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 therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''U.S. Securities Act'') or any state securities laws and may not be offered or sold in the United States except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom. Accordingly, the securities will only be offered or sold within the United States pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See ''Plan of Distribution''.

PROSPECTUS

Initial Public Offering January 23, 2006

ACADIAN TIMBER
INCOME FUND

$84,506,430
8,450,643 Units

This prospectus qualifies the distribution (the ''Offering'') of 8,450,643 units (the ''Units'') of Acadian Timber Income Fund (the ''Fund''). The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario. The Fund was created to indirectly acquire and hold the outstanding limited partnership units of Acadian Timber Limited Partnership (the ''LP''). The LP will hold the limited partnership interests in AT Limited Partnership (the ''Operating LP''), which will hold certain timberlands located in New Brunswick (the ''NB Timberlands'') and ancillary assets. The Operating LP will also enter into certain agreements with Fraser Papers Inc. (''Fraser Papers''), pursuant to which (i) the Operating LP will agree to supply fibre to Fraser Papers from the NB Timberlands, and (ii) the Operating LP will agree to provide services to certain crown lands currently managed by Fraser Papers. Following closing of the Offering (the ''Closing''), Fraser Papers will hold all of the issued and outstanding Class B limited partnership units of the LP, representing in the aggregate, on Closing, approximately 22% of the outstanding Units on a fully-diluted basis. The LP will also hold, indirectly, all of the common membership interests of Katahdin Forest Management LLC (''KFM LLC''), which owns certain timberlands located in Maine, U.S.A. Katahdin Timberlands LLC (''KTL LLC'') and Brascan (U.S.) Corporation (''Brookfield US'') will own all of the Class B Interests of KFM LLC. Holders of Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC, cash distributions at a rate equal to the U.S. dollar equivalent on the date of distribution of the then most recently announced distribution per Unit, subject to certain maximum amounts. The Class B Interests of KFM LLC will entitle the holder thereof to require KFM LLC to convert such Class B Interests into (i) Units (on a one-for-one basis), representing in the aggregate, on Closing, approximately 27% of the outstanding Units on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of these Units on the date of conversion. Brookfield Timberlands Management LP (the ''Manager''), a wholly-owned subsidiary entity of Brookfield Asset Management Inc. (''Brookfield''), will manage the Operating LP and KFM LLC. On Closing, Brookfield or one of its affiliates will own 422,532 Units representing 5% of the Units being offered to the public pursuant to the Offering (the ''Over-Allotment Call Units''), that will be subject to an over-allotment option in favour of the Underwriters (see footnotes (4) and (5) below). See ''Funding and Related Transactions'', ''Principal Agreements'', ''Use of Proceeds'' and ''Class B Interests and Conversion Rights''.

Price: $10.00 per Unit

	Price to the Public(1)(4)	Underwriters' Fee(5)	Net Proceeds to the Fund(2)(4)(5)
Per Unit	$10.00	$0.60	$9.40
Total Offering(3)(4)	$84,506,430	$4,816,867	$79,689,563

Notes:

(1) The price of the Units has been determined by negotiation between the Fund, Fraser Papers and the Underwriters.

(2) Before deducting the expenses of the Offering, which are estimated to be approximately $3.9 million, which expenses, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

(3) This prospectus also qualifies the distribution by the Fund of the conversion rights described under ''Principal Agreements — FP Exchange Agreement'' and ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests''.

(4) Includes the Over-Allotment Call Units. No Underwriters' fee will be paid in connection with the issuance of the Over-Allotment Call Units. The proceeds from the issuance of the Over-Allotment Call Units will be used by the Fund to subscribe, indirectly through the Trust, for Class A LP Units of the LP. See ''Plan of Distribution''.

(5) The Fund has granted the Underwriters an over-allotment option (the ''Over-Allotment Option'') exercisable for a period of 30 days from the date of Closing, to purchase up to a total of 422,532 additional Units on the same terms as set out above to cover over-allotment, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total ''Price to the Public'', ''Underwriters Fee'' and ''Net Proceeds to the Fund'' will be $84,506,430, $5,070,386 and $79,436,044, respectively. The Fund will be required to purchase from Brookfield or one of its affiliates and Brookfield or one of its affiliates will be required to sell to the Fund, the Over-Allotment Call Units, or any part thereof in order to allow the Fund to deliver Units to the Underwriters pursuant to the exercise of the Over-Allotment Option. This prospectus qualifies the distribution of the Over-Allotment Call Units and the distribution of the Units issued upon exercise of the Over-Allotment Option. See ''Plan of Distribution''. If the Over-Allotment Option is not exercised, Brookfield and its affiliates will hold, on Closing, 422,532 Units (these Units representing approximately 3% of the Units on a fully-diluted basis).

(continued on next page)

The pricing of the Units has been determined, in part, based on an estimate of distributable cash for the twelve month period ended October 1, 2005 as set out under ''Summary of Distributable Cash''. A return on an investor's investment in the Units is not comparable to the return on an investment in a fixed income security. The recovery of an investor's initial investment is at risk, and the anticipated return on the investment is based on many performance assumptions. Although the Fund intends to make monthly distributions of substantially all of its available cash to holders of Units (''Unitholders''), these cash distributions may be reduced or suspended. The ability of the Fund to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of Acadian, and will be subject to various factors including Acadian's financial performance, fluctuations in Acadian's working capital, the sustainability of Acadian's margins, Acadian's capital expenditure requirements and obligations under Acadian's credit facilities. In addition, the market value of the Units may decline if the Fund is unable to meet its cash distribution targets in the future, and that decline may be significant.

An investment in the Units is subject to a number of risks that should be considered by a prospective investor. It is important for investors to consider the particular risk factors that may affect the industry in which Acadian operates, and therefore the stability of the distributions that investors receive. See ''Risk Factors''.

The after-tax return from an investment in the Units to Unitholders subject to Canadian income tax can be made up of both a return on and a return of capital. That composition may change over time, thus affecting the after-tax return to Unitholders. Returns on capital are generally taxed as ordinary income or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred (and reduce the Unitholder's cost base in the Unit for tax purposes). See ''Certain Canadian Federal Income Tax Considerations''. The Fund expects to make its first cash distribution to Unitholders on or about March 15, 2006 in respect of the period from Closing to February 28, 2006. Subsequent regular distributions in the estimated amount of $0.06875 per Unit are anticipated to be paid each month thereafter commencing April 15, 2006. See ''Description of the Fund — Distributions''.

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units. In connection with the Offering, the Underwriters (as defined herein) may effect transactions that 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''.

The Toronto Stock Exchange has conditionally approved the listing of the Units. Listing is subject to the Fund fulfilling the requirements of the Toronto Stock Exchange on or before April 28, 2006.

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Desjardins Securities Inc. and Trilon Securities Corporation (collectively, the ''Underwriters''), as principals, conditionally offer the Units, subject to prior sale, if, as and when issued and delivered by the Fund to, 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 Goodmans LLP and on behalf of the Underwriters by McCarthy Tétrault 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 January 31, 2006 or such later date as the Fund and the Underwriters may agree, but in any event not later than February 28, 2006. A purchaser of Units will receive only a customer confirmation from a registered dealer that is a CDS participant and from or through which the Units are purchased.

Chartered bank affiliates of each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. are currently lenders to Brookfield. In addition, Canadian chartered bank affiliates of each of CIBC World Markets Inc. and RBC Dominion Securities Inc. have agreed to make credit facilities available to the LP. Accordingly, under applicable securities laws, the Fund may be considered a ''connected issuer'' to such Underwriters. Brookfield indirectly owns more than 20% of the voting securities of Trilon Securities Corporation, one of the Underwriters. Brookfield will own directly or indirectly approximately 4,507,030 Class B Interests and up to 422,532 Units. Brookfield, as at the date of this prospectus, also owns approximately 46% of the voting securities of Fraser Papers which on Closing will own 3,613,780 Class B LP Units. Accordingly, the Fund may be considered a related issuer and connected issuer of Trilon Securities Corporation under applicable Canadian securities legislation. See ''Debt Financing'', ''Use of Proceeds'' and ''Plan of Distribution''.

TABLE OF CONTENTS

MEANING OF CERTAIN REFERENCES

References in this prospectus to the ‘‘Partnership’’, ‘‘Acadian’’ or the ‘‘Acadian Timberlands’’ are, prior to completion of the transactions described in ‘‘Funding and Related Transactions’’, to the business operated by Fraser Papers and its subsidiaries in respect of the NB Timberlands, the Forest Nursery and the services provided in respect of the Crown Lands, and to the business operated by KFM LLC and, following such time, to the LP and its general partner and subsidiaries (including the Operating LP) and KFM LLC that will manage these businesses as a single portfolio. References to ‘‘management’’ in this prospectus are to the management personnel of Fraser Papers and/or KFM LLC, as the context requires, who manage the Acadian Timberlands and who will be management of Acadian and its subsidiary entities following Closing. References to ‘‘2005 YTD’’ means the nine months ended October 1, 2005. Unless otherwise indicated, the disclosure contained in this prospectus assumes that the steps under the heading ‘‘Funding and Related Transactions’’ have been completed. Please refer to the ‘‘Glossary of Terms’’ at the end of this prospectus for a list of certain defined terms used herein.

The trademarks used in this prospectus are set forth in italics and are the trademarks or registered trademarks of their respective owners.

USE OF MARKET AND INDUSTRY DATA

Certain of the information contained in this prospectus regarding the timber industry is based upon management’s knowledge of the industry and its estimates and assumptions relating to the industry based on that knowledge. Management’s knowledge of the industry has been developed through its experience and lengthy participation in the industry. Management believes that its knowledge of the industry is accurate and that its estimates and assumptions are reasonable. However, certain of the information contained herein relating to the timber industry cannot be independently verified.

Certain of the market and industry data contained in this prospectus are based on industry publications, market research, government sources and other publicly available information. While management believes this information to be reliable, such information has not been independently verified.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the Fund, and of McCarthy Tétrault LLP, counsel to the Underwriters, provided that the Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the ‘‘Tax Act’’) on the date of this prospectus, the Units, if issued on the date of this prospectus, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (collectively, the ‘‘Plans’’) on that date.

On September 8, 2005, the Department of Finance (Canada) released a consultation paper on tax and other issues related to ‘‘flow-through entities’’, including income trusts, and requested that submissions on the relevant issues be sent to the Department of Finance (Canada) prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that he had requested that the Canada Revenue Agency (‘‘CRA’’) postpone providing advance income tax rulings respecting flow-through entity structures effective immediately, that the Department of Finance (Canada) was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures were appropriate. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process and no legislative amendments were proposed to change the taxation of income trusts. Instead, the Minister of Finance (Canada) has tabled a Notice of Ways and Means Motion that will enhance the dividend gross-up and tax credit mechanism applicable to dividends paid by certain corporations after 2005. In addition, the CRA will resume providing advance income tax rulings in respect of flow-through entity structures. See ‘‘Certain Canadian Federal Income Tax Considerations — Status of the Fund’’.

NON-GAAP MEASURES

References to ''Adjusted EBITDA'' are to earnings before interest expense, income taxes, depreciation and depletion and restructuring charges. Adjusted EBITDA is also calculable as net sales, less cost of sales and selling, administration and other costs, plus other income. References to ''*Pro forma* Adjusted EBITDA'' are to Adjusted EBITDA taken from the *pro forma* consolidated financial statements of the Fund. Adjustments in deriving *Pro forma* Adjusted EBITDA include adjustments (i) to reflect selling prices that would have been charged had the Fibre Supply Agreement been in place, (ii) to selling, administration and other expenses to reflect fees payable under the Management Agreement, (iii) to reflect the transfer of certain employees to the Manager, and (iv) to adjust for differences in accounting policies for silviculture expenditures between Fraser Papers' Timberlands Business and KFM LLC. References to ''distributable cash'' are to distributable cash derived from Adjusted EBITDA or *Pro forma* Adjusted EBITDA, as the case may be, as determined in the manner set out under ''Summary of Distributable Cash''.

Management believes Adjusted EBITDA, *Pro forma* Adjusted EBITDA and distributable cash are useful measures in evaluating the performance of the Fund and in determining whether to invest in Units. Specifically, management views distributable cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Fund will distribute substantially all of its cash on an on-going basis (after providing for certain amounts described elsewhere in this prospectus) and since Adjusted EBITDA and *Pro forma* Adjusted EBITDA are metrics used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that, in addition to earnings or loss, Adjusted EBITDA and *Pro forma* Adjusted EBITDA are useful supplemental measures from which to make adjustments to determine distributable cash. See ''Summary of Distributable Cash''.

Adjusted EBITDA, *Pro forma* Adjusted EBITDA and distributable cash are not earnings measures recognized by generally accepted accounting principles in Canada (''GAAP'') and do not have standardized meanings prescribed by GAAP. Therefore, Adjusted EBITDA, *Pro forma* Adjusted EBITDA and distributable cash may not be comparable to similarly titled measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and *Pro forma* Adjusted EBITDA should not be construed as an alternative to earnings or loss determined in accordance with GAAP as indicators of the performance of the business or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of Adjusted EBITDA and *Pro forma* Adjusted EBITDA to earnings, based on the historical financial statements of Fraser Papers and KFM LLC contained elsewhere in this prospectus presented in accordance with GAAP, see ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus may constitute ''forward-looking'' statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund or the Partnership, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this prospectus, such statements use such words as ''may'', ''will'', ''intend'', ''should'', ''expect'', ''believe'', ''plan'', ''anticipate'', ''estimate'', ''predict'', ''potential'', ''continue'' or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under ''Risk Factors''. Although the forward-looking statements contained in this prospectus are based upon what management believes are reasonable assumptions, neither the Fund, nor the Partnership can assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this prospectus, and none of the Fund, the Partnership or the Underwriters assume any obligation to update or revise them to reflect new events or circumstances.

CURRENCY AND EXCHANGE RATE INFORMATION

In this prospectus, references to ''$'' and ''Canadian dollars'' are to the lawful currency of Canada and references to ''US$'' and ''U.S. dollars'' are to the lawful currency of the United States. **All dollar amounts herein are in Canadian dollars, unless otherwise stated.** Industry data for Acadian's U.S. operations have been converted using a conversion rate based on the average of the exchange rates on the last business day of each calendar month during the applicable year.

Although the Partnership has substantial business activities in Canada, a significant portion of the Partnership's business is conducted in the United States and a significant portion of the Partnership's revenue and expenses are denominated, earned and incurred in U.S. dollars. Accordingly, the financial statements of KFM LLC included or incorporated by reference in this prospectus are presented in U.S. dollars. The following table sets forth, for each period indicated, the high and low exchange rates for one U.S. dollar, expressed in Canadian dollars, the average of such exchange rates on each business day during such period, and the exchange rate on the last business day of such period, in each case based on the noon rate in Canadian dollars on such day as quoted by the Bank of Canada (the ''Noon Buying Rate''). On January 20, 2006, the Noon Buying Rate was US$1.00 = $1.15.

	Nine Months Ended		Year Ended	Period from April 29, 2003 to
	September 30, 2005	September 30, 2004	December 31, 2004	December 31, 2003
High	1.27	1.40	1.40	1.45
Low	1.16	1.26	1.18	1.29
Average[1]	1.22	1.33	1.30	1.35
Period End	1.16	1.26	1.20	1.29

Note:

(1) The average of the exchange rates on each business day during each period.

PROSPECTUS SUMMARY

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

THE FUND, THE TRUST, THE LP, THE OPERATING LP AND KFM LLC

Acadian Timber Income Fund (the ''Fund'') is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust (the ''Fund Declaration of Trust''). The Fund has been established to acquire and hold units of AT Trust (the ''Trust Units''), Series 1 Notes of the Trust (the ''Series 1 Trust Notes'') and all of the outstanding shares of Acadian Timber GP Inc. (the ''GP''). See ''Description of the Fund''.

AT Trust (the ''Trust'') is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a declaration of trust (the ''Trust Declaration of Trust''). The Trust has been created to acquire and hold Class A LP units of the LP (''Class A LP Units''). See ''Description of the Trust''.

Acadian Timber Limited Partnership (the ''LP'') is a limited partnership formed under the laws of the Province of Manitoba. The LP has been created to directly or indirectly (i) acquire and hold all of the limited partnership interests (''Operating LP Units'') of the Operating LP, and (ii) hold all of the common membership interests of KFM LLC. Following Closing, Fraser Papers will hold all of the issued and outstanding Class B LP Units of the LP, representing in the aggregate, on Closing, approximately 22% of the outstanding Units on a fully-diluted basis. See ''Funding and Related Transactions'' and ''Description of the LP''.

AT Limited Partnership (the ''Operating LP'') is a limited partnership formed under the laws of the Province of Manitoba. The Operating LP has been formed to (i) acquire the NB Timberlands and the ancillary assets, (ii) enter into the Fibre Supply Agreement, and (iii) enter into the Crown Lands Services Agreement to manage certain crown lands currently managed by Fraser Papers. See ''Description of the Operating LP''.

Katahdin Forest Management LLC (''KFM LLC'') is a limited liability company formed under the laws of Delaware. KFM LLC holds the Maine Timberlands. Following completion of the Offering, KTL LLC and Brookfield US will hold 4,507,030 Class B Interests (being all of such securities outstanding on Closing) of KFM LLC. The holders of the Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per Unit, and (ii) the then most recently announced distribution per Unit. Such Class B Interests will also entitle the holders to require KFM LLC to convert such Class B Interests into (i) Units (on a one-for-one basis, subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, an approximate 27% interest in the Fund on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of those Units (based on a 10 day weighted average trading price) on the date of conversion. See ''Description of CanCo, USCo and KFM LLC''.

The principal and head office of the Fund, the Trust, the GP and the LP are located at Suite 200, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

For a description of the structure of the Fund before and after Closing and related transactions, see ''Funding and Related Transactions''.

Also see ''Description of the Fund'', ''Description of the Trust'', ''Description of the LP'', ''Description of the GP'', Description of the Operating LP'', ''Description of CanCo, USCo and KFM LLC'', ''Class B Interests and Conversion Rights'', ''Principal Agreements'' and ''Use of Proceeds''.

Acadian

Acadian is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. Acadian's strategy is to maximize cash flows from its timberland assets, while enhancing the value of these assets over time. In addition, Acadian intends to implement a strategy to grow its business by acquiring complementary timberland assets in the region in which it operates.

Acadian owns and manages approximately 765,000 acres of freehold timberlands in New Brunswick (the ''NB Timberlands'') and approximately 311,000 acres of freehold timberlands in Maine (the ''Maine Timberlands'') and provides services relating to approximately 1.3 million acres of timberlands owned by the Government of New

Brunswick and managed by Fraser Papers under Crown Licenses (the ''Crown Lands''). These services will be provided following Closing pursuant to a Crown lands services agreement (the ''Crown Lands Services Agreement''). See ''Principal Agreements — Crown Lands Services Agreement''. Acadian also owns and operates a forest nursery in Second Falls, New Brunswick (the ''Forest Nursery'').

The NB Timberlands have been owned and managed by Fraser Papers since the 1940s. The Maine Timberlands were acquired by a wholly-owned subsidiary of Brookfield in 2003. While the NB Timberlands and the Maine Timberlands were previously managed by separate, independent management teams, the fundamental management practices and objectives under which they have been operated are consistent. More recently, Brookfield Timberlands Management LP (the ''Manager'') was retained to further harmonize the overall business strategy for the Acadian Timberlands. Following Closing, Acadian will manage all of the Acadian Timberlands as a single portfolio and the Manager will provide strategic advice and other complementary services under the Management Agreement.

Accordingly, references in this prospectus to ''Acadian'' or the ''Acadian Timberlands'' are, prior to Closing, to Fraser Papers' Timberlands Business (in respect of the NB Timberlands, the Forest Nursery and the services provided in respect of the Crown Lands) and to KFM LLC (in respect of the Maine Timberlands), and, following Closing, to the Fund's operating subsidiary entities that will continue to manage these businesses as a single portfolio.

Industry Overview

Overview

Timber harvested from timberlands is the basic input for the forest products industry. After trees are harvested from timberlands, they are converted into building materials, pulp and paper products, consumer products and energy by lumber mills, pulp and paper mills and other manufacturing and converting facilities. The majority of Canada's timberlands are owned by provincial governments. Timberlands in the United States are typically owned by private landowners, who may or may not own a related manufacturing mill, or by the government.

The supply of timber can generally be characterized by species, size and quality. Species of timber consist of softwood (such as spruce, fir, hemlock and pine) and hardwood (such as maple, birch and aspen). The two principal size categories are: (1) sawlogs, which are derived from the lower sections of larger, higher quality trees; and (2) pulpwood, which is derived from the smaller upper sections of a tree, or smaller, lower quality trees in their entirety. Quality is generally measured by customers based on amount of rot in the wood as well as the form of the stem of the tree. In North America, timber is generally harvested for one of three types of end users: (1) lumber mills (which use sawlogs to produce lumber), (2) pulp mills (which use pulpwood to produce inputs for the paper industry), and (3) others such as oriented-strand board (OSB) and specialty mills which make building materials, veneer, furniture and other products. Timber harvested from timberlands is often referred to as ''roundwood'' before it is processed by a lumber mill, pulp mill or other converting facilities.

North American Timberlands Market

Canada is the largest region for timberlands in North America in terms of area, with approximately 993 million acres of forested land, of which approximately 66% is softwood. New Brunswick has approximately 15 million acres of productive timberlands. Softwood, which is considered more merchantable than hardwood, dominates New Brunswick timberlands *(source: The State of Canada's Forests 2004-2005, Natural Resources Canada)*.

By comparison, the U.S. has approximately 749 million acres of forested land, of which softwood types represent 57% of the total U.S. forestland area *(source: Forest Resource of the United States, 2002)*. Maine has approximately 17 million acres of productive timberland *(source: The Forests of Maine 2003, United States Department of Agriculture)*. Even though the total forested land in the U.S. is less than in Canada, the annual timber harvest in the U.S. is significantly larger than the annual timber harvest in Canada as a result of a generally warmer climate in the U.S. when compared to Canada.

Forest Industry in New Brunswick

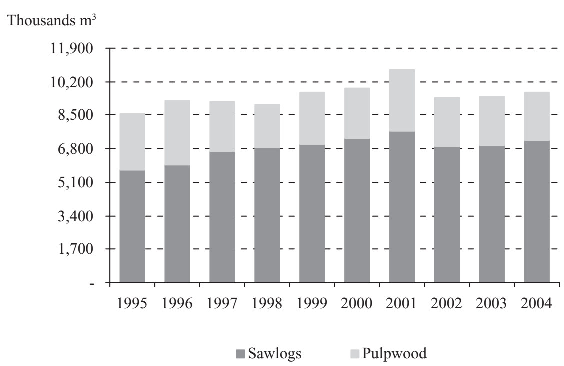
The forest products sector in New Brunswick is a critical component of the provincial economy with over $2.1 billion of forest products produced each year, both directly and indirectly, equating to 11% of the provincial gross domestic product. New Brunswick has several factors that contribute to the success of its forest products industry, including a high quality fibre basket, skilled labour and a flexible operating and regulatory environment. The industry is supported by its proximity to major markets located in Eastern Canada and the Northeastern U.S. region. The forest products sector in New Brunswick contributes $705 million in annual wages and salaries to the provincial economy, employing 23,400 people, both directly and indirectly (*source: Atlantic Provinces Economic Council, December 2003*).

Timberlands in New Brunswick are owned either as freehold lands or by the Province of New Brunswick. Lands owned by the province are referred to as ''Crown lands''. New Brunswick has significant freehold lands when compared to other regions in Canada as approximately 50% of its timberlands are freehold versus a Canadian average of 7% (*source: The State of Canada's Forests 2004-2005 Natural Resources Canada*).

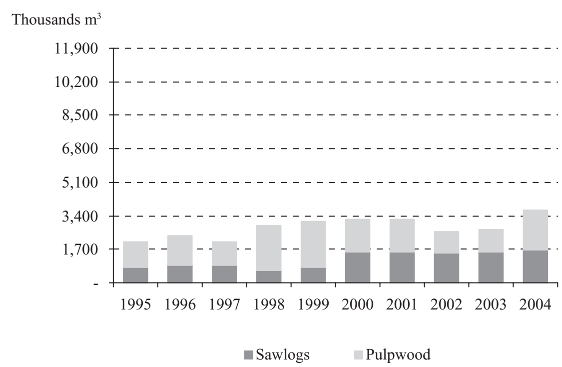
Management estimates that New Brunswick has approximately 80 lumber mills producing in aggregate over 1.5 billion board feet per year and 8 pulp and paper mills that produce in aggregate approximately 2.5 million tons of pulp and paper per year.

Margins on softwood timber are typically better than those on hardwood and as a result, timberland operators in the past focused harvesting strategies predominantly on softwood. Total softwood consumed in New Brunswick has increased over the past 10 years, at a compound annual growth rate (''CAGR'') of 1.4%. Softwood imports have historically represented a significant component of softwood consumption in New Brunswick. As the overall level of softwood availability decreased due to past harvesting strategies, pulp and paper mills began to incorporate the ability to use hardwood in their operations, which explains a significant portion of the increase in hardwood volumes as depicted in the graphs below. Hardwood consumption has increased over the past 10 years at a CAGR of 6.6% *(source: Timber Utilization Surveys, New Brunswick Department of Natural Resources).*

Total Softwood Consumed in New Brunswick(1)



Total Hardwood Consumed in New Brunswick(1)



Source: Timber Utilization Surveys, Forest Management Branch, Department of Natural Resources, Province of New Brunswick.

Note:

(1) Operating year ends on April 30 of year stated.

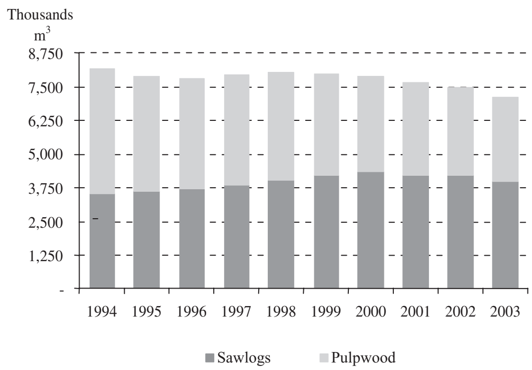
Forest Industry in Maine

Maine is the most heavily forested state in the U.S. and a major wood producing state in the Northeastern U.S. which is comprised of nine states: Connecticut, Massachusetts, New Jersey, Pennsylvania, Rhode Island, New York, Vermont, New Hampshire and Maine. Forest products manufacturing is the largest manufacturing industry in Maine. The forest industry contributed U.S.$5.2 billion in value to the economy in 2001 (measured by total shipments), representing 36% of Maine's total manufacturing sales (*source: North East State Foresters Association, December 2004*). Maine enjoys many of the same attributes as New Brunswick, which contribute to the success of this industry, including a high quality fibre basket, skilled labour and a flexible operating and regulatory environment. The forest products sector in Maine provides employment for approximately 20,000 people and generates wages over U.S.$1 billion annually (*source: North East State Foresters Association, December 2004*).

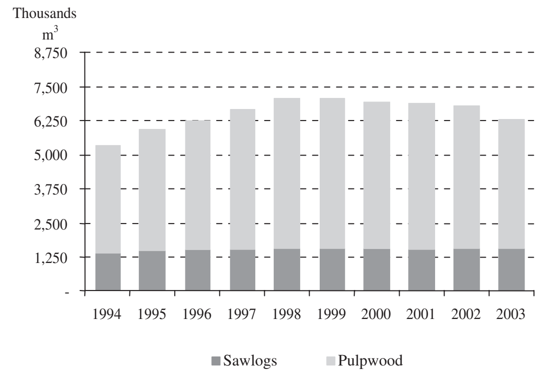
Management estimates that over 90% of the forestlands in Maine are privately owned while the remainder is publicly owned. Of the privately owned timberlands, only approximately 10% is currently owned by integrated forest products companies while the remainder is held by a wide range of individuals and financial owners and in some cases, by private conservation groups, large logging contractors or developers. The area of land subject to public and private conservation initiatives in the State of Maine, which restrict harvest significantly, has increased from approximately 5% in 2001 to approximately 9% in 2003, based on management estimates.

Maine has approximately 100 lumber mills producing in aggregate over one billion board feet per year and 13 pulp and paper mills that produce in aggregate approximately 4.5 million tons of pulp and paper per year (*source: Maine Future Forest Economy Project March 2005*). Similar to New Brunswick, the amount of softwood and hardwood consumed on an annual basis can vary based upon lumber mill and pulp and paper mill product mix and demands. Total softwood consumed in Maine has decreased over the past 10 years, at a CAGR of 1.5%, as shown in the graph below. Hardwood consumption levels have increased at a 10-year CAGR of 1.8%, as shown in the graph below, which can be partially attributed to strong pulpwood consumption *(source: Maine Forest Service)*.

Total Softwood Consumed in Maine(1)



Total Hardwood Consumed in Maine(1)



Source: Maine Forest Service

Note:

(1) Data is shown in calendar years.

Maine is a net exporter of wood fibre, with exports exceeding imports in 2004 (*source: 2004 Wood Processor Report, Maine Forest Services*).

Business of Acadian

Acadian is a leading supplier of primary forest products to the forest products industry in Eastern Canada and the Northeastern U.S. With a total of 2.4 million acres of land under operation, management believes that Acadian is the second largest timberland operator in New Brunswick and Maine. Acadian owns and manages the NB Timberlands and the Maine Timberlands and provides services in respect of the Crown Lands. These services will be provided following Closing pursuant to the Crown Lands Services Agreement. Acadian also owns and operates the Forest Nursery.

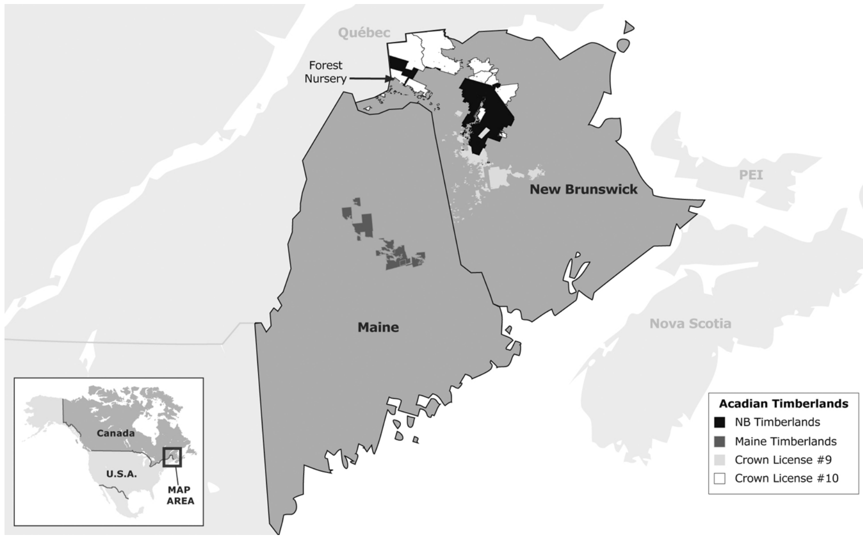
Acadian engages in forest management, harvesting, marketing and sales in order to realize the maximum value from its timber and to provide fibre for regional consumers including lumber mills, pulp and paper mills and other buyers of primary forest products. Access to long-term, sustainable, high quality timber resources is an important competitive factor for Acadian's customers. Acadian strives to: (1) harvest timber in a cost effective manner consistent with sound environmental and sustainable forestry practices; (2) sell timber (including sawlogs, pulpwood and biomass products) to targeted regional customers; (3) optimize the product mix with effective marketing and merchandising; and (4) find new markets for its products. Approximately 43% of Acadian Timberlands' harvest volume in the twelve months ended October 1, 2005 was sold to lumber mills, 36% to pulp mills and the remaining 21% as biomass used as fuel by power plants.

Sawlogs and pulpwood from the Acadian Timberlands are sold primarily to customers in Maine and New Brunswick, including to Fraser Papers. Substantially all of the annual harvest of softwood from the NB Timberlands is committed to Fraser Papers. See ''Principal Agreements — Fibre Supply Agreement''. In addition, substantially all of the annual harvest of spruce/fir pulpwood from the Maine Timberlands is committed to Katahdin Paper Company, LLC (''KPC LLC''), an entity controlled by Brookfield and managed by Fraser Papers. See ''Principal Agreements — KPC LLC Fibre Supply Agreement''. During the twelve month period ended October 1, 2005, approximately 34% of net sales from the Acadian Timberlands were derived from freehold timber sales to Fraser Papers, 2% of net sales were derived from fees in respect of the services provided by Acadian in respect of the Crown Lands and 3% of net sales were derived from freehold timber sales to KPC LLC. Of the remaining 61% of net sales from the Acadian

Timberlands, the single largest customer represented 6% of total net sales and the top five customers combined represented 19% of net sales. The Acadian Timberlands provide a critical wood supply to over 110 local customers.

The map below outlines the location of the Acadian Timberlands.

Acadian Timberlands



Acadian's Business Strengths

Management believes that the following business strengths will enable Acadian to maintain the stability of its financial performance and build upon its position as a leading supplier of primary forest products in its markets:

Attractive Asset Class

In contrast to depletable natural resources, management believes that timber resources can be managed on a sustainable basis to yield a predictable and stable volume of timber over an indefinite period of time. Due to the natural biological growth of timber stands, value can be accumulated and stored in the form of unharvested timber over time. Timberlands provide fibre for diverse solid and manufactured wood applications, the demand for which is naturally linked to population and economic growth. These characteristics of timberlands provide for stable, long-term cash flows and value appreciation over time.

Diversified End-Use Markets

A critical success factor for a timber business is to have robust markets for all species and products present on its land base. Acadian has actively developed markets for all of its products over the past 10 years in order to maximize utilization of its resource economically and continues to seek new markets for its products. As an example, during the early 1990's, Acadian developed markets for lower value hardwood products in order to increase the value of the merchantable inventory on the NB Timberlands. As such, Acadian has access to markets for all of its products, thereby enhancing cash flow stability by marketing and selling all wood fibre from the timberlands. Generally, the larger, lower sections of trees are sold as sawlogs and specialty products, the smaller middle sections as pulpwood and the upper sections as biomass used as fuel for power plants.

Large Scale of Operations

Acadian owns approximately 1.1 million acres of freehold timberlands and services approximately 1.3 million acres of land managed by Fraser Papers under Crown Licenses, which services will be provided following Closing pursuant to the Crown Lands Services Agreement. Management believes that this land base makes Acadian the second largest timberland operator in Maine and New Brunswick. Large scale operations provide Acadian with the benefit of offering a reliable supply of roundwood to several large regional industrial consumers. Acadian has developed a reputation as a reliable, high quality supplier of large volumes of sawlogs and pulpwood and as a high quality supplier of smaller volumes of niche products. In addition, tools used for sound forest management practices can be uneconomical for small to intermediate woodlot owners. Due to Acadian's large timberland scale, it can use these tools and spread the cost over a large merchantable inventory. Large scale operations also provide Acadian with a larger customer base and a broad range of regional market intelligence which management believes increases opportunity to maximize the value of harvested roundwood.

Variable Cost Structure and Minimal Ongoing Capital Requirements

Acadian's costs are predominantly variable as the majority of expenses associated with harvesting operations are a function of harvest levels. This variable cost structure provides flexibility and direct operating advantages. Because variable harvesting costs are directly tied to the type of timber harvested and the logging methods used, Acadian implements a margin-focused operating philosophy guided by selling prices and harvest and transportation costs.

Acadian also has low expected capital expenditures as main road and bridge construction is minimal and predictable given the extensive existing main road network and current condition of bridges. Harvesting equipment investments are minimal as harvesting equipment is owned by owner-operator employees and contractors. While expenditures on silviculture are an investment which maintain and enhance the productivity of the timberlands, management believes that significant flexibility exists in the timing, amount and nature of silviculture investments and silviculture investment can be deferred or materially reduced for a number of years without materially reducing the long run sustainable yield (''LRSY'').

Historical Silviculture Investment

Acadian is expected to continue to benefit in the future from historical silviculture investments. Historical silviculture programs on the Acadian Timberlands were targeted towards softwood availability and included planting, pre-commercial thinning and softwood release treatments. The goal of silviculture investments is to encourage the rapid growth of high value species and increase both the yield and value potential of the more productive land areas. As a result of these investments, Acadian benefits from increased amounts of higher value stands. Approximately 255,000 acres of land have been treated between 1978 and 2004, which represents 26% of the total productive forested area.

