applicable securities laws. Securities of D + H Holdings so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time. See “Certain Canadian Federal Income Tax Considerations”.

Meetings of Unitholders

Meetings of unitholders will be called and held annually for the election of trustees and the appointment of auditors of the Fund. The declaration of trust provides that the unitholders will be entitled to pass resolutions that will bind the Fund only with respect to:

- the election or removal of trustees of the Fund;
- the election or removal of nominees of the Fund to serve as directors of D + H Holdings and Davis + Henderson G.P. (except filling casual vacancies);
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the trustees in respect of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the declaration of trust (except as described below under “Amendments to the Declaration of Trust”);
- the termination of the Fund;
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of D + H Holdings and Davis + Henderson G.P. held by the Fund and the partnership units held by D + H Holdings (see “Exercise of Certain Voting Rights Attached to Securities of D + H Holdings, Davis + Henderson G.P. and Davis + Henderson L.P.” below); and
- the dissolution of the Fund prior to the end of its term.

A resolution electing or removing nominees of the Fund to serve as directors of D + H Holdings and Davis + Henderson G.P. and a resolution appointing or removing the trustees or the auditors of the Fund must be passed by a simple majority of the votes cast by unitholders. The balance of the foregoing matters must be passed by a special resolution requiring two-thirds approval.

A meeting of unitholders may be convened at any time and for any purpose by the trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 10% of the units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders may attend and vote at all meetings of the unitholders either in person or by proxy and a proxy-holder need not be a unitholder. Two persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding units will constitute a quorum for the transaction of business at all meetings.

The declaration of trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of unitholders.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the declaration of trust provides that at no time may non-residents of Canada be the beneficial owners of a majority of the units. The trustees may require declarations as to the jurisdictions in which beneficial owners of units are resident. If the trustees become aware that the beneficial owners of 49% of the units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent and registrar will make a public announcement and will not accept a subscription for units from or issue or register a transfer of units to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the trustees determine that a majority of the units are held by non-residents, the trustees may send a notice to non-resident holders of units, chosen in inverse order to the order of acquisition or registration or in any manner as the trustees may consider equitable and practicable, requiring them to sell their units or a portion of their units within a specified period of not less than 60 days. If the unitholders receiving the notice have not sold the specified number of units or provided the trustees with satisfactory evidence that they are not non-residents within that period, the trustees may, on behalf of those unitholders, sell those units and, in the interim, will suspend the voting and distribution rights attached to those units. Upon that sale, the affected holders will cease to be holders of the units and their rights will be limited to receiving the net proceeds of the sale.

Amendments to the Declaration of Trust

The declaration of trust may be amended or altered from time to time by special resolution of the unitholders. The trustees may, without the approval of the unitholders, make certain amendments to the declaration of trust, including amendments:

- for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the trustees or over the Fund;
- which, in the opinion of counsel to the trustees, provide additional protection for unitholders;
- to remove any conflicts or inconsistencies in the declaration of trust or to make minor corrections which, in the opinion of the trustees, are necessary or desirable and not prejudicial to the unitholders; and
- which, in the opinion of the trustees, are necessary or desirable as a result of changes in Canadian taxation laws.

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on November 6, 2001. On a date selected by the trustees which is not more than two years prior to the expiry of the term of the Fund, the trustees are obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the unitholders may by special resolution require the trustees to commence to wind up the affairs of the Fund.

The declaration of trust provides that, upon being required to commence to wind up the affairs of the Fund, the trustees will give notice to the unitholders, which notice will designate the time or times at which unitholders may surrender their units for cancellation and the date at which the register of units will be closed. After the date the register is closed, the trustees will proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for that purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the unitholders, sell and convert into money the common shares and notes of D + H Holdings and all other assets

comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the trustees will distribute the remaining part of the proceeds of the sale of the common shares and notes of D + H Holdings and other assets together with any cash forming part of the assets of the Fund among the unitholders in accordance with their pro rata interests. If the trustees are unable to sell all or any of the common shares and notes of D + H Holdings or other assets which comprise part of the Fund by the date set for termination, the trustees may distribute the remaining common shares and notes of D + H Holdings or other assets in specie directly to the unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-over Bids

The declaration of trust contains provisions to the effect that if a take-over bid is made for the units and not less than 90% of the units, excluding units to be acquired on the exchange of the partnership units (other than units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror), are taken up and paid for by the offeror, the offeror will be entitled to acquire the units held by unitholders who did not accept the take-over bid on the terms offered by the offeror.

Exercise of Certain Voting Rights Attached to Securities of D + H Holdings, Davis + Henderson G.P., and Davis + Henderson L.P.

The declaration of trust provides that the Fund will not vote the common shares of D + H Holdings or Davis + Henderson G.P. or the D + H Holdings notes held by the Fund, nor will it permit D + H Holdings to vote its partnership units of Davis + Henderson L.P., to authorize, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of D + H Holdings or Davis + Henderson L.P. except in conjunction with an internal reorganization or pledges in connection with permitted guarantees;
- any amalgamation, arrangement or other merger of D + H Holdings, Davis + Henderson G.P. or Davis + Henderson L.P. with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the D + H Holdings note indenture other than in contemplation of a further issuance of D + H Holdings notes;
- the winding-up or dissolution of D + H Holdings, Davis + Henderson G.P. or Davis + Henderson L.P. prior to the end of the term of the Fund; or
- any material amendment to the articles of D + H Holdings or Davis + Henderson G.P. to change the authorized share capital of those companies or any material amendment to the limited partnership agreement of Davis + Henderson L.P. to change the terms of the partnership units, in any case in a manner which may be prejudicial to the Fund,

without the authorization of the unitholders by special resolution.

Information and Reports

The Fund has undertaken to the Ontario Securities Commission to file and/or furnish to unitholders, as required, the audited annual and unaudited interim financial statements of Davis + Henderson L.P. together with any press releases and material change reports that would be released or filed by Davis + Henderson L.P. if it was a reporting issuer under the *Securities Act* (Ontario). In addition, the directors and officers of Davis + Henderson G.P. have undertaken to file insider trading reports as if they were insiders of the Fund. The Fund will also furnish unitholders with such other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of unitholders, the trustees will provide the unitholders (along with notice of the meeting) all information as is required by applicable law and the declaration of trust to be provided to unitholders.

Each of D + H Holdings and Davis + Henderson L.P. has undertaken to provide the Fund with a report of any material change that occurs in the affairs of D + H Holdings or Davis + Henderson L.P. in form and content that it would file with the applicable regulatory authorities as if it were a reporting issuer and all financial statements that it

would be required to file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws. All of those reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required by the Fund in order to comply with its undertaking.

Book-Entry Only System

Registration of interests in and transfers of the units will be made only through a book-based system administered by CDS. On the closing of this offering, the trustees will deliver to CDS one or more certificates representing the total number of units subscribed for under this offering. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service. All rights of unitholders must be exercised through, and all payments or other property to which the unitholder is entitled will be made or delivered by, CDS or the CDS participant through which the unitholder holds the units. Upon a purchase of any units, the unitholder will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the units are purchased. References in this prospectus to a unitholder mean, unless the context otherwise requires, the owner of the beneficial interest in those units.

The ability of a beneficial owner of units to pledge those units or otherwise take action with respect to the unitholder’s interest in those units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the units through the book-entry only system, in which case certificates for the units in fully registered form would be issued to beneficial owners of those units or their nominees.

CONSOLIDATED CAPITALIZATION

The following table sets out the consolidated capitalization of the Fund both before and after giving effect to this offering and the acquisition.

<u>Designation</u>	<u>Authorized</u>	<u>As at November 6, 2001</u>	<u>As at December 11, 2001, after giving effect to the offering and the acquisition</u>
Term debt	N/A	—	—
Units (1)(2)	Unlimited	\$10 (1 Unit)	\$172,350,000 (17,235,000 units)

- (1) The Fund was initially settled on November 6, 2001 with \$10.
- (2) Sufficient units will be reserved for issuance to satisfy the Fund’s obligations to issue units to holders of partnership units on the exchange of the partnership units. See “Davis + Henderson L.P.”.

D + H HOLDINGS

Share Capital of D + H Holdings

The authorized share capital of D + H Holdings consists of an unlimited number of common shares and an unlimited number of preferred shares. Upon closing of the offering, 100 common shares (100%) will be issued and outstanding and owned by the Fund.

Holders of common shares are entitled to receive dividends as and when declared by the board of directors and are entitled to one vote per share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding up of D + H Holdings, the holders of common shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the prior rights of preferred shares (if any).

The board of directors also has the authority, without further action by the shareholders, to issue an unlimited number of preferred shares in one or more series. These preferred shares may be entitled to dividend and liquidation preferences over the common shares. The board is able to fix the designations, powers, preferences, privileges and relative, participating, optional or special rights of any preferred shares issued, including any qualifications, limitations or restrictions. Special rights which may be granted to a series of preferred shares may include dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any of which may be superior to the rights of the common shares.

Distribution Policy

The board of directors of D + H Holdings has adopted a policy to distribute all of its available cash, subject to applicable law, by way of monthly dividends on its common shares or other distributions on its securities, after

- satisfaction of its debt service obligations, if any;
- satisfaction of its interest (including interest accrued or payable on the D + H Holdings notes) and other expense obligations; and
- making any principal repayments in respect of the notes considered advisable by its board of directors, with the consent of the Fund and the holders of the notes by extraordinary resolution.

Notes Issued by D + H Holdings

The following is a summary of the material attributes and characteristics of the notes which will be issued by D + H Holdings under a note indenture to be entered into between D + H Holdings and the note trustee, CIBC Mellon Trust Company. This summary is qualified in its entirety by reference to the provisions of the note indenture which contains a complete statement of those attributes and characteristics.

The notes authorized will be unlimited and will mature ten years after the closing of the offering, subject to prepayment from time to time as considered advisable by the board of directors of D + H Holdings, with the consent of the Fund and the holders of the notes by extraordinary resolution, and subject to extension for an additional ten year term with the consent of the holders of the notes by extraordinary resolution. The notes will bear interest at the rate of 12.5% per annum. Under the terms of the notes, interest is accrued at 12.5% and is to be paid monthly within 31 days following the end of each month. The first interest payment will be payable on or before January 31, 2002. The interest and principal on the notes will be payable in lawful money of Canada at any branch in Canada of the bank to be specified in the note indenture. The notes are issuable only as fully registered notes in minimum denominations of \$100 and for amounts above that minimum only in integral multiples of \$10.

Payment upon Maturity

On maturity, D + H Holdings will repay the indebtedness represented by the notes by paying to the note trustee, on behalf of the holders, in lawful money of Canada an amount equal to the principal amount of the outstanding notes, together with accrued and unpaid interest.

Redemption

From time to time the board of directors of D + H Holdings will review the status of D + H Holdings' assets and the economic condition relating to the Davis + Henderson business and the industry within which it operates. If this review, in the opinion of the board of directors of D + H Holdings, indicates that it is unlikely that the indebtedness of

D + H Holdings evidenced by the notes could be refinanced on the same terms and conditions upon maturity of those notes, then D + H Holdings may, subject to the consent of the Fund and the holders of the notes by extraordinary resolution, commence principal repayments on the notes so that in the opinion of the board of directors of D + H Holdings, the notes will be fully repaid upon maturity. In that event, the available cash of D + H Holdings will be utilized to the extent required to fund those repayments in lieu of dividends on its common shares. In addition, if D + H Holdings has available cash, but is prohibited from declaring or paying a dividend or reducing its stated capital under applicable corporate laws, the board of directors of D + H Holdings may make principal repayments on the notes to the extent of that available cash. Except as set out above, the notes will not be redeemable at the option of D + H Holdings or by the holders prior to maturity.

Ranking

The notes will be unsecured debt obligations of D + H Holdings and be subordinate in right of payment to other direct unsecured indebtedness of D + H Holdings and all secured debt of D + H Holdings (if any).

Default

The note indenture provides that any of the following will constitute an event of default:

- default in payment of the principal of the notes when the principal becomes due;
- the failure to pay the interest obligations of the notes when those interest obligations become due, for a period of 30 days;
- acceleration on any indebtedness exceeding \$1,000,000;
- certain events of winding-up, liquidation, bankruptcy, insolvency or receivership;
- the taking of possession by an encumbrancer of all or substantially all of the property of D + H Holdings;
- Davis + Henderson L.P. ceasing to carry on the Davis + Henderson business, or a substantial or significant part of the business, in the ordinary course; or
- default in the observance or performance of any other covenant or condition of the note indenture and the continuance of that default for a period of 60 days after notice in writing has been given by the note trustee to D + H Holdings, which notice specifies the default and requires D + H Holdings to remedy the default.

The note indenture also provides that the note trustee will not take steps or actions with respect to an event of default without the prior consent of the Fund so long as the Fund holds, directly or indirectly, at least 25% of the total principal amount of the outstanding notes. Certain other provisions under the note indenture require the prior consent or authorization of the Fund so long as the Fund holds, directly or indirectly, at least 25% of the total principal amount of the outstanding notes.

DAVIS + HENDERSON L.P.

Partnership Units

The following is a summary of the material attributes and characteristics of the partnership units which will be issued under the Davis + Henderson L.P. partnership agreement to be entered into between MDC, as initial limited partner, Davis + Henderson G.P., as general partner, and each person who becomes a limited partner from time to time. This summary is qualified in its entirety by reference to the provisions of the partnership agreement which contains a complete statement of those attributes and characteristics.

Capitalization

Davis + Henderson L.P. may issue an unlimited number of partnership units to any person. The partnership agreement authorizes Davis + Henderson G.P. to cause Davis + Henderson L.P. to issue additional partnership units for any consideration and on any terms and conditions as are established by Davis + Henderson G.P. Although Davis + Henderson G.P. in its discretion may utilize a rights offering to issue additional partnership units, partnership unitholders will not have a pre-emptive right to acquire additional partnership units in proportion to their existing ownership of partnership units.

Distributions

Davis + Henderson L.P. will distribute, to Davis + Henderson G.P. and to limited partners (listed on the record) on the last day of each month (the "distribution period"), their pro rata portions of distributable cash as set out below. Distributions will be made within 40 days of the end of each distribution period. Davis + Henderson L.P. may, in addition, make a distribution at any other time.

Distributable cash will represent, in general, all of Davis + Henderson L.P.'s available cash, after

- satisfaction of its debt service obligations, if any;
- satisfaction of its interest (including interest accrued or payable under the credit facility), maintenance expenditures (capital and contract payments) and other expense obligations; and
- retaining reasonable working capital and capital expenditure reserves as may be considered appropriate by the board of directors of the Davis + Henderson G.P.

Allocation of Net Income and Losses

The income or loss of Davis + Henderson L.P. for each fiscal year will be allocated to Davis + Henderson G.P. and to the limited partners as to 0.001% and 99.999%, respectively. The income for tax purposes of Davis + Henderson L.P. for a particular fiscal year will be allocated to each limited partner in an amount calculated by multiplying the total income allocated to the limited partners by a fraction, the numerator of which is the sum of the cash distributions received by that limited partner with respect to that fiscal year and the denominator of which is the total amount of the cash distributions made by Davis + Henderson L.P. to all limited partners with respect to that fiscal year. The amount of income allocated to a limited partner may exceed or be less than the amount of cash distributed by Davis + Henderson L.P. to that limited partner.

Income and loss of Davis + Henderson L.P. for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

If, with respect to a given fiscal year, no cash distribution is made by Davis + Henderson L.P. to its partners, or Davis + Henderson L.P. has a loss for tax purposes, one twelfth of the income or loss, as the case may be, for tax purposes of Davis + Henderson L.P. for that fiscal year will be allocated to Davis + Henderson G.P. and the limited partners at the end of each month ending in that fiscal year, as to 0.001% and 99.999%, respectively, and to each limited partner in the proportion that the number of partnership units held at each of those dates by that limited partner is of the total number of partnership units issued and outstanding at each of those dates.

Functions and Powers of Davis + Henderson G.P.

Davis + Henderson G.P. has exclusive authority to manage the business and affairs of Davis + Henderson L.P., to make all decisions regarding the business of Davis + Henderson L.P. and to bind Davis + Henderson L.P. Davis + Henderson G.P. is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Davis + Henderson L.P. and to exercise the care, diligence and skill of a reasonably prudent person in

comparable circumstances. Davis + Henderson G.P. cannot dissolve Davis + Henderson L.P., wind up its affairs or effect a bulk sale of its assets except in accordance with the provisions of the partnership agreement.

The authority and power vested in Davis + Henderson G.P. to manage the business and affairs of Davis + Henderson L.P. includes all authority necessary or incidental to carry out the objects, purposes and business of Davis + Henderson L.P., including without limitation the ability to engage agents to assist Davis + Henderson G.P. to carry out its management obligations or substantially administrative functions.

The partnership agreement provides that all material transactions and agreements involving Davis + Henderson L.P. (other than the agreements entered into in connection with the formation of Davis + Henderson L.P.) must be approved by Davis + Henderson G.P.'s board of directors, and, where those agreements involve Davis + Henderson G.P. or its affiliates or associates, they must be approved by a majority of the directors not nominees of an affiliate or an associate of Davis + Henderson G.P.

Restrictions on Authority of Davis + Henderson G.P.

The authority of Davis + Henderson G.P. is limited in certain respects under the partnership agreement. Davis + Henderson G.P. is prohibited, without the prior approval of the limited partners given by ordinary resolution, from dissolving Davis + Henderson L.P. or, without the prior approval of the limited partners given by extraordinary resolution, from selling, exchanging or otherwise disposing of all or substantially all of the assets of Davis + Henderson L.P. MDC's holding of partnership units would enable it to approve such a dissolution.

Reimbursement of General Partner

Davis + Henderson L.P. will reimburse Davis + Henderson G.P. for all direct costs and expenses incurred by Davis + Henderson G.P. in the performance of its duties under the partnership agreement on behalf of Davis + Henderson L.P.

Limited Liability

Davis + Henderson L.P. will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of Davis + Henderson G.P. in performing its duties and obligations under the partnership agreement, Davis + Henderson G.P. has agreed to indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the partnership agreement. However, since Davis + Henderson G.P. has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of Partnership Units

Partnership units are fully transferable subject to the payment of an administration fee, if any, by the transferee. However, a partnership unit is not transferable in part and no transfer of a partnership unit will be accepted by Davis + Henderson G.P. unless a transfer form, duly completed and signed by the registered holder of the partnership unit and the transferee, has been remitted to the registrar and transfer agent of Davis + Henderson L.P. A transferee of the partnership unit will become a limited partner and will be subject to the obligations and entitled to the rights of a limited partner under the partnership agreement on the date on which the transfer is recorded.

Withdrawal or Removal of Davis + Henderson G.P.

Davis + Henderson G.P. may resign on not less than 180 days' written notice to the limited partners provided that Davis + Henderson G.P. will not resign if the effect would be to dissolve Davis + Henderson L.P.

Davis + Henderson G.P. may not be removed as general partner of Davis + Henderson L.P. unless:

- Davis + Henderson G.P. has committed a material breach of the partnership agreement, which breach has continued for 90 days after notice, and that removal is also approved by extraordinary resolution of the limited partners;
- the shareholders or directors of Davis + Henderson G.P. pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of Davis + Henderson G.P., or Davis + Henderson G.P. commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner agrees to act as general partner under the partnership agreement; or

- an extraordinary resolution has been passed by partnership unitholders and a successor general partner agrees to act as general partner under the partnership agreement.

Amendment

The partnership agreement may only be amended with the consent of the partners given by approval of 66 $\frac{2}{3}$ % of the partnership units voted on the amendment at a duly constituted meeting or a written resolution of partners holding more than 66 $\frac{2}{3}$ % of the partnership units entitled to vote at a duly constituted meeting, except in the circumstances set out below.

- No amendment can be made to the partnership agreement altering the ability of the limited partners to remove Davis + Henderson G.P. involuntarily, changing the liability of any limited partner, allowing any limited partner to exercise control over the business of Davis + Henderson L.P., changing the right of a partner to vote at any meeting, reducing the percentage of income allocable to limited partners to below 99.999% or changing Davis + Henderson L.P. from a limited partnership to a general partnership without the unanimous written consent of the partners.
- No amendment which would adversely affect the rights and obligations of Davis + Henderson G.P., as general partner, may be made without its consent.
- No amendment may be made to the credit facility arrangements between Davis + Henderson L.P. and MDC in a manner which would be adverse to Davis + Henderson L.P. without an extraordinary resolution of the limited partners, excluding votes attached to partnership units held by MDC or its affiliates, other than in limited circumstances.

Davis + Henderson G.P. may make amendments to the partnership agreement without the approval of the limited partners to reflect: (i) a change in the name of Davis + Henderson L.P. or the location of the principal place of business of Davis + Henderson L.P. or the registered office of Davis + Henderson L.P.; (ii) admission, substitution, withdrawal or removal of limited partners in accordance with the partnership agreement; (iii) a change that, as determined by Davis + Henderson G.P. in its sole discretion, is reasonable and necessary or appropriate to qualify or continue the qualification of Davis + Henderson L.P. as a limited partnership in which the limited partners have limited liability under the applicable laws; (iv) a change that, as determined by Davis + Henderson G.P. in its sole discretion, is reasonable, necessary or appropriate to enable Davis + Henderson L.P. to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (v) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the partnership agreement which may be defective or inconsistent with any other provision contained in the partnership agreement or which should be made to make the partnership agreement consistent with the disclosure set out in this prospectus; or (vi) a change that, as determined by Davis + Henderson G.P. in its sole discretion, does not materially adversely affect the limited partners.