Experienced Management Team

Acadian has an accomplished management team with substantial experience in the timber industry and strong capability to carry out timber planning, harvesting, sales and distribution activities. Acadian's top five operational executives each have at least 20 years experience on their respective portions of the Acadian Timberlands and collectively have over 110 years of experience in timberland management and operations in Eastern Canada and the Northeastern U.S. region.

In addition, Acadian's operating team, together with the Manager, have a proven track record of completing strategic acquisitions of timberlands assets. Individuals retained by the Manager in delivering its services to Acadian have successfully completed several acquisitions, including the acquisition of the Maine Timberlands in April 2003 and the acquisition of 635,000 acres of timberlands in coastal British Columbia in May 2005.

Strong Sponsorship

Following Closing, each of Brookfield and Fraser Papers will hold a significant investment in Acadian, thereby aligning their objectives to those of the Fund. Acadian will benefit from the asset management services provided by the Manager, a wholly-owned subsidiary of Brookfield, and from Fraser Papers' ongoing relationship as the manager and licencee under the Crown Lands Services Agreement. In addition, Fraser Papers will remain a significant purchaser of roundwood under the Fibre Supply Agreements. See ''Principal Agreements''. Brookfield is a global asset management company that owns or manages more than $42 billion of assets, focused primarily on property, power and other infrastructure assets. Brookfield has over 50 years experience investing in the timber and forest products industry and manages over 1.8 million acres of freehold timberlands in North America and Brazil. Fraser Papers is one of North America's leading integrated producers of specialty paper products with operations in New Brunswick, Maine, New Hampshire and Quebec. Pursuant to the Exclusivity Agreement, Acadian will act as the exclusive vehicle for Brookfield's timberland acquisitions in Eastern Canada and the Northeastern U.S. See ''Principal Agreements — Exclusivity Agreement''.

Acadian's Business Strategy

Acadian's business strategies are designed to maximize profitability and maintain stability of cash flow and to increase distributable cash per Unit, with an emphasis on enhancing the value of its timberland asset base, and are outlined below:

Maintain a low and flexible cost structure: Acadian has moved from a fully internalized workforce to a largely owner-operator or contractor-based organization for all harvesting, transportation and timberland management. This has resulted in a flexible cost structure enabling Acadian to vary its harvesting levels to adapt to market conditions.

Maintain distribution channels for all products: Acadian will continue to focus on adding value to its timberland inventory by maintaining and enhancing its customer relationships and sales channels. Acadian has over 110 customer relationships, and leverages these relationships in order to maximize the value of all fibre derived from its timberlands.

Sustainable harvesting practices: Management believes that, through a combination of independent third party verification and sophisticated timberland yield management analysis, Acadian harvests at levels consistent with its sustainable forest management plans across its timberland asset base. The NB Timberlands are certified under the Sustainable Forestry Initiative, which includes measures of assurance for sustainable harvesting compliance. The NB Timberlands are also ISO 14001 certified for environmental management systems, which include means of verifying compliance with environmental standards. Management intends to continue to maintain these practices.

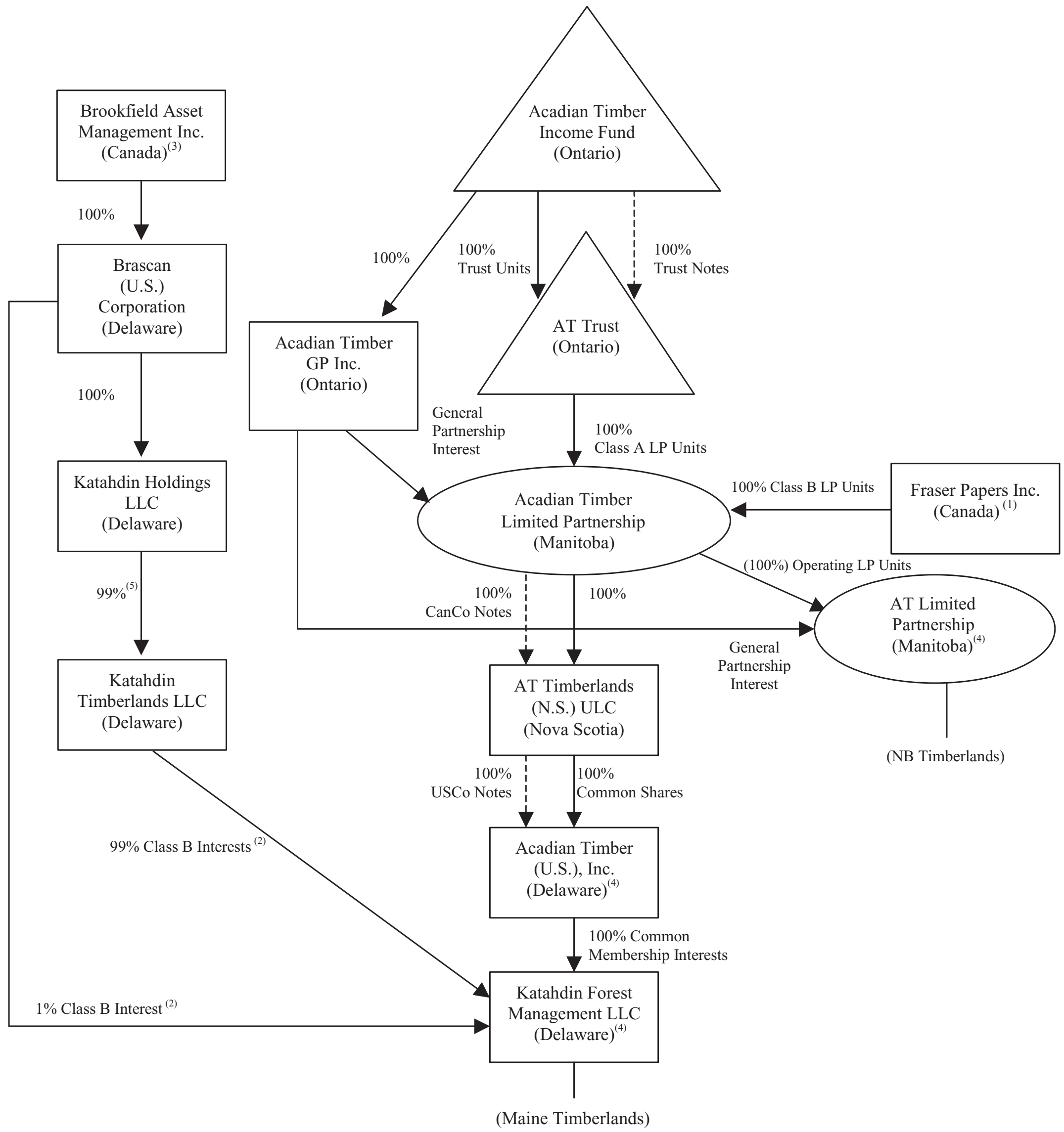
Targeted Silviculture activities: Acadian employs various silviculture treatments, which management believes increase the long-term value of its timberlands. These include planting, pre-commercial thinning and softwood release treatments. Management believes that when effectively applied, financially sound silviculture investments contribute to value over time by promoting growth of higher value species.

Strategic acquisitions: Ownership of timberlands in both Canada and the U.S. remains fragmented with large tracts of land held by both private woodlot owners seeking to exit the business and forest products companies seeking to redeploy capital in their core operations. In Maine alone, management estimates that there have been over half a dozen large land transactions covering approximately six million acres over the last decade. Recent public announcement by large timberland operators of their intentions to sell their entire timberland operations are examples of the acquisition opportunities for Acadian. As a publicly-traded company, Acadian expects to leverage its access to public markets and other financial resources, its reputation as a strong business partner and its strong environmental track record in the pursuit of selective acquisitions of existing high quality timberland assets. Acadian's acquisitions strategy will be initially focused on Eastern Canada and the Northeastern U.S. markets. In addition, pursuant to the Exclusivity Agreement, Acadian will act as the exclusive vehicle for Brookfield's timberland acquisitions in those markets. It has recently come to management's attention that an owner of timberlands is requesting interested parties to submit bids to purchase a significant portfolio of timberlands located within the Regional Markets. The current due date for the submission of bids falls on a date that is prior to the anticipated date of Closing of the Offering. It is possible that Acadian may submit a bid and, should it do so, it may not learn for several weeks whether or not its bid is successful. There can be no assurance that Acadian will submit a bid or, if it does, that it will be the successful bidder. If a transaction does proceed, Acadian will likely be required to finance the acquisition, which financing may take the form of, among other things, an incurring of additional indebtedness or the issuance of additional Units or securities that are convertible into, or exchangeable for, Units.

Realize the value of selected properties through sale or exchange: Within the forest management sector, opportunities arise to sell or exchange tracts of land on a beneficial basis according to the species mix, location and other attributes of those lands and the intended uses for such properties. Due to its significant freehold land ownership, management believes that Acadian will realize increased value and improved profitability through such sales or exchanges.

Structure Following Closing

The following chart illustrates the structure of the Fund (including jurisdiction of establishment/incorporation of the various entities) following completion of the Offering and the indirect investment by the Fund in the Partnership and related transactions (as described in more detail in ''Funding and Related Transactions''). See ''The Fund, the Trust, the LP, the Operating LP and KFM LLC'', ''Description of the Fund'', ''Description of the Trust'', ''Description of the LP'', ''Description of the GP'', ''Description of the Operating LP'', and ''Description of CanCo, USCo and KFM LLC''.



Notes:

(1) On Closing, Fraser Papers will hold the outstanding Class B LP Units, which will be indirectly exchangeable for 3,613,780 Units (on a one-for-one basis and subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, approximately 22% of the outstanding Units on a fully-diluted basis. See ''Principal Agreements — Exchange Agreement''.

(2) On Closing, Brookfield will indirectly hold all of the Class B Interests of KFM LLC which will entitle the holder to require KFM LLC to convert such Class B Interests into (i) 4,507,030 Units (on a one-for-one basis and subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, approximately 27% of the outstanding Units of the Fund on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of these Units on the date of conversion. See ''Class B Interests and Conversion Rights''.

(3) If the Over-Allotment Option is not exercised, Brookfield and its affiliates will hold, on Closing, 422,532 Units (these Units representing approximately 3% of the Units on a fully-diluted basis).

(4) The Acadian Timberlands will be managed by Brookfield Timberland Management LP.

(5) An affiliate of Brookfield US holds the remaining 1% of KTL LLC.

SELECTED FINANCIAL INFORMATION

The following selected financial information of each of Fraser Papers' Timberlands Business and KFM LLC has been derived from (i) the audited financial statements of Fraser Papers' Timberlands Business for the years ended December 31, 2004, 2003 and 2002 and the unaudited financial statements of Fraser Papers' Timberlands Business for the nine months ended October 1, 2005 and September 25, 2004, and (ii) the audited financial statements of KFM LLC for the year ended December 31, 2004, the period from April 29, 2003 to December 31, 2003, and the nine months ended September 30, 2005 and the unaudited financial statements of KFM LLC for the nine months ended September 30, 2004. The *pro forma* information of the Fund is derived from the *pro forma* consolidated statements of operations of the Fund for the nine months ended October 1, 2005 and the twelve month periods ended October 1, 2005 and December 31, 2004. This information should be read in conjunction with the historical financial statements of Fraser Papers' Timberlands Business and KFM LLC contained elsewhere in this prospectus and in the *pro forma* consolidated financial statements of the Fund.

	Nine Months Ended		Years Ended December 31,		
	October 1, 2005	September 25, 2004	2004	2003	2002
	(In $ millions)				
Fraser Papers' Timberlands Business:					
Income Statement Data:					
Net sales	$42.2	$46.0	$60.3	$57.6	$58.0
Operating earnings	7.2	7.7	9.6	9.7	10.8
Earnings	4.6	5.3	6.5	6.6	6.3
Adjusted EBITDA(1)	8.0	8.5	11.2	10.6	11.7

	October 1, 2005	December 31, 2004	December 31, 2003
Balance Sheet Data as at:			
Total assets	39.9	40.3	44.6
Total long-term debt	—	—	—

Note:

(1) See ''Non-GAAP Measures''. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

	Nine Months Ended September 30,		Year Ended December 31,	Period from April 29, 2003 to December 31,
	2005	2004	2004	2003
	(In US$ millions)			
KFM LLC:				
Income Statement Data:				
Net sales	$11.9	$11.6	$17.4	$9.9
Operating earnings	3.1	2.9	4.3	2.5
Earnings	2.3	2.0	3.1	1.6
Adjusted EBITDA(1)	4.4	4.1	6.0	3.4

	September 30, 2005	December 31, 2004	December 31, 2003
Balance Sheet Data as at:			
Total assets	38.9	39.0	40.0
Total long-term debt	31.5	31.5	37.8

Note:

(1) See ''Non-GAAP Measures''. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

	Twelve Months Ended October 1, 2005(1)	Nine Months Ended October 1, 2005(1)	Year Ended December 31, 2004(1)
		(In $ millions)	
Pro forma Financial Information of the Fund:			
Income Statement Data:			
Net sales	$ 81.0	$59.0	$86.0
Operating earnings	12.9	9.7	13.4
Earnings	5.6	4.2	5.8
Adjusted EBITDA(2)	20.7	15.2	21.4
	October 1, 2005(1)		
Balance Sheet Data as at:			
Total assets	241.7		
Total long-term debt	78.5		

Notes:

(1) *Pro forma* financial information of the Fund has been provided for the convenience of readers. See ''*Pro forma* consolidated financial statements''. Investors are cautioned that the totals should not be construed as indicative of results that would have been achieved had the Fund operated during such periods.

(2) See ''Non-GAAP Measures''. *Pro forma* Adjusted EBITDA is Adjusted EBITDA taken from the *pro forma* consolidated financial statements of the Fund. *Pro forma* Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. *Pro forma* Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''. *Pro forma* Adjusted EBITDA includes annual management fees of $2 million to be paid under the Management Agreement.

SUMMARY OF DISTRIBUTABLE CASH OF ACADIAN

The following summary has been prepared by management on the basis of information contained in this prospectus, more recent financial information available to management and management's estimate of the amount of expenses and expenditures to be incurred by the Fund and the Partnership. This summary is not a forecast or a projection of future results. The actual results of operations of the Fund and the Partnership for any period, whether before or after Closing, will likely vary from the amounts set forth in the following summary, and those variations may be material.

Management believes that estimated cash available for distribution is an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Fund will distribute substantially all of its cash on an on-going basis (after providing for certain amounts described below) and since Adjusted EBITDA and *Pro forma* Adjusted EBITDA are measures used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that, in addition to earnings, *Pro forma* Adjusted EBITDA is a useful supplemental measure from which to make adjustments to determine its distributable cash.

Management believes that, upon completion of the Offering and the transactions described under the heading ''Funding and Related Transactions'', the Fund and the Partnership will incur interest expenses, general, administrative and other costs, taxes and silviculture and other capital expenditures that will differ from those contained in Fraser Papers' Timberlands Business and KFM LLC's historical financial statements or in the Fund's unaudited *pro forma* consolidated financial statements that are included elsewhere in the prospectus. Management has made assumptions in preparing this summary, which reflect the Partnership's planned course of action given management's judgment as to the most probable set of economic conditions. Although management does not have firm commitments for all of these expenses or costs listed below and, accordingly, the complete financial effects of all of these expenses and costs are not objectively determinable, management believes that the following represents a reasonable estimate of what distributable cash would have been had the Fund been in existence for the twelve months ended October 1, 2005 and had the transactions described under the heading ''Funding and Related Transactions'' been completed at the beginning of that period.

	Twelve Months Ended October 1, 2005[1]
	(In thousands, except per unit data)
Pro forma Adjusted EBITDA[2][3][4]	$20,707
Management believes that cash available for distribution should be reduced by the following:	
Interest expense[5]	4,018
Additional general, administrative and other costs[6]	500
Taxes[7]	30
Silviculture expenditures[8]	942
Other capital expenditures[9]	401
Non-continuing business arrangements[10]	425
Estimated cash available for distribution	$14,391
Deduct (based on a 95% pay-out ratio):	$ 720
Total estimated cash distributions	$13,671
Estimated distributions to Unitholders and holders of Class B LP Units (12,064,423 units)	$ 9,953
Estimated payments on Class B Interests of KFM LLC (4,507,030 Class B Interests)[11]	$ 3,718
Estimated distributable cash per Unit[12][13]	$ 0.825

Notes:

(1) Assuming that the Fund was in existence for the period indicated. *Pro forma* financial information of the Fund has been provided for the convenience of readers. See ''*Pro forma* financial statements''. Investors are cautioned that the totals should not be construed as indicative of results that would have been achieved had the Fund operated during such periods.

(2) See ''Non-GAAP Measures''. *Pro forma* Adjusted EBITDA is Adjusted EBITDA taken from the *pro forma* consolidated financial statements of the Fund. Adjusted EBITDA and *Pro forma* Adjusted EBITDA are not recognized measures under GAAP and do not have standardized

meanings prescribed by GAAP. Adjusted EBITDA and *Pro forma* Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

(3) *Pro forma* Adjusted EBITDA includes management fees of $2 million to be paid under the Management Agreement. No performance fee is included as distributable cash per Unit in the period is less than $0.9075. The performance fee is calculated as 15% of the amount by which distributable cash per Unit of the Fund, in respect of a particular year, exceeds $0.9075, multiplied by the number of Units outstanding as at the end of such year. All other things being equal, the management fee would have been higher by approximately $54,000, $86,000 and $117,000 if distributable cash had been $0.950, $0.975 and $1.00 per Unit in the same period. See ''Management of the Fund and the Partnership — The Manager'' and the *pro forma* consolidated financial statements of the Fund contained elsewhere in this prospectus.

(4) All of net sales and expenses of the Maine Timberlands are denominated in U.S. dollars, and would have contributed US$4.0 million to estimated cash available for distribution for the twelve months ended October 1, 2005. In addition, net sales of approximately $9.5 million from the NB Timberlands were denominated in U.S. dollars during the twelve months ended October 1, 2005. Management believes that the price appreciation for roundwood in Maine since 2003 has provided a hedge against the impact of the rising value of the Canadian dollar, and believes that this correlation may continue in the future. Management has determined, therefore, not to hedge foreign exchange risk at Closing. Acadian may, from time to time, re-evaluate the impact of changes in foreign exchange rates and use derivative financial instruments to manage its foreign currency exposure. See ''Business of Acadian — Acadian's Operations — Foreign Exchange''.

(5) Represents estimated interest expense based on average annual borrowings of $42.0 million under the New Credit Facilities at an average assumed rate of 5.5% and on borrowing of US$31.5 million under KFM LLC's loan with CCM Working Forests I LLC at a fixed rate of 4.67%. See ''Debt Financing''.

(6) Represents management's estimate of incremental expenses the Fund will incur following Closing in connection with additional general and administrative costs on a continuing basis relating to requirements for ongoing financial disclosure, investor relations, Trustee fees, Trustee, director and officer insurance and other related expenses based on current expenditures in respect of these matters, services to be provided by the Manager pursuant to the Management Agreement, estimates provided by service providers, preliminary contractual arrangements, expenses in similar offering transactions, and comparisons with historical expenses.

(7) Represents management's estimate of income taxes that are expected to be paid based on consultations with the Fund's tax advisors regarding the impact of the Offering and related transactions on the Fund's tax status. Upon the conversion of all or any part of the Class B Interests, income taxes payable may increase. See ''Risk Factors — Risks Related to the Structure of the Fund and the Offering — Income Tax Matters''.

(8) Represents management's estimate of annual silviculture expenditures based on anticipated silviculture investments which management believes are consistent with good forest management practices. Average annual silviculture expenditures in respect of the NB Timberlands were approximately $1.9 million for Fraser Papers' last three fiscal years and were approximately US$0.3 million for the twelve month period ended October 1, 2005 for KFM LLC. The level of sustainable silviculture expenditures is expected to be significantly lower than investments made in 2003 and 2002 but will support a balance between currently achievable financial returns and maintaining LRSY. Management believes that silviculture expenditures can be further reduced for a number of years without materially reducing the LRSY of the Acadian Timberlands.

(9) Represents management's estimate of other annual capital expenditures (excluding silviculture expenditures) based on average historical capital expenditures, which are consistent with management's plans for the current year. Other capital expenditures, including those expenditures required for main roads and bridge construction in respect of the NB Timberlands, averaged approximately $0.5 million for Fraser Papers' last three financial years, of which approximately $0.2 million was invested in the Forest Nursery. For the twelve month period ended October 1, 2005 KFM LLC's capital expenditures were less than $0.1 million. Other capital expenditures of KFM LLC of US$0.8 million in 2004 consisted of amounts for the overhaul of a major bridge. See ''Business of Acadian — Capital Expenditures''.

(10) During the twelve months ended October 1, 2005, KFM LLC earned income from an agreement entered into by KFM LLC's predecessor pursuant to which KFM LLC arranged for the harvesting and distribution of timber to a third party. This arrangement ended in May 2005 and is not expected to recur in future years.

(11) Holders of Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of distribution of the then most recently announced distribution per Unit of the Fund, subject to certain maximum amounts. At Closing, the expected distribution per Class B Interest is equal to estimated distributable cash per Unit and, pursuant to the terms of the Class B Interests will not, on a cumulative basis, exceed distributions paid to Unitholders. See ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests''.

(12) The financial performance of Acadian is dependent on the selling prices of its products. Management estimates that a simultaneous 1% increase or decrease in the pricing of softwood sawlogs and hardwood pulpwood would result in a corresponding respective increase or decrease in distributable cash of approximately $0.6 million. This analysis does not take into account any cost-saving or other operating strategies, which management may employ in response to a temporary or permanent change in such prices, which strategies will depend on the particular circumstances. See ''Risk Factors''. EBITDA and distributable cash are non-GAAP measures typically used by Canadian income funds as indicators of financial performance. The method of calculating the Fund's distributable cash may differ from similar computations as reported by other issuers and, accordingly, the distributable cash of the Fund may not be comparable to distributable cash as reported by other issuers. See ''Non-GAAP Measures''.

(13) Includes distribution to all holders of Units and exchangeable Class B LP Units issued to Fraser Papers on Closing.

In order to be able to make the determinations and assumptions set out above and to understand the potential resultant effects on distributable cash, management performed a variety of procedures, including reflecting on its experience in the industry and operating the business, holding internal discussions, reviewing its financial statements, consulting with its advisors, and drawing on the advice of the lead underwriters based on their experience with similar offerings.

Management believes that the method for determining distributable cash presented in this prospectus is comparable to the method for determining cash provided by operating activities before net change in non-cash working capital, less capital expenditures (which includes silviculture expenditures) and income from the non-continuing business arrangements described under ''Business of Acadian — Acadian's Operations — Other Activities''. In addition, the Fund's method of determining distributable cash is based on *Pro forma* Adjusted EBITDA, which is derived from earnings in the *pro forma* consolidated statement of operations of the Fund. Earnings in the *pro forma* consolidated statement of operations of the Fund has been used as the basis for the calculation of distributable cash because a *pro forma* consolidated statement of cash flow for the Fund is not available, while a *pro forma* statement of operations is available. This method presents cash that will be distributable based on the results of the relevant period, after adjusting for the items set out in the above table.

Adjusted EBITDA, *Pro forma* Adjusted EBITDA and distributable cash are not earnings measures recognized by generally accepted accounting principles in Canada (''GAAP'') and do not have standardized meanings prescribed by GAAP. Therefore, *Pro forma* Adjusted EBITDA and distributable cash may not be comparable to similarly titled measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and *Pro forma* Adjusted EBITDA should not be construed as an alternative to earnings or loss determined in accordance with GAAP as indicators of the Partnership's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of Adjusted EBITDA and *Pro forma* Adjusted EBITDA to earnings, based on the historical financial statements of the Company contained elsewhere in this prospectus presented in accordance with GAAP, see ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

The Offering

Offering:	8,450,643 Units of the Fund (including the Over-Allotment Call Units).
Amount:	$84,506,430.
Price:	$10 per Unit.
Units:	Each Unit represents an equal undivided beneficial interest in the Fund. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the Fund; (ii) rights of redemption; and (iii) one vote at all meetings of Voting Unitholders. Following completion of the Offering, the 8,450,643 Units to be issued by the Fund pursuant to the Offering (including the Over-Allotment Call Units) will represent, in aggregate, approximately 51% of the issued and outstanding Units on a fully-diluted basis.
Over-Allotment Option:	The Fund has granted to the Underwriters the Over-Allotment Option, exercisable for a period of 30 days from the date of Closing, to purchase up to a total of 422,532 additional Units on the same terms as the Offering to cover over-allotments, if any, and for market stabilization purposes. The Fund will be required to purchase from Brookfield or one of its affiliates and Brookfield or one of its affiliates will be required to sell to the Fund, the Over-Allotment Call Units, or any part thereof in order to allow the Fund to deliver Units to the Underwriters pursuant to the exercise of the Over-Allotment Option.
Use of Proceeds:	The Fund will use the proceeds of the Offering to subscribe for units (the ''Trust Units'') and Series 1 notes (the ''Series 1 Trust Notes'') of the Trust. The Trust will, in turn, subscribe for Class A LP Units of the LP. The LP will use these funds, together with the proceeds from the New Credit Facilities, to: (i) indirectly, through the Operating LP, acquire the NB Timberlands and the ancillary assets from Fraser Papers, (ii) indirectly acquire all of the common membership interests of KFM LLC, and; (iii) directly or indirectly pay the expenses of the Offering. See ''Debt Financing'', ''Funding and Related Transactions'' and ''Use of Proceeds''.
Fraser Papers' Class B LP Units:	Following completion of the Offering, Fraser Papers will hold 3,613,780 Class B LP Units (being all of such securities outstanding on Closing), representing in the aggregate, on Closing, and after giving effect to the exchange of the Class B LP Units for Units, approximately 22% of the issued and outstanding Units on a fully-diluted basis. Pursuant to the terms of the FP Exchange Agreement, Fraser Papers will be entitled to exchange its Class B LP Units for Units at any time. Fraser Papers has agreed with the Underwriters not to sell any of the Units underlying the Class B LP Units for a period of 180 days following Closing. See ''Plan of Distribution''.
KTL LLC's Class B Interests:	Following completion of the Offering, KTL LLC and Brookfield US will hold 4,507,030 Class B Interests (being all of such securities outstanding on Closing) of KFM LLC. Pursuant to the terms thereof, such Class B Interests will entitle the holders to require KFM LLC to convert all or a portion of such Class B Interests into (i) Units (on a one-for-one basis, subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, approximately 27% of the outstanding Units on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of those Units on the date of conversion. Holders of Class B Interests will be entitled to receive, as and when declared by the

	managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per Unit, and (ii) the then most recently announced distribution per Unit. Pursuant to the terms of the Class B Interests, KTL LLC will be entitled to exercise the conversion rights at any time. KTL LLC will also agree to hold all of the Class B Interests (or Units of the Fund into which such Class B Interests are convertible) that it holds immediately following closing of the Offering, for a period of five years, subject to certain limited exceptions. See ''Class B Interests and Conversion Rights'' and ''Principal Agreements — KFM Acquisition Agreement''.
Fibre Supply Agreements:	On completion of the Offering, the Operating LP and Fraser Papers will enter into the Fibre Supply Agreement pursuant to which the Operating LP will agree to sell a certain volume of timber to Fraser Papers. Pricing under the terms of the Fibre Supply Agreement will be determined based on the average price paid by Fraser Papers for similar products to its five highest volume non-affiliated suppliers. The Fibre Supply Agreement will have a term of 20 years, with Fraser Papers having the right to renew for an additional five years. KFM LLC is a party to the KPC LLC Fibre Supply Agreement pursuant to which it supplies a certain volume of timber to KPC LLC and is also a party to the Fraser Papers/KFM LLC Fibre Supply Agreement pursuant to which it supplies timber to Fraser Papers in accordance with established specifications. Both of these agreements terminate in 2014 subject to an extension for an additional five year term at the request of KPC LLC or Fraser Papers, as applicable. Both of these agreements will continue following Closing. See ''Principal Agreements''.
Exclusivity Agreement:	On Closing, Brookfield and the Operating LP will enter into the Exclusivity Agreement pursuant to which Brookfield will agree not to, directly or through an affiliate, own or manage timberlands (other than timberlands that are ancillary to businesses or assets in which Brookfield holds an interest) located within Eastern Canada and the Northeastern U.S. for so long as Brookfield owns, directly or through any of its affiliates, any Class B Interests in KFM LLC or greater than 10% of the outstanding Units, provided that Brookfield will remain bound by the terms of this agreement at all times during which Brookfield remains the exclusive Manager of the Acadian Timberlands pursuant to the Management Agreement. See ''Principal Agreements — Exclusivity Agreement''.
Crown Lands Services Agreement:	Fraser Papers currently holds licences from the Government of the Province of New Brunswick in respect of the Crown Lands. Fraser Papers has the right to cut and harvest timber for its own use on approximately 17% of the Crown Lands in consideration for a royalty fee paid to the Crown. Approximately 83% of the Crown Lands are sublicenced by Fraser Papers to third parties who are entitled to cut and harvest timber for their own use on payment of the royalty fee to the Crown and payment of a services fee to Fraser Papers. On Closing, the Operating LP and Fraser Papers will enter into the Crown Lands Services Agreement pursuant to which the Operating LP will agree to provide various services relating to the Crown Lands in consideration for a fee from Fraser Papers per cubic metre of fibre harvested from these lands. See ''Principal Agreements — Crown Lands Services Agreement''.

Distribution Policy of the Fund:	The Fund intends to make monthly distributions of its available cash to the extent determined prudent by the Trustees. These distributions will represent all cash received from the Fund's indirect interest in the Partnership, less estimated cash amounts required for expenses and other obligations of the Fund and cash redemptions of Units and any tax liability. Distributions will be paid on or about the 15th day following the end of each month. The initial cash distribution for the period from Closing to February 28, 2006 is expected to be paid on or about March 15, 2006 and is estimated to be $0.071 per Unit (assuming that the Closing occurs on January 31, 2006). Subsequent regular distributions in the estimated amount of $0.06875 per Unit are anticipated to be paid each month thereafter commencing April 15, 2006. See ''Description of the Fund — Distributions'' and ''Certain Canadian Federal Income Tax Considerations''.
Distribution Policy of the LP:	The LP intends to make monthly cash distributions of its available cash to the extent determined prudent by the directors of the GP, subject to applicable law, by way of monthly distributions or advances on the Class A LP Units and the Class B LP Units, less any estimated cash amounts required for debt service obligations, obligations under the Management Agreement, other expense obligations, capital expenditures, taxes, long-term incentive awards and other incentive amounts, reserves (including amounts on account of capital expenditures and reserves to stabilize distributions to Unitholders) and such other amounts as may be considered appropriate by the GP. Capital and other expenditures (including amounts to enable the LP to pay equal monthly distributions based on expected annual cash distributions) may also be financed with drawings under the New Credit Facilities, other borrowings or additional issuances of securities. See ''Description of the LP'' and ''Debt Financing''.
Distribution Policy of the Operating LP:	The Operating LP intends to make monthly cash distributions of its available cash to the extent determined prudent by the directors of the GP, subject to applicable law, by way of monthly distributions or advances on its securities, less any estimated cash amounts required for debt service obligations, other expense obligations, capital expenditures, taxes, long-term incentive awards and other incentive amounts, reserves (including amounts on account of capital expenditures and reserves to stabilize distributions to Unitholders) and such other amounts as may be considered appropriate by the GP. Capital and other expenditures (including amounts to enable the LP to pay equal monthly distributions based on expected annual cash distributions) may also be financed with drawings under borrowings or additional issuances of securities. See ''Description of the Operating LP''.
Distribution Policy of KFM LLC:	KFM LLC intends to make monthly cash distributions of its available cash to the extent determined prudent by its managers, subject to applicable law, by way of monthly distributions or advances on its securities, less any estimated cash amounts required for debt service obligations, obligations under the Management Agreement, other expense obligations, capital expenditures, taxes, long-term incentive awards and other incentive amounts, distributions to Class B Interest holders, reserves (including amounts on account of capital expenditures and reserves to stabilize distributions to Unitholders) and such other amounts as may be considered appropriate by KFM LLC. Capital and other expenditures (including amounts to enable KFM LLC to pay equal monthly distributions based on

	expected annual cash distributions) may also be financed with borrowings or additional issuances of securities. Following completion of the Offering, KTL LLC and Brookfield US will hold 4,507,030 Class B Interests (being all of such securities outstanding on Closing) of KFM LLC. The holders of the Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per Unit, and (ii) the then most recently announced distribution per Unit. Such Class B Interests will entitle the holders to require KFM LLC to convert such Class B Interests into (i) Units (on a one-for-one basis, subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, an approximate 27% interest in the Fund on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of those Units on the date of conversion. See ''Description of KFM LLC'' and ''Debt Financing''.
Risk Factors:	An investment in Units is subject to a number of risks that should be considered by a prospective purchaser. Cash distributions by the Fund are not guaranteed and will be based indirectly upon the business operated by the Partnership, which is susceptible to a number of risks. These risks include those related to: dependence on Fraser Papers; dependence on the lumber and pulp and paper industries; dependence on the housing, construction, repair and remodelling market; timber and wood market, price volatility and other general risk factors relating to timberlands; highly competitive industry; lack of control with Fraser Papers' Crown Lands management; reduction in royalties; increase in Crown lands harvest limits; restrictions imposed by forestry and environmental regulations; limitations on ability to harvest; forest management; reduced operational flexibility due to Fibre Supply Agreements; fuel and energy costs; geographic concentration; currency risk; insurance; land titles claims; seasonality; cyclicality; non-timber income; dependence on the Manager and potential conflicts of interest; Aboriginal claims; softwood lumber trade dispute; labour relations and labour laws; dependence on and scarcity of trained labour; export restrictions; protection of threatened or endangered species and waterways; undetected environmental liabilities; business integration risk; risks associated with future acquisition; dependence on the Partnership; the fact that cash distributions are not guaranteed and will fluctuate with the performance of the Partnership; the legal attributes of the Units, including the fact that the Units do not afford Unitholders with the rights normally associated with ownership of shares of a corporation; the absence of a prior public market; market price of Units; the distribution of securities on redemption or termination of the Fund; dilution of existing Unitholders; leverage and restrictive covenants in agreements relating to indebtedness; future sales of Units by KTL LLC and Fraser Papers; income tax matters; implications of exercise of redemption right; limitation on potential growth; restrictions on certain Unitholders and liquidity of Units; and the Fund's inability to access certain statutory remedies in the event of a restructuring. See ''Risk Factors''.

Management of the Partnership

Fraser Papers and KFM LLC retained the Manager to assist in the preparation and implementation of the overall strategic plan in respect of the Acadian Timberlands and monitor and assist with the day-to-day operations of the

Acadian Timberlands, pursuant to the Management Agreement. See ‘‘Management of the Fund and the Partnership — The Manager’’. Following Closing, the Manager will provide these management services in respect of the assets of the Operating LP under the Management Agreement. Senior management of the Manager include persons having experience in all aspects of the timber industry. The Manager will not have the authority to bind the Operating LP in dealings with third parties.

Under the terms of the Management Agreement, the Manager is responsible for advising the Operating LP and KFM LLC on the best manner in which to manage, hold and dispose of the Acadian Timberlands and to assist and advise with the preparation of, and supervise the implementation of, the overall strategic planning in respect of the Acadian Timberlands. In connection with its duties, the Manager is responsible for, among other things: advising with respect to marketing and sales; advising on all significant fibre supply commitments; overseeing the preparation of operational plans and budgets and making recommendations in respect thereof to the Operating LP and KFM LLC; monitoring and overseeing of internal management teams, operational plans and operating activities, as required by the Operating LP and KFM LLC; advising with respect to the best practices and new developments in silviculture and other forestry practices; advising and assisting with proposed financings; advising and assisting with acquisitions and dispositions; and advising and assisting with community and investor relations. The Management Agreement has a term of 20 years with automatic successive renewal periods of 10 years.