Meetings

Davis + Henderson G.P. may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of not less than 20% of the outstanding partnership units in number (excluding partnership units held by Davis + Henderson G.P. or its affiliates or associates). Each limited partner is entitled to one vote for each partnership unit held. Davis + Henderson G.P. is entitled to one vote in its capacity as general partner. A quorum at a meeting of partners consists of two or more partners present in person or by proxy.

Davis + Henderson G.P. Unanimous Shareholder Agreement

On closing of the acquisition, the Fund, MDC and Davis + Henderson G.P. will enter into a unanimous shareholder agreement in respect of Davis + Henderson G.P.

Directors

The articles of Davis + Henderson G.P. fix the size of the board of directors of Davis + Henderson G.P. at seven directors. It will be a term of the shareholder agreement that MDC will initially be entitled to nominate four directors and the remaining directors will be nominated by the Fund. If MDC's holding of partnership units represents less than 50% but is equal to or greater than 25% of the outstanding partnership units, then one of MDC's nominees to the board must be independent of MDC and its affiliates. MDC will be entitled to nominate three directors if its holding of partnership units represents less than 25% but not less than 10% of the outstanding partnership units and no directors if

its holding represents less than 10% of the outstanding partnership units, with the remaining directors in each case being nominated by the Fund.

Under the shareholders agreement, MDC will also be entitled to appoint the chairman of the board of directors of Davis + Henderson G.P. for so long as MDC's holding represents 25% or more of the outstanding partnership units of Davis + Henderson L.P.

Common Shares

The articles of Davis + Henderson G.P. will contain standard private company restrictions which restrict all shareholders (initially, the Fund and MDC) from transferring their common shares of Davis + Henderson G.P. without consent of the directors or shareholders. The shareholder agreement will provide that MDC may transfer or pledge its common shares to any person provided that

- the person agrees to be bound by the shareholder agreement; or
- if the person is a lender to which the shares have been pledged, upon exercising its rights to take ownership of the shares, the lender agrees to be bound by the shareholder agreement and, upon the sale by the lender to a third party, to ensure that the third party will be bound by the shareholder agreement.

MDC will be required to transfer its shares to the Fund in the following circumstances:

- MDC (or its permitted transferee(s)) makes an assignment for the benefit of its creditors generally or files a proposal under the *Bankruptcy and Insolvency Act* (Canada), makes an application under the *Companies' Creditors Arrangements Act* (Canada) or passes a resolution for the winding-up or other liquidation of MDC;
- the shareholders or directors of MDC (or its permitted transferee(s)) pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding up of MDC, or MDC commits certain other voluntary acts of bankruptcy or ceases to be a subsisting entity;
- MDC's holding of partnership units represents less than 25% but no less than 10% of the outstanding partnership units, in which case MDC will be required to transfer to the Fund a number of common shares so that, post-transfer, MDC holds 25% of the outstanding common shares of Davis + Henderson G.P.; or
- MDC's holding of partnership units represents less than 10% of the outstanding partnership units, in which case MDC will be required to transfer all of its common shares of Davis + Henderson G.P. to the Fund.

MDC's Continuing Interest

Following the reorganization, MDC will hold 20,685,792 partnership units, each of which is indirectly exchangeable under the exchange agreement for a number of units of the Fund equal to the exchange ratio as at the exchange date (generally equal to one, subject to adjustments). If the over-allotment option is exercised, the net proceeds received by the Fund will be used by the Fund to acquire additional common shares and/or notes of D + H Holdings which will purchase for cash a number of the partnership units held by MDC. See "Principal Unitholder".

Exchange Agreement

On closing of the acquisition, the Fund, MDC and D + H Holdings will enter into an exchange agreement.

The exchange agreement will grant MDC the right to require D + H Holdings and the Fund to indirectly exchange each of MDC's partnership units for a number of units of the Fund equal to the exchange ratio as at the exchange date. This exchange will be effected in two stages. First, the partnership units will be exchanged with D + H Holdings for common shares and notes of D + H Holdings having a total combined value equal to the partnership units, as determined by the directors of D + H Holdings, having regard to the appropriate debt/equity ratio for a company in similar circumstances. Second, the common shares and notes of D + H Holdings received by MDC will be exchanged with the Fund for units of the Fund. The Fund will thereby acquire additional common shares and notes of D + H Holdings.

This agreement may be assigned by MDC in whole or in part.

PRINCIPAL UNITHOLDER

The following table shows the name and information about the securities of the Fund owned by each person or company who, as at December 11, 2001, owned of record, or who, to the knowledge of the Fund, owned beneficially, directly or indirectly, more than 10% of any class or series of voting securities of the Fund:

<u>Name</u>	<u>Number of Units Owned</u>	<u>Number of Securities of any Class of the Fund to be Owned After the Offering</u>	<u>Type of Ownership</u>	<u>Percentage of Each Class Owned Before (and to be Owned After) the Offering</u>
MDC Corporation Inc.	—	20,685,792 units (1)	Indirect, beneficial	100 (2) (54.55) (3)

- (1) After completion of the reorganization, the offering and the acquisition, MDC Corporation Inc. will own 20,685,792 partnership units which are exchangeable indirectly at any time into 20,685,792 units of the Fund.
- (2) Assuming completion of the reorganization and the indirect exchange of all of MDC's partnership units into units of the Fund (both simple and on a fully-diluted basis).
- (3) Assuming completion of the reorganization, the offering and the acquisition and assuming the indirect exchange of all of MDC's partnership units into units of the Fund (both simple and on a fully-diluted basis).

PLAN OF DISTRIBUTION

The Fund, MDC, and the underwriters, CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., TD Securities Inc. and Griffiths McBurney & Partners have entered into an underwriting agreement dated December 11, 2001. Under that agreement and subject to its terms and conditions, the Fund has agreed to sell and the underwriters have agreed to purchase on the closing date, being December 20, 2001 or any later date as may be agreed upon by the parties but not later than January 11, 2002, all but not less than all of the offered units at a price of \$10.00 per unit, payable against delivery of certificates representing the offered units. The offering price of the units was determined by negotiation between the Fund, MDC and the underwriters. In consideration for their services in connection with this offering, the Fund has agreed to pay the underwriters a fee of 5.75% of the total gross proceeds of the offering.

The obligations of the underwriters under the underwriting agreement are conditional and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events. The underwriters are, however, severally obligated to take up and pay for all offered units that they have obliged themselves to purchase if any of the offered units are purchased under the underwriting agreement.

Subscriptions for units 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 without notice.

The Fund has granted the underwriters, for a period of 30 days following the date of the final prospectus, an over-allotment option to purchase up to 1,720,000 units, to cover over-allotments and for market stabilization purposes, if any, at the public offering price. This prospectus also qualifies the distribution of the units issuable upon exercise of the over-allotment option and subsequent transfer of the units issuable upon exercise of that option.

The TSE has conditionally approved the listing of the units. Listing is subject to the Fund fulfilling all of the requirements of the TSE on or before March 6, 2002, including the distribution of the units to a minimum number of public unitholders.

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, subject to certain exemptions, may not be offered or sold in the United States. The underwriters have agreed that they will not offer or sell the units within the United States except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to institutional accredited investors.

In addition, until 40 days after the closing date, an offer or sale of units within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the underwriters may not, throughout the period of distribution, bid for or purchase units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, units. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange 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. Under the first-mentioned exception, in connection with the offering, the underwriters 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 in the open market. Those transactions, if commenced, may be discontinued at any time.

The Fund has agreed not to sell or issue, or negotiate or enter into an agreement to sell or issue, any of its securities for a period of 180 days following the date of closing of this offering, without the prior consent of the underwriters, other than in connection with specific types of transactions. MDC has agreed not to sell or negotiate, or enter into an agreement to sell, any of its securities of Davis + Henderson L.P. or of the Fund, for a period of 180 days following the date of closing of this offering, without the prior consent of the underwriters, other than in connection with specific types of transactions.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the Fund, and Osler, Hoskin & Harcourt LLP, counsel to the underwriters, the following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a unitholder who acquires units in connection with this offering and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds the units as capital property. Generally, units will be considered to be capital property to a unitholder provided that the unitholder does not hold the units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain unitholders who might not otherwise be considered to hold their units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a unitholder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a specified financial institution or a unitholder an interest in which is a tax shelter investment (all as defined in the Tax Act).

This summary is based upon the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this prospectus and counsel's understanding of the current published administrative and assessing practices of the Canada Customs and Revenue Agency and takes into account all specific proposals to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus. There can be no assurance that any tax proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in units. Moreover, the income and other tax consequences of acquiring, holding or disposing of units will vary depending on the unitholder's particular circumstances, including the province or provinces in which the unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of units. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in units based on their particular circumstances.

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund will qualify as a "mutual fund trust" as defined in the Tax Act on completion of the offering of units, and will then continuously qualify as a mutual fund trust. This summary assumes that the Fund will elect to be deemed to be a mutual fund trust from the date it is established. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

Qualified Investment

The units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (the “plans”), subject to the specific provisions of any particular plan. If the Fund ceases to qualify as a mutual fund trust, the units will cease to be qualified investments for those plans.

A common share or note of D + H Holdings received as a result of a redemption of units may not be a qualified investment for a plan which could give rise to adverse consequences to the plan or the annuitant under the plan. Accordingly, plans that own units should consult their own tax advisors before deciding to exercise the redemption rights attached to the units.

Foreign Property

Based in part on a certificate of D + H Holdings as to factual matters, units will not constitute foreign property for plans (other than registered education savings plans), registered pension plans or other persons subject to tax under Part XI of the Tax Act. Trusts governed by registered education savings plans are not subject to the foreign property rules.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to unitholders. An amount will be considered to be payable to a unitholder in a taxation year if it is paid to the unitholder in the year by the Fund or if the unitholder is entitled in that year to enforce payment of the amount.

The Fund will include in its income for each taxation year all interest on the notes of D + H Holdings that accrues to the Fund to the end of the year, or that becomes receivable or is received by it before the end of the year, except to the extent that interest was included in computing its income for a preceding taxation year.

In addition, the Fund will include in its income any dividends received on the common shares of D + H Holdings. Any amount paid to the Fund in respect of the common shares of D + H Holdings (other than an amount that is a return of capital for purposes of the Tax Act) will generally constitute a dividend to the Fund. Any amount paid to the Fund on a repurchase of the common shares of D + H Holdings that is in excess of the paid-up capital of those shares will also be deemed to be a dividend to the Fund. Provided that such amounts are distributed to unitholders and appropriate designations are made by the Fund, all amounts which would otherwise be included in its income as dividends received on the common shares of D + H Holdings will be deemed to have been received by the unitholders and not to have been received by the Fund.