In consideration for the provision of its services, the Manager will be entitled to (i) an annual base fee (payable quarterly) in an amount equal to $2 million (subject to adjustment for inflation), plus 1.25% of the positive difference, if any, between the Asset Value of the Fund and the Asset Value of the Fund immediately following Closing (subject to adjustment for inflation), and (ii) an annual performance fee equal to 15% of the amount by which distributable cash per Unit of the Fund in respect of the applicable year exceeds $0.9075, multiplied by the number of Units outstanding as at the end of such year. Each of the Operating LP and KFM LLC will be responsible for paying its *pro rata* share of the base fees and performance fees (if any). The Management Agreement may be terminated on the occurrence of certain prescribed events. See ‘‘Management of the Fund and the Partnership — The Manager’’. The Manager is a wholly-owned subsidiary entity of Brookfield, which, on Closing, will hold indirectly all of the Class B Interests and, as at the date of this prospectus, also holds approximately 46% of the issued and outstanding common shares of Fraser Papers. See ‘‘Management of the Fund and the Partnership’’.

THE FUND, THE TRUST, THE LP, THE OPERATING LP AND KFM LLC

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by the Fund Declaration of Trust. The Fund has been established to acquire and hold Trust Units, Series 1 Trust Notes and all of the outstanding shares of the GP. See ''Description of the Fund''.

The Trust is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by the Trust Declaration of Trust. The Trust has been created to acquire and hold Class A LP Units. See ''Description of the Trust''.

The LP is a limited partnership formed under the laws of the Province of Manitoba. The LP has been created to directly or indirectly (i) acquire and hold all of the Operating LP Units of the Operating LP, and (ii) hold all of the common membership interests of KFM LLC. Following completion of the Offering, Fraser Papers will hold 3,613,780 Class B LP Units (being all of such securities outstanding on Closing) of the LP, representing in the aggregate, on Closing, approximately 22% of the outstanding Units on a fully-diluted basis. See ''Funding and Related Transactions'', ''Principal Agreements — FP Exchange Agreement'' and ''Description of the LP''.

The Operating LP is a limited partnership formed under the laws of the Province of Manitoba. The Operating LP has been formed to (i) acquire the NB Timberlands and ancillary assets, (ii) enter into the Fibre Supply Agreement; and (iii) enter into the Crown Lands Services Agreement to provide services in respect of the Crown Lands. See ''Description of the Operating LP''.

KFM LLC is a limited liability company formed under the laws of Delaware. KFM LLC holds the Maine Timberlands. Following completion of the Offering, KTL LLC and Brookfield US will hold 4,507,030 Class B Interests (being all of such securities outstanding on Closing) of KFM LLC. The holders of the Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per Unit, and (ii) the then most recently announced distribution per Unit. Such Class B Interests will also entitle the holders to require KFM LLC to convert such Class B Interests into (i) Units (on a one-for-one basis, subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, an approximate 27% interest in the Fund on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of those Units (based on a 10 day weighted average trading price) on the date of conversion. See ''Description of CanCo, USCo and KFM LLC''.

The principal and head office of the Fund, the Trust, the GP and the LP are located at Suite 200, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

For a description of the structure of the Fund before and after Closing and related transactions, see ''Funding and Related Transactions''.

Also see ''Description of the Fund'', ''Description of the Trust'', ''Description of the LP'', ''Description of the GP'', Description of the Operating LP'', ''Description of CanCo, USCo and KFM LLC'', ''Class B Interests and Conversion Rights'', ''Principal Agreements'' and ''Use of Proceeds''.

ACADIAN

Acadian is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. Acadian's strategy is to maximize cash flows from its timberland assets, while enhancing the value of these assets over time. In addition, Acadian intends to implement a strategy to grow its business by acquiring complementary timberland assets in the region in which it operates.

Acadian owns and manages the NB Timberlands and the Maine Timberlands and manages the Crown Lands pursuant to the Crown Lands Services Agreement. See ''Principal Agreements — Crown Lands Services Agreement''. Acadian also owns and operates the Forest Nursery.

The NB Timberlands have been owned and managed by Fraser Papers since the 1940s. The Maine Timberlands were acquired by a wholly-owned subsidiary of Brookfield in 2003. While the NB Timberlands and the Maine Timberlands were previously managed by separate, independent management teams, the fundamental management practices and objectives under which they have been operated are consistent. More recently, the Manager was retained to further harmonize the overall business strategy for the Acadian Timberlands. Following Closing, Acadian will manage all of the Acadian Timberlands as a single portfolio and the Manager will provide strategic advice and other complementary services under the Management Agreement.

Accordingly, references in this prospectus to ''Acadian'' are, prior to Closing, to Fraser Papers' Timberlands Business (in respect of the NB Timberlands, the Forest Nursery and the services provided in respect of the Crown Lands) and to KFM LLC (in respect of the Maine Timberlands), and, following Closing, to the Fund's operating subsidiary entities that will manage these businesses as a single portfolio.

INDUSTRY

Forest Industry in North America

Overview

Timber harvested from timberlands is the basic input for the forest products industry. After trees are harvested from timberlands, they are converted into building materials, pulp and paper products, consumer products and energy by lumber mills, pulp and paper mills and other manufacturing and converting facilities. The majority of Canada's timberlands are owned by provincial governments. Timberlands in the United States are typically owned by private landowners, who may or may not own a related manufacturing mill, or by the government.

The supply of timber can generally be characterized by species, size and quality. Species of timber consist of softwood (such as spruce, fir, hemlock and pine) and hardwood (such as maple, birch and aspen). The two principal size categories are: (1) sawlogs, which are derived from the lower sections of larger, higher quality trees; and (2) pulpwood, which is derived from the smaller upper sections of a tree, or smaller, lower quality trees in their entirety. Quality is generally measured by customers based on amount of rot in the wood as well as the form of the stem of the tree. In North America, timber is generally harvested for one of three types of end users: (1) lumber mills (which use sawlogs to produce lumber), (2) pulp mills (which use pulpwood to produce inputs for the paper industry), and (3) others such as oriented-strand board (OSB) and specialty mills which make building materials, veneer, furniture and other products. Timber harvested from timberlands is often referred to as ''roundwood'' before it is processed by a lumber mill, pulp mill or other converting facilities.

North American Timberlands Market

Canada is the largest region for timberlands in North America in terms of area, with approximately 993 million acres of forested land, of which approximately 66% is softwood. New Brunswick has approximately 15 million acres of productive timberlands. The total Canadian potential timber harvest in 2003 is estimated to be approximately 240 million m^3, of which New Brunswick represented approximately 5% or 11 million m^3. Softwood, which is considered more merchantable than hardwood, dominates New Brunswick timberlands *(source: The State of Canada's Forests 2004-2005, Natural Resources Canada)*. The south shore region of Quebec, which is nearby, also has significant acres of productive timberlands represented by a more even mix of softwood and hardwood species.

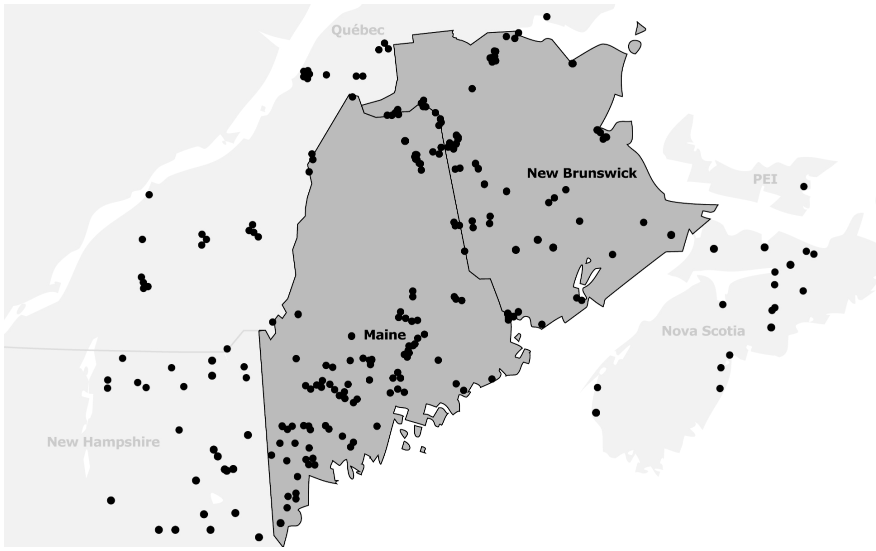
By comparison, the U.S. has approximately 749 million acres of forested land, of which softwood types represent 57% of the total U.S. forestland area *(source: Forest Resource of the United States, 2002)*. Maine has approximately 17 million acres of productive timberlands *(source: The Forests of Maine 2003, United States Department of Agriculture)*. The total U.S. timber harvest in 2001 was approximately 444 million m^3, of which Maine represented approximately 3.2% or 14 million m^3. Even though the total forested land in the U.S. is less than in Canada, the annual timber harvest in the U.S. is significantly larger than the annual timber harvest in Canada as a result of a generally warmer climate in the U.S. when compared to Canada.

In Eastern Canada and the Northeastern U.S. softwood timber harvested is almost exclusively spruce, pine and fir, which are primarily converted into dimension wood products and into pulp and paper products. Eastern Canada and Northeastern U.S. hardwood consists predominantly of maple, birch, beech and aspen, and is converted into numerous products such as structural building materials, cabinets, plywood, veneer, pulp and paper and biomass used as fuel for power plants.

Roundwood markets in northeastern North America are regionalized due to fuel and land-based transportation costs. Management estimates that in order to remain cost effective, timberland owners generally limit log hauling by truck to a 250 km radius from any particular mill, as ground transportation beyond this distance generally is considered to be uneconomical.

Below is an illustration of the distribution of lumber, pulp and paper mills within Canada's Maritime provinces, south shore Quebec, Maine and New Hampshire (the ''Regional Markets'') which management believes to be in operation. Of these mills, there are approximately 40 in New Brunswick and Maine that produce in excess of 10 million board feet per year.

Lumber, Pulp and Paper Mills — Regional Markets



End Use Markets

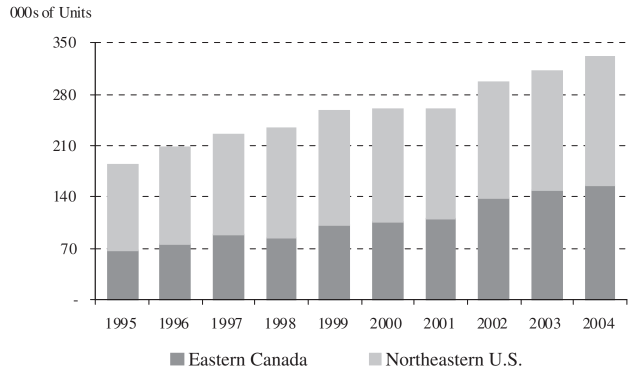
The two most significant end use markets in North America for harvested timber are the softwood lumber market and the pulp and paper market. The largest markets for lumber, pulp and paper products are found in the U.S. Contrary to roundwood markets, where shipping costs tend to make local customers more attractive for producers, lumber, pulp and paper products can be transported across the continent relatively economically. The primary markets for lumber, pulp and paper produced in New Brunswick and Maine are located in the heavily populated region of Eastern Canada and the Northeastern U.S.

According to R.E. Taylor & Associates, total North American lumber usage has been dominated by new home construction, which accounted for 43% of end-market use in 2004. Housing repair and remodeling was the second largest end-market at 29%, while non-residential use accounted for 11%. The level of lumber demand for home construction and remodeling has fluctuated over the last decade with, home construction averaging 38% of lumber usage and repair and renovation averaging 35%. These two end markets, however, have consistently been the largest users of lumber.

In terms of timber flow, approximately 60% of softwood lumber consumed in the U.S. has been used for new housing construction during the past 40 years (*source: Forest Research Group*). Management estimates that approximately 30% of U.S. softwood lumber consumption goes towards repair and remodeling markets. Traditionally, hardwood lumber products have been used to produce cabinets, furniture and flooring and home construction building materials.

Strong economic conditions and housing starts in Eastern Canada and Northeastern U.S. have contributed to strong domestic softwood demand. In particular, low interest rates, low unemployment and higher immigration have helped to stimulate strong home improvement and housing activity over the past decade. Since 1995, housing starts in Eastern Canada have increased at a CAGR of 10.0% (*source: Canada Mortgage and Housing Corporation*). The strong U.S. economy has also driven significant housing starts in the Northeastern U.S. growing at a CAGR of 4.5% since 1995 (*source: U.S. Census Bureau*).

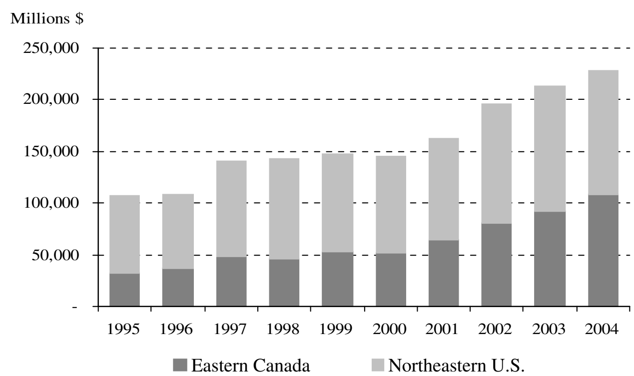
Eastern Canada and Northeastern U.S. Housing Starts



Source: Canada Mortgage and Housing Corporation and U.S. Census Bureau

Residential improvement and repair spending is also a key demand driver for both softwood and hardwood timber. Residential improvement and repair spending has tended to be more stable over various economic cycles compared to the new housing market. Eastern Canadian residential improvement and repair spending reached an all time high in 2004 of approximately $108 billion, or a CAGR of 14.3% since 1995 *(source: Statistics Canada).* In the Northeastern U.S., residential improvements and repair spending reached $120 billion in 2004, representing a CAGR of 5.4% since 1995 *(source: U.S. Census Bureau).*

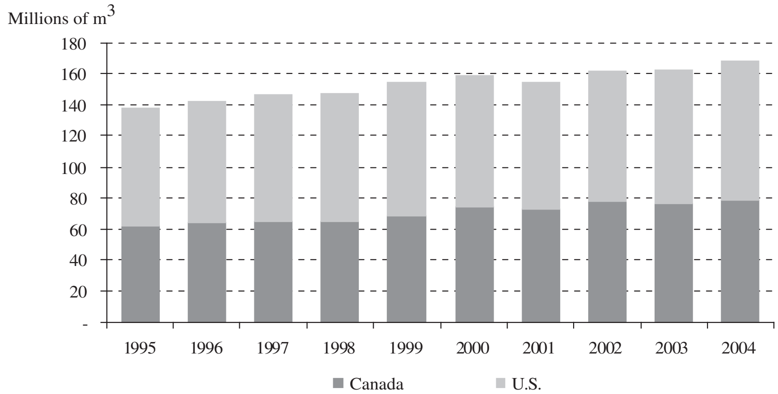
Eastern Canada and Northeastern U.S. Residential Improvements and Repairs



Source: Statistics Canada and U.S. Census Bureau

Growth in the new housing market together with home improvement spending has driven the production of softwood lumber in North America to reach a new high in 2004. Over the last 10 years, North American softwood lumber production has grown at a CAGR of 2.2% with Canadian production growing at a CAGR of 2.7% and U.S. production growing at a CAGR of 1.8% *(source: RISI, Inc.).*

North American Softwood Lumber Production



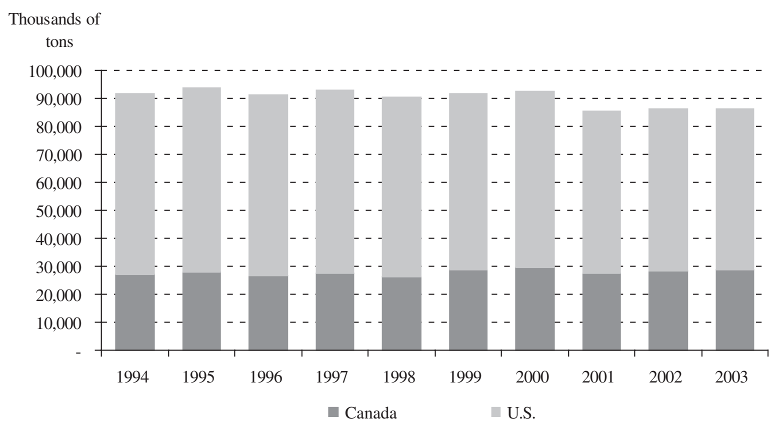
Source: RISI, Inc.

In addition to the lumber and building materials sectors of the economy, the pulp and paper industry in North America is a large consumer of wood fibre from timberlands. A significant component of pulp produced within North America is consumed domestically in integrated paper and board manufacturing facilities. While paper and board consumption has historically risen with population growth, the industry has experienced slower growth in recent years in several paper, tissue and board grades and has experienced declining consumption for some paper products.

Total paper and board demand in North America is expected to rise from approximately 109 million tons in 2005 to 130 million tons in 2020. This represents a compound annual growth rate of 1.2%. Production in North America is expected to increase from 112 million tons in 2005 to 130 million tons in 2020. The modest long term growth rates for paper and board production and consumption are a reflection of a growing population base and increased economic activity offset primarily from the impact of electronic substitution (*source: RISI, Inc.*).

The chart below provides a 10 year history of paper grade pulp production in North America from 1994 to 2003 and indicates a decline in production from 2000 to 2001 with relatively stable production between 2001 and 2003.

North American Paper Grade Pulp Production



Source: RISI, Inc.

Forest Industry in New Brunswick

The Province of New Brunswick has approximately 15 million acres of productive timberland. The forest products sector in New Brunswick is a critical component of the provincial economy with over $2.1 billion of forest products produced each year, both directly and indirectly, equating to 11% of the provincial gross domestic product. New Brunswick has several factors that contribute to the success of its forest products industry, including a high quality fibre basket, skilled labour and a flexible operating and regulatory environment. The industry is supported by its proximity to major markets located in Eastern Canada and the Northeastern U.S. region. The forest products sector in New

Brunswick contributes $705 million in annual wages and salaries to the provincial economy, employing 23,400 people, both directly and indirectly (*source: Atlantic Provinces Economic Council, December 2003*).

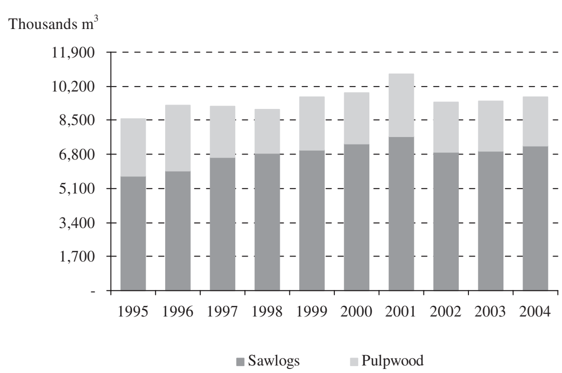
Timberlands in New Brunswick are owned either as freehold lands or by the Province of New Brunswick. Lands owned by the province are referred to as ''Crown lands''. New Brunswick has significant freehold lands when compared to other regions in Canada as approximately 50% of its timberlands are freehold versus a Canadian average of 7% (*source: The State of Canada's Forests 2004-2005, Natural Resources Canada*). According to the New Brunswick Forest Products Association, the percentage of constrained forestlands on Crown lands has increased from approximately 18% in 1992 to approximately 32% in 2002, thereby reducing fibre supply in New Brunswick and increasing the attractiveness of freehold lands.

Fibre Demand

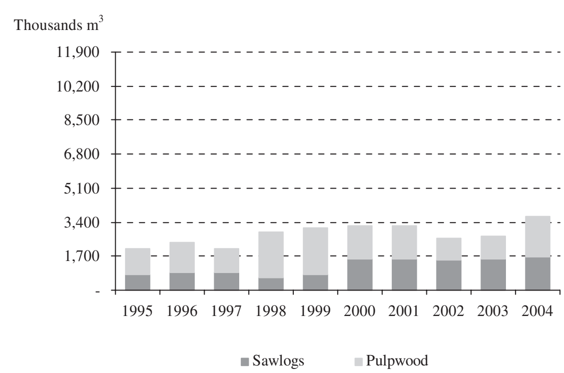
Management estimates that New Brunswick has approximately 80 lumber mills producing in aggregate over 1.5 billion board feet of lumber per year. Management estimates that the majority of the lumber production comes from 23 softwood lumbermills, of which 12 produce greater than 50 million foot board measure (''fbm''). Management estimates that New Brunswick has 8 pulp and paper mills that produce in aggregate approximately 2.5 million tons of pulp and paper per year. The amount of softwood and hardwood consumed on an annual basis can vary based upon access to fibre, merchantable inventory mix, and lumber mill and pulp and paper mill product mix and demands.

Margins on softwood timber are typically better than those on hardwood and as a result, timberland operators in the past focused harvesting strategies predominantly on softwood. Total softwood consumed in New Brunswick has increased over the past 10 years, at a CAGR of 1.4%. Softwood imports has historically represented a significant component of softwood consumption in New Brunswick. In 2004, softwood imports represented 27.9% (or approximately 2.7 million m^3) of total softwood consumed in the Province. As the overall level of softwood availability decreased as a result of a past harvesting strategies, pulp and paper mills began to incorporate the ability to use hardwood in their operations, which explains a significant portion of the increase in hardwood volumes as depicted in the graphs below. Hardwood consumption has increased over the past 10 years at a CAGR of 6.6%. Hardwood imports are not as significant in New Brunswick as imports only represented 8.8% (or approximately 0.3 million m^3) of total hardwood consumption in New Brunswick in 2004 *(source: Timber Utilization Surveys, New Brunswick Department of Natural Resources).*

Total Softwood Consumed in New Brunswick(1)



Total Hardwood Consumed in New Brunswick(1)



Source: Timber Utilization Surveys, Forest Management Branch, Department of Natural Resources, Province of New Brunswick.

Note:

(1) Operating year ends on April 30 of year stated.

As indicated above, New Brunswick is a net importer of wood fibre, with imports exceeding exports by 1.2 million m^3 per year over the past 10 years *(source: Timber Utilization Surveys, New Brunswick Department of Natural Resources).* Recent announcements of reductions of allowable harvesting in the Province of Quebec have resulted in increased demand in Quebec for wood fibre from freehold lands in New Brunswick and Maine. This increased demand is expected to further increase the fibre constraints in New Brunswick.

Forest Industry in Maine

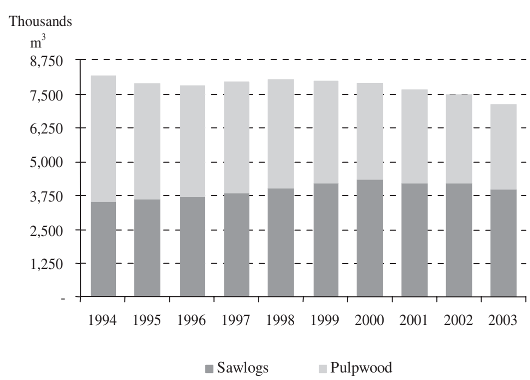
The State of Maine has over 17 million acres of timberland. Maine is the most heavily forested state in the U.S. and a major wood producing state in the Northeastern U.S. which is comprised of nine states: Connecticut, Massachusetts, New Jersey, Pennsylvania, Rhode Island, New York, Vermont, New Hampshire and Maine. Forest products manufacturing is the largest manufacturing industry in Maine. The forest industry contributed U.S.$5.2 billion in value to the economy in 2001 (measured by total shipments), representing 36% of Maine's total manufacturing sales *(source: North East State Foresters Association, December 2004).* Maine enjoys many of the same attributes as New Brunswick, which contribute to the success of this industry, including a high quality fibre basket, skilled labour and a flexible operating and regulatory environment. The forest products sector in Maine provides employment for approximately 20,000 people and generates wages over U.S.$1 billion annually (*source: North East State Foresters Association, December 2004*).

Management estimates that over 90% of the forestlands in Maine are privately owned while the remainder is publicly owned. Of the privately owned timberlands, only approximately 10% is currently owned by integrated forest products companies while the remainder is held by a wide range of individuals and financial owners and in some cases, by private conservation groups, large logging contractors or developers. The area of land subject to public and private conservation initiatives in the State of Maine, which restrict harvest significantly, has increased from approximately 5% in 2001 to approximately 9% in 2003, based on management estimates. Unlike in New Brunswick, where conservation is largely driven by government policy in the form of increasing harvest limits placed upon Crown lands, conservation in the State of Maine takes one of two primary forms: first, large tracts of land are purchased by government agencies or conservation organizations and permanently removed from the pool of industrial timberlands; and, second, conservation easements are acquired over tracts of land. These conservation easements are designed to significantly limit the development of these properties, while permitting industrial timber harvesting, subject to sustainable forestry practices and ongoing monitoring. The impact over time of conservation initiatives is expected to decrease the overall supply of fibre in Maine.

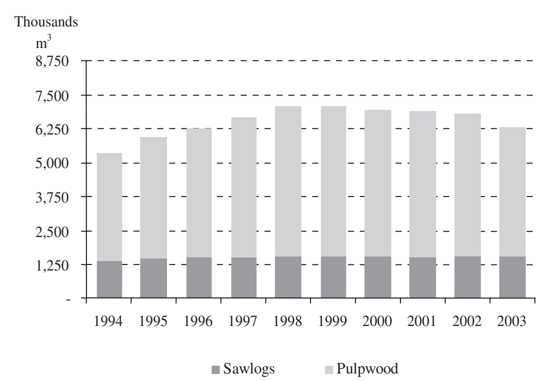
Fibre Demand

Maine has approximately 100 lumber mills producing in aggregate over one billion board feet per year (*source: Maine Future Forest Economy Project March 2005*). Of these mills, there are approximately seven softwood mills which are considered by management to be medium to large, producing in aggregate approximately 605 million board feet of lumber in 2004 *(source: USDA Profile 2005 Softwood Sawmills in the United States and Canada).* Hardwood lumber mills are smaller by nature. Management estimates that there are approximately six hardwood lumber mills in Maine that represent meaningful potential customers for the Maine Timberlands. Maine also has 13 pulp and paper mills that produce in aggregate approximately 4.5 million tons of pulp and paper per year *(source: Maine Future Forest Economy Project March 2005).* Similar to New Brunswick, the amount of softwood and hardwood consumed on an annual basis can vary based upon lumber mill and pulp and paper mill product mix and demands. Total softwood consumed in Maine has decreased over the past 10 years, at a CAGR of 1.5%, as shown in the graph below. Hardwood consumption levels have increased at a 10-year CAGR of 1.8%, as shown in the graph below, which can be partially attributed to strong pulpwood consumption *(source: Maine Forest Service).*

Total Softwood Consumed in Maine[1]



Total Hardwood Consumed in Maine[1]



Source: Maine Forest Service

Note:

(1) Data is shown in calendar years.

Maine is a net exporter of wood fibre, with exports exceeding imports in 2004 (*source: 2004 Wood Processor Report, Maine Forest Services*).

Other Industry Characteristics

Softwood Lumber Duties

Effective May 22, 2002, the U.S. International Trade Commission (''USITC'') imposed countervailing duties (''CVD''), and anti-dumping duties (''ADD'') on Canadian lumber exported to the U.S. as they alleged the prices being paid by Canadian lumber producers for timber did not reflect a market-based pricing system. The future of the U.S.-imposed import duties on Canadian lumber remains uncertain. Attempts to negotiate a settlement to the current trade dispute are ongoing, but the outcome of these proposals and their impact on the duties is unknown. Lumber exports from New Brunswick are exempt from the CVD as the USITC has concluded that timber pricing in New Brunswick is market-based. Neither the CVD nor the ADD apply to roundwood exports from Canada to the U.S., as opposed to exports of lumber to which CVD and ADD both apply. In early December 2005, the U.S. Department of Commerce decided to significantly reduce the duties that Canadian lumber producers are required to pay to export lumber from Canada to the U.S.

Ownership Transformation

Traditionally, a large percentage of freehold timberlands in the U.S. have been owned by large, publicly-traded, integrated forest products companies and smaller family-owned forest product companies. Over the past 15 years, a significant change has occurred in the ownership of commercial timberlands in the U.S. as shareholders of integrated producers have sold timberlands in order to reinvest and focus on their core manufacturing facilities. This trend is expected to continue as more forest products companies sell portions of their timberland and secure access to fibre through long-term supply contracts. International Paper, one of the largest paper manufacturers in North America, recently announced that it intends to monetize its timber holdings, and indications from other integrated producers suggest that they will follow suit. Management believes that similar trends are developing in Canada.

BUSINESS OF ACADIAN

Overview of Acadian's Business

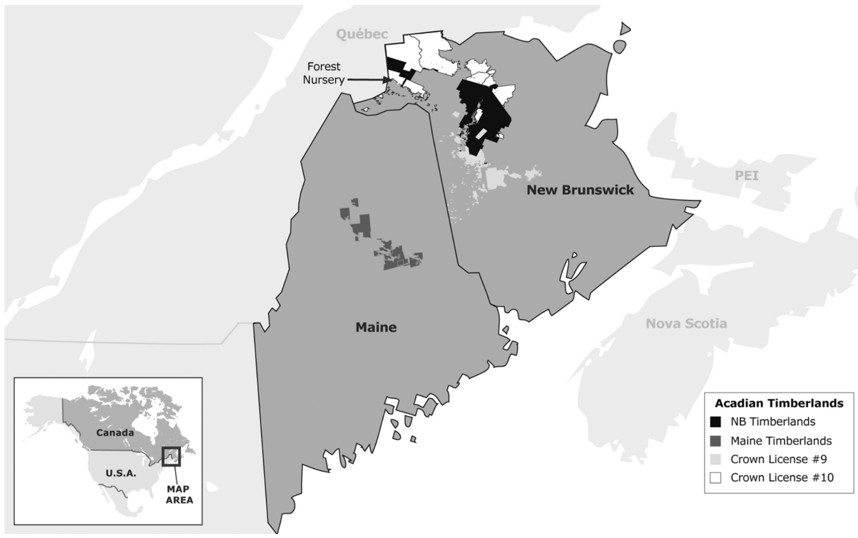
Acadian is a leading supplier of primary forest products to the forest products industry in Eastern Canada and the Northeastern U.S. With a total of 2.4 million acres of land under operation, management believes that Acadian is the second largest timberland operator in New Brunswick and Maine. Acadian owns and manages the NB Timberlands and the Maine Timberlands and provides services in respect of the Crown Lands. These services will be provided following Closing pursuant to the Crown Lands Services Agreement. Acadian also owns and operates the Forest Nursery.

Acadian engages in forest management, harvesting, marketing and sales in order to realize the maximum value from its timber and to provide fibre for regional consumers including lumber mills, pulp and paper mills and other buyers of primary forest products. Access to long-term, sustainable, high quality timber resources is an important competitive factor for Acadian's customers. Acadian strives to: (1) harvest timber in a cost effective manner consistent with sound environmental and sustainable forestry practices; (2) sell timber (including sawlogs, pulpwood and biomass products) to targeted regional customers; (3) optimize the product mix with effective marketing and merchandising; and (4) find new markets for its products. Approximately 43% of Acadian Timberlands' harvest volume in the twelve months ended October 1, 2005 was sold to lumber mills, 36% to pulp mills and the remaining 21% as biomass used as fuel by power plants.

Sawlogs and pulpwood from the Acadian Timberlands are sold primarily to customers in Maine and New Brunswick, including to Fraser Papers. Substantially all of the annual harvest of softwood from the NB Timberlands (approximately 264,000 m^3 in the twelve month period ended October 1, 2005) is committed to Fraser Papers. See ''Principal Agreements — Fibre Supply Agreement''. In addition, substantially all of the annual harvest of spruce/fir pulpwood from the Maine Timberlands (approximately 43,000 m^3 in the twelve months ended October 1, 2005) is committed to Katahdin Paper Company, LLC (''KPC LLC''), an entity controlled by Brookfield and managed by Fraser Papers. See ''Principal Agreements — KPC LLC Fibre Supply Agreement''. During the twelve month period ended October 1, 2005, approximately 34% of net sales from the Acadian Timberlands were derived from freehold timber sales to Fraser Papers, 2% of net sales were derived from fees for services provided by Acadian in respect of the Crown Lands and 3% of net sales were derived from freehold timber sales to KPC LLC. Of the remaining 61% of net sales from the Acadian Timberlands, the single largest customer represented 6% of total net sales and the top five customers combined represented 19% of net sales. The Acadian Timberlands provide a critical wood supply to over 110 local customers.

The map below outlines the location of the Acadian Timberlands.

Acadian Timberlands



Timberland Assets

The operations of the Acadian Timberlands are conducted mainly in New Brunswick and Maine. The land base is operated by management teams headquartered in Edmundston, New Brunswick and Millinocket, Maine. Total merchantable inventory amounts to 27.7 million m^3 with an annual sustainable harvest volume of 928,000 m^3.

	NB Timberlands	Maine Timberlands	Combined
Land Area	765,000 acres	311,000 acres[4]	1,076,000 acres
Productive Forested Area[1]	92%	92%	92%
Merchantable Forest Inventory[2]	17.3 million m^3	10.4 million m^3	27.7 million m^3
Species Mix of Merchantable Forest Inventory	51% softwood 49% hardwood	70% softwood 30% hardwood	58% softwood 42% hardwood
Long Run Sustainable Yield (LRSY)	651,000 m^3/year	277,000 m^3/year	928,000 m^3/year
Silviculture Treatment Area[3]	208,000 acres	47,000 acres	255,000 acres
Silviculture Treatment Area (as a percentage of productive forested area)	30%	16%	26%

Notes:

(1) Productive Forested Area means land excluding roads, wetlands, water and other non-forested areas.

(2) Merchantable Forest Inventory includes all trees with a diameter greater than 10 cm at a height of 1.4 m from the ground. Management estimates that this represents all trees above approximately 30 years of age.

(3) Number of acres treated between 1978 and 2004. See ''Historical Silviculture Investment''.

(4) Includes timber owned under perpetual timber deeds covering approximately 9,000 acres, which are held by an affiliate of Brookfield.

Benefits of Freehold Timberlands

Revenues from the Acadian Timberlands are generated primarily from owning and managing approximately 1.1 million acres of freehold timberlands and from providing services relating to approximately 1.3 million acres of

Crown Lands. Freehold timberlands provide superior market access, higher operating flexibility and stronger cash flows than Crown Lands due to the following factors:

Harvest Flexibility: Although managers of Crown lands are entitled to a certain amount of volume flexibility on an annual basis, freehold timberlands benefit from considerably greater flexibility with regard to volumes harvested and selection of harvest areas, allowing Acadian to harvest in response to market opportunities and customer demand.

Export Markets: Acadian has the ability to export fibre from its freehold timberlands, enabling it to access markets in the U.S. and Canadian provinces outside of New Brunswick. Fibre from Crown lands is not generally exported from the province in which it is harvested due to export restrictions imposed upon such Crown lands.

Ownership of Timber: Acadian captures the full economic benefit from freehold timberlands by its entitlement to the market selling price of the product as compared to only a service fee in respect of Crown lands operations. In addition, freehold timberlands enable their owner to take advantage of pricing increases that impact favourably on financial returns.

Lower Administrative Costs: Freehold timberlands are subject to fewer regulations than Crown lands, and, accordingly, are not subject to the same administrative burden imposed by provincial legislation on Crown lands. Therefore, administrative costs can be better controlled and maintained at lower levels.

Conservation on Crown lands: The land base on Crown lands available for harvesting has been decreasing over time as the government increases the area of land that is protected for conservation purposes. According to the New Brunswick Forest Products Association, the percentage of constrained forestlands on Crown lands has increased from approximately 18% in 1992 to approximately 32% in 2002, thereby reducing fibre supply in New Brunswick and increasing the attractiveness of freehold lands. Moreover, the annual allowable harvest for softwood species on Crown lands in New Brunswick has been reduced by 14% since 1982 *(source: New Brunswick Forest Products Association)* while the Province of Quebec reduced its annual allowable harvest level by 20% in 2005 (*source: Resources naturelles et Faune, Quebec, Mars 2005)*. As a result, fibre supply in the markets served by Acadian is gradually contracting, increasing the attractiveness of freehold timberlands.

NB Timberlands

The NB Timberlands have been owned and managed by Fraser Papers since the 1940's when a predecessor company acquired the timberlands from the New Brunswick Railway Company in order to provide a steady and secure flow of fibre to its lumber mills and pulp mills. The NB Timberlands are freehold lands comprising approximately 765,000 acres in three large contiguous blocks of land in the Madawaska and Victoria counties of New Brunswick. The NB Timberlands are characterized by high soil quality, with well drained glacial till, and are attractive for both farming and timber growth. The NB Timberlands are located in two main areas in northwest New Brunswick and are organized into three operating districts under common management systems, as follows:

District	Location	Area (Acres)	Description
Green River	Green River/Edmundston Madawaska Co.	102,000	94% in one contiguous area plus 20 ± smaller, scattered lots. High quality, well-drained soils, balance of softwood and hardwood.
West Tobique	North of Plaster Rock Victoria Co.	302,000	99% one large, contiguous area west and north of the Tobique River plus 20 ± smaller, scattered lots in the Plaster Rock area. High quality hardwoods, deep rich soils — large amount of silviculture area.
East Tobique	North & East of Plaster Rock Victoria Co.	361,000	98% in one large contiguous area east and south of the Tobique River plus 10 ± smaller, scattered lots. Wetter soils in the south, a significant portion of which requires winter operations. Good spruce and fir regeneration.
Total Area — NB Timberlands		765,000	

The regions' relatively warm climate and high precipitation favours the development of tolerant hardwood forests, and large stands of sugar maple, yellow birch, red maple and beech. Coniferous stands of balsam fir and red, white and black spruce are also found in several regions. Precipitation amounts are fairly high, resulting in historically low frequency of forest fires.

Approximately 92% of the NB Timberlands is classified as productive forestland. The remaining area is comprised of roads, wetlands and water. Access to and throughout the NB Timberlands is supported by over 5,300 km of main roads and access roads developed for forest management purposes.

The NB Timberlands have approximately 17.3 million m^3 merchantable timber with relatively equal volume of softwood and hardwood, the softwood being comprised primarily of spruce and fir. Excluded from the estimate of merchantable inventory are all trees under approximately 10 cm in diameter measured at a height of 1.4 m from the ground. While these trees form an important component of the future asset base, they are generally under 30 years of age and considered non-merchantable at the time of the estimate. The long run sustainable yield (''LRSY'') represents the level of annual harvest that management estimates can be sustained over an indefinite period, assuming an established silviculture program and normal regrowth. See ''Forest Management — Long Run Sustainable Yield — LRSY''. The NB Timberlands have a LRSY of approximately 651,000 m^3 comprised of 60% softwood and 40% hardwood. Species composition differences within Acadian's inventory and LRSY are due to differing growth rates by species group, the effects of silviculture and harvest activities.

The following table provides a summary of management's estimates of total merchantable forest inventory and LRSY for the NB Timberlands.

Estimates of Merchantable Forest Inventory and LRSY of NB Timberlands

Products (thousands m^3)[(1)(2)]	Softwood	Hardwood	Total
Sawlogs	7,200	1,900	9,100
Pulpwood	1,600	6,600	8,200
Total	8,800	8,500	17,300
LRSY[(3)] m^3	390,000	261,000	651,000

Notes:

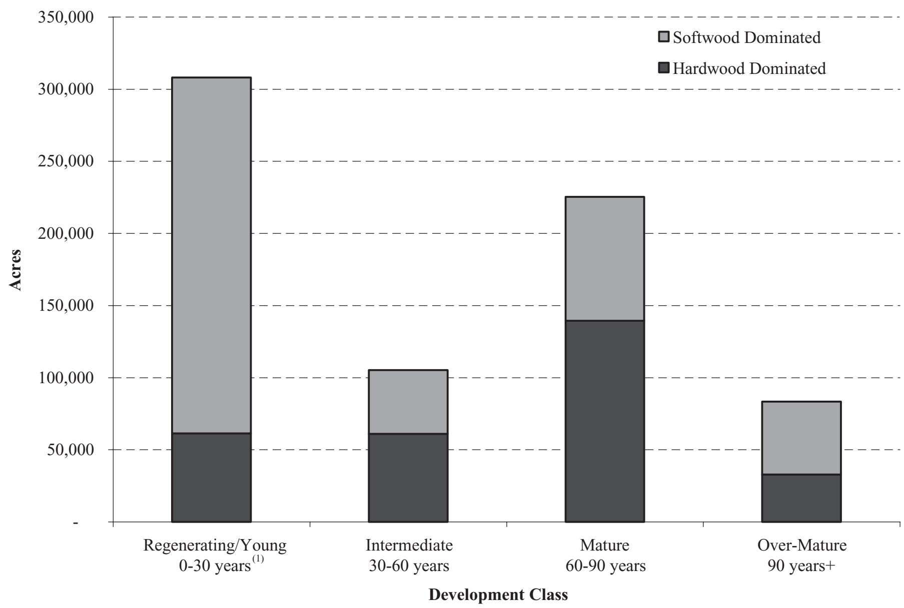
(1) Management's current estimates of inventory are based on a FRC Forest Valuation Inventory Report dated as of November 2004.

(2) Merchantable Forest Inventory includes all trees with a diameter greater than 10 cm measured at a height of 1.4 m from the ground. Management estimates that this represents all trees above approximately 30 years of age.

(3) Long run sustainable yield reflects management's estimates of the volume of timber that can be harvested for an indefinite period of time based on Acadian's 2006-2010 forest management plan for the NB Timberlands.

Approximately 43% of the NB Timberlands productive forest is in a regenerating, immature condition that will contribute significantly to future harvest activity. The young forest area includes more than 125,000 acres of softwood plantations and more than 40,000 acres of stands that have been pre-commercially thinned (a silviculture activity) between 1978 and 2004. These young stands are being managed to provide for future harvest and will begin contributing to the harvest in 15 to 20 years. Intermediate through over-mature development classes (older than approximately 30 years) contain merchantable inventory. Those in the over-mature class are where harvesting operations are concentrated in the near term. The graph below outlines the current development classification of the forest area on the NB Timberlands.

NB Timberlands Development Class Distribution



Note:

(1) Approximately 3.5% of the regenerating/young timberlands within the NB Timberlands is unsurveyed and have been included based on management estimates of class distribution.

Maine Timberlands

The Maine Timberlands were formerly owned by Great Northern Paper Company and have been managed for timber production for over 100 years. Brookfield US indirectly acquired these lands in April 2003. The Maine Timberlands consist of approximately 311,000 acres located in north-central Maine, in northern Penobscot and

Piscataquis counties. Approximately 92% of the total acreage owned is considered productive. The Maine Timberlands are located in two main areas, and are organized into two operating districts, as follows:

District	Location	Area (Acres)	Description
Millinocket	Near the towns of Millinocket, East Millinocket and Medway[1]	139,000[(1)]	Two large areas; high quality, well-drained soils, broad species mix, higher mature inventory
Telos	West of Baxter State Park, northwest of Millinocket	172,000	Three large areas; extensive areas of spruce fir flats with minor acreages of hardwood stands
Total Area — Maine Timberlands		311,000	

Note:

(1) Includes timber owned under perpetual timber deeds covering approximately 9,000 acres, which are held by an affiliate of Brookfield.

Access to and throughout the Maine Timberlands is supported by approximately 1,200 km of both main roads and access roads developed for forest management purposes.

The Maine Timberlands have a merchantable inventory of approximately 10.4 million m^3, of which approximately 70% is softwood. Spruce makes up approximately 30% of the total inventory. Hemlock, cedar, red maple and white pine are other significant components of the inventory. Excluded from the estimate of merchantable inventory are all trees under approximately 10 cm in diameter at 1.4 m in height. These trees form an important component of the future asset base, but are considered non-merchantable today. The LRSY of approximately 277,000 m^3 is comprised of 78% softwood and 22% hardwood. Species composition differences in inventory and LRSY are due to differing growth rates by species group, the effects of silviculture and harvest activities.

The following table provides a summary of management's estimates of total merchantable forest inventory and LRSY for the Maine Timberlands.

Estimates of Merchantable Forest Inventory and LRSY of Maine Timberlands

Products (thousands m^3)[(1)(2)]	Softwood	Hardwood	Total
Sawlog	4,100	500	4,600
Pulpwood	3,300	2,500	5,800
Total	7,400	3,000	10,400
LRSY[(3)] m^3	217,000	60,000	277,000

Notes:

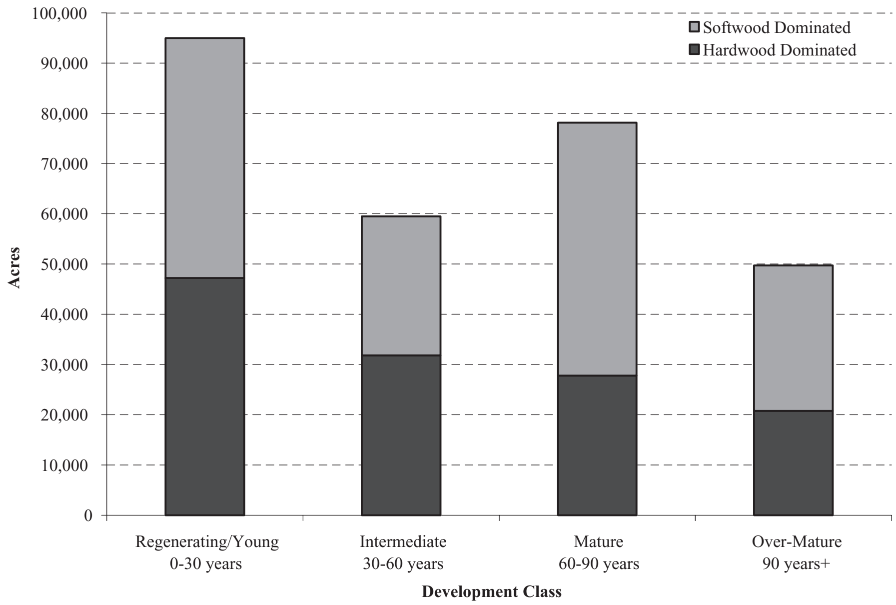
(1) Management's current estimates of inventory is based on a James W. Sewall Company March 2001 Report.

(2) Merchantable Forest Inventory includes all trees with a diameter greater than 10 cm at a height of 1.4 m from the ground. Management estimates that this represents all trees above approximately 30 years of age.

(3) Long run sustainable yield reflects management's estimates of the volume of timber that can be harvested for an indefinite period of time based on Acadian's 2003-2013 forest management plan for the Maine Timberlands.

Species composition in the regenerating class amounts to 35% of the productive forest area on the Maine Timberlands. Intermediate through over-mature development classes (older than approximately 30 years) contain merchantable inventory. Timberlands in the over-mature class are where harvesting operations are concentrated in the near term. The graph below outlines the current development classification of the forest area on the Maine Timberlands.

Maine Timberlands Development Class Distribution



Acadian's Business Strengths

Management believes that the following business strengths will enable Acadian to maintain the stability of its financial performance and build upon its position as a leading supplier of primary forest products in its markets:

Attractive Asset Class

In contrast to depletable natural resources, management believes that timber resources can be managed on a sustainable basis to yield a predictable and stable volume of timber over an indefinite period of time. Due to the natural biological growth of timber stands, value can be accumulated and stored in the form of unharvested timber over time. Timberlands provide fibre for diverse solid and manufactured wood applications, the demand for which is naturally linked to population and economic growth. These characteristics of timberlands provide for stable, long-term cash flows and value appreciation over time.

Diversified End-Use Markets

A critical success factor for a timber business is to have robust markets for all species and products present on its land base. Acadian has actively developed markets for all of its products over the past 10 years in order to maximize utilization of its resource economically and continues to seek new markets for its products. As an example, during the early 1990's, Acadian developed markets for lower value hardwood products in order to increase the value of the merchantable inventory on the NB Timberlands. As such, Acadian has access to markets for all of its products, thereby enhancing cash flow stability by marketing and selling all wood fibre from the timberlands. The diagram below outlines, based on management's estimates, how different parts of a tree are marketed and sold and their relative importance for the Acadian Timberlands. Generally, the larger, lower sections of trees are sold as sawlogs and specialty products, the smaller middle sections as pulpwood and the upper sections as biomass used as fuel for power plants.

Volumes and Sales from the Acadian Timberlands(1)(2)

	Percentage of Volume	Percentage of Net Sales
Biomass	21%	8%
Pulpwood	36%	31%
Sawlog and Specialty Products	43%	61%
	100%	100%

Notes:

(1) Excludes net sales from Crown Lands Services Agreement and Forest Nursery.

(2) For the twelve months ended October 1, 2005.

Large Scale of Operations

Acadian owns approximately 1.1 million acres of freehold timberlands and services approximately 1.3 million acres of land managed by Fraser Papers under Crown Licenses, which services will be provided following Closing pursuant to the Crown Lands Services Agreement. Management believes that this land base makes Acadian the second largest timberland operator in Maine and New Brunswick. Large scale operations provide Acadian with the benefit of offering a reliable supply of roundwood to several large regional industrial consumers. Acadian has developed a reputation as a reliable, high quality supplier of large volumes of sawlogs and pulpwood and as a high quality supplier of smaller volumes of niche products. In addition, tools used for sound forest management practices can be uneconomical for small to intermediate woodlot owners. Due to Acadian's large timberland scale, it can use these tools and spread the cost over a large merchantable inventory. Large scale operations also provide Acadian with a larger customer base and a broad range of regional market intelligence, which management believes increases opportunity to maximize the value of harvested roundwood.

Variable Cost Structure and Minimal Ongoing Capital Requirements

Acadian's costs are predominantly variable as the majority of expenses associated with harvesting operations are a function of harvest levels. This variable cost structure provides flexibility and direct operating advantages. Because variable harvesting costs are directly tied to the type of timber harvested and the logging methods used, Acadian implements a margin-focused operating philosophy guided by selling prices and harvest and transportation costs.

Acadian also has low expected capital expenditures as main road and bridge construction is minimal and predictable given the extensive existing main road network and current condition of bridges. Harvesting equipment investments are minimal as harvesting equipment is owned by owner-operator employees and contractors. While expenditures on silviculture are an investment which maintain and enhance the productivity of the timberlands, management believes that significant flexibility exists in the timing, amount and nature of silviculture investments and silviculture investment can be deferred or materially reduced for a number of years without materially reducing the LRSY.

Historical Silviculture Investment

Acadian is expected to continue to benefit in the future from historical silviculture investments. Historical silviculture programs on the Acadian Timberlands were targeted towards softwood availability and included planting, pre-commercial thinning and softwood release treatments. The goal of silviculture investments is to encourage the rapid growth of high value species and increase both the yield and value potential of the more productive land areas. As a result of these investments, Acadian benefits from increased amounts of higher value stands. Approximately 255,000 acres of land have been treated between 1978 and 2004, which represents 26% of the total productive forested area.

Experienced Management Team

Acadian has an accomplished management team with substantial experience in the timber industry and strong capability to carry out timber planning, harvesting, sales and distribution activities. Acadian's top five operational executives each have at least 20 years experience on their respective portions of the Acadian Timberlands and collectively have over 110 years of experience in timberland management and operations in Eastern Canada and the Northeastern U.S. region.

In addition, Acadian's operating team, together with the Manager, have a proven track record of completing strategic acquisitions of timberlands assets. Individuals retained by the Manager in delivering its services to Acadian have successfully completed several acquisitions, including the acquisition of the Maine Timberlands in April 2003 and the acquisition of 635,000 acres of timberlands in coastal British Columbia in May 2005.

Strong Sponsorship

Following Closing, each of Brookfield and Fraser Papers will hold a significant investment in Acadian thereby aligning their objectives to those of the Fund. Acadian will benefit from the asset management services provided by the Manager, a wholly-owned subsidiary of Brookfield, and from Fraser Papers' ongoing relationship as the manager and licencee under the Crown Lands Services Agreement. In addition, Fraser Papers will remain a significant purchaser of roundwood under the Fibre Supply Agreements. See ''Principal Agreements''. Brookfield is a global asset management company that owns or manages more than $42 billion of assets, focused primarily on property, power and other infrastructure assets. Brookfield has over 50 years experience investing in the timber and forest products industry and manages over 1.8 million acres of freehold timberlands in North America and Brazil. Fraser Papers is one of North America's leading integrated producers of specialty paper products with operations in New Brunswick, Maine, New Hampshire and Quebec. Pursuant to the Exclusivity Agreement, Acadian will act as the exclusive vehicle for Brookfield's timberland acquisitions in Eastern Canada and the Northeastern U.S. See ''Principal Agreements — Exclusivity Agreement''.

Acadian's Business Strategy

Acadian's business strategies are designed to maximize profitability and maintain stability of cash flow and to increase distributable cash per Unit, with an emphasis on enhancing the value of its timberland asset base, and are outlined below:

Maintain a low and flexible cost structure: Acadian has moved from a fully internalized workforce to a largely owner-operator or contractor-based organization for all harvesting, transportation and timberland management. This has resulted in a flexible cost structure enabling Acadian to vary its harvesting levels to adapt to market conditions.

Maintain distribution channels for all products: Acadian will continue to focus on adding value to its timberland inventory by maintaining and enhancing its customer relationships and sales channels. Acadian has over 110 customer relationships, and leverages these relationships in order to maximize the value of all fibre derived from its timberlands.

Sustainable harvesting practices: Management believes that, through a combination of independent third party verification and sophisticated timberland yield management analysis, Acadian harvests at levels consistent with its sustainable forest management plans across its timberland asset base. The NB Timberlands are certified under the Sustainable Forestry Initiative, which includes measures of assurance for sustainable harvesting compliance. The NB Timberlands are also ISO 14001 certified for environmental management systems, which include means of verifying compliance with environmental standards. Management intends to continue to maintain these practices.

Targeted Silviculture activities: Acadian employs various silviculture treatments, which management believes increase the long-term value of its timberlands. These include planting, pre-commercial thinning and softwood release treatments. Management believes that when effectively applied, financially sound silviculture investments contribute to value over time by promoting growth of higher value species.

Strategic acquisitions: Ownership of timberlands in both Canada and the U.S. remains fragmented with large tracts of land held by both private woodlot owners seeking to exit the business and forest products companies seeking to redeploy capital in their core operations. In Maine alone, management estimates that there have been over half a dozen large land transactions covering approximately six million acres over the last decade. Recent public announcement by large timberland operators of their intentions to sell their entire timberland operations are examples of the acquisition opportunities for Acadian. As a publicly-traded company, Acadian expects to leverage its access to public markets and other financial resources, its reputation as a strong business partner and its strong environmental track record in the pursuit of selective acquisitions of existing high quality timberland assets. Acadian's acquisitions strategy will be initially focused on Eastern Canada and the Northeastern U.S. markets. In addition, pursuant to the Exclusivity Agreement, Acadian will act as the exclusive vehicle for Brookfield's timberland acquisitions in those markets. It has recently come to management's attention that an owner of timberlands is requesting interested parties to submit bids to purchase a significant portfolio of timberlands located within the Regional Markets. The current due date for the submission of bids falls on a date that is prior to the anticipated date of Closing of the Offering. It is possible that Acadian may submit a bid and, should it do so, it may not learn for several weeks whether or not its bid is successful. There can be no assurance that Acadian will submit a bid or, if it does, that it will be the successful bidder. If a transaction does proceed, Acadian will likely be required to finance the acquisition, which financing may take the form of, among other things, an incurring of additional indebtedness or the issuance of additional Units or securities that are convertible into, or exchangeable for, Units.

Realize the value of selected properties through sale or exchange: Within the forest management sector, opportunities arise to sell or exchange tracts of land on a beneficial basis according to the species mix, location and other attributes of those lands and the intended uses for such properties. Due to its significant freehold land ownership, management believes that Acadian will realize increased value and improved profitability through such sales or exchanges.

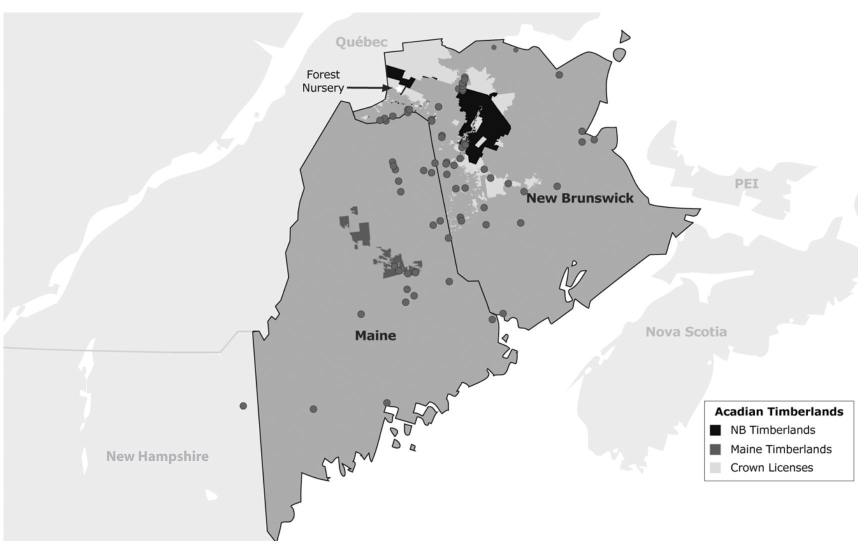
Acadian's Operations

Customers & Marketing

Acadian has a large client base servicing over 110 customers in addition to Fraser Papers. Acadian has purposely developed its customer base to market all grades and species of fibre economically from its timberlands. Acadian's customers are generally located within 250 kilometres from sites where the timber is harvested, but the radius may vary over time, driven by fibre demand, pricing and freight costs. Management believes that conservation restrictions placed on land in the region and decreasing wood supply in the Province of Quebec may result in a continued expansion of the economic delivery distance.

Customer relationships are the responsibility of senior management, who continuously maintain close contact to market activity. Acadian's broad customer base and experienced management team provide strong support for full utilization of Acadian's fibre yield into the foreseeable future. The map below shows the relative proximity of customers to Acadian's timberlands.

Proximity of Customers to Acadian's Timberlands(1)



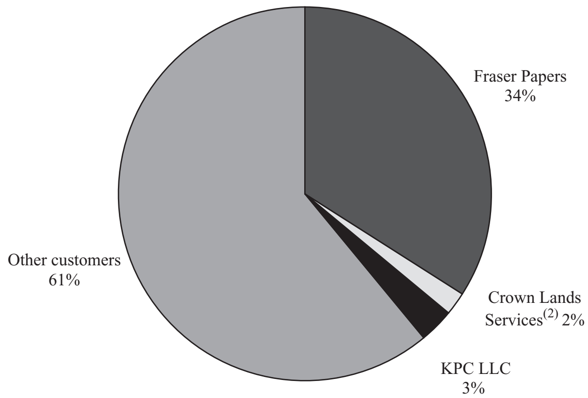
Note:

(1) Management's estimates.

Acadian's customer base is comprised largely of mills to which Acadian has sold wood for many years. Long-term relationships and reliability of committed deliveries help to qualify Acadian as a preferred supplier. Preferred suppliers are generally less impacted by abrupt price reductions and delivery curtailments, thereby leading to greater and more stable distributable cash over time.

Lumber and pulp and paper mills, owned or managed by Fraser Papers, represented 39% of net sales from the Acadian Timberlands for the twelve months ended October 1, 2005. Of the remaining 61% of Acadian Timberlands' net sales, the single largest customer represented 6% of total net sales and the top five customers combined represented 19% of net sales. These sales are generally based on six-month to one-year fixed price supply agreements based on fair values negotiated at the time that the contracts are entered into and consistent with industry practices.

Acadian Timberland's *Pro Forma* Net Sales by Customer(1)



Notes:

(1) For the twelve months ended October 1, 2005.

(2) Represents net sales from the services provided in respect of the Crown Lands, which will be provided following Closing pursuant to the Crown Lands Services Agreement.

Fraser Papers Relationship

Substantially all of Acadian Timberlands' sales of spruce and fire sawlogs and pulpwood (all of which are softwood species) are directed towards Fraser Papers' owned or managed lumber and pulp and paper mills (''Related Mills''). Approximately 34% of net sales for the twelve months ended October 1, 2005 from the Acadian Timberlands were derived from freehold timber sales to Fraser Papers while 2% of net sales were derived from fees for the services provided by Acadian in respect of the Crown Lands. Another 3% of those net sales were derived from freehold timber sales to KPC LLC. The following table highlights the relative importance of the Related Mills to Acadian Timberlands' net sales by product.

Acadian Timberlands' Net Sales to Related Mills(1)

Product	Total Volume(2)	Volume to Related Mills(2)	*Pro Forma* Net Sales	Net Sales to Related Mills	% of Net Sales to Related Mills
	(m^3)	(m^3)	($ millions)	($ millions)	
Softwood Sawlogs	554,000	327,000	$38.6	$23.3	60%
Softwood Pulpwood	103,000	76,000	4.5	3.4	76%
Hardwood Sawlogs	87,000	—	9.6	—	—
Hardwood Pulpwood	423,000	—	19.8	—	—
Biomass and Other	316,000	118,000	6.4	3.2	50%
Total NB Timberlands and Maine Timberlands	1,483,000	522,000	$78.9	$29.9	38%
Crown Lands Services(3)	—	—	2.0	2.0	100%
Forest Nursery	—	—	0.1	—	—
Total Acadian Timberlands	—	—	$81.0	$31.9	39%

Notes:

(1) For the twelve months ended October 1, 2005.

(2) Excludes volume from Crown Lands.

(3) Represents net sales from the services provided in respect of the Crown Lands, which will be provided following Closing pursuant to the Crown Lands Services Agreement.

The table below provides a summary of the volume of roundwood purchased from the NB Timberlands and the Maine Timberlands by Related Mills. Approximately 17% of the roundwood requirements of the Related Mills comes from the NB Timberlands and Maine Timberlands.

Acadian Timberland's Roundwood Consumed by Related Mills[1]

Related Party Mills	Roundwood consumed	Roundwood from freehold lands	Roundwood from Crown lands	Roundwood from NB and Maine Timberlands	Roundwood from NB Timberlands and Maine Timberlands (as % of Total Consumption)
	(m^3)	(m^3)	(m^3)	(m^3)[2]	
Fraser Papers' Juniper, NB	550,000	380,000	170,000	—	—
Fraser Papers' Plaster Rock, NB	550,000	422,000	128,000	225,000	41%
Fraser Papers' Edmundston, NB	168,000	158,000	10,000	33,000	20%
Brookfield's Katahdin Paper, East Millinocket ME	370,000	370,000	—	51,000	14%
Fraser Papers' Masardis and Ashland, ME	776,000	776,000	—	94,000	12%
Total	2,414,000	2,106,000	308,000	403,000	17%

Notes:

(1) For the twelve months ended October 1, 2005.

(2) Excludes biomass volumes.

The following is a summary of the Related Mills' operations, which represented approximately 39% of net sales from the Acadian Timberlands for the twelve months ended October 1, 2005.

Related Party Mills	Mill Description
Edmundston, NB and Madawaska, ME Complex	Fraser Papers' largest paper manufacturing facility is an integrated complex which produces bleached softwood sulphite pulp and groundwood pulp and converts it into a wide variety of technical specialty, fine printing and writing papers and groundwood papers.
Juniper and Plaster Rock Mills, NB	The Plaster Rock and Juniper lumber mills in New Brunswick produce dimension lumber. Substantially all of the chips are sold to the Edmundston pulp mill.
Katahdin Paper, ME	Katahdin is a major producer of directory and SC-A groundwood papers in Maine.
Masardis and Ashland, ME	Fraser Papers' lumber mills in Maine produce dimension lumber.

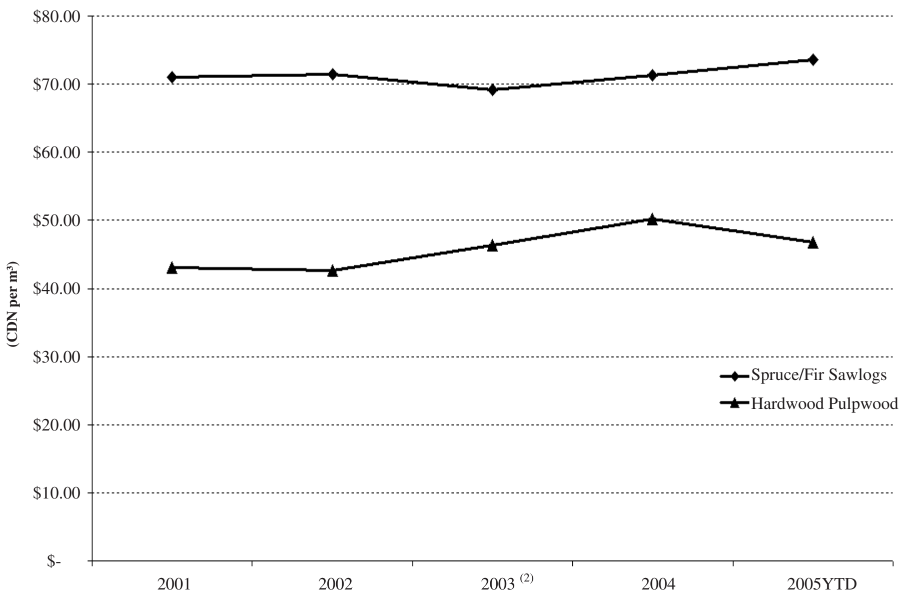
Pricing

Pricing is determined through direct negotiation with each customer and is, consequently, dependent on species, size, quality, location and other factors. Terms are often flexible and usually remain in place for between six months to one year. There is no reliable formal or independent pricing index for roundwood sold from freehold timberlands in New Brunswick and Maine.

The chart below provides a five-year history of pricing realized for softwood sawlogs and hardwood pulpwood from the NB Timberlands and the Maine Timberlands. The pricing for softwood sawlogs has generally shown an increasing trend in recent years as a result of strong lumber markets driven by strong housing starts and an active home renovation and remodeling market. Pricing from the Maine Timberlands has appreciated in U.S. dollar terms as a result of the rising Canadian dollar, which allows timberland owners in Maine to realize higher U.S. dollar denominated prices. Pricing for hardwood pulpwood has generally displayed more volatility since 2001 than pricing for softwood sawlogs. Hardwood pulpwood pricing rose from 2002 to 2004 as a result of strong demand with pricing trending towards the 2001-2004 average level in 2005 as a result of a greater balance in the supply and demand.

In periods of strong demand, management is able to pass most cost increases for inputs such as fuel along to its customers. In periods of weaker demand, cost increases may be wholly or partially absorbed by Acadian.

Historical Pricing — NB Timberlands and Maine Timberlands(1)



Note:

(1) Pricing for Maine has been converted using a conversion rate based on the average of the exchange rates on the last business day of each calendar month during the applicable year.

(2) Pricing for Maine in 2003 reflects the period from April 29, 2003 to December 31, 2003.

Crown Lands Services

New Brunswick's Crown lands are subject to government oversight. The *1982 Crown Lands and Forests Act* (''CLFA'') authorized the Minister of Natural Resources to enter into forest management agreements with timber companies that owned and operated wood processing facilities in the province. At that time, Crown lands were divided into 10 licence areas. The companies that were assigned management responsibility for these areas became Crown licencees, of which Fraser papers is one. Smaller companies (mostly lumber mills) obtaining wood supply from these same areas became known as sub-licencees. Crown licences and sub-licences are granted to mill owners with the obligation that the fibre harvested from the subject timberlands be used at the associated mills. Export of timber harvested from the Crown licences is therefore not permitted without Government approval.

The Crown licences are administered with 25-year evergreen forest management agreements between the Government of New Brunswick and the Crown licencees. The Crown licences are managed based on an 80-year time horizon, with management plans renewed every five years for the following 25-year period. The forest management agreements are approved by the Government and the plans must be adhered to in order to obtain operating approval every year and licence extension every five years. Royalties are collected from the Crown licencees based on established government rates, which are set every year. The current five-year plans in New Brunswick expire in March, 2007 and management expects that the current allowable annual cut (''AAC'') on Crown lands will be maintained for the ensuing 2007-2012 period, consistent with Government intentions as stated in a June 2005 Report from the New

Brunswick Ministry of National Resources *(source: The New Brunswick Public Forest — Our Shared Future, Natural Resources, June 2005).* According to the New Brunswick Forest Products Association, the percentage of constrained forestlands on Crown lands has increased from approximately 18% in 1992 to approximately 32% in 2002, which accounts for the historical decrease in AAC over time.

Fraser Papers is the Crown Licensee of New Brunswick Crown Licenses #9 and #10 (the ''Crown Licenses''), which are located in the northern region of New Brunswick in the counties of Madawaska, Restigouche, Victoria, Carleton, York and Northumberland.

Crown Licenses

Crown License	Total Area	Allowable Annual Cut 2002-2007	Assigned Fraser Papers Mill	% of AAC for Fraser Papers' Use	% of AAC Sub-licenced
	(Acres)	(m^3)			
#9	323,000	257,000	Juniper	43%	57%
#10	990,000	1,059,000	Plaster Rock, Juniper, Edmundston	11%	89%
Total	1,313,000	1,316,000		17%	83%

Acadian provides various services related to approximately 1.3 million acres of Crown Lands subject to the Crown Licenses in the Province of New Brunswick at the direction of Fraser Papers and in a manner consistent with the way that the Crown Licenses have been managed by Fraser Papers for over 20 years. On Closing, Fraser Papers will enter into the Crown Lands Services Agreement with Acadian for a term consistent with the term of the Crown Licenses held by Fraser Papers, whereby Acadian will provide various administrative and operating services to assist Fraser Papers in managing the Crown Licenses. Under the terms of this agreement, Fraser Papers continues to collect fees pursuant to licensing arrangements and pays fees to Acadian in consideration for the services provided under this agreement. See ''Principal Agreements — Crown Lands Services Agreement''.

Crown License Activities

Forest management planning activities are the responsibility of the Crown licencees. The Operating LP will be engaged by Fraser Papers under the Crown Lands Services Agreement to prepare a Forest Management Plan for approval by Fraser Papers and the Government of New Brunswick, which will then approve the AAC in respect of such Crown Lands. In addition, the Operating LP will perform silviculture activities for Fraser Papers over the licenced area and the construction and maintenance of all main roads on the Crown Lands; however, sub-licencees on these lands build and maintain their own access roads.

Under the Crown Lands Services Agreement, the Operating LP charges Fraser Papers for its cost of production (including harvest cost, transportation, access road construction and maintenance) and collects on behalf of Fraser Papers a (i) royalty fee (stumpage fee in $/m^3 paid to the Government which varies based on species type), and a (ii) levy fee (fee in $/m^3 paid to the Government for silviculture spending which differs for softwood and hardwood). The Operating LP also charges Fraser Papers a service fee (fee calculated in $/m^3) as consideration for its services under the Crown Lands Services Agreement. The service fee charged by the Operating LP will be audited by an independent auditor every five years. The service fee will be fixed for those five years with an embedded annual adjustment based on the New Brunswick Consumers Price Index.

The Operating LP will provide harvesting services on approximately 17% of the Crown Lands for Fraser Papers in consideration for cost recovery and service fees.

Approximately 83% of the Crown Lands are sublicenced by Fraser Papers to third parties (''Sub-licencees'') who are entitled to cut and harvest timber for their own use on payment of royalty, levy and service fees.

While freehold timberlands generate higher operating profits per harvested m^3 and provide greater operational flexibility, Crown Lands provide the Operating LP with the ability to leverage the Operating LP's fixed cost platform across a larger operation, thereby yielding economies of scale. Such fixed costs, which are material to forest harvesting operations, include the operation of geographic information systems and personnel involved in forest management strategies.

Forest Nursery

Acadian owns a newly modernized tree nursery in Second Falls, New Brunswick, which is located on the NB Timberlands. This facility, operating since 1978, was upgraded by Fraser Papers at a cost of $1.2 million in 2003 and is now equipped with fully automated greenhouses. The nursery's annual production capacity is approximately 10 million seedlings and its current annual production rate is approximately five million seedlings. The nursery, as part of its research and development activities, has developed, through natural breeding processes, genetically improved stock, which produces faster growing trees and assists in maximizing future timberland value. The use of genetically improved seedlings is key for the success of silviculture operations as first and second generation seedlings can improve tree volume by 10% to 20% over unimproved seedling (*source: New Brunswick Tree Improvement Council*).