A distribution by the Fund of common shares or notes of D + H Holdings upon a redemption of units will be treated as a disposition by the Fund of the securities so distributed for proceeds of disposition equal to their fair market value. The Fund’s proceeds from the disposition of D + H Holdings notes will be reduced by any accrued but unpaid interest in respect of those notes, which interest will generally be included in the Fund’s income in the year of disposition to the extent it was not included in the Fund’s income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the expenses incurred by the Fund to issue units in connection with this offering. The portion of those issue expenses deductible by the Fund in a taxation year is 20% of those issue expenses, pro-rated where the Fund’s taxation year is less than 365 days.

Under the declaration of trust, an amount equal to all of the income of the Fund, together with the non-taxable portion of any net capital gain realized by the Fund, but excluding capital gains arising on a distribution in specie of common shares or notes of D + H Holdings on redemption of units which are designated by the Fund to redeeming unitholders, will be payable in the year to the holders of the units by way of cash distributions, subject to the exceptions described below. Income of the Fund which is applied to fund redemptions of units for cash or is otherwise unavailable for cash distributions will be distributed to unitholders in the form of additional units. Income of the Fund payable to

unitholders, whether in cash, additional units or otherwise, will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of units during the year (the “capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund’s tax liability for that taxation year arising as a result of the distribution of common shares or notes of D + H Holdings on the redemption of units. The declaration of trust provides that the taxable portion of any capital gain realized by the Fund as a result of that redemption may, at the discretion of the trustees, be treated as income paid to, and designated as a taxable capital gain of, the redeeming unitholders. Any amount so designated must be included in the income of the redeeming unitholders and will be deductible by the Fund. In addition, certain accrued interest on D + H Holdings notes distributed to a redeeming unitholder will be treated as an amount paid to that unitholder and will be deductible by the Fund.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act.

Taxation of Davis + Henderson L.P. and D + H Holdings

Davis + Henderson L.P. is not subject to tax under the Tax Act. Each partner of Davis + Henderson L.P., including D + H Holdings, is required to include in computing the partner’s income the partner’s share of the income or loss of Davis + Henderson L.P. for its fiscal year ending in the partner’s taxation year end, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of Davis + Henderson L.P. will be computed for each fiscal year as if Davis + Henderson L.P. were a separate person resident in Canada. In computing the income or loss of Davis + Henderson L.P., deductions will be claimed in respect of its administrative and other expenses and available capital cost allowances. The income or loss of Davis + Henderson L.P. for a fiscal year will be allocated to the partners of Davis + Henderson L.P., including D + H Holdings, on the basis of their respective share of that income or loss subject to the detailed rules in the Tax Act in that regard.

Taxation of Unitholders

Fund Distributions

A unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the unitholder in the particular taxation year, whether that amount is received in cash, additional units or otherwise.

Provided that appropriate designations are made by the Fund, that portion of its taxable dividends received from taxable Canadian corporations and net taxable capital gains as is paid or payable to a unitholder will effectively retain its character and be treated as such in the hands of the unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from D + H Holdings, the normal gross-up and dividend tax credit provisions will be applicable in respect of unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction in computing taxable income will be available to unitholders that are corporations.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a unitholder in a taxation year will not be included in computing the unitholder’s income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a unitholder in that year will not generally be included in the unitholder’s income for the year. However, where such an amount is paid or payable to a unitholder (other than as proceeds in respect of the redemption of units), the unitholder will be required to reduce the adjusted cost base of the units by that amount. To the extent that the adjusted cost base of a unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the unit to the unitholder will then be nil.

The cost to a unitholder of additional units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those units. 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 unitholder as capital property immediately before that acquisition.

Dispositions of Units

On the disposition or deemed disposition of a unit whether on a redemption or otherwise, the unitholder will realize a capital gain (or capital loss) equal to the amount by which the unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the unitholder's income.

Where units are redeemed by the distribution of notes or common shares of D + H Holdings to the redeeming unitholder, the proceeds of disposition to the unitholder of the units will be equal to the fair market value of the notes or common shares of D + H Holdings so distributed less any capital gain realized by the Fund as a result of the redemption of those units which has been designated by the Fund to the unitholder and, in the case of notes, any accrued interest on those notes. Where a capital gain realized by the Fund as a result of the distribution of common shares or notes of D + H Holdings on the redemption of units has been designated by the Fund to a redeeming unitholder, the unitholder will be required to include in income the taxable portion of the capital gain so designated. Interest accrued in the taxation year of the Fund in which the redemption occurs but which has not been paid at the time of redemption will be treated as an amount of income paid to the unitholder and therefore will be included in the unitholder's income in the year the unit is redeemed. The cost of any note or common share of D + H Holdings distributed by the Fund to a unitholder upon a redemption of units will be equal to the fair market value of that security at the time of the distribution less, in the case of a note, any accrued interest on the note. The unitholder will thereafter be required to include in income interest on any note so distributed in accordance with the provisions of the Tax Act. To the extent that the unitholder is thereafter required to include in income any interest accrued to the date of the acquisition of a note by the unitholder, an offsetting deduction will be available.

The consolidation of units of the Fund will not be considered to result in a disposition of units by unitholders. The aggregate adjusted cost base to a unitholder of all of the unitholder's units of the Fund will not change as a result of a consolidation of units; however, the adjusted cost base per unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a unitholder and the amount of any net taxable capital gains designated by the Fund in respect of a unitholder will be included in the unitholder's income as a taxable capital gain and one-half of any capital loss realized by a unitholder may generally be deducted only from taxable capital gains in accordance with the provisions of the Tax Act.

Where a unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a unit, the unitholder's capital loss from the disposition will generally be reduced by the amount of dividends from D + H Holdings, previously designated by the Fund to the unitholder except to the extent that a loss on a previous disposition of a unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of units.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a unitholder who is an individual that is designated as taxable dividends or as net realized capital gains and capital gains realized on the disposition of units may increase the unitholder's liability for alternative minimum tax.

RISK FACTORS

An investment in the securities offered under this prospectus involves a number of risks. In addition to the other information contained in this prospectus, prospective purchasers should give careful consideration to the following factors.

Risks Related to the Business and the Industry

Reliance on Contracts with Financial Institution Customers

Davis + Henderson is dependent upon certain significant financial institutions in providing services for their account holders. Services and products provided to the Company's six major financial institution customers accounted for approximately 71% of the Company's 2000 revenue.

There can be no assurance that the Company will maintain its relationships or continue to provide services to any particular financial institution customer at current levels. Davis + Henderson enters into contracts with financial institution customers for terms ranging from one to five years. Although some of those contracts are renewable, there can be no assurance that those contracts will be renewed. A loss of any significant financial institution customer, or a decrease in the provision of services to any financial institution customer, could have a material adverse affect on Davis + Henderson's business. These losses could occur if Davis + Henderson fails to renew its contracts with financial institutions, financial institutions are acquired by foreign businesses who already have established relationships with cheque supply outsourcers or if a financial institution decides to perform its cheque supply functions in-house.

Potential consolidation in the financial institution industry may adversely affect revenues from cheque supply outsourcing programs. Margins on cheque orders obtained through financial institutions may be pressured as those financial institutions seek their own merger synergies.

In addition, there is no assurance that any new agreement entered into by Davis + Henderson will have terms similar to those contained in current arrangements with financial institution customers and the failure to obtain those terms could have a material adverse effect on Davis + Henderson's business, financial condition and results of operations.

Competition from Substitute Products

Banking and related industries have introduced alternatives to paper-based payment products such as automated teller machines, pre-authorized debits, credit cards, debit cards, and electronic payment systems, such as telephone and Internet bill payment. Additional forms of alternative payment methods, including e-commerce and software programs, are continually being developed and may also compete with the products and services offered by the Company. Use of these payment alternatives negatively affects the number of cheques written. The use of alternative payment methods continues to grow and expand and may in the future further reduce the number of cheques written and consequently reduce the number or value of orders sold by the Company. Such a reduction would have a material adverse effect on the Company's operating results.

Competition from Competitors Supplying Similar Products and Services

Some of Davis + Henderson's competitors (particularly those in the United States) have economic resources greater than those of Davis + Henderson and are well established suppliers. The United States based competitors will materially affect the Company's ability to expand its operations in the United States. They already affect the competitive situation within Canada and may supply products within Canada at any time. As well, a competitor may reduce the price of its products in an attempt to gain greater volume, and the corresponding pricing pressure placed on Davis + Henderson may result in reduced profit margins. A loss of business may occur if Davis + Henderson does not meet competitive prices that fall below its profitability targets.

Several of Davis + Henderson's niche services and products are sold into select market segments. There can be no assurance, however, that these segments will not attract additional competitors that could have greater financial, technological, manufacturing and marketing resources than Davis + Henderson.

Davis + Henderson has entered into a non-competition agreement under which it has agreed not to compete in the direct-to-consumer cheque business in the United States and not to compete in certain non-cheque related businesses currently operated by MDC for a period commencing on the closing of the offering and ending five (5) years after MDC ceases to own 25% or more of the common shares of Davis + Henderson G.P. This may limit the ability of Davis + Henderson to increase its customer base in those geographical areas.

Non-Competition Agreement

In 1997, MDC acquired a United States company that had previously entered into an agreement with a United States competitor of the acquired company not to sell cheque products to or through financial institutions in the United States until February 2005, which contract purports to bind "Affiliates" of the acquired company. MDC and the acquired company are currently seeking clarification of their obligations, if any, under this agreement through the United States courts. An adverse finding by those courts would delay Davis + Henderson's plans to expand its business into the United States.

Failure to Develop Product and Service Options

Davis + Henderson's ability to continue to generate comparable net income is based, in part, on the addition of new products and services which could be sold to existing account holders. There can be no assurance that the Company will develop new products or services that will receive widespread market acceptance or that those new products and services will yield favourable margins. The failure to develop and successfully market new products and services at favourable margins could have an impact on Davis + Henderson's future prospects.

Intellectual Property Rights

Davis + Henderson relies on a combination of trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect its intellectual property. Intellectual property laws afford limited protection. It may be possible for a third party to copy Davis + Henderson's products and services or otherwise obtain its proprietary information without its permission. There is no assurance that Davis + Henderson's competitors will not independently develop products and services that are substantially equivalent or superior to its products and services.

Public Company Litigation Risk

Because MDC is a public company, any transaction or agreement between MDC and the Fund or Davis + Henderson L.P. (including the acquisition) may be subject to claims by the public securityholders and creditors of MDC, which could in turn subject the Fund and Davis + Henderson L.P. to that litigation. Litigation is expensive, time consuming and may divert management's attention away from the operation of the Company.

Raw Material Exposure

Davis + Henderson utilizes a number of raw materials which are subject to price fluctuations beyond its control. Market price fluctuations of these raw materials could have a material adverse effect on Davis + Henderson's financial condition and results of operations. There has generally been a lag time before those increases and decreases could be passed on to Davis + Henderson's customers. There can be no assurance that the price of Davis + Henderson's raw materials will not increase in the future or that Davis + Henderson will be able to pass on those increases to its customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on Davis + Henderson's results of operations and financial condition.