Acadian's forest management activities require approximately two million seedlings per year to fulfill its regeneration plans. The remaining seedlings are sold to the Government of New Brunswick, small woodlot owners and other industrial users. Acadian is an active participant in the New Brunswick Tree Improvement Council where active tree improvement experiences are shared with other industry participants.

Harvesting Operations

Acadian employs a mix of unionized employees and contractors to harvest timber and deliver it to Acadian's customers. NB Timberlands' operations are partially unionized. In New Brunswick, unionized employees, who are owner-operators, cut approximately 80% of NB Timberlands' softwood and approximately 20% of its hardwood. Between 25 to 47 contractors throughout the year are employed in New Brunswick to harvest the remaining softwood and hardwood, as well as to execute all trucking, road construction and silviculture activities. Both owner-operators and contractors own all of the harvesting equipment directly. In Maine, Acadian's harvesting, trucking, road building and silviculture activities are performed exclusively by contractors. Acadian employs four to seven contractors in Maine.

The majority of Acadian's logging contractors have a long term working relationship on the Acadian Timberlands. Acadian's foresters have conducted annual training sessions to update the contractors on the latest changes in regulations as well as promoting the use of best practices in timber harvesting. Contractor turnover has been minimal and is usually caused by an inability to meet Acadian's performance standards.

A program of continual learning ensures the competency of new and existing employees. Hourly and management employees are trained to monitor and measure compliance with company policies. Progressive discipline or taking action to promote continuous safe performance is a key supervisory accountability.

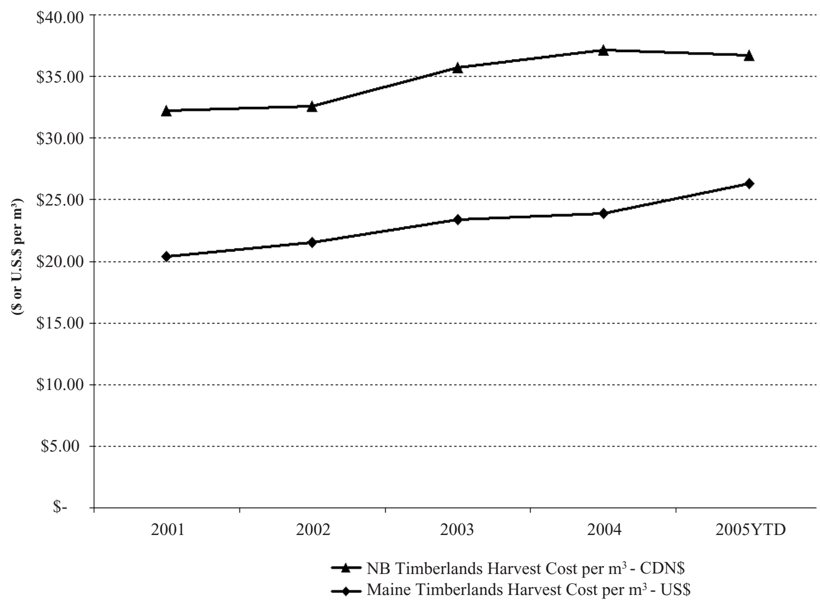
The harvesting equipment used by Acadian's contractors includes various large hydraulic-powered loaders, earth-movers, harvesters and haulers. After a plot of land is identified for harvesting, roads are constructed in order to provide access to the site. Once road access is available, trees are harvested one at a time, piled in bunches and brought to the roadside. At the side of the road, branches are removed from the trees and the trees are loaded onto logging trucks. The branches are either taken back into the forest and used as road building materials or are piled for transportation to biomass-fired power plants.

The roundwood is hauled to either a mill or sorting yard where the wood is weighed. Depending on the nature of the supply contract, wood is weighed either on scales operated by Acadian or by the purchaser. All logging trucks require a hauling trip ticket before entering Acadian's road network and these trip tickets are used to reconcile all inventory and payments.

Management believes that all of its harvesting crews are well-trained with a strong safety-record and have a long history of cooperation in implementing efficiency and other operating measures. Management expects to be able to maintain the appropriate resources, whether contractors or owner-operators, to harvest its timberlands in the foreseeable future.

The chart below provides a five year history of the combined harvesting and transportation costs from the NB Timberlands and the Maine Timberlands. Management has been able to work with its contractor base to improve efficiencies and to stabilize the NB Timberlands' unit costs since 2003 in spite of rising fuel costs. The Maine Timberlands costs have risen primarily in response to increased fuel costs, which contractors have not absorbed.

Historical Harvest and Transportation Cost
NB Timberlands and Maine Timberlands(2)



Notes:

(1) Harvest and transportation costs for the Maine Timberlands in 2003 are for the period from April 29, 2003 to December 31, 2003.

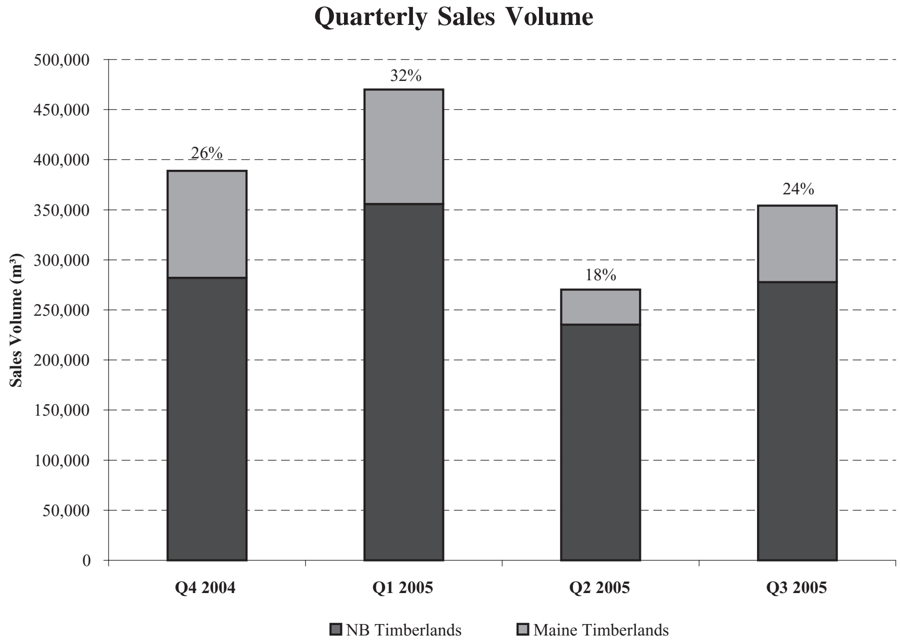
(2) Excludes biomass harvesting cost.

Employees

Acadian has 195 employees as at October 1, 2005. The collective bargaining agreement covering the largest union local, Local 114 of the Communications, Energy and Paper Workers Union of Canada (the ''CEP'') with 81 active employees, expired in April 2005 and is currently under negotiation. Management does not anticipate any work stoppages resulting from the ongoing negotiations. The collective bargaining agreement for Local 15N of the CEP, covering 57 active employees, was recently renewed and expires in 2010. Fraser Papers, the predecessor employer, had a positive labour relations history with these unions and had no strikes or lockouts during the past 10 years.

Seasonality

Acadian's business is seasonal. Harvesting activity is highest during the winter months with a significant decrease in activity during the spring. This seasonality is driven by road and ground conditions. During the winter months, the frozen ground provides a solid base for the harvesting and hauling equipment. During the spring, muddy and soft ground conditions lead to reduced activity and low harvest levels. As the ground dries in the early summer, harvesting activity resumes and is consistent during the summer and fall. Working capital requirements are highest during the first quarter and lowest at the end of the second quarter. While customers accept wood deliveries year round, most customers match their buying patterns to the harvesting patterns and purchase significant wood inventories while the ground is frozen during the winter months. The following graph outlines sales volumes on a quarterly basis for the twelve months ended October 1, 2005:



Capital Expenditures

A significant portion of Acadian's annual capital expenditures is for silviculture investments relating to planting, pre-commercial thinning or softwood release. See ''Forest Management — Silviculture Investment''. Management believes that capital investments for silviculture can be adjusted over the short to medium-term without materially impacting the LRSY of the Acadian Timberlands. Another key portion of capital expenditure is for road and bridge construction. While costs associated with access road construction and all road maintenance are expensed annually, costs relating to major bridge construction or repair and main road construction are capitalized. Management expects these investments in bridges and main roads to decrease in the future, given the extensive road network that currently provides access to the timberlands.

Foreign Exchange

All net sales and expenses of the Maine Timberlands for the twelve months ended October 1, 2005 were denominated in U.S. dollars. Approximately 83% of the net sales for the twelve months ended October 1, 2005 and substantially all of the expenses of the NB Timberlands are denominated in Canadian dollars. Management believes that, since 2003, the impact of the rising Canadian dollar has resulted in higher U.S. dollar-denominated net sales and earnings from the Maine Timberlands. Management believes that this increase is the result of price appreciation in U.S. dollar terms realized by U.S. land owners as a result of increased demand for roundwood in Maine, fuelled by the higher Canadian demand resulting from the appreciation of the Canadian dollar. Management believes that the price appreciation for roundwood in Maine since 2003 has provided a hedge against the impact of the rising value of the Canadian dollar, and believes that this correlation may continue in the future. Management has determined, therefore, not to hedge foreign exchange risk at Closing. Acadian may, from time to time, re-evaluate the impact of changes in foreign exchange rates and use derivative financial instruments to manage its foreign currency exposure. See ''Summary of Distributable Cash''.

Competition

Timberland companies operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide a steady supply of products over the long term. In Canada, Acadian's prime competitors are other large forestland owners, Government and small private forestland owners, while Acadian's prime competitors in the U.S. are freehold forestland owners. There are many suppliers of softwood and hardwood logs located in Eastern Canada and the Northeastern U.S., who compete in

Acadian's markets, including: J.D. Irving Ltd., Prentiss & Carlisle, Seven Islands Land Company, Plum Creek Timber Company, Wagner Forest Management, Bowater and J.M. Huber Corporation. Management believes that Acadian may also be subject to increased import competition from worldwide suppliers of forest products.

Health and Safety

Acadian requires of its external service contractors the same safety standards applicable to its internally-controlled operations. As such, contracts require accountability for safety by the contractor. Operations are audited, incidents are reported and Serious Accident Frequency (SAF) is reported monthly to Acadian. A documented and measured ''Safety Action Plan'' to support continual improvement and the annual SAF target is renewed annually, supported by individual objectives, and communicated through the Joint Health & Safety Committee framework in New Brunswick and through management in Maine.

Other Activities

The NB Timberlands and the Maine Timberlands have several sources of non-timber income, including various land leases (recreational and commercial use) as well as a recreational access permit program. Most revenues from other activities are not subject to long-term agreements, except for water leases that extend up to 15 years. Annual income for the twelve months ended October 1, 2005 from these activities totalled approximately $650,000. Management expects that this annual non-timber revenue will continue in the foreseeable future.

KFM LLC generated earnings from two harvesting agreements in which it purchased standing timber and then harvested and marketed it. One of these agreements was a carry over from a sale of land made by KFM LLC's predecessor which terminated in May 2005. The second harvesting agreement was an informal arrangement with KPC LLC, a related party which ended in April 2005. KFM LLC expects to acquire a long term right to harvest timber on these lands commencing in 2006. Adjusted EBITDA generated from these agreements in the twelve months ended October 1, 2005 was $0.5 million. Adjusted EBITDA of $0.4 million related to the first of these agreements referred to above is not expected to continue or be repeated in the foreseeable future and has been adjusted for in the ''Summary of Distributable Cash of Acadian''.

Forest Management

Forest Management Strategy

Acadian's forest management strategy is designed to support the Acadian Timberlands' capacity to produce long-term stable cash flows from sustainable harvest volumes and to ensure that the asset base is appreciating over time by growing high value species and products.

Acadian prepares 80-year forecasts of its future timber yields, based on forest inventories and growth estimates, which are updated approximately every five years. Annual operating reviews and audits ensure that activities are consistent with long-term plans.

Forest Inventory Assessment

Management estimates its merchantable forest inventory (currently at 27.7 million m^3) based upon independently and internally measured ground sample plots and forest cover type information. The NB Timberlands merchantable inventory volume was determined based on a report prepared in 2004 by Forest Resource Consultants. The inventory of the Maine Timberlands was determined based on a report prepared by James W. Sewall Company in 2001. Management believes that its merchantable forest inventory estimates continue to be consistent with current inventory levels. Forest inventories are typically updated every 10 to 12 years.

Management keeps a detailed classification of all forest stands on a computerized geographic information system (''GIS''). The GIS data is regularly updated to account for all forestry activity and significant natural events.

Long Run Sustainable Yield — LRSY

The overall management objective for the NB Timberlands and the Maine Timberlands is to ensure that the lands are managed consistent with the principles of sustainable forestry based on the Sustainable Forestry Initiative Standard (SFIS 2005-2009 Edition), that is, to meet the needs of the present without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic that integrates reforestation and the managing, growing, nurturing, and harvesting of trees for useful products with the conservation of soil, air and water quality, biological diversity, wildlife and aquatic habitat, recreation, and aesthetics. LRSY, long run sustainable yield, reflects the maximum annual volume of timber that management estimates, based on current conditions, can be harvested for an indefinite period of time. The determination of this sustainable harvest level is estimated by combining information from the forest inventory, stand growth projections and future silviculture investments, in a computer model to make 80-year harvest forecasts. The combined LRSY from the NB Timberlands and the Maine Timberlands is estimated at approximately 928,000 m^3/year and is comprised of 65% softwood and 35% hardwood.

The NB Timberlands' strategy is to balance the overall forest structure through strategic harvesting and to move towards the long-term LRSY of 651,000 m^3/year within 10 years. The harvest levels for softwood will continue to approximate its LRSY of 390,000 m^3/year, while the hardwood harvest levels will continue to be higher than its LRSY of 261,000 m^3/year until 2016. Harvesting of hardwood species on the NB Timberlands was minimal prior to the mid 1990's resulting in the domination of hardwood stands in areas that previously consisted of softwood species. Management's estimate of the LRSY for the NB Timberlands takes into account a harvesting strategy implemented in the 1990's to reduce the volumes of hardwood pulpwood in the forest and to encourage the growth of higher value hardwood sawlogs and softwood species. As a result of this strategy, in recent years, harvesting levels of hardwood pulpwood on the NB Timberlands has been significantly higher than its LRSY and management expects that the current harvest levels for hardwood pulpwood will continue to exceed the long run sustainable levels until approximately 2016, albeit at a lower rate than in recent years. Hardwood pulpwood is a relatively low-value product, among the products harvested from the NB Timberlands, and is currently harvested with a very low direct margin contribution. Management believes that the implementation of improvements in hardwood stands over the last decade and the next 10 years will create increased value in the hardwood stands on the NB Timberlands and will offset the financial impact of lower hardwood pulpwood harvest volumes in the future.

The LRSY for the NB Timberlands is indicated in the table below.

Harvest Levels and LRSY for NB Timberlands(1)(2)

	Actual Harvest (m^3/year)			Projected Harvested Levels (m^3/year)			LRSY (m^3/year)
Species	**2003**	**2004**	**2005**(3)	**2006-10**	**2011-15**	**2016-20**	
Softwood	461,000	393,000	380,000	397,000	390,000	390,000	390,000
Hardwood	483,000	530,000	472,000	390,000	330,000	261,000	261,000
Totals	944,000	923,000	852,000	787,000	720,000	651,000	651,000

Notes:

(1) Projected harvest levels recognize current planned silviculture.

(2) All harvest figures exclude biomass.

(3) For the last twelve months ended October 1, 2005.

The Maine Timberlands strategy is to continue with harvest levels consistent with future estimated LRSY. Planned harvest levels will continue to bring greater balance to the age-class structure over time and are consistent with long-term growth rates in the region. LRSY will be updated as new data on actual growth and mortality becomes available through updated inventory information and through research on growth responses to management inputs.

The LRSY for the Maine Timberlands are indicated in the table below.

Harvest Levels and LRSY for Maine Timberlands(1)(2)

	Actual Harvest (m^3/year)			2006-2020 Projected Harvest Levels (m^3/year)	LRSY (m^3/year)
Species	**2003**	**2004**	**2005**(2)		
Softwood	175,000	227,000	220,000	217,000	217,000
Hardwood	82,000	54,000	55,000	65,000	60,000
Total	257,000	281,000	275,000	282,000	277,000

Notes:

(1) All harvest figures exclude biomass.

(2) For the last twelve months ended October 1, 2005.

Silviculture Investment

Silviculture investments offer many benefits to Acadian such as improving the yields of future harvests, shortening rotations, improving productivity, increasing value, balancing age class distribution, and allowing for greater flexibility in future forest management options. Acadian inherited large silviculture investments made by its predecessors during the past 25 years.

Silviculture expenditures have included planting spruce species, thinning of young overstocked softwood stands, and softwood release.

Area of Silviculture Treatments between 1978 and 2004

Silviculture Activity	NB Timberlands	Maine Timberlands
	(In acres, except percentages)	
Planting	125,500	14,000
Pre-commercial thinning	40,500	4,000
Softwood release	42,000	29,000
Total silviculture treatment area	208,000	47,000
Total silviculture treatment area as a percentage of productive forested area	30%	16%

Forest Certification

Acadian's forest planning and operations for the NB Timberlands and Fraser Papers' management of the Crown Licenses have been third-party certified since 2000 by the Quality Management Institute under the ISO 14001 standard for environmental management systems and the American Forest and Papers Association Sustainable Forestry Initiative (SFI[sm]). Third party sustainable forestry surveillance audits are conducted annually and full re-registration audits occur every three years. Third party certifications provide the general public, Acadian's customers and environmental groups with knowledge that the assets are well managed in accordance with industry best practice. The SFI program is a comprehensive system of principles, objectives and performance measures developed by foresters, conservationists and scientists, designed to assure the sustainability of forests for current and future generations. This standard includes requirements for the protection of wildlife, plants, soil and water quality.

Forest Protection

The Acadian Timberlands are protected from insects, disease and fire through co-operative efforts amongst other large landowners and Provincial and State agencies. In New Brunswick, the government is the lead agency for forest protection efforts. The cooperative efforts have led to the formation of Forest Protection Limited. Forest Protection Limited provides surveillance and direct action in the event of a fire or infestation, and is funded by the Government of New Brunswick and Crown licencees. In Maine, the Maine Forest Service acts in a similar manner, providing expertise and resources in the field of forest resource protection, suppression and investigation of fires that threaten Maine's forest. Fire surveillance and suppression activities in Maine are funded by large landowners through a special tax.

Regulatory Environment

New Brunswick Freehold and Crown Lands

Regulations in New Brunswick are governed primarily by the *Crown Lands and Forests Act* and the *Clean Environment Act.* Additional regulations are prescribed by the Province of New Brunswick to ensure compliance with a variety of health and safety standards. New Brunswick has benefited from a relatively stable regulatory regime over time.

Management believes that Acadian has been in compliance, in all material respects, with all laws and regulations governing its operations in New Brunswick. Where the *Crown Lands and Forest Act* relates to the specifics of Crown lands' obligations, freehold timberlands fall under the auspices of the *Clean Environment Act.* Crown licencees who own freehold lands must be prepared to present management plans that are comparable to Crown land plans at the request of the Government. As such, Acadian manages its freehold timberlands consistent with the management principles that Fraser Papers' employs for its Crown Lands.

Maine Freehold

Regulations in Maine are administered primarily by the Maine Land Use Regulation Commission, Maine Forest Service and the Maine Department of Environmental Protection. Maine has had a less stable regulatory system than New Brunswick, due to the impact of citizen-led referendum initiatives, the reaction to them and a population base that is increasingly distanced from active timber harvesting and land management. The operations of the Maine Timberlands are subject to federal, state and local environmental laws and regulations relating to the protection of the environment, including regulations relating to air, water, solid waste, hazardous substances and threatened or endangered species. Management believes that Acadian has been in compliance, in all material respects, with all laws and regulations governing its operations in Maine.

Environmental Matters

Third party environmental audits are performed on the NB Timberlands every year to ensure compliance with all company policies and procedures, forest certification requirements and government regulations. Environmental inspection systems are used on all Acadian Timberlands to ensure compliance with regulations and best operating practices. Acadian's environmental management system is designed around a continual improvement model that focuses on prevention of problems. In 2002, a conservation easement on the Maine Timberlands was sold to The Nature Conservancy covering approximately 200,000 acres. The Nature Conservancy monitors Acadian's activities in the easement area for compliance with easement objectives. While this conservation easement restricts the future development potential of the land for industrial or residential purposes, it does not materially impact the use of the timberlands for economically viable commercial timber harvesting.

Public Relations/Aboriginal Relations

Acadian is committed to consulting with Aboriginal Peoples, environmental associations, local residents and other stakeholders in identifying their objectives and their values relating to activities on its timberlands. Consultations are performed in a structured manner through regional Forest Advisory Committees (FAC) in New Brunswick. The committees help improve government relations and act as a pulse of the community regarding environmental issues related to forest lands. The FACs are used as a resource when developing forest management objectives and reviewing environmental concerns. Acadian in New Brunswick has worked cooperatively with local First Nations communities since 1997. While relationships with many forest companies has been unsettled, Acadian foresters have worked hard to ensure that interactions with First Nations communities are conducted respectfully.

Land claims issues with Aboriginal peoples in Maine are regarded as having been largely settled in the early 1980's. The State of Maine, the U.S. federal government and the Maine Indian tribes negotiated the *Maine Indian Claims Settlement Act of 1980*, which is the legal framework that now governs the relationship between the Maine tribes, the State, and the federal government. The Settlement Act was ratified by the tribes and codified into State and federal law. Tribal claims to land and damages were resolved with all prior transfers of land to and from the tribes ratified and Aboriginal land claims extinguished.

SELECTED FINANCIAL INFORMATION

The following selected financial information of each of Fraser Papers' Timberlands Business and KFM LLC has been derived from (i) the audited financial statements of Fraser Papers' Timberlands Business for the years ended December 31, 2004, 2003 and 2002 and the unaudited financial statements of Fraser Papers' Timberlands Business for the nine months ended October 1, 2005 and September 25, 2004, and (ii) the audited financial statements of KFM LLC for the year ended December 31, 2004, the period from April 29, 2003 to December 31, 2003, and the nine months ended September 30, 2005 and the unaudited financial statements of KFM LLC for the nine months ended September 30, 2004. The *pro forma* information of the Fund is derived from the *pro forma* consolidated statements of operations of the Fund for the nine months ended October 1, 2005 and the twelve month periods ended October 1, 2005 and December 31, 2004. This information should be read in conjunction with the historical financial statements of Fraser Papers' Timberlands Business and KFM LLC contained elsewhere in this prospectus and in the *pro forma* consolidated financial statements of the Fund.

	Nine Months Ended		Years Ended December 31,		
	October 1, 2005	September 25, 2004	2004	2003	2002
	(In $ millions)				
Fraser Papers' Timberlands Business:					
Income Statement Data:					
Net sales	$42.2	$46.0	$60.3	$57.6	$58.0
Operating earnings	7.2	7.7	9.6	9.7	10.8
Earnings	4.6	5.3	6.5	6.6	6.3
Adjusted EBITDA(1)	8.0	8.5	11.2	10.6	11.7

	October 1, 2005	December 31, 2004	December 31, 2003
Balance Sheet Data as at:			
Total assets	39.9	40.3	44.6
Total long-term debt	—	—	—

Note:

(1) See ''Non-GAAP Measures''. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

	Nine Months Ended September 30,		Year Ended December 31,	Period from April 29, 2003 to December 31,
	2005	2004	2004	2003
			(In US$ millions)	
KFM LLC:				
Income Statement Data:				
Net sales	$11.9	$11.6	$17.4	$9.9
Operating earnings	3.1	2.9	4.3	2.5
Earnings	2.3	2.0	3.1	1.6
Adjusted EBITDA(1)	4.4	4.1	6.0	3.4

	September 30, 2005	December 31, 2004	December 31, 2003
Balance Sheet Data as at:			
Total assets	38.9	39.0	40.0
Total long-term debt	31.5	31.5	37.8

Note:

(1) See ''Non-GAAP Measures''. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

	Twelve Months Ended October 1, 2005[(1)]	Nine Months Ended October 1, 2005[(1)]	Year Ended December 31, 2004[(1)]
		(In millions)	
Pro forma Financial Information of the Fund:			
Income Statement Data:			
Net sales	$ 81.0	$59.0	$86.0
Operating earnings	12.9	9.7	13.4
Earnings	5.6	4.2	5.8
Adjusted EBITDA[(2)]	20.7	15.2	21.4

	October 1, 2005[(1)]
Balance Sheet Data as at:	
Total assets	241.7
Total long-term debt	78.5

Notes:

(1) *Pro forma* financial information of the Fund has been provided for the convenience of readers. See ''*Pro forma* consolidated financial statements''. Investors are cautioned that the totals should not be construed as indicative of results that would have been achieved had the Fund operated during such periods.

(2) See ''Non-GAAP Measures''. *Pro forma* Adjusted EBITDA is Adjusted EBITDA taken from the *pro forma* consolidated financial statements of the Fund. *Pro forma* Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. *Pro forma* Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''. *Pro forma* Adjusted EBITDA includes annual management fees of $2 million to be paid under the Management Agreement.

SUMMARY OF DISTRIBUTABLE CASH OF ACADIAN

The following summary has been prepared by management on the basis of information contained in this prospectus, more recent financial information available to management and management's estimate of the amount of expenses and expenditures to be incurred by the Fund and the Partnership. This summary is not a forecast or a projection of future results. The actual results of operations of the Fund and the Partnership for any period, whether before or after Closing, will likely vary from the amounts set forth in the following summary, and those variations may be material.

Management believes that estimated cash available for distribution is an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Fund will distribute substantially all of its cash on an on-going basis (after providing for certain amounts described below) and since Adjusted EBITDA and *Pro forma* Adjusted EBITDA are measures used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that, in addition to earnings, *Pro forma* Adjusted EBITDA is a useful supplemental measure from which to make adjustments to determine its distributable cash.

Management believes that, upon completion of the Offering and the transactions described under the heading ''Funding and Related Transactions'', the Fund and the Partnership will incur interest expenses, general, administrative and other costs, taxes and silviculture and other capital expenditures that will differ from those contained in Fraser Papers' Timberlands Business and KFM LLC's historical financial statements or in the Fund's unaudited *pro forma* consolidated financial statements that are included elsewhere in the prospectus. Management has made assumptions in preparing this summary, which reflect the Partnership's planned course of action given management's judgment as to the most probable set of economic conditions. Although management does not have firm commitments for all of these expenses or costs listed below and, accordingly, the complete financial effects of all of these expenses and costs are not objectively determinable, management believes that the following represents a reasonable estimate of what distributable cash would have been had the Fund been in existence for the twelve months ended October 1, 2005 and had the transactions described under the heading ''Funding and Related Transactions'' been completed at the beginning of that period.

	Twelve Months Ended October 1, 2005[1]
	(In thousands, except per unit data)
Pro forma Adjusted EBITDA[2][3][4]	$20,707
Management believes that cash available for distribution should be reduced by the following:	
Interest expense[5]	4,018
Additional general, administrative and other costs[6]	500
Taxes[7]	30
Silviculture expenditures[8]	942
Other capital expenditures[9]	401
Non-continuing business arrangements[10]	425
Estimated cash available for distribution	$14,391
Deduct (based on a 95% pay-out ratio):	$ 720
Total estimated cash distributions	$13,671
Estimated distributions to Unitholders and holders of Class B LP Units (12,064,423 units)	$ 9,953
Estimated payments on Class B Interests of KFM LLC (4,507,030 Class B Interests)[11]	$ 3,718
Estimated distributable cash per Unit[12][13]	$ 0.825

Notes:

(1) Assuming that the Fund was in existence for the period indicated. *Pro forma* financial information of the Fund has been provided for the convenience of readers. See ''*Pro forma* financial statements''. Investors are cautioned that the totals should not be construed as indicative of results that would have been achieved had the Fund operated during such periods.

(2) See ''Non-GAAP Measures''. *Pro forma* Adjusted EBITDA is Adjusted EBITDA taken from the *pro forma* consolidated financial statements of the Fund. Adjusted EBITDA and *Pro forma* Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Adjusted EBITDA and *Pro forma* Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

(3) *Pro forma* Adjusted EBITDA includes management fees of $2 million to be paid under the Management Agreement. No performance fee is included as distributable cash per Unit in the period is less than $0.9075. The performance fee is calculated as 15% of the amount by which distributable cash per Unit of the Fund, in respect of a particular year, exceeds $0.9075, multiplied by the number of Units outstanding as at the end of such year. All other things being equal, the management fee would have been higher by approximately $54,000, $86,000 and $117,000 if distributable cash had been $0.950, $0.975 and $1.00 per Unit in the same period. See ''Management of the Fund and the Partnership — The Manager'' and the *pro forma* consolidated financial statements of the Fund contained elsewhere in this prospectus.

(4) All of net sales and expenses of the Maine Timberlands are denominated in U.S. dollars, and would have contributed US$4.0 million to estimated cash available for distribution for the twelve months ended October 1, 2005. In addition, net sales of approximately $9.5 million from the NB Timberlands were denominated in U.S. dollars during the twelve months ended October 1, 2005. Management believes that the price appreciation for roundwood in Maine since 2003 has provided a hedge against the impact of the rising value of the Canadian dollar, and believes that this correlation may continue in the future. Management has determined, therefore, not to hedge foreign exchange risk at Closing. Acadian may, from time to time, re-evaluate the impact of changes in foreign exchange rates and use derivative financial instruments to manage its foreign currency exposure. See ''Business of Acadian — Acadian's Operations — Foreign Exchange''.

(5) Represents estimated interest expense based on average annual borrowings of $42.0 million under the New Credit Facilities at an average assumed rate of 5.5% and on borrowing of US$31.5 million under KFM LLC's loan with CCM Working Forests I LLC at a fixed rate of 4.67%. See ''Debt Financing''.

(6) Represents management's estimate of incremental expenses the Fund will incur following Closing in connection with additional general and administrative costs on a continuing basis relating to requirements for ongoing financial disclosure, investor relations, Trustee fees, Trustee, director and officer insurance and other related expenses based on current expenditures in respect of these matters, services to be provided by the Manager pursuant to the Management Agreement, estimates provided by service providers, preliminary contractual arrangements, expenses in similar offering transactions, and comparisons with historical expenses.

(7) Represents management's estimate of income taxes that are expected to be paid based on consultations with the Fund's tax advisors regarding the impact of the Offering and related transactions on the Fund's tax status. Upon the conversion of all or any part of the Class B Interests, income taxes payable may increase. See ''Risk Factors — Risks Related to the Structure of the Fund and the Offering — Income Tax Matters''.

(8) Represents management's estimate of annual silviculture expenditures based on anticipated silviculture investments which management believes are consistent with good forest management practices. Average annual silviculture expenditures in respect of the NB Timberlands were approximately $1.9 million for Fraser Papers' last three fiscal years and were approximately US$0.3 million for the twelve month period ended October 1, 2005 for KFM LLC. The level of sustainable silviculture expenditures is expected to be significantly lower than investments made in 2003 and 2002 but will support a balance between currently achievable financial returns and maintaining LRSY. Management believes that silviculture expenditures can be further reduced for a number of years without materially reducing the LRSY of the Acadian Timberlands.

(9) Represents management's estimate of other annual capital expenditures (excluding silviculture expenditures) based on average historical capital expenditures, which are consistent with management's plans for the current year. Other capital expenditures, including those expenditures required for main roads and bridge construction in respect of the NB Timberlands, averaged approximately $0.5 million for Fraser Papers' last three financial years, of which approximately $0.2 million was invested in the Forest Nursery. For the twelve month period ended October 1, 2005 KFM LLC's capital expenditures were less than $0.1 million. Other capital expenditures of KFM LLC of US$0.8 million in 2004 consisted of amounts for the overhaul of a major bridge. See ''Business of Acadian — Capital Expenditures''.

(10) During the twelve months ended October 1, 2005, KFM LLC earned income from an agreement entered into by KFM LLC's predecessor pursuant to which KFM LLC arranged for the harvesting and distribution of timber to a third party. This arrangement ended in May 2005 and is not expected to recur in future years.

(11) Holders of Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of distribution of the then most recently announced distribution per Unit of the Fund, subject to certain maximum amounts. At Closing, the expected distribution per Class B Interest is equal to estimated distributable cash per Unit and, pursuant to the terms of the Class B Interests will not, on a cumulative basis, exceed distributions paid to Unitholders. See ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests''.

(12) The financial performance of Acadian is dependent on the selling prices of its products. Management estimates that a simultaneous 1% increase or decrease in the pricing of softwood sawlogs and hardwood pulpwood would result in a corresponding respective increase or decrease in distributable cash of approximately $0.6 million. This analysis does not take into account any cost-saving or other operating strategies, which management may employ in response to a temporary or permanent change in such prices, which strategies will depend on the particular circumstances. See ''Risk Factors''. EBITDA and distributable cash are non-GAAP measures typically used by Canadian income funds as indicators of financial performance. The method of calculating the Fund's distributable cash may differ from similar computations as reported by other issuers and, accordingly, the distributable cash of the Fund may not be comparable to distributable cash as reported by other issuers. See ''Non-GAAP Measures''.

(13) Includes distribution to all holders of Units and exchangeable Class B LP Units issued to Fraser Papers on Closing.

In order to be able to make the determinations and assumptions set out above and to understand the potential resultant effects on distributable cash, management performed a variety of procedures, including reflecting on its experience in the industry and operating the business, holding internal discussions, reviewing its financial statements, consulting with its advisors, and drawing on the advice of the lead underwriters based on their experience with similar offerings.

Management believes that the method for determining distributable cash presented in this prospectus is comparable to the method for determining cash provided by operating activities before net change in non-cash working capital, less capital expenditures (which includes silviculture expenditures) and income from the non-continuing business arrangements described under ''Business of Acadian — Acadian's Operations — Other Activities''. In addition, the Fund's method of determining distributable cash is based on *Pro forma* Adjusted EBITDA, which is derived from earnings in the *pro forma* consolidated statement of operations of the Fund. Earnings in the *pro forma* consolidated statement of operations of the Fund has been used as the basis for the calculation of distributable cash because a *pro forma* consolidated statement of cash flow for the Fund is not available, while a *pro forma* statement of operations is available. This method presents cash that will be distributable based on the results of the relevant period, after adjusting for the items set out in the above table.

Adjusted EBITDA, *Pro forma* Adjusted EBITDA and distributable cash are not earnings measures recognized by generally accepted accounting principles in Canada (''GAAP'') and do not have standardized meanings prescribed by GAAP. Therefore, *Pro forma* Adjusted EBITDA and distributable cash may not be comparable to similarly titled measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and *Pro forma* Adjusted EBITDA should not be construed as an alternative to earnings or loss determined in accordance with GAAP as indicators of the Partnership's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of Adjusted EBITDA and *Pro forma* Adjusted EBITDA to earnings, based on the historical financial statements of the Company contained elsewhere in this prospectus presented in accordance with GAAP, see ''Reconciliation of Earnings to Adjusted EBITDA and *Pro forma* Adjusted EBITDA''.

RECONCILIATION OF EARNINGS TO ADJUSTED EBITDA AND *PRO FORMA* ADJUSTED EBITDA

Because the Fund will distribute substantially all of its cash on an ongoing basis, management believes that Adjusted EBITDA and *Pro forma* Adjusted EBITDA are important measures in evaluating the performance of the Partnership and in determining whether to invest in the Units. However, Adjusted EBITDA and *Pro forma* Adjusted EBITDA are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, Adjusted EBITDA and *Pro forma* Adjusted EBITDA may not be comparable to similarly titled measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and *Pro forma* Adjusted EBITDA should not be construed as an alternative to earnings or loss determined in accordance with GAAP as indicators of the Partnership's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Partnership defines and has computed Adjusted EBITDA and *Pro forma* Adjusted EBITDA as described under ''Definitions of Adjusted EBITDA, *Pro forma* Adjusted EBITDA, Distributable Cash and Non-GAAP Measures''. The following table reconciles Adjusted EBITDA and *Pro forma* Adjusted EBITDA to earnings, based on the audited and unaudited financial statements of Fraser Papers' Timberlands Business and the audited and unaudited financial statements of KFM LLC, and the *pro forma* consolidated financial statements of the Fund for the periods indicated.