Labour

In 1997, one collective agreement was renegotiated for a five-year term, representing approximately 100 employees of the Company. The Company has not suffered any loss of production due to work stoppages by its employees during its history, but there can be no assurance that a work stoppage will not occur in the future. In addition, a number of Davis + Henderson's suppliers have employees who are represented by collective agreements and may be subjected to work stoppages.

Reliance on Key Personnel

Davis + Henderson's operations are dependent on the abilities, experience and efforts of its senior management. While Davis + Henderson has entered into employment arrangements with certain members of its senior management, should any of these persons be unable or unwilling to continue his or her employment with Davis + Henderson, the business prospects of Davis + Henderson could be adversely affected.

Environment, Health and Safety Requirements and other Considerations

Davis + Henderson's operations are subject to numerous and significant laws, including statutes, regulations, by-laws, guidelines and policies as well as permits and other approvals relating to the protection of the environment and workers' health and safety, governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), the storage, handling, transportation and distribution of dangerous goods and hazardous materials such as chemicals, remediation of releases and the presence of hazardous materials, land use and zoning and employee health and safety in the United States and Canada (the "Environment, Health and Safety Requirements"). As a result of Davis + Henderson's operations, it is or may be involved from time to time in administrative and judicial proceedings and inquiries relating to environment, health and safety requirements. Future proceedings or inquiries could have a material adverse effect on Davis + Henderson's business, financial condition and results of operations.

In addition, changes to existing Environment, Health and Safety Requirements or the adoption of new Environment, Health and Safety Requirements in the future, changes to the enforcement of Environment, Health and Safety Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by Davis + Henderson, could require expenditures which might materially affect Davis + Henderson's business, financial condition and results of operations, to the extent not covered by indemnity, insurance or a covenant not to sue.

Operating and Product Hazards

Davis + Henderson's revenues are dependent on the continued operation of its facilities. The operation of facilities involves some risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of Davis + Henderson are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including industrial chemicals. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. Furthermore, Davis + Henderson also has exposure to present and future claims with respect to workplace exposure, workers' compensation and other matters, arising from events both prior to and after the acquisition. There can be no assurance as to the actual amount of these liabilities or the timing of them. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on Davis + Henderson's business, financial condition and results of operations.

Risks of Future Legal Proceedings

Alleged failure by Davis + Henderson to comply with laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of the renewal of permits and licenses by governmental authorities. In addition, governmental authorities as well as third parties may claim that Davis + Henderson is liable for environmental damages. A significant judgment against Davis + Henderson, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on Davis + Henderson's business, financial condition and future prospects.

Potential Undisclosed Liabilities Associated with Acquisitions

In connection with the acquisition of the business from MDC, or the acquisition by MDC of certain parts of the business from other parties, there may be liabilities that Davis + Henderson failed or was unable to discover in its due diligence prior to the consummation of the acquisition. In particular, to the extent that prior owners of businesses failed to comply with or otherwise violated applicable laws, including environmental laws, Davis + Henderson, as a successor owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on Davis + Henderson's business, financial condition or future prospects.

Uninsured and Underinsured Losses

The declaration of trust requires that the Fund obtain and maintain at all times insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in those amounts, with those insurers, and on those terms as the trustees consider appropriate, taking into account all relevant factors including the practices of owners of similar assets and operations. Davis + Henderson believes that the insurance coverage which will be maintained will be in the form of comprehensive property and casualty insurance with coverages and amounts sufficient to repair or replace any assets physically damaged or destroyed, including coverage for resultant business interruption losses, or extra expenses sustained, and to cover in respect of claims for bodily injury or property damage arising out of assets or operations, including the handling and distribution of hazardous chemicals. However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Davis + Henderson.

Risks Related to the Structure of the Fund and this Offering

Dependence on Davis + Henderson L.P.

The Fund is a limited purpose trust which will be entirely dependent on the operations and assets of Davis + Henderson L.P. through the indirect ownership of its partnership units. Cash distributions to unitholders will be dependent on the ability of D + H Holdings to pay its interest obligations under its notes and to declare and pay dividends or make other distributions on its common shares, which in turn is dependent on the ability of Davis + Henderson L.P. to declare and pay distributions on its partnership units. The ability of Davis + Henderson L.P. or D + H Holdings to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities (including the proposed credit facility described above).

Leverage and Restrictive Covenants

Davis + Henderson will have significant debt service obligations under the proposed credit facility. See “Principal Agreements — Credit Facility”. The degree to which Davis + Henderson is leveraged could have important consequences to the holders of the units, including:

- Davis + Henderson’s ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a substantial portion of Davis + Henderson’s cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations;
- certain of Davis + Henderson’s borrowings will be at variable rates of interest, which exposes Davis + Henderson to the risk of increased interest rates; and
- Davis + Henderson may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

Certain of Davis + Henderson’s competitors may currently operate on a less leveraged basis and therefore could have significantly greater operating and financing flexibility than Davis + Henderson. Davis + Henderson’s ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The proposed credit facility will contain numerous restrictive covenants that limit the discretion of Davis + Henderson’s management with respect to certain business matters. These covenants will place significant restrictions on, among other things, the ability of Davis + Henderson to incur additional indebtedness, to create liens or other encumbrances, to pay distributions on the partnership units of Davis + Henderson L.P. or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the proposed credit facility will contain a number of financial covenants that require Davis + Henderson to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the proposed credit facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and acceleration. If the indebtedness under the credit facility were to be accelerated, there can be no assurance that the assets of Davis + Henderson would be sufficient to repay in full that indebtedness.

Cash Distributions Are Not Guaranteed and Will Fluctuate with Davis + Henderson’s Performance

Although the Fund intends to distribute the interest and dividend income earned by the Fund less expenses and amounts, if any, paid by the Fund in connection with the redemption of units, there can be no assurance regarding the amounts of income to be generated by Davis + Henderson and paid to the Fund. The actual amount distributed in respect of the units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures.

Nature of Units

Securities like the units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The units do not represent a direct investment in the business and should not be viewed by investors as shares in D + H Holdings or partnership units of Davis + Henderson L.P. As holders of units, unitholders will not have

the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The units represent a fractional interest in the Fund. The Fund’s primary assets will be notes and common shares of D + H Holdings. The price per unit is a function of anticipated distributable income.

Absence of Prior Public Market

Prior to the offering there has been no public market for the units. The initial public offering price has been determined by negotiation between the Fund, MDC and the underwriters based on several factors and may bear no relationship to the price at which the units will trade in the public market subsequent to the offering. See “Plan of Distribution”.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of units or termination of the Fund, the trustees may distribute the notes and common shares of D + H Holdings directly to the unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the notes or common shares of D + H Holdings. In addition, neither the notes nor the common shares of D + H Holdings are freely tradeable or listed on any stock exchange. See “Description of the Fund — Term of the Fund”. Securities of D + H Holdings so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

The Fund May Issue Additional Units Diluting Existing Unitholders’ Interests

The declaration of trust authorizes the Fund to issue an unlimited number of units for that consideration and on those terms and conditions as are established by the trustees without the approval of any unitholders. Additional units will be issued by the Fund on the exchange of the partnership units. See “D + H Holdings” and “Davis + Henderson L.P.”.

Restrictions on Potential Growth

The payout by Davis + Henderson of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Davis + Henderson and its cash flow.

Investment Eligibility and Foreign Property

There can be no assurance that the units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans or that the units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described below under the heading “Certain Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

Further, interest on the notes of D + H Holdings accrues at the Fund level for income tax purposes whether or not actually paid. The declaration of trust provides that an amount equal to the taxable income of the Fund will be distributed each year to unitholders in order to reduce the Fund’s taxable income to zero. Where interest payments on the notes of D + H Holdings are due but not paid in whole or in part, the declaration of trust provides that additional units must be distributed to unitholders in lieu of cash distributions.

Unitholders will generally be required to include an amount equal to the fair market value of those units into their taxable income, in circumstances when they do not directly receive a cash distribution.

In addition, the acquisition agreement under which MDC will transfer the Davis + Henderson business to Davis + Henderson L.P. provides that, if requested by MDC, MDC and Davis + Henderson L.P. will make elections under the Tax Act to transfer the assets of the business on a fully or partially tax-deferred basis. The adjusted cost base to Davis + Henderson L.P. of the assets that are subject to those elections on a fully or partially tax-deferred basis will

be less than fair market value, such that Davis + Henderson L.P. may realize a gain on the future disposition of those assets.

PROMOTER

MDC has taken the initiative in organizing the business and affairs of the Fund and accordingly may be considered to be a promoter of the Fund within the meaning of applicable securities legislation. For more information regarding MDC's relationship to the Fund and its affiliated entities, see "Acquisition", "Principal Agreements" and "Principal Unitholder".

LEGAL PROCEEDINGS

There currently are no outstanding material legal proceedings to which MDC (in respect of the Davis + Henderson business), the Fund, D + H Holdings, Davis + Henderson L.P. or Davis + Henderson G.P. are a party or of which any of the Davis + Henderson properties is the subject matter, nor is MDC or the Fund aware of any such material threatened or contemplated proceedings.

MDC has initiated proceedings for a declaratory judgment as described in "Risk Factors — Risks Related to the Business and the Industry — Non-Competition Agreement".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

MDC will provide services to the Fund or its affiliated entities for fees payable by those entities. See "Principal Agreements". MDC beneficially owns a 50% interest in the land and building located at 939 Eglinton Avenue East, Toronto, Ontario, a portion of which is leased to the Company under a lease expiring March 2011.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN OF THE UNDERWRITERS

In connection with this offering, the Fund may be considered a "connected issuer" to five of the underwriters, CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., and TD Securities Inc., under applicable securities laws. The parent companies of those underwriters are lenders under an existing credit facility provided by them to MDC, which credit facility is secured by substantially all of the assets of MDC including a pledge of those shares of MDC's subsidiaries which are held by MDC. As at October 31, 2001, a total of approximately \$250 million was outstanding under that credit facility. As at the date of this prospectus, MDC is in compliance with the terms and conditions of the credit facility provided by the lenders. MDC has agreed with its lenders to sell certain non-core businesses (which does not include Davis + Henderson) and to apply those proceeds to the repayment of MDC's outstanding indebtedness. MDC will also use substantially all of the proceeds it receives under the acquisition to repay the credit facility. If such proceeds are not sufficient to repay the credit facility, MDC will need to obtain the consent of its lenders under the credit facility to complete the acquisition.

The terms, structuring and pricing of this offering were determined solely by negotiation between the Fund, MDC and the underwriters. None of the lenders played any roles in those determinations or decisions. None of the proceeds of the offering, except for that portion of the proceeds payable to the underwriters for their fees and expenses, will be applied for the benefit of CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and TD Securities Inc.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are BDO Dunwoody LLP, Markham, Ontario.

The transfer agent and registrar for the units is CIBC Mellon Trust Company at its principal office in Toronto.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Fund, D + H Holdings, Davis + Henderson G.P. or Davis + Henderson L.P. within the past two years or which are proposed to be entered into:

- the declaration of trust referred to under "Description of the Fund";
- the acquisition agreement referred to under "Principal Agreements";

- the note indenture referred to under “D + H Holdings — Notes”;
- the non-competition agreement, supply agreement and imprinting agreement referred to under “Principal Agreements”;
- the credit agreement relating to the credit facility provided by MDC to Davis + Henderson L.P. referred to under “Principal Agreements”;
- the underwriting agreement referred to under “Plan of Distribution”;
- the Davis + Henderson G.P. shareholder agreement referred to under the heading “Davis + Henderson L.P. — Davis + Henderson G.P. Unanimous Shareholders Agreement”; and
- the exchange agreement referred to under the heading “Davis + Henderson L.P. — Exchange Agreement”.

Copies of these agreements, following execution where not executed, may be examined at the head and principal office of the Fund during normal business hours during the course of distribution to the public of the units.

EXPERTS

The matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations” and certain other legal matters relating to the units offered by this prospectus will be passed upon at the date of closing on behalf of the Fund by Torys LLP and on behalf of the underwriters by Osler, Hoskin & Harcourt LLP.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the 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 adviser.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Audited Financial Statement of the Fund	
Audit Report of BDO Dunwoody LLP, Independent Auditors	F-2
Balance Sheet	F-3
Notes to Financial Statement	F-4
Audited Financial Statements of Davis + Henderson, Limited Partnership	
Audit Report of BDO Dunwoody LLP, Independent Auditors	F-5
Balance Sheets	F-6
Statements of Operations and Divisional Equity	F-7
Statements of Cash Flows	F-8
Summary of Significant Accounting Policies	F-9
Notes to Financial Statements	F-11
Unaudited Pro Forma Consolidated Financial Statements of the Fund	
Compilation Report of BDO Dunwoody LLP, Independent Auditors	F-14
Pro Forma Consolidated Balance Sheet	F-15
Pro Forma Consolidated Statement of Operations and Distributable Cash for the nine months ended September 30, 2001	F-16
Pro Forma Consolidated Statement of Operations and Distributable Cash for the year ended December 31, 2000	F-17
Notes to Pro Forma Consolidated Financial Statements	F-18

AUDITORS' REPORT

To the Trustees of
Davis + Henderson Income Fund

We have audited the balance sheet of Davis + Henderson Income Fund as at December 11, 2001. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Fund as at December 11, 2001 in accordance with Canadian generally accepted accounting principles.

(signed) BDO Dunwoody LLP
Chartered Accountants

Markham, Canada
December 11, 2001

DAVIS + HENDERSON INCOME FUND

Balance Sheet

As at December 11, 2001

Assets

Cash..... \$10

Unitholders' Equity

Unitholders' equity..... \$10

The accompanying notes are an integral part of this financial statement.

DAVIS + HENDERSON INCOME FUND

Notes to Financial Statement

1. The Fund

Davis + Henderson Income Fund (the "Fund") is a limited purpose trust formed under the laws of the Province of Ontario by a declaration of trust dated November 6, 2001.

2. Subsequent Events

On December 11, 2001 the Fund filed a prospectus for the sale to the public of 17,235,000 units at a price of \$10 per unit, payable on closing for aggregate net proceeds of \$160,439,875 (after deducting underwriters' fees and other issue costs).

Concurrent with the closing of the offering, the Fund will use the net proceeds from the sale of the units to invest in common shares of D + H Holdings Corp. ("D + H Holdings") for \$19,252,785 and \$141,187,090 principal amount of 12.5% unsecured notes of D + H Holdings. The Fund will own all of the common shares and notes of D + H Holdings. D + H Holdings will acquire 45.45% of the partnership units of Davis + Henderson, Limited Partnership for cash of \$160,439,875.

On closing of the offering, the Fund, MDC Corporation Inc. ("MDC") and D + H Holdings will enter into an exchange agreement. The exchange agreement will grant MDC the right to require D + H Holdings and the Fund to indirectly exchange each of MDC's Davis + Henderson, Limited Partnership units for a number of units of the Fund equal to the exchange ratio as of the exchange date.

AUDITORS' REPORT

To the Partners of
Davis + Henderson, Limited Partnership

We have audited the balance sheets of Davis + Henderson, Limited Partnership as at December 31, 2000 and 1999 and the statements of operations and divisional equity and cash flows for each of the years in the three year period then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial 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, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three year period then ended in accordance with Canadian generally accepted accounting principles.

(signed) BDO Dunwoody LLP
Chartered Accountants

Markham, Ontario
February 2, 2001 (except for Note 10 which is as of December 11, 2001)

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Balance Sheets

(In thousands of dollars)

	September 30, 2001	December 31,	
	(Unaudited)	2000	1999
Assets			
Current			
Accounts receivable (note 2)	\$ 5,960	\$ 5,582	\$ 5,253
Inventory	6,584	5,940	5,390
Prepaid expenses and other assets	360	537	898
	12,904	12,059	11,541
Capital and other assets (note 3)	34,635	36,388	33,991
Goodwill (note 4)	97,622	99,664	102,386
	\$145,161	\$148,111	\$147,918
Liabilities and Divisional Equity			
Current			
Accounts payable and accrued liabilities	\$ 24,909	\$ 18,813	\$ 18,775
Deferred revenue	263	265	533
Current portion of disbursement obligations on customer contracts (note 5)	1,870	4,145	2,145
Current portion of long-term indebtedness (note 6)	67	67	67
	27,109	23,290	21,520
Disbursement obligations on customer contracts (note 5)	790	2,040	3,185
Long-term indebtedness (note 6)	609	659	720
	28,508	25,989	25,425
Divisional Equity			
Equity	116,653	122,122	122,493
	\$145,161	\$148,111	\$147,918

Commitments (note 7)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Statements of Operations and Divisional Equity

(In thousands of dollars)

	Nine months ended September 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
	(Unaudited)				
Sales	\$164,719	\$145,453	\$197,718	\$175,808	\$141,619
Cost of sales	84,105	76,671	104,845	94,766	81,433
Gross profit	80,614	68,782	92,873	81,042	60,186
Operating expenses	36,083	28,354	37,848	32,871	26,565
Operating income before other charges	44,531	40,428	55,025	48,171	33,621
Other charges					
Loss (gain) on asset dispositions	(6)	—	579	—	29
Amortization	11,729	10,311	13,934	10,184	6,668
Interest	50	39	53	52	—
	11,773	10,350	14,566	10,236	6,697
Income before income taxes and goodwill amortization	32,758	30,078	40,459	37,935	26,924
Income taxes	14,413	13,234	17,802	16,805	11,927
Income before goodwill amortization	18,345	16,844	22,657	21,130	14,997
Goodwill amortization	2,042	2,042	2,722	2,743	2,104
Net income for the period	16,303	14,802	19,935	18,387	12,893
Divisional equity, beginning of period	122,122	122,493	122,493	109,111	67,614
	138,425	137,295	142,428	127,498	80,507
Contribution from (distribution to) head office	(21,772)	(10,709)	(20,306)	(5,005)	28,604
Divisional equity, end of period	\$116,653	\$126,586	\$122,122	\$122,493	\$109,111

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Statements of Cash Flows

(In thousands of dollars)

	Nine months ended September 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
	(Unaudited)				
Cash provided from (used in)					
Operating activities					
Net income for the period	\$16,303	\$14,802	\$19,935	\$18,387	\$12,893
Adjustments to reconcile net income to net cash provided by operating activities					
Amortization — capital assets	11,729	10,311	13,934	10,184	6,668
— goodwill	2,042	2,042	2,722	2,743	2,104
Loss (gain) on asset dispositions	(6)	—	579	—	29
Changes in non-cash working capital	<u>5,249</u>	<u>(4,225)</u>	<u>(748)</u>	<u>(10,791)</u>	<u>(3,251)</u>
Cash flows from operating activities	<u>35,317</u>	<u>22,930</u>	<u>36,422</u>	<u>20,523</u>	<u>18,443</u>
Investing Activities					
Business acquisitions	—	—	—	(2,002)	(39,395)
Contract payments	(4,934)	(5,230)	(5,250)	(2,495)	(1,900)
Proceeds from sale of assets	—	—	548	655	—
Purchase of capital assets and other assets	<u>(8,561)</u>	<u>(6,945)</u>	<u>(11,353)</u>	<u>(12,396)</u>	<u>(5,752)</u>
Cash flows used in investing activities	<u>(13,495)</u>	<u>(12,175)</u>	<u>(16,055)</u>	<u>(16,238)</u>	<u>(47,047)</u>
Financing Activities					
Long-term indebtedness	(50)	(46)	(61)	720	—
Contribution from (distribution to) head office	<u>(21,772)</u>	<u>(10,709)</u>	<u>(20,306)</u>	<u>(5,005)</u>	<u>28,604</u>
Cash flows from (used in) financing activities	<u>(21,822)</u>	<u>(10,755)</u>	<u>(20,367)</u>	<u>(4,285)</u>	<u>28,604</u>
Cash and cash equivalents, beginning and end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Supplemental cash flow information					
Cash paid for interest	<u>\$ 50</u>	<u>\$ 39</u>	<u>\$ 53</u>	<u>\$ 52</u>	<u>\$ —</u>
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Summary of Significant Accounting Policies

Nature of Business

Davis + Henderson, Limited Partnership (“Davis + Henderson L.P.” or the “Operations”) is formed under the laws of British Columbia. Davis + Henderson L.P. is engaged primarily in the cheque supply outsourcing business for financial institutions in Canada.

Basis of Presentation

These special purpose financial statements have been prepared by MDC Corporation Inc. (“MDC”) in connection with the proposed sale (the “acquisition”) of the Operations to Davis + Henderson L.P. Prior to the transaction, these Operations were a division of MDC.

The accompanying financial statements have been prepared by management from the historical financial records of MDC and reflect the business, as described above, as though carried on by a limited partnership. The net assets are stated at carrying values based on their historic cost to MDC. Divisional equity represents MDC’s net investment in the Operations. The Operations have been transferred to Davis + Henderson L.P. as part of the acquisition. The financial statements have been prepared on the basis that Davis + Henderson L.P., as a wholly owned investment of MDC, has owned the Operations during the periods presented.

Prior to its acquisition by MDC in 1996, Davis + Henderson was a separate legal entity. Subsequent to the acquisition by MDC, Davis + Henderson continued to operate as a separate operating entity with an unchanged general and administrative expense structure, except for the allocation of certain insignificant overhead expenditures, which were allocated to Davis + Henderson based upon the actual costs as invoiced by the supplier to MDC. Subsequent to the completion of the proposed transaction, Davis + Henderson will incur additional general and administrative expenditures associated with being a publicly traded entity.