	Nine Months Ended		Year Ended December 31,		
	October 1, 2005	September 24, 2004	2004	2003	2002
	(In $ millions)				
Fraser Papers' Timberlands Business:					
Earnings	$4.6	$5.3	$ 6.5	$ 6.6	$ 6.3
Add:					
Depreciation and depletion	0.8	0.8	0.9	0.9	0.9
Income taxes	2.6	2.4	3.1	3.1	4.5
Restructuring charges	—	—	0.7	—	—
Adjusted EBITDA(1)	$8.0	$8.5	$11.2	$10.6	$11.7

Note:

(1) See ''Non-GAAP Measures''. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

	Nine Months Ended September 30,		Year Ended December 31, 2004	Period from April 29, 2003 to December 31, 2003
	2005	2004		
	(In US$ millions)			
KFM LLC:				
Earnings	$2.3	$2.0	$3.1	$1.6
Add:				
Depreciation and depletion	1.0	1.0	1.4	0.8
Interest expense	1.1	1.1	1.5	1.0
Adjusted EBITDA(1)	$4.4	$4.1	$6.0	$3.4

Note:

(1) See ''Non-GAAP Measures''. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

	Twelve Months Ended October 1, 2005	Nine Months Ended October 1, 2005	Year Ended December 31, 2004
	(In $ millions)		
Pro forma Financial Information of the Fund(1):			
Earnings	$ 5.6	$ 4.2	$ 5.8
Add:			
Depreciation and depletion	6.7	5.2	6.9
Restructuring charges	0.7	—	0.7
Interest expense	4.0	3.0	4.3
Payment on Class B Interests	3.7	2.8	3.7
Pro forma Adjusted EBITDA(2)	$20.7	$15.2	$21.4

	Twelve Months Ended October 1, 2005	Nine Months Ended October 1, 2005	Year Ended December 31, 2004
		(In $ millions)	
Net sales	$81.0	$59.0	$86.0
Less:			
Cost of sales	58.0	42.1	62.2
Selling, administration and other	2.7	2.0	2.8
Add:			
Other income	0.4	0.3	0.4
Pro forma Adjusted EBITDA	$20.7	$15.2	$21.4

Notes:

(1) *Pro forma* financial information of the Fund has been provided for the convenience of readers. See ''*Pro forma* consolidated financial statements''. Investors are cautioned that the totals should not be construed as indicative of results that would have been achieved had the Fund operated during such periods.

(2) See ''Non-GAAP Measures''. *Pro forma* Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. *Pro forma* Adjusted EBITDA may not be comparable to similar measures presented by other issuers. *Pro forma* Adjusted EBITDA includes management fees of $2 million to be paid under the Management Agreement.

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund both before and after giving effect to the Offering.

Designation	Authorized	As at December 15, 2005	As at January 23, 2006, After Giving Effect to the Offering(4)
Units(1)(2)(3)	Unlimited	$10.00	$112.0 million (12,064,423 Units)
KFM Class B Interests	Unlimited	—	$45.1 million (4,507,030 Class B Interests)
Long-term debt:(5)			
New Credit Facilities	—	—	$42.0 million
Long-term debt of KFM LLC	—	—	$36.5 million

Notes:

(1) The Fund was initially settled on December 15, 2005.

(2) Units include the Class B LP Units issued to Fraser Papers.

(3) Sufficient Units will be reserved for issuance to satisfy the Fund's obligation to issue Units in connection with (i) the exchange of Class B LP Units, and (ii) the conversion rights granted to the holders of Class B Interests. See ''Principal Agreements — FP Exchange Agreement'' and ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests''.

(4) Including the Over-Allotment Call Units to be surrendered upon the exercise, if any, of the Over-Allotment Option.

(5) Acadian expects to draw $42 million under the New Credit Facilities on Closing and will assume the already outstanding long-term debt of KFM LLC upon the acquisition of all of its common membership interests.

DEBT FINANCING

The LP will implement a financing strategy that: (i) incorporates revolving credit facilities and a term credit facility; and (ii) maintains maximum flexibility to appropriately manage its short-term cash needs and the funding of future growth.

Canadian financial institutions have committed to make available to the LP at Closing new senior secured credit facilities, which include a revolving credit facility of up to $5 million (the ''Revolving Facility'') and a term credit facility in an amount up to $42.5 million (the ''Term Facility'') available in only one draw at Closing, of which only $42 million is expected to be drawn on Closing, subject to the satisfaction of certain customary terms and conditions. The Term Facility and the Revolving Facility are collectively referred to herein as the ''New Credit Facilities''.

The Revolving Facility will be used for general corporate purposes, including the payment of distributions required due to cash flow fluctuations. The Revolving Facility will be available for 364 days from Closing with a customary extension feature. The Term Facility is a term facility that will mature three years after the closing of the

New Credit Facilities, with no scheduled repayments of principal required prior to maturity. As the New Credit Facilities will mature no later than the third anniversary thereof, there can be no assurance that future borrowings, whether as a refinancing of the New Credit Facilities or otherwise, will be available to the LP, or available on acceptable terms, in an amount sufficient to fund the LP's needs. See ''Risk Factors — Leverage and Restrictive Covenants in Agreements Relating to Indebtedness of the Partnership''.

Advances under the Revolving Facility and the Term Facility are prepayable without any prepayment penalties or bonus (subject to normal breakage costs) and will bear interest at a floating rate based on the Canadian dollar prime rate, U.S. base rate, LIBOR or banker's acceptance rates plus, in certain cases, an applicable margin to those rates.

As security for the New Credit Facilities, the LP will grant the lenders a security interest over all of its assets. The Operating LP and each of the LP's other subsidiaries (other than KFM LLC) will guarantee the indebtedness of the LP under the New Credit Facilities and grant security interests over all of their respective assets. In addition, each of the Fund, the Trust and the GP will guarantee the indebtedness of the LP under the New Credit Facilities, with the Trust's guarantee secured by all of its assets, including its Class A LP Units and the GP's guarantee secured by all of its assets, including its general partnership interest in the LP and the Operating LP.

The New Credit Facilities will be subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders. The New Credit Facilities will also be subject to the maintenance of a maximum ratio of debt to EBITDA and a minimum ratio of EBITDA to interest expense (EBITDA will be separately defined for such purposes in definitive documentation in respect of the New Credit Facilities). The New Credit Facilities may in certain circumstances restrict the LP's ability to pay distributions on the LP Units, including limiting distributions unless sufficient funds are available for the repayments of indebtedness and the payment of interest expenses and taxes. The New Credit Facilities will be in place on Closing and approximately $42 million is expected to be drawn at Closing under the Term Facility.

The failure to comply with the terms of the New Credit Facilities would entitle the lenders to accelerate all amounts outstanding under the New Credit Facilities, and upon such acceleration, the lenders would be entitled to begin enforcement procedures against the assets of the LP, the Trust, the GP and/or their subsidiaries, including accounts receivable, work in progress and equipment. The lenders would then be repaid from the proceeds of such enforcement proceedings, using all available assets. Only after such repayment and the payment of any other secured and unsecured creditors would the holders of Units receive any proceeds from the liquidation of the assets of the Fund, the LP, the Trust, the GP or their subsidiaries.

KFM LLC currently has a credit facility of up to US$31.5 million, which is fully drawn (the ''KFM Credit Facility''). The Credit Facility may be used for general corporate purposes, including the payment of distributions required due to cash flow fluctuations. The KFM Credit Facility will mature in February 2011. There can be no assurance that future borrowings, whether as a refinancing of the KFM Credit Facility or otherwise, will be available to KFM LLC, or available on acceptable terms, in an amount sufficient to fund KFM LLC's needs. See ''Risk Factors — Leverage and Restrictive Covenants in Agreements Relating to Indebtedness of the Partnership''.

As security for the KFM Credit Facility, KFM LLC has granted the lender a security interest over all of its assets. The failure of KFM LLC to comply with the terms of the KFM Credit Facility would entitle the lenders to begin enforcement proceedings against KFM LLC as creditors. In respect of any proceeds resulting from such proceedings, the lenders, as creditors, will have a prior ranking claim relative to the shareholders of KFM LLC.

The KFM Credit Facility is subject to customary terms and conditions for borrowers of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lender. The KFM LLC Credit Facility requires KFM LLC to post additional security if the amount of the loan plus certain expenses exceeds 70% of the value of the Maine Timberlands and is subject to a minimum ratio of cash flow (EBITDA minus capital expenditures) to debt service payments (sum of all principal and interest required to be paid during the relevant period). The KFM Credit Facility may in certain circumstances restrict KFM LLC's ability to pay distributions on its membership interests, including if a default or event of default is in existence or if KFM LLC does not reasonably believe it will have sufficient cash flow to pay the remaining interest payments and other financial obligations under the agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fraser Papers' Timberlands Business

The following management's discussion and analysis of financial condition and results of operations of Fraser Papers' Timberlands Business should be read in conjunction with the audited and unaudited consolidated financial statements of Fraser Papers' Timberlands Business and the summary financial information that appears elsewhere in this prospectus. The discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under ''Risk Factors''. This discussion also makes reference to certain non-GAAP measures such as Adjusted EBITDA and Adjusted EBITDA margin to assist in assessing Fraser Papers' financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See ''Non-GAAP Measures'' and ''Reconciliation of Earnings to Adjusted EBITDA''. Certain totals, subtotals and percentages may not reconcile due to rounding.

Management's Discussion and Analysis

Throughout this discussion, ''we'' and ''our'' refers to the Fraser Papers' Timberlands Business. ''Fraser Papers'' means Fraser Papers Inc. and all of its combined subsidiaries and affiliates for periods subsequent to June 30, 2004 and the Fraser Papers division of Norbord Inc. for periods up to June 30, 2004, and ''Company'' means Fraser Papers Inc. as a separate corporation. ''Brookfield'' means Brookfield Asset Management Inc. and its wholly-owned subsidiaries, a related party by virtue of significant equity holdings in all the entities above.

The Management's Discussion and Analysis (''MD&A'') presents the factors that had a material effect on the performance of Fraser Papers' Timberlands Business during the nine-month period ended October 1, 2005, and the years ended December 31, 2004, 2003 and 2002. Also discussed is the financial position of Fraser Papers' Timberlands Business as of the end of those periods. This MD&A should be read in conjunction with Fraser Papers Inc. audited historical financial statements as at December 31, 2004, 2003 and 2002 and for the years then ended and the notes thereto as well as the unaudited interim financial statements as at October 1, 2005 and for the periods ended October 1, 2005 and September 25, 2004 and the notes thereto. The functional currency of Fraser Papers is the United States dollar and Fraser Papers' financial statements are reported in United States dollars. However, the financial statements of Fraser Papers' Timberlands Business have been presented on the basis that the functional currency of Fraser Papers' Timberlands Business was the Canadian dollar as the majority of the revenues and expenses of the Fraser Papers' Timberlands Business are denominated in Canadian dollars. Fraser Papers' Timberlands Business financial statements have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'').

Factors that could impact future operations are also discussed. Such comments will be affected by, and may involve, known and unknown risks and uncertainties that may cause the actual results of Fraser Papers' Timberlands Business to be materially different from those expressed or implied. These risks and uncertainties are discussed in the Risk Factors Section of the Prospectus, and in Fraser Papers' filings made from time to time with applicable securities and regulatory authorities. To enhance reader understanding, certain historical financial and operational information is presented. Fraser Papers' Timberlands Business' significant accounting policies and other financial disclosures are contained in the audited financial statements and accompanying notes, which are included as part of this Prospectus. All financial references in the MD&A are stated in Canadian dollars unless otherwise noted.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures described in the Definitions section at the end of this MD&A. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. The Adjusted EBITDA measure is presented because we believe it is a useful measure of our operating performance. However, it should not be considered as an alternative to net cash provided by operating activities as a measure of our liquidity or as an alternative to earnings as an indicator of our operating performance or any other measure of performance in accordance with GAAP. There are no directly comparable GAAP measures to this measure. However, a quantitative reconciliation of the non-GAAP measures to the nearest comparable GAAP measure is provided in the Definitions section.

Selected Financial and Operational Information

	Nine Months Ended, October 1, 2005	Nine Months Ended, September 25, 2004	Years Ended December 31, 2004	Years Ended December 31, 2003	Years Ended December 31, 2002
	(In $ millions)				
Net sales	$42.2	$46.0	$60.3	$57.6	$58.0
Operating earnings	7.2	7.7	9.6	9.7	10.8
Earnings	4.6	5.3	6.5	6.6	6.3
Adjusted EBITDA	8.0	8.5	11.2	10.6	11.7
Adjusted EBITDA margin	19.0%	18.5%	18.6%	18.4%	20.2%
Capital expenditures	0.2	—	0.1	3.6	3.7
Working capital(1)	5.0		0.7	4.6	
Total assets(2)	39.9		40.3	44.6	
Sales volumes(3) ('000 m^3)					
Softwood	295	282	393	461	464
Hardwood and biomass	574	585	756	643	653

Notes:

(1) Working capital consists of current assets less accounts payable and accrued liabilities as at the end of the applicable period.

(2) Total assets are as at the end of the applicable period.

(3) Excluding volumes harvested from Crown Lands.

Selected Quarterly Information

Fraser Papers' Timberlands Business is seasonal. Harvesting activity is highest during the winter months with a significant decrease in activity during the spring. The following table outlines the net sales, Adjusted EBITDA and earnings for the most recently completed eight financial quarters.

	Net Sales	Adjusted EBITDA	Operating Earnings	Earnings
	(In $ millions)			
Q3 2005	$13.5	$2.6	$ 2.3	$ 1.5
Q2 2005	10.6	0.1	(0.1)	(0.1)
Q1 2005	18.1	5.3	5.0	3.2
Q4 2004	14.3	2.7	1.9	1.2
Q3 2004	16.1	3.0	2.7	1.7
Q2 2004	11.7	0.6	0.5	0.3
Q1 2004	18.2	4.9	4.5	3.3
Q4 2003	16.2	4.0	3.7	2.3

Overview of Fraser Papers' Timberlands Business

Fraser Papers' Timberlands Business is headquartered in Toronto, Ontario and employed approximately 188 people as at October 1, 2005. Substantially all employees of Fraser Papers' Timberlands Business are employed in New Brunswick.

Fraser Papers' Timberlands Business manages the timber harvesting business of Fraser Papers in New Brunswick, Canada. Fraser Papers' Timberlands Business owns approximately 765,000 acres of forestlands in New Brunswick (the ''NB Timberlands''). In addition, Fraser Papers' Timberlands Business manages approximately 1.3 million acres of forestland under Crown licence (the ''Crown Lands'') on behalf of the Province of New Brunswick. Approximately 17% of the sustainable harvest from Crown Lands is managed for Fraser Papers with the remainder managed on behalf of other forest products companies in the region. Approximately 38% of Fraser Papers' Timberlands Business' net sales in 2004 were generated from Fraser Papers with the remainder of net sales made to third parties.

Fraser Papers' Timberlands Business' products include softwood and hardwood sawlogs of various species, pulpwood logs as well as biomass as a by-product. Fraser Papers' Timberlands Business generates revenue on the sale of logs harvested from the NB Timberlands. Fraser Papers' Timberlands Business generates management fees on logs sourced from Crown Lands. The customer base for Fraser Papers' Timberlands Business is primarily lumber mills and pulp and paper companies.

Over 95% of the spruce/fir sawlogs harvested from the NB Timberlands was sold to Fraser Papers' sawmills in New Brunswick in the twelve month period ended October 1, 2005 and a small portion was shipped to Fraser Papers' sawmills in Maine. Fraser Papers also consumes a certain portion of the pulpwood logs produced. The remainder of softwood and substantially all hardwood is sold to external parties.

Fraser Papers' Timberlands Business performs harvesting, transportation and other services for Crown licencees and sub-licencees. Fraser Papers' Timberlands Business does not take title to the timber it cuts on Crown lands. Revenue from services performed for licencees and sub-licencees plus related management fees are included in net sales, net of the direct costs incurred to perform those services. Substantially all of the softwood harvested under Fraser Papers' Crown Lands licence is shipped to Fraser Papers. Mixed species softwood and hardwood is shipped to external customers.

Biomass is sold to both Fraser Papers and third parties as a fuel in power plants.

Cost of sales is comprised of logging and hauling costs, costs for road maintenance and access road construction as well as other direct personnel and management costs. Harvesting is performed by Fraser Papers' Timberlands Business employees as well as third party contractors.

Fraser Papers' Timberlands Business also owns the Forest Nursery where it produces seedlings and conducts research and development. Seedlings are used on Fraser Papers' Timberlands Business' land and sold to third parties.

Fraser Papers' Timberlands Business operates in one business segment and in one geographic segment, being eastern Canada (comprising primarily New Brunswick, Quebec and Nova Scotia) and the northeastern U.S. (comprising primarily Maine and New Hampshire). Approximately 83% of Fraser Papers' Timberlands Business' net sales in the last twelve months ended October 1, 2005 were made to customers located in the Provinces of New Brunswick, Quebec and Nova Scotia.

Relationship with Fraser Papers

Fraser Papers' Timberlands Business is a division of the Company and generates a significant amount of its earnings from sales to Fraser Papers. Substantially all of the softwood fibre harvested is sold to Fraser Papers whereas substantially all of the hardwood fibre is sold to third parties. As a division of the Company, Fraser Papers' Timberlands Business has historically sold its products to other divisions of Fraser Papers at a significant discount from open market prices. Pursuant to the Offering of Trust Units, Fraser Papers' Timberlands Business will enter into a Fibre Supply Agreement with Fraser Papers. This agreement is intended to provide Fraser with the same volume of timber it historically purchased and to set-up mechanisms for market-equivalent pricing. The initial term of the agreement will be for 20 years. See ''Fibre Supply Agreement''.

As a division of the Company, Fraser Papers' Timberlands Business receives some support for certain centralized services. These include support for information technology, payroll and other administrative services. In addition, as a division of the Company, Fraser Papers' Timberlands Business does not maintain certain administrative processes as they are only necessary for corporate entities such as the preparation of income tax returns and certain treasury services. Subsequent to October 1, 2005, Fraser Papers' Timberlands Business has entered into a Management Agreement pursuant to which Brookfield Timberlands Management LP (the ''Manager''), a subsidiary of Brookfield, has been engaged to assist in the preparation and implementation of the overall strategic plan in respect of the NB Timberlands and to monitor and assist with the day-to-day operations of those timberlands. As part of the Agreement, the Manager is responsible for overseeing management teams and operational plans and processes.

As a division of the Company, Fraser Papers' Timberlands Business received all of its capital resources from the Company. In addition, all earnings accrued to the Company. There was no interest charged on any intercompany balances or transactions with the Company.

Recent Events

Net sales to Fraser Papers in the fourth quarter of 2005 are expected to decrease as a result of the temporary shutdown of Fraser Papers' New Brunswick lumber mills for a period of one month due to weak lumber market conditions. Those lumber mills restarted operations in the last week of November 2005. During the shutdown, Fraser Papers reduced its purchases of softwood sawlogs. In response to the lower volumes, Fraser Papers' Timberlands

Business increased its hardwood harvesting activities in order to mitigate the impact of the shutdown on the Fraser Papers' Timberlands Business.

Subsequent to October 1, 2005, Fraser Papers' Timberlands Business has entered into a Management Agreement with the Manager. Under the Management Agreement, the Manager performs a number of advisory services and oversight of various functions. In addition, the Manager is responsible for advising Fraser Papers' Timberlands Business on the best manner to hold and, if appropriate, dispose of the NB Timberlands. See ''Management of the Fund and the Partnership — The Manager''.

The union agreement with Fraser Papers' Timberlands Business largest labour union, Local 114, expired on April 30, 2005. Negotiations on the new union agreement are ongoing. Fraser Papers has a positive labour relations history with these unions and has had no strikes or lockouts during the past 10 years.

In the fourth quarter of 2004, Fraser Papers' Timberlands Business incurred severance and other charges of $0.7 million related to the restructuring of certain positions. These restructuring activities have resulted in lower payroll costs in 2005.

Operating results

For the nine months ended October 1, 2005 compared to the nine months ended September 25, 2004

Markets

Softwood sawlog markets were strong in the first half of 2005 but weakened in the third quarter of 2005 compared to a very strong performance in 2004. Softwood sawlog demand and prices in the first half of 2005 were comparable to the first half of 2004 as housing activity remained strong. However, lower lumber prices and weaker demand affected the sawlog market in the third quarter of 2005.

Pulpwood demand was softer during the nine months of 2005 compared to the same period of 2004. In the last quarter of 2004, a number of pulp producers in Eastern Canada and the Northeastern U.S. announced temporary or permanent closures of their facilities. The closures led to lower demand for hardwood pulpwood in 2005 and resulted in lower log selling prices. Demand for hardwood sawlogs remained strong for maple, but birch sawlogs experienced lower selling prices.

Operations

Net sales for the first nine months of 2005 were $42.2 million compared to $46.0 million in the same period of 2004, a decrease of $3.8 million or 8%. Lower revenue from hardwood net sales were partly offset by higher revenue from softwood and biomass. Both selling prices and volumes were lower for hardwood due to a number of shutdowns of hardwood pulp facilities in late 2004 and 2005. Softwood volumes and prices increased due to strong lumber markets in the first half of 2005. Biomass volumes and prices increased as customers attempted to burn more biomass and displace higher priced oil in their facilities.

Operating expenses were also lower, dropping by $3.3 million or 9% from $38.3 million in the nine months of 2004 to $35 million in the same period of 2005. The decrease in the operating expenses was due primarily to the lower harvest volumes. However, lower road construction and maintenance costs and the benefits of restructuring in the fourth quarter of 2004 also contributed to lower costs in 2005. These cost reductions were partly offset by higher energy costs and increased fuel surcharges relative to 2004.

Adjusted EBITDA in the nine months of 2005 was $8.0 million, a decline of $0.5 million or 6% from the $8.5 million in the nine months of 2004 as a result of the lower volumes. Adjusted EBITDA margins were slightly up at 19% as compared to 18.5% in the nine months of 2004.

Earnings for the nine-month period ended October 1, 2005 of $4.6 million, declined by $0.7 million or 13% from the $5.3 million in earnings in the comparable period in 2004.

Year ended December 31, 2004 compared to the year ended December 31, 2003

Markets

2004 started off as a better year than 2003 for North American forest products companies. Lumber producers benefited from all-time record prices during 2004 while pulp selling prices were strong during the first half of 2004. Paper manufacturers in North America experienced higher selling prices across all paper grades over the trough experienced in the fourth quarter of 2003. Strength in each of these sectors contributed to a strong log market in 2004. However, during the last quarter of 2004, a number of pulp producers in the region announced permanent or temporary closures due to significant world capacity increases and a stronger Canadian dollar. In addition, paper manufacturers suffered from increased energy costs and a stronger Canadian dollar. These developments caused selling prices for logs to flatten out over the last quarter of 2004.

Operations

Net sales in 2004 amounted to $60.3 million, an increase of $2.7 million or 5% from net sales of $57.6 million in 2003. The increase was due to higher biomass sales and higher revenues from the Crown Lands. Overall, sales volumes were substantially flat. A decrease in softwood volumes shipped to Fraser was offset by a 10% increase in sawlog volumes sold to external parties and increases in biomass volumes. Softwood sawlog prices were up approximately 4% compared to 2003. Average hardwood prices were up approximately 3%.

Operating expenses increased in 2004 to $50.7 million, an increase of $2.8 million or 6% from $47.9 million in 2003. The increase was primarily due to the higher harvest volumes. Operating costs also increased due to increases in contractor logging costs and higher access road construction costs.

In 2004, Adjusted EBITDA, which excludes restructuring charges, amounted to $11.2 million as compared to Adjusted EBITDA of $10.6 million in 2003, an increase of 6% or $0.6 million. Adjusted EBITDA margins were essentially unchanged at approximately 19%. During the last quarter of 2004, Fraser Papers' Timberlands Business recorded pre-tax restructuring charges of $0.7 million for severance as a result of cost improvement initiatives.

Earnings for the year ended December 31, 2004 amounted to $6.5 million, a decline of $0.1 million or 1% over 2003 as the improvement in Adjusted EBITDA was offset by the restructuring charges of $0.7 million recorded in the fourth quarter of 2004.

Year ended December 31, 2003 compared year ended December 31, 2002

Markets

On a full-year basis, markets were relatively stable in 2003 compared to 2002. Softwood demand remained strong in 2003 compared to 2002. Average softwood lumber prices were substantially flat on a full-year basis. Average lumber prices in the first half of 2003 were lower than the average prices in 2002 but the trend was reversed in the second half of 2003. The opposite lumber pricing trends were experienced in 2002, when the first half was much stronger than the second half. Hardwood pulpwood demand strengthened in 2003 compared to 2002. Hardwood pulpwood prices increased by approximately 11% in 2003.

Operations

In 2003, net sales of $57.6 million were substantially flat compared to 2002, declining by $0.4 million or less than 1%, compared to 2002 net sales of $58.0 million. Sales volumes were flat, whereas the increase in Crown Lands revenues was substantially offset by lower revenues from biomass. Average prices for spruce and fir, which represent the majority of softwood sales were relatively stable while decreases in other mixed-species softwood was offset by improved hardwood prices.

Operating expenses of $47.9 million in 2003 were higher by $0.7 million, compared to 2002. The increase was due to higher contractor logging costs and increased transportation costs due to the introduction of fuel surcharges by truckers and railways.

The decrease in net sales and the higher operating expenses resulted in lower Adjusted EBITDA, which fell by 9% or $1.1 million to $10.6 million as compared to $11.7 million in 2002. Adjusted EBITDA margins were lower at 18.4% as compared to 20.2% in 2002.

Earnings for the year ended December 31, 2003 were $6.6 million, up $0.3 million or 5% from 2002, mostly as a result of lower income taxes. Income tax expense was lower due to lower statutory rates and lower operating earnings.

Significant Accounting Policies and Estimates

Fraser Papers' Timberlands Business' significant accounting policies and critical accounting estimates are disclosed in the financial statements of Fraser Papers' Timberlands Business for the years ended December 31, 2004, 2003 and 2002.

The financial statements of Fraser Papers' Timberlands Business have been prepared using substantially the same accounting policies and methods as the financial statements of Fraser Papers for the year ended December 31, 2004, except for the use of the Canadian dollar as the functional and reporting currency of Fraser Papers' Timberlands Business, as described above.

Fraser Papers' Timberlands Business' significant accounting policies are detailed in Note 1 of the audited financial statements. Some of the key policies are outlined below.

Timber and Timberlands

Fraser Papers' Timberlands Business records a provision for depletion in a systematic manner based on the utilization of the timber resources. Depletion is based on a *pro rata* calculation of units of timber and relative values of tree species present, and is applied against the historical cost of timberlands.

Silviculture and main road costs are capitalized.

Property, Plant and Equipment

Property, plant and equipment consist mainly of main roads and bridges. These assets are recorded at historical cost and are depreciated on a straight-line basis over their useful lives, which are generally 10 years.

Revenue Recognition

Net sales are net of discounts and rebates to customers. Revenue from NB Timberlands is recognized when the risks of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities delivered are determined. Sales are governed by standard industry terms and, in some cases by contract.

Fraser Papers' Timberlands Business performs harvesting, transportation and other services on a contractual basis for Crown licencees and sub-licencees. Fraser Papers' Timberlands Business does not take title to the timber it cuts on Crown lands. Revenue from services performed for licencees and sub-licencees plus related management fees are included in net sales, net of the direct costs incurred to perform those services as these costs are recovered from the licencees and the sublicencees.

Liquidity and Capital Resources

For the nine months ended October 1, 2005 cash flows from operating activities amounted to $0.4 million, compared to $6.4 million in the nine month period of 2004. The decrease was substantially the result of changes in working capital. Accounts payable decreased by $4.3 million, mostly as a result of the timing of royalty payments, whereas accounts receivable increased by $0.4 million as compared to the end of the nine month period of 2004.

For the year ended December 31, 2004, cash flow from operating activities before working capital changes was $6.6 million as compared to $8.0 million in 2003 and $8.1 million in 2002. The reduction in 2004 compared to 2003 was due to changes in future income taxes and lower Adjusted EBITDA. Cash provided from changes in working capital balances in 2004 amounted to $3.9 million as compared to $2.8 million in 2003, and resulted from accelerated collections of receivables and lower inventories compared to December 31, 2003.

Cash flow from operations before working capital changes was essentially unchanged in 2003 as compared to 2002. Working capital changes consumed $3.5 million in cash flows as of the end of 2002 due to significantly higher receivables as compared to the end of 2001.

Working capital changes can be seasonal in nature. Trees can only be harvested when the ground is sufficiently hard for heavy equipment to conduct logging operations, which tends to be during summer, when ground is often dry, and winter, when the ground is frozen.

Capital expenditures represent primarily investments in silviculture. Timing of silviculture spending is discretionary in nature. Management believes that silviculture expenditures can be deferred or significantly reduced for a number of years without materially reducing Fraser Papers' Timberlands Business' LRSY. Fraser Papers invested significantly in silviculture in 2003 and 2002, spending $2.9 million in each of those years. Capital investments in 2004 were substantially reduced due to overall reductions in spending by Fraser Papers. Management's historical investment in silviculture was undertaken on an intensive basis with the goal of enhancing rapid growth of high value species and increasing both the yield and value potential of the land base. The level of sustainable silviculture expenditures is expected to be significantly lower than the investments made in 2003 and 2002 but will support a balance between currently achievable financial returns and maintaining LRSY. Management believes that the silviculture expenditures necessary to meet Fraser Papers' Timberlands Business long run financial objectives equate to approximately $0.8 million per annum. In addition, management believes that other capital expenditures of approximately $0.4 million per year will be necessary for the construction of main roads and bridges. The level of anticipated spending on main roads and bridges is consistent with the historical average spending on roads and bridges. Over the last three years, spending on main roads and bridges averaged $0.3 million. The remainder of capital expenditures, an average of $0.2 million for the last three years, were comprised of investments in the Forest Nursery and other projects that are not expected to recur.

From 2002 to 2005, Fraser Papers' Timberlands Business was financed by its own operating activities and cash flows were remitted to the Company.

Contractual Obligations

Fraser Papers' Timberlands Business does not have any significant long-term purchasing, leasing or other obligations for which the cash flows are fixed or determinable.

Fraser Papers' Timberlands Business has certain commitments and constraints with respect to harvesting on Crown Lands. The Crown licences are administered with 25-year evergreen forest management agreements between the Government of New Brunswick and the licence holders. The forest management agreements are approved by the Government. Operating plans are reviewed by the Government in order to obtain operating approval every year and licence extension every five years. Royalties are collected from the Crown licencees, based on established government rates. The current five-year plans in New Brunswick expire in 2007 and management expects that the current allowable annual cut (''AAC'') on Crown Lands will be maintained for the ensuing 2007-2012 period although the Government of New Brunswick has been consistently reducing the AAC on Crown Lands for over a decade by increasing the classifications of constrained forestlands.

Financial Instruments

Fraser Papers' Timberlands Business does not enter into any derivative financial instruments. The fair value of normal course financial instruments, such as accounts receivable and accounts payable, approximates their carrying amounts.

Employee Future Benefits

The Company sponsors various defined benefit and defined contribution pension plans, which cover substantially all employees, including substantially all Fraser Papers' Timberlands Business employees, and are funded in accordance with applicable plan and regulatory requirements. The benefits under Fraser Papers' defined benefit pension plans are generally based on an employee's length of service and the final five years' average salary, and the plans do not provide for indexation of benefit payments. Hourly employees are generally members of negotiated plans. Fraser Papers also provides non-pension post-retirement benefits to certain eligible retirees, consisting of medical and dental benefits, which are funded on a pay-as-you-go basis.

At December 31, 2004, Fraser Papers' Timberlands Business' share of the Company's defined benefit pension plan assets was $14.4 million (2003-$13.5 million) while Fraser Papers' Timberlands Business' share of the accrued benefit obligation was $17.5 million (2003-$17.0 million). As a result, Fraser Papers' Timberlands Business' share of the unfunded liability as at December 31, 2004 amounts to $3.1 million (2003-$3.5 million).

Defined benefit pension expense has been relatively steady at $0.3 million, $0.4 million and $0.1 million in 2004, 2003 and 2002 respectively. Fraser Papers' Timberlands Business share of funding of these plans was $0.9 million in 2004, $0.6 million in 2003 and $0.6 million in 2002.

The assumed rate of return on plan assets is 8% and is based on management's best estimate of long-term expected rates of return on plan assets, including consideration of asset mix, equity risk premium and active investment management premium. The discount rate on accrued pension obligation is 6% and is based on the market yield of high quality corporate bonds of similar duration to the pension liabilities.

Significant changes in assumptions, driven by changes in financial markets, asset performance different from the assumed rate of return, significant new plan enhancements, acquisitions, divestitures, changes in the regulatory environment and measurement uncertainty incorporated into the actuarial valuation process could materially affect the Company's future plan assets, accrued benefit obligations and pension expense and contributions.

Transactions with Related Parties

The Fraser Papers' Timberlands Business sells a significant portion of its harvest to Fraser Papers. Net sales to Fraser Papers, including net sales from the Crown Lands, amounted to $22.7 million in 2004 (2003-$23.9 million, 2002-$23.5 million). For the nine-month period ended October 1, 2005 these net sales amounted to $14.6 million ($17.1 million for the nine-month period of 2004). The revenues for these related party transactions from the NB Timberlands have been at pre-determined prices which were lower than prevailing market prices. The pro forma impact of the Fibre Supply Agreement, the terms of which are intended to represent market-related value, would be to increase Adjusted EBITDA by $2.2 million for the nine months ended October 1, 2005, $2.4 million for the nine months ended September 25, 2004 and $3.0 million for the year ended December 31, 2004 (see the pro forma consolidated financial statements).

The Company provides a number of administrative services to the Fraser Papers' Timberlands Business including information technology support, payroll support and other administrative services. Total fees paid to the Company for these services were $0.2 million in 2004 (2003-$0.2 million, 2002-$0.3 million)

Changes in Accounting Policies

There have not been any changes in accounting policies in the periods described above.

Risks and Uncertainties

Fraser Papers' Timberlands Business is exposed to a number of risks in the ordinary course of business that have the potential to affect the operating performance of the Fraser Papers' Timberlands Business. These risks are detailed at page 105 of this prospectus. Following is a summary of the critical risks that may affect Fraser Papers' Timberlands Business' business:

Concentrations and Commodity Risks

Fraser Papers' Timberlands Business sells a significant portion of its harvest to Fraser Papers. Net sales and profitability may be materially affected if Fraser Papers reduces the volumes of timber they are currently purchasing.

Fraser Papers' Timberlands Business sells its products to lumber, and pulp and paper companies in the region. Depressed commodity prices of lumber, and pulp and paper may cause these companies to temporarily or permanently shut-down their mills. Lumber demand and prices are driven by new housing construction as well as repair and remodelling activity. Paper and pulp prices may be affected by cyclical trends in demand. Prices and demand for lumber, paper and pulp may be affected by substitute wood and non-wood products as well as electronic media.

Additionally, due to significant freight costs, forestry companies are constrained to net sales within a certain region. A significant increase in fuel costs may have an impact on sales volumes and significantly limit the sales region. In addition, Fraser Papers' Timberlands Business' customers are high energy consumers and as such are vulnerable to energy cost increases.

Fraser Papers' Timberlands Business relies on its unionized employees and independent contractors to perform harvesting and hauling activities. Labour disruptions or significant changes in the availability of contractors may impact Fraser Papers' Timberlands Business' ability to harvest its timberlands.

Seasonality, Weather and Natural Conditions

Fraser Papers' Timberlands Business' operations are subject to seasonal variations. The majority of the harvesting activity occurs during the summer months when the ground is dry or the winter months, when the frozen ground provides a good base for the heavy equipment. Muddy and soft grounds lead to a significant decrease in activity during spring. Operating results, therefore, vary from quarter to quarter, depending on these seasonal factors.

Harvesting activity and volumes may also be limited by timber growth cycles or damaged by fire, insect infestation, disease, prolonged drought and other natural or man-made disasters.

Regulatory Changes

Regulatory requirements with respect to harvesting practices, allowable harvesting volumes, environmental protection and safety, protection of wildlife and water resources, trade protection laws, housing construction regulations, and others, may impose restrictions on harvesting volumes, and may result in decreased demand for Fraser Papers' Timberlands Business' products.

Crown Lands Management

Fraser Papers currently holds a licence from the Government of the Province of New Brunswick in respect of the Crown Lands. Fraser Papers has the right to cut and harvest timber for its own use but does not have title to these timberlands. Fraser Papers' Timberlands Business' revenue from Crown Lands represents management fees. Those fees represent the difference between the prices charged to Fraser Papers and the costs incurred to harvest. A loss of the Crown licence by Fraser Papers would result in the elimination of the majority of the management fees revenues.

The Government of New Brunswick periodically stipulates the net sales prices that can be charged for volumes generated from the Crown Lands. These prices are updated every year with reference to inflation but are only revised once every five years. In addition, the Government also stipulates the level of royalties it collects based on volumes harvested. Major changes in royalty rates may result in less competitive prices for the volumes sourced from the Crown Lands. Significant short-term changes in costs may have a material effect on the profitability of the Crown Lands management operations.

Fraser Papers' Timberlands Business has little control over these revenues as the Government of New Brunswick dictates the management fees. There is a risk that the overhead expenses incurred to provide services related to the Crown Lands may not be fully recovered through the fees that Frasers' Timberlands Business is permitted to charge. Fraser Papers' Timberlands Business generated annual net sales of approximately $2.0 million for the twelve months ended October 1, 2005 for services that it provided in relation to the Crown Licenses.

Outlook

Sawlog demand is expected to remain steady despite recent declines in softwood lumber prices. Strong new housing construction activity, competition for available supply and the need to build inventory are expected to result in a stable pricing environment going forward. Softwood and hardwood pulpwood demand in Eastern Canada is expected to weaken, but current committed prices are likely to stay in place through year-end. Most mills in the region had adequate inventories at the end of the third quarter of 2005. However, Fraser Papers' Timberlands Business' harvest and sales volumes may be reduced somewhat in the last quarter of 2005 due to heavy rains across our operating region.

Fraser Papers' Timberlands Business expect to mitigate the impact of the one-month shutdown of Fraser Papers' New Brunswick sawmills, which came to an end in the last week of November 2005, by increasing its hardwood harvesting activities to offset the decrease in softwood sawlogs that Fraser Papers previously purchased. Overall, Fraser Papers' Timberlands Business expects the operating results for the last quarter of 2005 to be comparable to the same period of 2004.

Definitions

As there is no generally accepted method of calculating the measure outlined below, this measure as calculated by Fraser Papers' Timberlands Business may not be comparable to similar titled measures reported by other companies.

Adjusted EBITDA is earnings from continuing operations before interest, taxes, depreciation, depletion and amortization as well as restructuring charges. Adjusted EBITDA is presented as a useful indicator of a company's ability to meet debt service and capital expenditure requirements. Fraser Papers' Timberlands Business interprets Adjusted EBITDA trends as an indicator of relative operating performance. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net sales. Adjusted EBITDA margin is presented as an indicator of relative operating performance.

	Nine Months Ended		Year Ended December 31,		
	October 1, 2005	September 25, 2004	2004	2003	2002
	(In $ millions)				
Earnings	$4.6	$5.3	$ 6.5	$ 6.6	$ 6.3
Add: Income tax expense	2.6	2.4	3.1	3.1	4.5
Add: Depreciation and depletion	0.8	0.8	0.9	0.9	0.9
Add: Restructuring charges	—	—	0.7	—	—
Adjusted EBITDA	$8.0	$8.5	$11.2	$10.6	$11.7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — KFM LLC

The following management's discussion and analysis of financial condition and results of operations of Katahdin Forest Management LLC should be read in conjunction with the audited financial statements of Katahdin Forest Management LLC and the summary financial information that appears elsewhere in this prospectus. The discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under ''Risk Factors''. This discussion also makes reference to certain non-GAAP measures such as Adjusted EBITDA and Adjusted EBITDA margin to assist in assessing Katahdin Forest Management LLC's financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See ''Non-GAAP Measures'' and ''Reconciliation of Earnings to Adjusted EBITDA''. Certain totals, subtotals and percentages may not reconcile due to rounding.

Management's Discussion and Analysis

Throughout this discussion ''KFM'', ''we'' and ''our'' refers to Katahdin Forest Management LLC for periods subsequent to February 18, 2004 and the Katahdin Forest Management Business of KTL LLC for the period from April 29, 2003 to February 18, 2004. ''Timberlands'' means Katahdin Timberlands LLC (''KTL''), the Parent company of KFM. ''Fraser Papers'' means Fraser Papers Inc., a related party by virtue of being under common significant influence, and all of its consolidated subsidiaries. ''Katahdin Paper'' means Katahdin Paper Company LLC, a related party by virtue of being under common control. ''Brookfield'' means Brookfield Asset Management Inc. and its wholly-owned subsidiaries, a related party by virtue of control of or significant equity holdings in all the entities above.

The Management's Discussion and Analysis (''MD&A'') presents the factors that had a material effect on the performance of the KFM during the nine months ended September 30, 2005, and the years ended December 31, 2004 and 2003. The year ended December 31, 2003 was a short fiscal year as it commenced on April 2003, when Katahdin Forest Timberlands LLC was formed by Brookfield to manage Brookfield forestry interests in Maine. No financial information for KFM has been provided for periods prior to April 29, 2003 as comparable financial information is not available. Also discussed is our financial position as of the end of those periods. This MD&A should be read in conjunction with historical financial statements of Katahdin Forest Management LLC as at December 31, 2004 and 2003 and for the fiscal years then ended and the notes thereto as well as the interim historical financial statements as at September 30, 2005 and for the periods ended September 30, 2005 and 2004 and the notes thereto. The historical financial statements have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'').

Factors that could impact future operations are also discussed. Such comments will be affected by, and may involve, known and unknown risks and uncertainties that may cause the actual results of KFM to be materially different from those expressed or implied. These risks and uncertainties are discussed in the Risk Factors Section of the Prospectus. To enhance reader understanding, certain historical financial and operational information is presented. The significant accounting policies and other financial disclosures relating to Katahdin Forest Management LLC are contained in the audited financial statements and accompanying notes, which are included as part of this Prospectus. All financial references in the MD&A are stated in United States dollars unless otherwise noted.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures described in the Definitions section at the end of this MD&A. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. The Adjusted EBITDA measure is presented because we believe it is a useful measure of our operating performance. However, it should not be considered as an alternative to net cash provided by operating activities as a measure of our liquidity or as an alternative to earnings as an indicator of our operating performance or any other measure of performance in accordance with GAAP. There are no directly comparable GAAP measures to this measure. However, a quantitative reconciliation of the non-GAAP measure to the nearest comparable GAAP measure is provided in the Definitions section.

Reporting Currency

All currency amounts in this MD&A are in United States dollars, unless otherwise specified.

Selected Financial and Operational Information

	Nine Months Ended,		Year Ended	Period from
	September 30, 2005	September 30, 2004	December 31, 2004	April 29, 2003 to December 31, 2003
	(In $ millions)			
Net sales	$11.9	$11.6	$17.4	$ 9.9
Operating earnings	3.1	2.9	4.3	2.5
Earnings	2.3	2.0	3.1	1.6
Adjusted EBITDA	4.4	4.1	6.0	3.4
Adjusted EBITDA margin	37.0%	35.3%	34.5%	34.3%
Capital expenditures	—	0.8	0.9	—
Working capital(1)	1.9		0.8	2.4
Total assets(2)	38.9		39.0	40.0
Long-term debt	31.5		31.5	37.8
Sales volumes ('000 m^3)				
Softwood	173	185	264	138
Hardwood and biomass	52	53	83	87

Notes:

(1) Working capital consist of accounts receivables and inventory less accounts payable and accrued liabilities as at the end of the applicable period.

(2) Total assets are as at the end of the applicable period.

Selected Quarterly Information

KFM's business is seasonal. Harvesting activity is highest during the winter months with a significant decrease in activity during the spring. The following table outlines the net sales, adjusted EBITDA and earnings for the most recently complete eight financial quarters.

	Net Sales	Adjusted EBITDA	Operating Earnings	Earnings
	(In $ millions)			
Q3 2005	$4.0	$1.3	$0.9	$0.5
Q2 2005	1.7	0.5	0.2	—
Q1 2005	6.2	2.6	2.0	1.8
Q4 2004	5.8	1.9	1.4	1.1
Q3 2004	3.6	1.1	0.7	0.4
Q2 2004	2.7	1.0	0.8	0.4
Q1 2004	5.3	2.0	1.4	1.2
Q4 2003	4.4	1.6	1.1	0.8

Overview of KFM

KFM is headquartered in Millinocket, Maine and employs approximately seven people. KFM operates a timberlands management business in Maine, U.S.A. KFM owns approximately 311,000 acres of forestlands in Maine, which includes timber owned under perpetual timber deeds covering approximately 9,000 acres which are held by an affiliate of Brookfield. Trees are harvested using third party contractors and wood is sold to either related or third parties. Approximately 42% of net sales in 2004 were made to Fraser Papers or Katahdin Paper. KFM also earned a management fee from a harvesting agreement pertaining to lands sold by a predecessor of KFM. This agreement expired in May 2005.

Products sold by KFM include softwood and hardwood logs of various species, as well as biomass as a by-product. The customer base for KFM is primarily lumber mills and pulp and paper companies in the state of Maine and the Province of Quebec.

KFM operates in one business segment and in one geographic segment, being the northeastern United States (comprising primarily Maine and New Hampshire) and eastern Canada (comprising primarily New Brunswick, Quebec and Nova Scotia). All of KFM's net sales are denominated in U.S. dollars. Approximately 20% of KFM net sales in the twelve months ended October 1, 2005 were exported to customers located in Canada.

Relationship with Brookfield, Katahdin Paper and Fraser Papers

KFM is owned by Brookfield and generates a portion of its earnings from sales to Katahdin Paper, which is also owned by Brookfield. KFM also sells to Fraser Papers, which is related to Brookfield by way of Brookfield's significant shareholdings in Fraser Papers.

KFM receives support from Katahdin Paper for certain centralized services. These include support for information technology, payroll and other administrative services. KFM, in turn, provides other services to Katahdin Paper such as purchased wood accounting. In addition, as a two member limited liability company, KFM does not perform certain administrative activities such as the preparation of income tax returns and certain treasury services as they are only necessary at the member level.

Recent Events

In May 2005, KFM's cutting rights on certain lands it had previously sold expired. Those rights are not expected to be renewed and therefore no such management income will be earned from those lands. For the nine months ended September 30, 2005, the Adjusted EBITDA earned from these arrangements was approximately $0.3 million ($0.4 million for the year ended December 31, 2004).

Subsequent to September 30, 2005, KFM has entered into a Management Agreement with the Manager. Under the Management Agreement, the Manager performs a number of advisory services and oversight of various functions. In addition, the Manager is responsible for advising KFM on the best manner to hold and, if appropriate, dispose of the Maine Timberlands. See ''Management of the Fund and the Partnership — the Manager''.

Operating results

For the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004

Markets

Sawlog markets were slightly stronger in 2005 compared to an already strong performance in 2004. Lumber mills responded to high lumber prices early in the year and built their inventory. Softwood demand and prices in the first half of 2005 were comparable to the first half of 2004 as housing activity remained strong. In the third quarter of 2005, lumber prices experienced significant declines which resulted in softening of demand and prices for sawlogs. Pulpwood demand was weaker during the nine months of 2005 compared to 2004, particularly for hardwood pulpwood. In the last quarter of 2004, a number of pulp producers in Eastern Canada and the Northeastern U.S. announced temporary or permanent closures of their facilities. The closures led to lower demand for hardwood pulpwood in 2005 and resulted in lower selling prices.

Operations

Net sales in the first nine months of 2005 were $11.9 million or 3% higher than the net sales in the first nine months of 2004 of $11.6 million. The 7% decrease in sales volume was offset by a better product mix, which resulted in higher average prices. Higher value softwood sawtimber volumes experienced a significant increase. The decrease came in pulpwood, where volumes dropped 14%.

Operating expenses of $8.8 million were higher by $0.1 million or 1% compared to the first nine months of 2004, due primarily to higher logging costs. In addition, land management costs were higher in 2005 mainly due to higher property taxes as a result of the split from KTL and higher road construction expenses.

Adjusted EBITDA for the first nine months of 2005 amounted to $4.4 million, an improvement of 7% or $0.3 million. Adjusted EBITDA margin improved to 37.0% from 35.3% for the same period in 2004 mainly as a result of the better sales mix. Our efforts to improve merchandising of timber to higher value products contributed to the higher Adjusted EBITDA margin.

Earnings for the nine-month period ended September 30, 2005 amounted to $2.3 million, an improvement of $0.3 million or 15% compared to the same period of 2004, as a result of the higher Adjusted EBITDA.

Year ended December 31, 2004 compared to the period ended December 31, 2003

The comparable period for 2003 was a short period from April 29, 2003 to December 31, 2003. As such the results of the two periods are not comparable.

Markets

2004 started off as a better year for North American forest products companies. Lumber producers benefited from all-time record prices during 2004. Sawlog pricing was favourable compared to 2003 in all species groups. Pulp selling prices were strong during the first half of 2004. Paper manufacturers in North America experienced higher selling prices across all paper grades over the trough experienced in the fourth quarter of 2003. Strength in each of these sectors contributed to stronger timber markets in 2004.

However, during the second half of the year, a number of pulp producers in Eastern Canada announced permanent closures due to significant world capacity increases and a stronger Canadian dollar, which resulted in lower demand for pulpwood. These closures caused selling prices for pulpwood to flatten out over the last quarter of the year. In addition, paper manufacturers suffered from increased energy costs.

Operations

Net sales in 2004 amounted to $17.4 million as compared to $9.9 million in the shorter fiscal year in 2003. The shorter fiscal year was the main reason for the increase in net sales. Favourable species and products mix contributed to the higher net sales per cubic metre. The mix of species was weighted more to softwood in 2004, which also had the effect of increasing earnings over 2003. Product mix was also favourable with sawlogs representing 49% of all volumes as compared to 35% in 2003.

Adjusted EBITDA margin of 34.5% were substantially unchanged in 2004 as compared to the shorter 2003 period as higher average net sales prices resulting from a better product mix were offset by higher costs. Land management costs increased due to higher spending on seasonal road construction and road maintenance in order to accommodate higher harvesting volumes. Spending on silviculture activities also increased in 2004. Spending on seasonal roads and silviculture was lower in 2003 partly due to the reorganized operating practices immediately after the establishment of KFM LLC.

Significant Accounting Policies and Estimates

Significant accounting policies are detailed in Note 1 of the audited financial statements. Some of the key policies are outlined below.

Revenue Recognition

Net sales are net of discounts and rebates to customers and are recognized when the risks of ownership pass to the purchaser. Revenue is recognized as timber is delivered to the purchaser and actual amounts delivered are determined. Sales are governed by standard industry terms and, in some cases, by contract.

Timberlands

KFM records a provision for depletion in a systematic manner based on the utilization of the timber resources. Depletion is based on a *pro rata*calculation of units of timber and relative values of tree species present, and is applied against the historical cost of timberlands.

Bridges are included in the cost of timberlands and are recorded at cost. Bridges are depreciated by the straight-line method over their useful lives, which are estimated to be 20 years.

Main road construction costs are capitalized. Silviculture costs are expensed.

Liquidity and Capital Resources

For the first nine months in 2005, cash flow from operating activities was $3.0 million, compared to $4.9 million for the first nine months in 2004. The main reason for the decrease in cash flows was the increase in working capital in the nine months of 2005 as compared to a decrease as of September 30, 2004.

Operating cash flow is seasonal in nature, due to the seasonality of harvesting operations in Maine. Harvesting, and therefore wood sales, are normally limited during the second quarter of the year due to soft ground conditions and spring road closures. In the nine months of 2004, cash provided from changes in working capital balances amounted to

$1.8 million and was mostly the result of an increase in accounts payable. In the nine months of 2005, cash used by working capital amounted to $0.3 million and resulted from increased accounts receivable and reduced accounts payable.

During 2004, KFM repaid $37.8 million of long-term loans and assumed new debt of $31.5 million. The difference was bridged by a capital contribution from Katahdin Timberlands LLC of $3.4 million and the use of internally-generated cashflows of $2.9 million. The new loan bears a fixed rate of interest at 4.67% and matures in February 2011.

Capital expenditures in 2004 represented an investment of $0.8 million in a one-time overhaul of a major bridge in KFM's private road system. Other capital investments in 2003 and 2004, each amounting to less than $0.1 million, were in tree planting. In addition, KFM expensed silviculture expenditures of $0.2 million in each of the nine-month periods ended September 30, 2005 and 2004 and $0.3 million in the year ended December 31, 2004. Management's historical investment in silviculture was undertaken on an intensive basis with the goal of enhancing rapid growth of high value species and increasing both the yield and value potential of the land base. Timing of silviculture spending is discretionary in nature. Management believes that silviculture expenditures can be deferred or significantly reduced for a number of years without materially reducing KFM's LRSY. The level of sustainable silviculture expenditures is expected to be significantly lower than the investments made in 2004 and 2003, but will support a balance between currently achievable financial returns and maintaining LRSY. Management believes that the silviculture expenditures necessary to sustain LRSY equate to approximately $0.1 million per annum.

KFM intends to adjust its accounting policies going forward in order to capitalize such costs and reflect the future benefits of such expenditures.

Contractual Obligations

KFM does not have any significant long-term purchasing, leasing or other obligations for which the cash flows are fixed or determinable. The long-term debt matures in February 2011.

Financial Instruments

KFM does not enter into any derivative financial instruments. The fair value of normal course financial instruments, such as accounts receivable and accounts payable, approximates their carrying amounts.

Transactions with Related Parties

KFM sells a significant portion of its harvest to Katahdin Paper and Fraser Papers. For the nine-month period ended September 30, 2005, Fraser Papers net sales amounted to $4.0 million and Katahdin Paper net sales were $1.2 million ($3.3 million and $2.2 million, respectively, for the same period of 2004).

In 2004, net sales to Katahdin Paper amounted to $2.9 million and net sales to Fraser Papers amounted to $4.4 million, for a total of $7.2 million (2003-$2.0 million and $1.0 million, respectively for a total of $3.0 million).

Katahdin Paper provides a number of administrative services to KFM including information technology support, payroll support and other administrative services. KFM, in turn, provides other services to Katahdin Paper such as purchased wood accounting. No fees have been charged for these services. KFM provides personnel services and office space to Timberlands and is reimbursed for these services which amount to $0.1 million annually.

Risks and Uncertainties

Fraser Papers is exposed to a number of risks in the ordinary course of business that have the potential to affect the operating performance of KFM. These risks are detailed at Page 1 of this prospectus. Following is a summary of the critical risks that may affect KFM's business:

Concentrations and Commodity Risks

KFM sells a significant portion of its harvest to two related parties, Katahdin Paper and Fraser Papers. Those net sales represented 44% of total net sales in the nine months ended September 30, 2005. Net sales and profitability may be materially affected if those parties reduce the volumes of timber they are currently purchasing.

KFM sells its products to lumber, and pulp and paper companies in the region. Depressed commodity prices of lumber, and pulp and paper may cause these companies to temporarily or permanently shut-down their mills. Lumber demand and prices are driven by new housing construction as well as repair and remodelling activity. Paper and pulp prices may be affected by cyclical trends in demand. Prices and demand for lumber, paper and pulp may be affected by substitute wood and non-wood products as well as electronic media.

Additionally, due to significant freight costs, forestry companies are constrained to sales within a certain region. A significant increase in fuel costs may have an impact on sales volumes and significantly limit the sales region. In addition, KFM's customers are high energy consumers and as such are vulnerable to energy cost increases.

KFM relies on independent contractors to perform harvesting and hauling activities. Significant changes in the availability of such contractors may impact KFM's ability to harvest its timberlands.

Seasonality, Weather and Natural Conditions

KFM's operations are subject to seasonal variations. The majority of the harvesting activity occurs during the summer months when the ground is dry or the winter months, when the frozen ground provides a good base for the heavy equipment. Muddy and soft grounds lead to a significant decrease in activity during spring. Operating results, therefore, vary from quarter to quarter, depending on these seasonal factors.

Harvesting activity and volumes may also be limited by timber growth cycles or damaged by fire, insect infestation, disease, prolonged drought and other natural or man-made disasters.

Regulatory Changes

Regulatory requirements with respect to harvesting practices, allowable harvesting volumes, environmental protection and safety, protection of wildlife and water resources, trade protection laws, housing construction regulations, and others, may impose restrictions on harvesting volumes, or may result in decreased demand for KFM products.

Outlook

Sawlog demand is expected to remain steady in spite of recent declines in softwood lumber prices. Steady new housing starts, competition for available supply and the need to build inventory are expected to result in a stable pricing environment going forward.

Pulpwood demand is expected to weaken somewhat, but current committed prices are likely to stay in place through year-end. Most mills in the region had adequate inventories at the close of the third quarter.

KFM's harvest and sales volumes have tracked planned levels closely for the first nine months, but are likely to be reduced somewhat due to heavy rains across our operating region in October.

Definitions

As there is no generally accepted method of calculating the measure outlined below, this measure as calculated by KFM may not be comparable to similar titled measures reported by other companies.

Adjusted EBITDA is earnings from continuing operations before interest, taxes, depreciation, depletion and amortization, as well as restructuring charges. Adjusted EBITDA is presented as a useful indicator of a company's ability to meet debt service and capital expenditure requirements. KFM interprets Adjusted EBITDA trends as an indicator of relative operating performance. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net sales. Adjusted EBITDA margin is presented as an indicator of relative operating performance.

	For the Nine Months Ended		For the Periods Ended	
	September 30, 2005	September 30, 2004	December 31, 2004 (twelve months)	December 31, 2003 (8 months)
	(In US$ millions)			
Earnings	$2.3	$2.0	$3.1	$1.6
Add: Interest expense	1.1	1.1	1.5	1.0
Add: Depreciation and depletion	1.0	1.0	1.4	0.8
Adjusted EBITDA	$4.4	$4.1	$6.0	$3.4

MANAGEMENT OF THE FUND AND THE PARTNERSHIP

Trustees of the Fund

The Trustees of the Fund on Closing will be J.W. Bud Bird, Reid Carter, David Mann, Louis J. Maroun and Samuel Pollock. A majority of the Trustees will be independent within the meaning of applicable securities laws, and residents of Canada (within the meaning of the Tax Act). The operations and activities of the Fund will be under the control and direction of the Trustees. The Manager will assist in the preparation and implementation of the overall strategic plan in respect of the Acadian Timberlands and monitor and assist with the day-to-day operations of the Acadian Timberlands pursuant to the Management Agreement.

Trustees, Directors and Officers

The following table sets out, effective as of Closing, for each of the Trustees and each of the senior officers of the GP, the person's name, municipality of residence, positions with the Fund (i.e., trusteeship) and the GP (i.e., office), as the case may be, and principal occupation. On Closing, two of the Trustees will be appointed to the board of directors of the GP. The term of office for each of the Trustees will expire at the first annual meeting of Voting Unitholders.

Name and Municipality of Residence	Position	Principal Occupation
J.W. Bud Bird, O.C. . . . . Fredericton, New Brunswick	Trustee	Chairman and Chief Executive Officer of Bird Holdings Ltd. and Bird Lands Limited
Reid Carter[(2)] . . . . Vancouver, British Columbia	Trustee and Chief Executive Officer of the GP	Chief Executive Officer and managing partner of the Manager
Bryan K. Davis . . . . Toronto, Ontario	Chief Financial Officer of the GP	Senior Vice-President, Finance of Brookfield
David Mann . . . . Chester, Nova Scotia	Trustee	Legal counsel at Cox Hanson O'Reilly Matheson[(1)]
Louis J. Maroun . . . . Toronto, Ontario	Trustee	President and Chief Executive Officer of Summit Real Estate Investment Trust
Samuel J. B. Pollock[(2)] . . . . Oakville, Ontario	Trustee	Managing partner and President, Investments of Brookfield

Notes:

(1) Cox Hanson O'Reilly Matheson is providing a title opinion in respect of the NB Timberlands in the context of the Offering.

(2) Messrs. Carter and Pollock will not be receiving the annual Trustees compensation.

The following are brief profiles of the Trustees and the senior officers of the GP.

J.W. Bud Bird, O.C., Mr. Bird is Chairman and Chief Executive Officer of Bird Holdings Ltd. and Bird Lands Limited, business investment and real estate development companies. He is also a director of ADI Limited, Barrett Diversified Corporation, Enbridge Gas New Brunswick Inc. and Atlantic Salmon Federation, and Chairman Emeritus of Miramichi Salmon Association and Greater Fredericton Economic Development Corporation, and is a former director of Nexfor Inc. (which subsequently changed its name to Norbord Inc.). Mr. Bird is a former Member of Parliament and a former Minister of National Resources for the Province of New Brunswick. Mr. Bird is ''financially literate'' for the purposes of National Instrument 52-110 Audit Committees and the board of Trustees has determined that he is ''independent'' for the purposes of that Instrument and National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

Reid Carter, Mr. Carter is a managing partner of Brookfield and leads Brookfield's Timberlands Investment Management Organization with a focus on the acquisition of freehold timberlands throughout North America and in Brazil. Prior to joining Brookfield in 2003, Mr. Carter was a top-ranked paper and forest products analyst at National Bank Financial from 1999 to 2003 and also served as a business analyst for TimberWest Forest Corp. from 1992 to 1996 where he was responsible for the management of TimberWest's crown and freehold timberlands. Mr. Carter has over 24 years of experience in the forest industry and currently serves as a director of each of Selectseed Inc., Forest Management Institute of British Columbia (Chair) and Okanagan Biotech Ltd. He is also a past President of the Soil

Science Society of British Columbia. Mr. Carter holds a Bachelor of Science (Hons.) degree in Combined Biology Forestry and a Master of Science in Forest Soils from the University of British Columbia.

Bryan K. Davis, Mr. Davis is the Senior Vice-President, Finance of Brookfield. Prior to joining Brookfield in 2003, Mr. Davis was Vice-President and Chief Financial Officer of Trilon Financial Corporation from 2001 to 2003 and Vice-President and Controller within the same organization from 1999 to 2001. Prior to joining Trilon Financial Corporation, Mr. Davis was a Manager of Restructuring and Advisory Services at the accounting firm of Deloitte & Touche. Mr. Davis is a Chartered Accountant and holds a Bachelor of Commerce (Hons.) degree from Queen's University.

David M. Mann, Mr. Mann is legal counsel at Cox Hanson O'Reilly Matheson, a full service Atlantic provinces law firm, and has over 30 years of experience in the practice of corporate and commercial law, with particular emphasis on corporate finance and public utility regulation. Mr. Mann has held the position of Vice Chairman of Emera Inc., a diversified energy and services company listed on the TSX, from November, 2004 to May, 2005, prior to which he was the company's President and C.E.O. since January 1999. Mr. Mann was President and C.E.O. of Nova Scotia Power Inc., another TSX listed company, from 1996 to 2004. Mr. Mann is also the Chairman of the Corporate Governance and Human Resources Committee and member of the Audit Committee of Logistec Corporation and the Chairman of the Audit Committee of NewGrowth Corp., two TSX listed companies. Mr. Mann holds a Bachelor of Commerce and a Bachelor of Laws from Dalhousie University and a Master of Laws from the University of London, England. Mr. Mann is ''financially literate'' for the purposes of National Instrument 52-110 *Audit Committees* and the board of Trustees has determined that he is ''independent'' for the purposes of National Instrument 58-101.

Louis J. Maroun, Mr. Maroun is President and Chief Executive Officer of Summit Real Estate Investment Trust, a real estate investment trust focused on owning and managing industrial real estate primarily in Canada. Mr. Maroun began his career in 1982 with Roycom and lead a transformation of the business into a Real Estate Investment Trust in January of 1996. In his capacity as Chief Executive Officer of Summit REIT, Mr. Maroun is directly responsible to the Board of Summit and oversees all operations. Real estate transactions, asset and property management, capital markets finance, investor relations and company strategic direction all fall under his area of responsibility. In addition to sitting as a Board member with Summit REIT, Mr. Maroun also sits as a director and officer of various Summit REIT subsidiaries and is currently Chairman of the Audit Committee of the National Board of the MS Society of Canada and was past Chairman of the Atlantic Division. Mr. Maroun is also a National Director of the Atlantic Salmon Federation (''ASF'') and Chair of the Development Committee of the ASF. Finally, Mr. Maroun is also on the board of directors of RealPac and one of the co-founders of Casting for Recovery Canada, organized in cooperation with the parent organization, Casting for Recovery, in the U.S. Mr. Maroun is ''financially literate'' for the purposes of National Instrument 52-110 *Audit Committees* and the board of Trustees has determined that he is ''independent'' for the purposes of that Instrument and National Instrument 58-101.

Samuel J.B. Pollock, Mr. Pollock is a managing partner and President, Investments of Brookfield. He is responsible for Brookfield's proprietary investment and corporate development initiatives. Mr. Pollock joined Brookfield's financial services operation in 1994 and has held various senior positions in the organization, including financial advisory services and merchant banking operations. Mr. Pollock is a Chartered Accountant and has a business degree from Queen's University.

Governance of the Fund

The Trustees will appoint a compensation, nominating and corporate governance committee and an audit committee, each of which will have three members who will all be ''independent'' within the meaning of the Canadian Securities Administrators' National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

Compensation, Nominating and Corporate Governance Committee

Among other things, the compensation, nominating and corporate governance committee will:

- review and make recommendations concerning the appointment of officers of the GP;
- make recommendations concerning the remuneration of Trustees and directors;
- administer and make recommendations regarding the operation of any long-term incentive plan and any other employee incentive plans; and
- review the performance of the Manager and deal with any contractual issues.

The compensation, nominating and corporate governance committee will also be responsible for developing the Fund's approach to governance issues, filling vacancies among the Trustees and directors and periodically reviewing the effectiveness of the Trustees and directors and the contribution of individual Trustees and directors.

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

- articulate the legal obligations of the Fund, its affiliates, its agents (including the Manager) and their respective trustees, directors, officers and employees with respect to confidential information;
- identify spokespersons of the Fund, who will be 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 executives of the GP of any selective disclosure of financial information to ensure the information is not material, to prevent the selective disclosure of material information and to ensure that, if selective disclosure does occur, 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 periods the Fund, its affiliates and their respective trustees, directors, officers, employees and consultants may not purchase or sell Units.

The Fund and/or its subsidiaries may develop long-term incentive plans to compensate trustees, senior officers and other key employees.

Audit Committee

The audit committee will assist the Trustees in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Fund, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements of the Fund. In addition, the audit committee will be responsible for directing the auditors' examination of specific areas and for the selection of independent auditors of the Fund. All members of the audit committee will be financially literate within the meaning of applicable securities laws, and a majority of the members of the audit committee will be independent for these purposes; provided that, following the first anniversary of Closing, all members of the audit committee will be independent for these purposes.

Summary Compensation Table

The following table provides a summary of the compensation earned, in respect of the fiscal year ended December 31, 2004, by Reid Carter in his capacity as a managing partner of Brookfield, including the performance of services and functions similar to that of a senior executive officer of KFM LLC, and by Marcia McKeague, the President of KFM LLC. The table also provides a summary of the compensation earned in the same period by Dominic Gammiero, the Chief Executive Officer of Fraser Papers, and Glen McMillan, Chief Administrative Officer of Fraser Papers, who performed services during the period in respect of the Fraser Papers' Timberlands Business that may be characterized as functions similar to those that would have been provided by a chief financial officer of that business.

	Annual Compensation			
Name and Principal Position	**Salary**	**Bonus**	**Long-Term Compensation**	**Other Compensation**
Reid Carter Managing Partner, Brookfield Asset Management Inc.	$300,000	$150,000	$75,000	$20,000
Dominic Gammiero Chief Executive Officer of Fraser Papers	$425,000	—(1)	—(2)	—
Glen McMillan Chief Administrative Officer of Fraser Papers	$184,583	$69,500(3)	—(4)	—
Marcia McKeague President of KFM LLC	US$128,612	US$21,323	—	—

Notes:

(1) Mr. Gammiero elected to take 42,488 deferred share units of Fraser Papers (''Deferred Share Units''), which are vested, at $14.71 per unit, representing 100% of his annual incentive of $625,000 in 2004.

(2) Mr. McMillan elected to take 4,725 Deferred Share Units, which are vested, at $14.71 per unit representing 50% of his annual incentive of $139,000 in 2004.

(3) Mr. Gammiero was granted 100,000 options to purchase common shares of Fraser Papers at an exercise price of $16.45, being the market value of such shares on the date of grant.

(4) Mr. McMillan was granted 20,000 options to purchase common shares of Fraser Papers at an exercise price of $16.45, being the market value of such shares on the date of grant. He was also awarded an additional 20,854 Deferred Share Units at $14.05 per unit, which are unvested.

At the time of Closing, it is expected that Reid Carter will be entitled to an annual base salary of $375,000 and an annual bonus of up to 50% of his base salary, which is calculated based upon various performance targets and measures. It is expected that Bryan Davis will be entitled to an annual base salary of $215,000 and an annual bonus of up to 50% of his base salary, also based upon similar performance targets and measures. Each of Messrs. Carter and Davis will also be entitled to participate in the Manager's incentive plans. Pursuant to the terms of the Management Agreement, all such compensation will be payable by and for the sole account of the Manager. Although Messrs. Carter and Davis will devote a significant portion of their time to the affairs of Acadian, management believes that it is not possible to allocate a fixed portion of such compensation to Acadian's operations, as the amount of time devoted to such operations will vary according to the activities of Acadian from time to time. Messrs. Gammiero and McMillan will remain officers of Fraser Papers and will not be officers or directors of Acadian.

Remuneration of Trustees

Initial compensation for Trustees of the Fund will be $25,000 per Trustee per year. The chair of the Board of Trustees and the chair of each standing committee of the Board of Trustees will receive additional compensation of $3,000 per year. The Fund or its subsidiaries will also reimburse Trustees for out-of-pocket expenses for attending meetings. Trustees will participate in the insurance and indemnification arrangements described below under ''— Insurance Coverage for the Fund and Related Entities and Indemnification''. See ''Description of the Fund — Trustees''. No Trustee will receive compensation for acting as a director of the GP.

Liability of Trustees

The Fund Declaration of Trust contains customary provisions limiting the liability of the Trustees. The Trustees will not be liable to any Unitholder or any other person, in tort, contract or otherwise, for: any action taken or not taken in good faith in reliance on any documents that are, *prima facie*, properly executed; for any depreciation of, or loss to, the Fund incurred by reason of the sale of any asset; for the loss or disposition of money or securities; or any action or failure to act of any other person to whom the Trustees have delegated any of their duties under the Fund Declaration of Trust; or for any other action or failure to act (including failure to compel in any way any former Trustee to redress any breach of trust or any failure by any person to perform its duties under or delegated to it, under the Fund Declaration of Trust), unless, in each case, such liabilities arise out of a breach of the Trustees' standard of care, diligence and skill or breach of the restrictions on the Trustees' powers as set out in the Fund Declaration of Trust. If the Trustees have retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under the Fund Declaration of Trust, the Trustees may act or refuse to act based on the advice of such expert, advisor or legal counsel, and the Trustees will not be liable for and will be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of such expert, advisor or legal counsel. In the exercise of the powers, authorities or discretion conferred on the Trustees under the Fund Declaration of Trust, the Trustees are and will be conclusively deemed to be acting as Trustees of the Fund's assets and will not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Fund or the Fund's assets.

Insurance Coverage for trustees, directors and officers of the Fund and Related Entities and Indemnification

The Fund will obtain or cause to be obtained a policy of insurance for the Trustees of the Fund and for the trustees, directors and officers of the Fund's subsidiaries. The initial aggregate annual limit of liability applicable to the insured trustees, directors and officers under the policy will be $50 million. Under the policy, each entity will have reimbursement coverage (subject to a deductible of $1 million) to the extent that it has indemnified the trustees, directors and officers. The policy will include coverage for, among other things, securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the respective trustees, directors and officers the Fund, the Trust, the GP, the LP and any of their respective subsidiaries. The total limit of liability will be shared with Brookfield and its subsidiaries and associates and will be available to the Fund, the Trust, the GP, the LP and their respective subsidiaries and their respective trustees, directors and officers so that the limit of liability will not be exclusive to any one of the entities or their respective trustees, directors and officers. The costs of such insurance will be borne by the Fund.