Income taxes have been recognized at statutory corporate rates and charged to divisional equity.

The employees of the Operations participated in the MDC stock option plan which is not reflected in these financial statements. The employees will maintain their current rights under the MDC plan but will cease to earn any further rights in the plan after the closing date.

These financial statements may not necessarily be indicative of the results that would have been attained if the Operations had been operated as a separate legal entity or through a limited partnership during the periods presented.

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Summary of Significant Accounting Policies

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

Capital Assets

Capital assets are recorded at cost. Amortization is provided as follows:

Building	— 4% declining balance
Computer, furniture and fixtures	— 10 — 30% declining balance
Machinery and equipment	— 10 — 20% declining balance
Leasehold improvements	— Straight-line over the term of the lease

Deferred Charges

The Operations capitalizes direct costs related to the development of new products and services until the commencement of commercial operations, at which time all related costs are amortized on a straight-line basis over their estimated useful life.

Payments associated with certain major customers are amortized over the term of the related long-term supply contracts. Catalogue design and production costs are amortized on a straight-line basis over the estimated useful life of the catalogue.

Goodwill

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible assets acquired. The Operations amortizes goodwill on a straight-line basis over 40 years. The carrying value of goodwill is assessed annually by reviewing the estimated future undiscounted cash flows of the underlying business of the Operations. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made.

Revenue Recognition

Revenue is recorded when the service is completed and/or the product is delivered.

Foreign Currency Translation

Foreign currency assets and liabilities carried at current prices are translated into Canadian dollars using the rate of exchange in effect at the period end; other foreign currency assets and liabilities are translated using the rates of exchange in effect at the dates of the transaction; revenue and expense items are translated at the average monthly rate of exchange for the period, except for amortization of capital and other assets which is translated at the historical rates of the related assets.

Financial Instruments

The Operations' financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, disbursement obligations on customer contracts and long-term indebtedness.

Credit Risk

The Operations' financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the credit rating of customers serviced by the Operations and their generally short payment terms.

Fair Value

The fair value of long-term indebtedness that bears interest at fixed rates is based on discounted future cash flows using rates currently available for debt of similar terms and maturities. The carrying value of other financial instruments, cash and cash equivalents, accounts receivable accounts payable and accrued liabilities and disbursement obligations on customer contracts, approximates fair value due to their short-term maturities.

Cash and Cash Equivalents

The Operations considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

The Operations maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Operations has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Notes to Financial Statements (In thousands of dollars)

1. Acquisitions

The Operations acquired the business described below, which was accounted for by the purchase method of accounting and consolidated from the effective date of acquisition.

1998 Acquisition

Effective July 1, 1998, the Operations acquired the assets of Custom Cheques of Canada for \$38,685. The assets acquired and consideration given are as follows:

Assets acquired, at fair value

Assets, gross	\$ 6,138
Liabilities, gross	<u>24,792</u>
Net assets acquired, at fair value	(18,654)
Goodwill	<u>57,339</u>
	<u>\$ 38,685</u>

Consideration

Cash	<u>\$ 38,685</u>
------------	------------------

2. Accounts receivable

Included in accounts receivable are trade receivables from related companies, under common control, of \$1,644 as at September 30, 2001 (December 31, 2000 — \$1,585; December 31, 1999 — \$1,065).

3. Capital and Other Assets

	September 30, 2001			December 31, 2000			December 31, 1999		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	(Unaudited)								
(a) Capital Assets									
Land	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 102	\$ —	\$ 102
Buildings	—	—	—	—	—	—	1,561	728	833
Computer, furniture and fixtures	29,119	15,624	13,495	24,160	12,171	11,989	17,420	9,344	8,076
Machinery and equipment	26,114	16,646	9,468	24,295	15,703	8,592	22,115	14,121	7,994
Leasehold improvements	7,147	3,725	3,422	6,995	3,203	3,792	6,960	2,569	4,391
	<u>62,380</u>	<u>35,995</u>	<u>26,385</u>	<u>55,450</u>	<u>31,077</u>	<u>24,373</u>	<u>48,158</u>	<u>26,762</u>	<u>21,396</u>
(b) Other Assets									
Long-term supply contracts	27,769	22,864	4,905	23,896	17,641	6,255	16,791	11,231	5,560
Deferred charges	9,136	5,791	3,345	10,047	4,287	5,760	9,119	2,084	7,035
	<u>36,905</u>	<u>28,655</u>	<u>8,250</u>	<u>33,943</u>	<u>21,928</u>	<u>12,015</u>	<u>25,910</u>	<u>13,315</u>	<u>12,595</u>
	<u>\$99,285</u>	<u>\$64,650</u>	<u>\$34,635</u>	<u>\$89,393</u>	<u>\$53,005</u>	<u>\$36,388</u>	<u>\$74,068</u>	<u>\$40,077</u>	<u>\$33,991</u>

Included in capital assets are assets under capital lease with a cost of \$845 (December 31, 2000 and 1999 — \$845) and accumulated amortization of \$385 (December 31, 2000 — \$304, December 31, 1999 — \$169).

4. Goodwill

	September 30, 2001	December 31,	
	(Unaudited)	2000	1999
Cost	\$109,020	\$109,020	\$109,020
Accumulated amortization	11,398	9,356	6,634
	<u>\$ 97,622</u>	<u>\$ 99,664</u>	<u>\$102,386</u>

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Notes to Financial Statements
(In thousands of dollars)

5. Disbursement Obligations on Customer Contracts

	September 30,	December 31,	
	2001	2000	1999
	(Unaudited)		
Disbursement obligations on customer contracts	\$2,660	\$6,185	\$5,330
Less current portion	<u>1,870</u>	<u>4,145</u>	<u>2,145</u>
	<u>\$ 790</u>	<u>\$2,040</u>	<u>\$3,185</u>

The Operations has customer contract disbursement obligations payable as of December 31, 2000 as follows:

2001	\$4,145
2002	1,270
2003	<u>770</u>
Total	<u>\$6,185</u>

6. Long-term Indebtedness

	September 30,	December 31,	
	2001	2000	1999
	(Unaudited)		
Obligations under capital leases, secured by equipment	\$676	\$726	\$787
Less: current portion	<u>67</u>	<u>67</u>	<u>67</u>
	<u>\$609</u>	<u>\$659</u>	<u>\$720</u>

The approximate principal portion of long-term debt repayable in each of the five years subsequent to December 31, 2000 is as follows:

2001	\$ 67
2002	71
2003	77
2004	82
2005	88
Thereafter	<u>341</u>
Total	<u>\$726</u>

Total interest on long-term debt was: \$50 for the nine months ended September 30, 2001 (2000 — \$50) and \$53 for the year ended December 31, 2000 (1999 — \$52, 1998 — \$Nil).

7. Commitments

The Operations has leased real estate and equipment as of December 31, 2000 at the following approximate annual base rental:

2001	\$ 3,062
2002	2,989
2003	2,926
2004	2,695
2005	2,156
Thereafter	<u>2,676</u>
Total	<u>\$16,504</u>

DAVIS + HENDERSON, LIMITED PARTNERSHIP

Notes to Financial Statements (In thousands of dollars)

8. Related Party Transactions

The Operations had the following transactions with companies under common control:

	Nine months ended September 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
	(Unaudited)				
Sales	\$6,187	\$5,195	\$7,541	\$6,715	\$6,662
Purchases	1,402	1,301	1,688	1,223	1,671

9. Customer Concentration

The Operations maintains contracts with the six largest Canadian chartered banks which approximated 71% of the business revenue during the periods presented.

10. Subsequent Events

Subsequent to September 30, 2001, the Davis + Henderson Canadian business was transferred from MDC Corporation Inc. ("MDC"), where it is currently a division of MDC, to a limited partnership, Davis + Henderson L.P., that is controlled by MDC. The transaction was carried out through the following steps:

MDC established Davis + Henderson L.P. with itself as the initial limited partner and a newly incorporated, wholly-owned subsidiary as the general partner, Davis + Henderson G.P. Inc. ("Davis + Henderson G.P."). MDC transferred the Davis + Henderson Canadian business to Davis + Henderson L.P. in return for a combination of debt of \$240,440 and 20,685,792 partnership units.

A new trust, Davis + Henderson Income Fund (the "Fund"), was formed for the purpose of issuing units to the public. The Fund used the proceeds from the offering of trust units to subscribe for common shares and notes of a newly incorporated, wholly-owned subsidiary of the Fund, D + H Holdings Corp. ("D + H Holdings").

D + H Holdings subscribed for partnership units in the amount of \$160,440. The Fund subscribed for 49 common shares of Davis + Henderson G.P. representing 49% of the common shares of Davis + Henderson G.P.

Davis + Henderson L.P., MDC and a group of financial institutions entered into arrangements which provide Davis + Henderson L.P. with a senior secured credit facility in the total amount of \$108,000 comprised of: (1) a term loan facility in the amount of \$80,000; (2) a capital expenditure facility in the amount of \$18,000 and (3) a revolving operating facility in the amount of \$10,000. On closing of the credit facility, Davis + Henderson L.P. will fully draw the \$80,000 term loan facility.

Davis + Henderson L.P. used \$160,440 of the proceeds from the issue of units to D + H Holdings and \$80,000 from its credit facility with MDC to pay off the debt held by MDC.

MDC, the Fund and Davis + Henderson G.P. entered into a shareholder agreement in respect of Davis + Henderson G.P. and, among other things, agreed that the board of Davis + Henderson G.P. would be comprised of 7 members, 4 of which have been appointed by MDC, with the remainder being appointed by the Fund and, initially, being the trustees of Fund.

COMPILATION REPORT

To the Trustees of
Davis + Henderson Income Fund

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of Davis + Henderson Income Fund (the "Fund") as at September 30, 2001 and the pro forma consolidated statement of operations and distributable cash of the Fund for the nine months ended September 30, 2001 and for the year ended December 31, 2000. These pro forma consolidated financial statements have been prepared for inclusion in the prospectus relating to the distribution of units of the Fund. In our opinion, the pro forma consolidated balance sheet and the pro forma consolidated statement of operations and distributable cash have been properly compiled to give effect to the proposed transaction and the assumptions described in the accompanying notes thereto.

(signed) BDO Dunwoody LLP
Chartered Accountants

Markham, Ontario
December 11, 2001

DAVIS + HENDERSON INCOME FUND

Pro Forma Consolidated Balance Sheet

(In thousands of dollars)

As at September 30, 2001

Unaudited — See Compilation Report

	<u>Historical</u>	<u>Pro forma adjustments</u>	<u>Pro forma consolidated balance sheet</u>
			Note 3
ASSETS			
Current			
Cash and cash equivalents	\$ —	\$ —	\$ —
Investment in limited partnership	<u>—</u>	<u>160,440</u>	<u>160,440</u>
	<u>\$ —</u>	<u>\$160,440</u>	<u>\$160,440</u>
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	\$ —	\$ —	\$ —
Due to unitholders	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>
Equity			
Unitholders' equity	<u>—</u>	<u>160,440</u>	<u>160,440</u>
	<u>\$ —</u>	<u>\$160,440</u>	<u>\$160,440</u>

The accompanying notes are an integral part of these consolidated financial statements.

DAVIS + HENDERSON INCOME FUND

Pro Forma Consolidated Statement of Operations and Distributable Cash

(In thousands of dollars, except per Fund unit amounts)

For the nine months ended September 30, 2001

Unaudited — See Compilation Report

	<u>Historical</u>	<u>Pro forma adjustments</u>	<u>Pro forma consolidated statement of operations</u>
			Note 4
Allocation of limited partnership income	\$ —	\$16,028	\$16,028
Expenses			
Capital tax	—	485	485
Income before income taxes	—	15,543	15,543
Income taxes			
Large corporation tax	—	335	335
	—	335	335
Net income for the period	—	15,208	15,208
Distributable cash	<u>\$ —</u>	<u>\$15,208</u>	<u>\$15,208</u>
Distributable cash per unit — basic (17,235,000 units)			<u>\$ 0.88</u>
Distributable cash per unit — diluted (37,920,792 units)			<u>\$ 0.88</u>

The accompanying notes are an integral part of these consolidated financial statements.

DAVIS + HENDERSON INCOME FUND

Pro Forma Consolidated Statement of Operations and Distributable Cash

(In thousands of dollars, except per Fund Unit amounts)

For the year ended December 31, 2000

Unaudited — See Compilation Report

	Historical	Pro forma adjustments	Pro forma consolidated statement of operations
	\$	\$	\$
			Note 4
Allocation of limited partnership income	—	19,675	19,675
Expenses			
Capital tax	—	647	647
Income before income taxes	—	19,028	19,028
Income taxes			
Large corporation tax	—	446	446
	—	446	446
Net income for the period	—	18,582	18,582
Distributable cash	—	18,582	18,582
Distributable cash per unit — basic (17,235,000 units)			1.08
Distributable cash per unit — diluted (37,920,792 units)			\$ 1.08

The accompanying notes are an integral part of these consolidated financial statements.

DAVIS + HENDERSON INCOME FUND

Notes to Pro Forma Consolidated Financial Statements

(In thousands of dollars, except per unit amounts)

September 30, 2001 and December 31, 2000

Unaudited — See Compilation Report

1. Basis of Presentation

The accompanying pro forma consolidated balance sheet and pro forma consolidated statements of operations and distributable cash of the Davis + Henderson Income Fund (the "Fund") have been prepared by MDC Corporation Inc. ("MDC") on behalf of the Fund. The accompanying pro forma consolidated financial statements give effect to the acquisition by the Fund of an indirect 45.45% interest in Davis + Henderson, Limited Partnership ("Davis + Henderson L.P." or the "Operations").

The accompanying pro forma consolidated balance sheet has been prepared from information derived from the balance sheet of the Fund as at December 11, 2001 and the adjustments and assumptions outlined below. The pro forma consolidated statements of operations have been prepared from information derived from the Davis + Henderson L.P. unaudited statement of operations for the nine month period ended September 30, 2001 and audited statement of operations for the year ended December 31, 2000. The accounting policies used in the preparation of the pro forma consolidated financial statements are those disclosed in Davis + Henderson L.P.'s audited financial statements.

The pro forma consolidated financial statements are not necessarily indicative of the results that actually would have been achieved if the transactions reflected therein had been completed on the dates indicated or the results which may be obtained in the future.

The pro forma consolidated statements should be read in conjunction with the description of the transactions in the Prospectus, the audited and unaudited financial statements of Davis + Henderson L.P. and the audited financial statements of the Davis + Henderson Income Fund, including the notes to those statements, included elsewhere in the Prospectus.

2. The Fund

The Fund is a limited purpose trust formed under the laws of the Province of Ontario pursuant to a Declaration of Trust dated November 6, 2001. The Fund has been created to invest, through a newly incorporated wholly owned subsidiary company, in partnership units of Davis + Henderson L.P. Each unit holder participates pro rata in any distribution from the Fund. Income tax obligations related to the distributions of the Fund are the obligations of the unitholders.

The accompanying pro forma consolidated financial statements of the Fund have been prepared to reflect the following proposed transactions:

- The Fund will issue 17,235,000 Units (the "offering") for net proceeds of \$160,440 on closing of the offering after deducting estimated expenses of the offering and underwriters' fees in the amount of approximately \$11,910.
- Immediately prior to the closing of the offering, MDC will complete a transfer of the Operations so that the Operations will be owned by Davis + Henderson L.P. MDC will hold all of the partnership units.
- The Fund will subscribe for common shares and debt of a newly incorporated wholly owned subsidiary, D+H Holdings Corp. ("D+H Holdings").
- D+H Holdings will acquire 45.45% of the partnership units of Davis + Henderson L.P. for cash of \$160,440.

Upon completion of the above transactions, the Fund, through its investment in D+H Holdings, will hold 45.45% of the partnership units of Davis + Henderson L.P.

3. Pro Forma Consolidated Balance Sheet of the Fund

The pro forma consolidated balance sheet of the Fund as at September 30, 2001, is based on the initial balance sheet of the Fund as at December 11, 2001 and has been prepared as if the following proposed transactions had been completed as at September 30, 2001:

- The issuance by the Fund of 17,235,000 units for net proceeds of \$160,440 after deducting estimated expenses of the offering and underwriters' fees in the amount of approximately \$11,910.
- The purchase of 100% of the common shares and debt of D+H Holdings for \$19,253 and \$141,187 respectively.
- The purchase by D+H Holdings of partnership units of Davis + Henderson L.P. for \$160,440.

4. Pro Forma Consolidated Statement of Operations of the Fund

The pro forma consolidated statements of operations of the Fund for the nine months ended September 30, 2001 and the year ended December 31, 2000 are based on the initial statements of the Fund adjusted for the effect of the following transactions referred to in note 3 and have been prepared as if the transactions occurred on January 1 as follows:

- The recognition of the Fund's share of limited partnership income of \$16,028 for the nine months ended September 30, 2001 and \$19,675 for the year ended December 31, 2000.
- Capital tax of \$485 for the nine months ended September 30, 2001 and \$647 for the year ended December 31, 2000.

DAVIS + HENDERSON INCOME FUND

Notes to Pro Forma Consolidated Financial Statements

(In thousands of dollars, except per unit amounts)

September 30, 2001 and December 31, 2000

Unaudited — See Compilation Report

5. INVESTMENT IN DAVIS + HENDERSON L.P.

Upon completion of the transactions described in Note 2, the Fund indirectly owns 45.45% of the Davis + Henderson L.P. The pro forma operations of the Davis + Henderson L.P. for the nine months ended September 30, 2001 and the year ended December 31, 2000 are as follows:

PRO FORMA STATEMENT OF SELECTED INFORMATION OF DAVIS + HENDERSON L.P.

For the nine months ended September 30, 2001

	Historical	Pro forma adjustments	Pro forma statements
Sales	\$164,719	\$ —	\$164,719
Cost of sales	84,105	—	84,105
Gross profit	80,614	—	80,614
Operating expenses	36,083	—	36,083
Operating income before undernoted item	44,531	—	44,531
Interest	50	3,192	3,242
	44,481	(3,192)	41,289
Income before depreciation, amortization and income taxes			41,289
Maintenance expenditures			
Capital and other asset payments			2,900
Contract payments			3,125
Distributable cash of Davis + Henderson L.P.			\$ 35,264
Distributable cash of Davis + Henderson L.P. to Fund	45.45%		\$ 16,028

PRO FORMA STATEMENT OF SELECTED INFORMATION OF DAVIS + HENDERSON L.P.

For the year ended December 31, 2000

	Historical	Pro forma adjustments	Pro forma statements
Sales	\$197,718	\$ —	\$197,718
Cost of sales	104,845	—	104,845
Gross profit	92,873	—	92,873
Operating expenses	37,848	—	37,848
Operating income before undernoted item	55,025	—	55,025
Interest	53	4,256	4,309
	54,972	(4,256)	50,716
Income before depreciation, amortization and income taxes			50,716
Maintenance expenditures			
Capital and other asset payments			4,281
Contract payments			3,145
Distributable cash of Davis + Henderson L.P.			\$ 43,290
Distributable cash of Davis + Henderson L.P. to Fund	45.45%		\$ 19,675

DAVIS + HENDERSON INCOME FUND

Notes to Pro Forma Consolidated Financial Statements

(In thousands of dollars, except per unit amounts)

September 30, 2001 and December 31, 2000

Unaudited — See Compilation Report

Pro forma adjustments

The following adjustment was made to both the September 30, 2001 and December 31, 2000 statements:

Interest expense and stand by fees of \$3,192 for the nine months ended September 30, 2001 and \$4,256 for the year ended December 31, 2000 on the term loan of \$80,000, and undrawn credit facilities of \$28,000. Davis + Henderson L.P., MDC and a group of financial institutions entered into arrangements which provide Davis + Henderson L.P. with a senior secured credit facility in the total amount of \$108,000 comprised of: (1) a term loan facility in the amount of \$80,000; (2) a capital expenditure facility in the amount of \$18,000 and (3) a revolving operating facility in the amount of \$10,000.

The facilities will bear interest at a rate that varies from bankers acceptance rate plus 2% to the bank rate on long term credit facilities.

CERTIFICATE OF THE ISSUER AND THE PROMOTER

Date: December 11, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 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 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act* (Newfoundland) and the respective regulations under those acts. This prospectus, as required by the *Securities Act* (Quebec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

By its attorney Davis + Henderson G.P. Inc.

By: (Signed) C. Sanford McFarlane
Chief Executive Officer

By: (Signed) Catherine Martin
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) Peter Lewis
Director

By: (Signed) Stephen Pustil
Director

The Promoter

MDC CORPORATION INC.

By: (Signed) Jamie Johnson
President and Chief Operating Officer

CERTIFICATE OF THE UNDERWRITERS

Date: December 11, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 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 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of *The Securities Act* (Newfoundland) and the respective regulations under those acts. To our knowledge, this prospectus, as required by the *Securities Act* (Quebec) and the regulations under that act, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

CIBC WORLD MARKETS INC.

SCOTIA CAPITAL INC.

By: (Signed) Daniel J. McCarthy

By: (Signed) Sarah B. Kavanagh

BMO NESBITT BURNS INC.

By: (Signed) Harold M. Wolkin

MERRILL LYNCH CANADA INC.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

By: (Signed) Glen L. Day

By: (Signed) Stewart C. Burton

By: (Signed) Patrick B. Meneley

GRIFFITHS MCBURNEY & PARTNERS

By: (Signed) Jason J. Robertson



Davis + Henderson