The by-laws of the GP, the LP and each of its corporate subsidiaries provide for the indemnification of its directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations. The Fund Declaration of Trust and the Trust Declaration of Trust also provide for the indemnification of the Trustees and officers of the Fund and the trustees and officers of the Trust, respectively, from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations.

The Manager

Fraser Papers and KFM LLC retained the Manager to assist in the preparation and implementation of the overall strategic plan in respect of the Acadian Timberlands and to monitor and assist with the day-to-day operations of the Acadian Timberlands, pursuant to the Management Agreement. On and following Closing, the Manager will provide these same management services in respect of the assets of the Operating LP under the Management Agreement and the Operating LP will be joined as a party thereto.

The Manager's services to the Operating LP and KFM LLC will be provided under the Management Agreement pursuant to which the Manager will be responsible for advising the Operating LP and KFM LLC on the best manner in which to manage, hold and dispose of the Acadian Timberlands and to assist and advise with the preparation of, and supervise the implementation of, the overall strategic plan in respect of the Acadian Timberlands. The Management Agreement expires on October 3, 2025, unless terminated in accordance with its terms, subject to automatic renewals for successive ten year terms.

In connection with its duties, the Manager, under the oversight, direction and authority of the Trustees and subject to adherence with the Fund's overall strategic plan from time to time, is responsible for, among other things:

- advising with respect to marketing and sales;
- advising on all significant fibre supply commitments;
- overseeing the preparation of operational plans and budgets and making recommendations in respect thereof to KFM LLC and the Operating LP;
- monitoring and overseeing internal management teams, operational plans, and operating activities;
- advising with respect to the best practices and new developments in silviculture and other forestry practices;
- advising and assisting with proposed financings;
- advising and assisting with acquisitions and dispositions;
- advising and assisting with community and investor relations;
- overseeing the Fund's reporting requirements under applicable law;
- providing oversight of tax planning activities and oversight related to the preparation of income tax returns;
- providing assistance with the coordination and oversight of legal services;
- providing oversight of information technology support and services;
- providing oversight of certain treasury services; and
- overseeing and coordinating the issuance of press releases approved by the Board.

In consideration for the provision of its services, the Manager will be entitled to:

- an annual base fee (payable quarterly) in an amount equal to (i) $2 million (subject to adjustment based on the Consumer Price Index), plus (ii) 1.25% of the positive difference, if any, between the Asset Value of the Fund (calculated as at the end of each fiscal quarter of the Fund) and the Asset Value of the Fund immediately following Closing (subject to adjustment based on the Consumer Price Index); and

- an annual performance fee equal to 15% of the amount by which distributable cash per Unit of the Fund in respect of the applicable year exceeds $0.9075, multiplied by the number of Units outstanding as at the end of such year.

The Asset Value of the Fund shall be calculated as the aggregate undepreciated book value of the Fund's timberland assets, as reflected on the Fund's consolidated balance sheet at the end of the applicable quarter.

The Manager is a wholly-owned subsidiary entity of Brookfield, which, on Closing, will hold indirectly all of the Class B Interests and, as at the date of this prospectus, also holds approximately 46% of the issued and outstanding common shares of Fraser Papers.

In performing its responsibilities and satisfying its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties in a manner which is fair and reasonable and to act at all times honestly, in good faith and in the best interests of each of KFM LLC and the Operating LP, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent forestry management expert performing similar functions would exercise in comparable circumstances.

The Manager is responsible for all of its own expenses, including administrative costs, employment expenses of its personnel, rent and other overhead expenses of the Manager, and expenses of the Trustees and officers of the GP who are also officers or employees of the Manager or of an affiliate of the Manager (except expenses incurred in attending meetings of the Trustees).

Each of the Operating LP and KFM LLC may terminate the engagement of the Manager under the Management Agreement in respect of itself (i) in the event of the insolvency or receivership of the Manager, or (ii) in the case of material breach or default by the Manager of the provisions of the Management Agreement relating to the Operating LP or KFM LLC, as applicable, which is not remedied within 60 days following delivery of written notice thereof (unless such breach is capable of being cured and the Manager is working diligently to cure such default).

The Manager may terminate its engagement as manager under the Management Agreement in respect of the Operating LP or KFM LLC (i) in the event of the insolvency or receivership of the Operating LP or KFM LLC, as applicable, or (ii) in the case of material breach or default by the Operating LP or KFM LLC, as applicable, of the provisions of the Management Agreement which is not remedied within 60 days following delivery of written notice thereof (unless such breach is capable of being cured and the applicable party is working diligently to cure such default).

The Operating LP and KFM LLC are required to indemnify the Manager and its directors, officers, employees, shareholders, agents and affiliates, in certain circumstances, unless the claim to which the indemnity relates arises as a result of the gross negligence, wilful misconduct or fraud of the indemnified party.

The name and municipality of residence, office held with the Manager and principal occupation of each director and executive officer of the Manager are as follows:

Name and Municipality of Residence	Position	Principal Occupation
BRIAN BANFILL . . . . Burnaby, British Columbia	Senior Vice-President, Finance	Vice-President, Timberlands Asset Management of Brookfield but is currently on secondment to Cascadia Forest Products Ltd. as Vice-President and Chief Financial Officer
REID CARTER . . . . Vancouver, British Columbia	President and Chief Executive Officer	Managing partner of the Manager
LISA W. CHU . . . . Toronto, Ontario	Director, Controller	Vice-President and Controller of Brookfield
BRYAN K. DAVIS . . . . Toronto, Ontario	Director, Vice-President and Chief Financial Officer	Senior Vice-President, Finance of Brookfield
ALAN V. DEAN . . . . Toronto, Ontario	Director, Secretary	Senior Vice-President, Corporate Affairs and Secretary of Brookfield
EDWARD C. KRESS . . . . Toronto, Ontario	Director, Vice-President	Group Chairman of Brookfield Power Corporation
DARSHAN SIHOTA . . . . Nanaimo, British Columbia	Senior Vice-President, Operations	President of Island Timberlands Limited Partnership

The following are brief profiles of the directors and the executive officers of the Manager.

Brian Banfill, Mr. Banfill is the Vice-President, Timberlands Asset Management of Brookfield but is currently on secondment to Cascadia Forest Products Ltd. as Vice-President and Chief Financial Officer. Prior to joining Cascadia, Mr. Banfill provided IT consulting services to various organizations and was employed for more than 12 years with West Fraser Timber, primarily in the role of Controller for West Fraser Timber's Solid Wood Operations group. Mr. Banfill is a Certified General Accountant with over 20 years of experience in the forest industry.

Reid Carter, Mr. Carter is a managing partner of Brookfield and leads Brookfield's Timberlands Investment Management Organization with a focus on the acquisition of freehold timberlands throughout North America and in Brazil. Prior to joining Brookfield in 2003, Mr. Carter was a top-ranked paper and forest products analyst at National Bank Financial from 1999 to 2003 and also served as a business analyst for TimberWest Forest Corp. from 1992 to 1996 where he was responsible for the management of TimberWest's crown and freehold timberlands. Mr. Carter has over 24 years of experience in the forest industry and currently serves as a director of each of Selectseed Inc., Forest Management Institute of British Columbia (Chair) and Okanagan Biotech Ltd. He is also a past President of the Soil Science Society of British Columbia. Mr. Carter holds a Bachelor of Science (Hons.) degree in Combined Biology Forestry and a Master of Science in Forest Soils from the University of British Columbia.

Bryan K. Davis, Mr. Davis is the Senior Vice-President, Finance of Brookfield. Prior to joining Brookfield in 2003, Mr. Davis was Vice-President and Chief Financial Officer of Trilon Financial Corporation from 2001 to 2003 and Vice-President and Controller within the same organization from 1999 to 2001. Prior to joining Trilon Financial Corporation, Mr. Davis was a Manager of Restructuring and Advisory Services at the accounting firm of Deloitte & Touche. Mr. Davis is a Chartered Accountant and holds a Bachelor of Commerce (Hons.) degree from Queen's University.

Lisa W. Chu, Ms. Chu is Vice-President and Controller of Brookfield. She is responsible for Brookfield's corporate accounting group. She also assists in the financial reporting area. Ms. Chu joined Brookfield in 1995 and has held various positions within the organization. She is a Certified General Accountant and has a Master's Degree in Business Administration from the University of Toronto.

Alan V. Dean, Alan Dean is the Senior Vice-President, Corporate Affairs and Secretary for Brookfield. He is responsible for the corporate secretarial activities of Brookfield and several of its publicly traded affiliates, and is President of Brookfield's charitable foundation. Mr. Dean joined the corporation in 1989 and has held a variety of corporate functions prior to his appointment to his current role in 1998. Mr. Dean has a Master of Business

Administration from the University of Toronto. Mr. Dean serves as a director of Brascade Corporation, a subsidiary of Brookfield.

Edward C. Kress, as the Group Chairman of Brookfield Power Corporation, Mr. Kress has been responsible for the expansion of Brookfield's power generation over the past fifteen years, including the Magpie River, Valerie Falls and Lake Superior Power developments, and the acquisition of Pontiac Power, Highvale Power and Louisiana Hydroelectric. Mr. Kress joined Brookfield's senior management team in 1974 from Ernst & Young LLP and has worked extensively with a variety of industry stakeholders in respect to property tax reform and industry re-regulation in Ontario. Mr. Kress holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Accountant. Mr. Kress is a trustee of the Great Lakes Hydro Income Fund.

Darshan Sihota, Mr. Sihota is President of Island Timberlands Limited Partnership, the second largest private forest landowner in British Columbia. He has over 26 years of experience in the forest industry in roles ranging from field forestry to lumber marketing. Mr. Sihota joined Brookfield in 2004 as Vice President Timberlands Asset Management. Prior to joining Brookfield he was Manager of Planning and Distribution for TimberWest Forest Corporation. Mr. Sihota holds a Bachelor of Science in Forestry degree from the University of British Columbia and a Master's Degree in Business Administration from Royal Roads University. He is a BC Registered Professional Forester.

FUNDING AND RELATED TRANSACTIONS

Closing Transactions in Respect of Acquisition of NB Timberlands and Ancillary Assets

The following is a summary of the principal transactions that will take place in connection with the completion of the Offering and the indirect acquisition of the NB Timberlands and ancillary assets by the Fund:

1. Each of the Trust, the GP, the LP and the Operating LP will be formed with minimal capital. The Trust will be wholly-owned by the Fund and will be a limited partner of the LP. The GP will be wholly-owned by the Fund and will be the only general partner of the LP and the Operating LP. The LP will be the limited partner of the Operating LP.
2. The Fund will use approximately $84.3 million ($84.5 million if the Over-Allotment Option is not exercised, which amount is equal to the gross proceeds of the Offering, including the proceeds of the subscription by Brookfield or one of its affiliates for the Over-Allotment Call Units) and 3,613,780 Special Voting Units to capitalize the Trust by subscribing for: (a) Series 1 Trust Notes in the aggregate principal amount of approximately $76.7 million ($76.9 million if the Over-Allotment Option is not exercised), and (b) Trust Units for approximately $7.6 million.
3. The Trust will use the proceeds from the issuance of the Series 1 Trust Notes and the Trust Units (including 3,613,780 Special Voting Units) to subscribe for Class A LP Units for approximately $84.3 million ($84.5 million if the Over-Allotment Option is not exercised).
4. The LP will borrow approximately $42 million under the New Credit Facilities.
5. The LP will use a portion of the funds received by it to (i) subscribe for Class B Units of the Operating LP for approximately $115.2 million.
6. The Operating LP will acquire the NB Timberlands and the ancillary assets from Fraser Papers in consideration for (i) a portion of the cash proceeds received by the Operating LP in paragraph 5 above, and (ii) 3,613,780 Class B Units of the Operating LP. The Operating LP will use the remaining proceeds received by it in paragraph 5 to pay its share of the Offering expenses.
7. The Operating LP will assume all of the Fraser Papers employees employed in connection with the NB Timberlands and certain liabilities of Fraser Papers.
8. The Class B Units received by Fraser Papers in paragraph 6 will be transferred to the LP in consideration for Class B LP Units and 3,613,780 Special Voting Units.
9. The Operating LP and Fraser Papers will enter into (i) the Crown Lands Services Agreement, and (ii) the Fibre Supply Agreement.
10. The Operating LP will be joined as a party to the Management Agreement.
11. The Fund, the Trust, the GP, the LP, the Operating LP and Fraser Papers will enter into the FP Exchange Agreement.

Closing Transactions in Respect of Acquisition of Common Membership Interests of KFM LLC

The following is a summary of the principal transactions that will take place in connection with the completion of the acquisition of the common membership interests of KFM LLC by the Fund:

1. Each of CanCo and USCo will be formed with minimal capital.
2. The LP will use the remainder of the funds received by it to (i) subscribe for additional shares of CanCo for approximately $7.3 million ($7.6 million if the Over-Allotment Option is not exercised); and (ii) advance funds to CanCo in consideration for a 7.2% promissory note of CanCo in the aggregate principal amount of approximately US$3.2 million (the ''CanCo Note'').
3. CanCo will use the subscription proceeds received in paragraph 2 immediately above to (i) acquire additional shares of USCo for approximately $7.3 million ($7.6 million if the Over-Allotment Option is not exercised); and (ii) advance funds to USCo in consideration for a 8% promissory note of USCo in the aggregate principal amount of approximately US$3.2 million (the ''USCo Note'').
4. USCo will use the proceeds received by it in paragraph 3 immediately above to acquire common membership interests of KFM LLC from KTL LLC and Brookfield US and to pay its share of the Offering expenses.
5. The terms of KTL LLC's remaining membership interests in KFM LLC will be amended and restated and will become Class B Interests of KFM LLC, having the attributes described elsewhere in this prospectus.

Acquisition Agreements

FP Acquisition Agreement

The Fund, the Trust, the GP, the LP, the Operating LP and Fraser Papers will enter into an acquisition agreement to be dated on or before the Closing Date (the ''FP Acquisition Agreement''). The FP Acquisition Agreement will provide for, among other things, completion of the indirect acquisition of the NB Timberlands by the Fund, as described under ''— Closing Transactions in Respect of Acquisitions of NB Timberlands and Ancillary Assets'' above. This summary is qualified in its entirety by reference to the provisions of the FP Acquisition Agreement, which contains a complete description of the representations, warranties, indemnities and related limitations described below. See ''Material Contracts''.

The FP Acquisition Agreement will contain customary representations and warranties and related indemnities from Fraser Papers in favour of the Fund, the Trust, the GP, the LP and the Operating LP. These representations and warranties will address various matters relating to the NB Timberlands, the Crown Lands, the Forest Nursery and the business of Fraser Papers and will also include a representation and warranty that, to Fraser Papers' knowledge, this prospectus does not contain any misrepresentation (as that term is defined in the *Securities Act* (Ontario)) in respect of the NB Timberlands.

The aggregate maximum liability of Fraser Papers under its representations, warranties and indemnities will be limited, without duplication, to 100% of the aggregate cash proceeds received by it in consideration for the NB Timberlands and ancillary assets. All claims under the representations, warranties and indemnities will be subject to a threshold of $25,000 per claim and an aggregate threshold of $500,000.

The representations and warranties of Fraser Papers will survive for a period of 36 months from the Closing, except for certain limited representations and warranties, which will survive without limitation of time, the tax representations which will survive for the duration of assessment and related appeal periods, and the title and environmental representations, which will survive until expiry of the limitation period under applicable law and the ''no misrepresentation'' representation, warranty and indemnity, which will survive for a period of three years from the Closing.

The FP Acquisition Agreement does not require Fraser Papers to provide any security for its indemnification obligations under the FP Acquisition Agreement or to otherwise take any steps to ensure that it will be in a position to satisfy such obligations. Accordingly, there can be no assurance of recovery by the Fund from Fraser Papers for breaches of its representations and warranties.

The completion of the transactions contemplated by the FP Acquisition Agreement will be conditional upon, among other things, the completion of the Offering, the receipt of certain consents and the funds being made available under the New Credit Facilities.

If the transactions contemplated by the FP Acquisition Agreement are not completed as contemplated by the FP Acquisition Agreement, the Fund will refund to purchasers the consideration paid in respect of the Units offered under this prospectus.

KFM Acquisition Agreement

The Fund, the Trust, the GP, the LP, USCo, CanCo, KFM LLC, KTL LLC and Brookfield US will enter into an acquisition agreement to be dated on or before the Closing Date (the ''KFM Acquisition Agreement''). The KFM Acquisition Agreement will provide for, among other things, completion of the indirect acquisition of the common membership interests of KFM LLC by the Fund, as described under ''— Closing Transactions in Respect of Common Membership Interests of KFM LLC'' above. This summary is qualified in its entirety by reference to the provisions of the KFM Acquisition Agreement, which contains a complete description of the representations, warranties, indemnities and related limitations described below. See ''Material Contracts''.

The KFM Acquisition Agreement will contain customary representations and warranties and related indemnities from KTL LLC in favour of the Fund, the Trust, the GP, the LP, USCo and CanCo. These representations and warranties will address various matters relating to the Maine Timberlands and KFM LLC and its business and will also include a representation and warranty that, to its knowledge, this prospectus does not contain any misrepresentation (as that term is defined in the *Securities Act* (Ontario)) in respect of the Maine Timberlands, KFM LLC and KTL LLC.

The aggregate maximum liability of KTL LLC under its representations, warranties and indemnities will be limited, without duplication, to 100% of the aggregate cash proceeds received by it and Brookfield US in consideration for their common interests of KFM LLC.

All claims under the representations, warranties and indemnities will be subject to a threshold of $25,000 per claim and an aggregate threshold of $250,000.

The representations and warranties of KTL LLC will survive for a period of 36 months from the Closing, except for certain limited representations and warranties, which will survive without limitation of time, the tax representations which will survive for the duration of assessment and related appeal periods, and the title and environmental representations, which will survive until expiry of the limitation period under applicable law and the ''no misrepresentation'' representation, warranty and indemnity, which will survive for a period of three years from the Closing.

Purchasers under this prospectus will not have a direct statutory right of action against KTL LLC who does not sign this prospectus as promoter. The purchasers' sole remedy against KTL LLC will be the Fund exercising its rights under the KFM Acquisition Agreement to claim for indemnification in respect of a breach of the representations and warranties in that agreement by KTL LLC subject to the limitations described above. Except as described below, the KFM Acquisition Agreement does not require KTL LLC to provide any security for its indemnification obligations under the KFM Acquisition Agreement or to otherwise take any steps to ensure that it will be in a position to satisfy such obligations. Accordingly, there can be no assurance of recovery by the Fund from KTL LLC for breaches of its representations and warranties.

KTL LLC will agree with the Fund that KTL LLC (or an affiliate of KTL LLC that assumes the obligations of KTL LLC under the KFM Acquisition Agreement) will, for a period of five years from Closing, maintain a net worth equal to the value of the Class B Interests held by KTL LLC on Closing (which value will be calculated annually as the number of units of the Fund into which such Class B Interests can be converted, multiplied by the then market price of the units of the Fund), subject to a maximum of $45,070,300 and subject to a minimum amount equal to 100% of the aggregate cash proceeds received by it and Brookfield US in consideration for their common interests of KFM LLC, such minimum amount to be reduced by one-third each year over a three-year period.

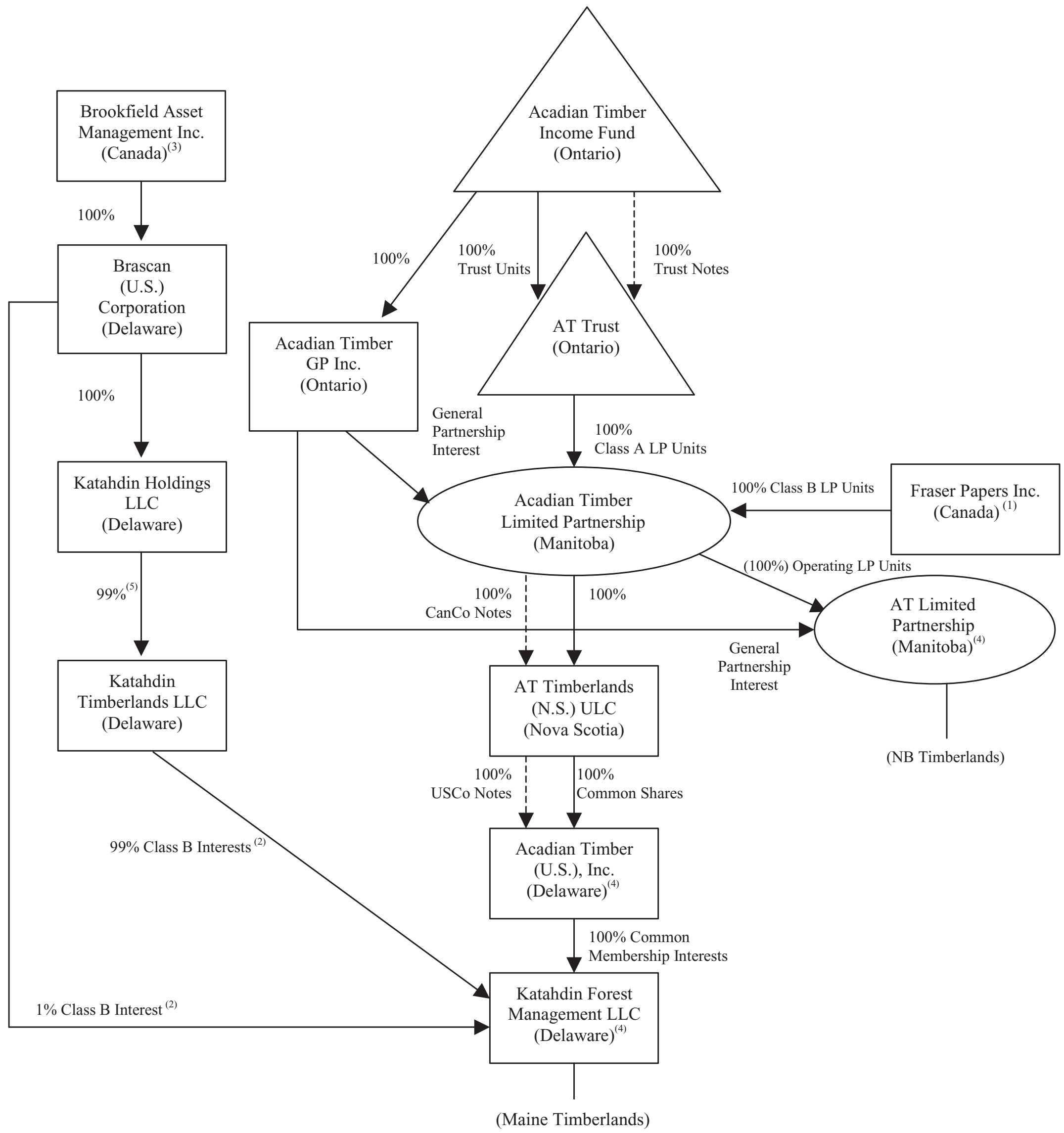
KTL LLC will also agree to hold all of the Class B Interests (or Units of the Fund into which such Class B Interests are convertible) that it holds immediately following Closing of the Offering, for a period of five years, provided that (i) KTL LLC will be permitted to transfer any of such securities to any of its affiliates, and (ii) KTL LLC and any of such affiliates will be permitted to tender any of such securities (either directly or following conversion of such securities into units of the Fund) pursuant to a take-over bid for all of the Units.

The completion of the transactions contemplated by the KFM Acquisition Agreement will be conditional upon, among other things, the completion of the Offering by the Fund and the receipt of certain consents.

If the transactions contemplated by the KFM Acquisition Agreement are not completed as contemplated by the KFM Acquisition Agreement, the Fund will refund to purchasers the consideration paid in respect of the Units offered under this prospectus.

Structure Following Closing

The following chart illustrates the structure of the Fund (including jurisdiction of establishment/incorporation of the various entities) following completion of the Offering and the indirect investment by the Fund in the Partnership and related transactions (as described in more detail in ''Funding and Related Transactions''). See ''The Fund, the Trust, the LP, the Operating LP and KFM LLC'', ''Description of the Fund'', ''Description of the Trust'', ''Description of the LP'', ''Description of the GP'', ''Description of the Operating LP'', and ''Description of CanCo, USCo and KFM LLC''.



Notes:

(1) On Closing, Fraser Papers will hold the outstanding Class B LP Units, which will be indirectly exchangeable for 3,613,780 Units (on a one-for-one basis and, subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, approximately 22% of the outstanding Units on a fully-diluted basis. See ''Principal Agreements — Exchange Agreement''.

(2) On Closing, Brookfield will indirectly hold all of the Class B Interests of KFM LLC which will entitle the holder to require KFM LLC to convert such Class B Interests into (i) 4,507,030 Units (on a one-for-one basis and subject to customary anti-dilution adjustments), representing in the aggregate, on Closing, approximately 27% of the outstanding Units of the Fund on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of these Units on the date of conversion. See ''Class B Interests and Conversion Rights''.

(3) If the Over-Allotment Option is not exercised, Brookfield and its affiliates will hold, on Closing, 422,532 Units (these Units representing approximately 3% of the Units on a fully-diluted basis).

(4) The Acadian Timberland will be managed by Brookfield Timberland Management LP.

(5) An affiliate of Brookfield US holds the remaining 1% of KTL LLC.

CLASS B INTERESTS AND CONVERSION RIGHTS

Following completion of the Offering, KTL LLC and Brookfield US will hold 4,507,030 Class B Interests of KFM LLC (being all of such securities outstanding on Closing) representing, in the aggregate and after giving effect to the conversion of such Class B Interests into Units pursuant to the conversion rights described below, approximately 27% of the outstanding Units on a fully diluted basis. Pursuant to the terms of these Class B Interests, KTL LLC and Brookfield US will be entitled, subject to the restrictions set out below, to require KFM LLC to convert all or a portion of such Class B Interests into (i) Units (on a one-for-one basis, subject to customary anti-dilution adjustments, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of those Units on the date of conversion. Holders of Class B Interests will be entitled to receive, as and when declared by the managers of KFM LLC, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per Unit, and (ii) the then most recently announced distribution per Unit. Pursuant to the terms of the Class B Interests, KTL LLC will be entitled to exercise the conversion rights at any time. KTL LLC will also agree to hold all of the Class B Interests (or Units of the Fund into which such Class B Interests are convertible) that it holds immediately following closing of the Offering, for a period of five years, subject to certain limited exceptions. See ''Funding and Related Transactions — KFM Acquisition Agreement'' and ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests''.

Support and Registration Rights Agreement

On Closing, the Fund, the Trust, the LP, the GP, the Operating LP, KFM LLC and KTL LLC, among others, will enter into the Support and Registration Rights Agreement. Pursuant to the Support and Registration Rights Agreement, for so long as KTL LLC and its affiliates collectively hold at least 10% of the outstanding Units, directly or indirectly, on a fully-diluted basis (including Class B LP Units held by Fraser Papers), it shall be entitled to demand registration rights and piggyback registration rights, provided that the Fund shall not be obliged to effect: (a) a demand registration during the period starting 14 days prior to and ending 180 days after the effective date of the Fund's most recent prospectus filed under securities laws, except as may be otherwise agreed by the Fund, KTL LLC and the underwriters managing such offering, if any; (b) more than two demand registrations pursuant to a long form prospectus or more than four demand registrations in any twelve month period; (c) an underwritten demand registration in respect of Units expected to result in gross sale proceeds of less than CDN$10 million, or (d) a demand registration in a jurisdiction outside of Canada. If the board of trustees of the Fund determines, in its good faith judgment, that there is a Valid Business Reason, the Fund will have the right to defer the filing of a prospectus for a period of 120 days, provided that such right may not be exercised more than once in any twelve month period. ''Valid Business Reason'' means a determination that the offering would adversely affect a pending or proposed material acquisition, merger, recapitalization, consolidation, reorganization or similar transaction, or negotiations, discussions, or pending proposals with respect thereto, or would require the disclosure of material non-public information that, in the good faith judgment of the board of Trustees, would have a material adverse effect on the Fund or any of its subsidiary entities.

In the event of a piggyback offering, the Fund's financing requirements would take priority.

All expenses (including underwriting commissions) incurred in connection with an exercise of registration rights will be borne proportionately by KTL LLC (and any of its affiliates who may also exercise such registration rights), on the one hand, and the Fund (or its subsidiaries), on the other hand, to the extent of their receipt of proceeds from any offering completed pursuant to such rights.

The Support and Registration Rights Agreement will also provide that, so long as KTL LLC and its affiliates collectively own, directly or indirectly, 10% of the Units on a fully-diluted basis, it will have pre-emptive rights exercisable to acquire additional Class B Interests or Units in the event that KFM LLC or the Fund decides to issue additional debt or equity securities. If KFM LLC or the Fund issues additional debt or equity securities, KTL LLC shall be entitled to participate in such issuance on a *pro rata* basis, but only to the extent necessary to maintain its proportionate fully-diluted interest in the Fund. KTL LLC will be entitled to participate in the additional financing transaction at the most favourable price and on the most favourable terms as such securities are to be offered to the Fund or a third party, without regard for commissions and other transaction expenses paid by the Fund.

In addition, pursuant to the Support and Registration Rights Agreement, the Fund, the Trust, the LP, the GP and KFM LLC will agree to (and agree to cause their subsidiary entities to take all actions and do all things reasonably necessary or desirable to) enable and permit KFM LLC to pay Units to the holders of Class B Interests, pursuant to the exercise of conversion rights for Units by such holders, including but not limited to contributing to the capital of

KFM LLC the number of Units necessary to convert all the holders' Class B Interests into Units, provided that the following conditions have been met: (a) the conversion pursuant to the conversion rights, and the issuance of Units pursuant thereto and the terms of the Support and Registration Rights Agreement, would not cause the Fund to breach the restrictions respecting non-resident ownership contained in the Fund Declaration of Trust as described in ''Description of the Fund — Limitation on Non-Resident Ownership''; (b) the Fund is legally entitled to issue the Units in connection with the exercise of the conversion rights and the terms of the Support and Registration Rights Agreement; and (c) the person receiving the Units upon the exercise of the conversion rights complies with all applicable securities laws. The Support and Registration Rights Agreement is not assignable and no third parties will benefit from the Support and Registration Rights Agreement to permit the holders of the Class B Interests of KFM LLC to convert such interests into Units.

PRINCIPAL AGREEMENTS

The following is a description of certain principal agreements to which the Fund or any of its subsidiary entities is a party, other than the Acquisition Agreements and Support and Registration Rights Agreement that are described elsewhere in this prospectus.

FP Exchange Agreement

On Closing, the Fund, the Trust, the GP, the LP, the Operating LP and Fraser Papers will enter into the FP Exchange Agreement. The FP Exchange Agreement will grant to Fraser Papers the right to effectively exchange, through a series of steps described in the FP Exchange Agreement, all or any portion of the Class B LP Units (the ''exchange rights''). Each Class B LP Unit will be exchangeable for one Unit, subject to customary anti-dilution adjustments. Exchange rights may be exercised by Fraser Papers at any time at its discretion so long as all of the following conditions have been met: (a) the exchange would not cause the Fund to breach the restrictions respecting non-resident ownership contained in the Fund Declaration of Trust as described in ''Description of the Fund Limitation on Non-Resident Ownership''; (b) the Fund is legally entitled to issue the Units in connection with the exercise of the exchange rights; and (c) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws. The Class B LP Units and the rights under the FP Exchange Agreement may not be assigned by Fraser Papers.

For so long as Fraser Papers and its affiliates collectively hold at least 10% of the outstanding Units, directly or indirectly, on a fully-diluted basis, Fraser Papers will be entitled to demand registration rights and piggyback registration rights, provided that the Fund shall not be obliged to effect: (a) a demand registration during the period starting 14 days prior to and ending 180 days after the effective date of the Fund's most recent prospectus filed under securities laws, except as may be otherwise agreed by the Fund, Fraser Papers and the underwriters managing such offering, if any; (b) more than two demand registrations pursuant to a long form prospectus or more than four demand registrations in any twelve month period; (c) an underwritten demand registration in respect of Units expected to result in gross sale proceeds of less than CDN$10 million, or (d) a demand registration in a jurisdiction outside of Canada. If the board of trustees of the Fund determines, in its good faith judgment, that there is a Valid Business Reason, the Fund will have the right to defer the filing of a prospectus for a period of 120 days, provided that such right may not be exercised more than once in any twelve month period. ''Valid Business Reason'' means a determination that the offering would adversely affect a pending or proposed material acquisition, merger, recapitalization, consolidation, reorganization or similar transaction, or negotiations, discussions, or pending proposals with respect thereto, or would require the disclosure of material non-public information that, in the good faith judgment of the board of trustees, would have a material adverse effect on the Fund or any of its subsidiary entities.

All expenses (including underwriting commissions) incurred in connection with an exercise of registration rights will be borne proportionately by Fraser Papers, on the one hand, and the Fund (or its subsidiaries), on the other hand, to the extent of their receipt of proceeds from any offering completed pursuant to such rights.

Crown Lands Services Agreement

Fraser Papers currently holds licences from the Government of the Province of New Brunswick in respect of the Crown Lands. Fraser Papers has the right to approximately 17% of the annual harvest from the Crown Lands in consideration for a royalty fee paid to the Crown. Approximately 83% of the annual harvest from the Crown Lands is sub-licenced by Fraser Papers to third parties who are entitled to cut and harvest timber for their own use on payment of the royalty fee to the Crown and payment of a management fee to Fraser Papers. On Closing, the Operating LP and

Fraser Papers will enter into the Crown Lands Services Agreement pursuant to which the Operating LP will agree to provide services under Fraser Papers' direction relating to the Crown Lands. Under the Crown Lands Services Agreement, the Operating LP will charge Fraser Papers the following prescribed fees: (i) Acadian's cost of production (including harvest cost, transportation, access road construction and maintenance), and (ii) a service fee (calculated in $\$/m^3$) as consideration for its services under the Crown Lands Services Agreement. The service fee charged by Acadian will be audited by an independent auditor every five years. The service fee will be fixed for those five years with an embedded annual adjustment based on the New Brunswick Consumers Price Index. As manager of the Crown Lands under the Crown Licenses, Fraser Papers will be responsible for collecting and paying to the Government (i) a royalty fee (calculated in $\$/m^3$ that varies based on species type), and (ii) a levy fee (calculated in $\$/m^3$ for silviculture spending that differs for softwood and hardwood). Acadian will assist Fraser Papers by collecting such amounts from sub-licensees. In the twelve months ended October 1, 2005, these fees totalled $2 million.

Pursuant to the Crown Lands Services Agreement, the Operating LP will provide services to Fraser Papers and the sub-licensees, including: harvest planning and preparation; filing and administration of all management plan and other compliance requirements; scaling services; management of waybills; road construction and maintenance; and accounting services, consistent with services provided by Fraser Papers to sub-licensees in the past. The Operating LP will be obligated to, among other things, conduct all operations in compliance with all laws and regulations and all material operating policies adopted by Fraser Papers, acting reasonably, and to comply with all terms, conditions and obligations set out in the Crown Licenses.

Pursuant to the Crown Lands Services Agreement, Fraser Papers will covenant to take all commercially reasonable actions required in order to maintain the Crown Licenses in good standing. If any action taken by Fraser Papers results in the loss of a Crown License and the loss of Fraser Papers' entitlement to manage a Crown License, within three years following Closing, then Fraser Papers will reimburse to Acadian any one-time severance costs associated with a reduction in the number of Acadian's employees, up to an aggregate maximum of $2.5 million, within three months following any such loss.

The Crown Lands Services Agreement will have a term equal to the term of the Crown Licenses, including any renewal terms. The Crown Lands Services Agreement may be terminated in the event of the insolvency or receivership of another party, or in the case of default by one of the other parties in the performance of a material obligation of the Crown Lands Services Agreement (other than as a result of the occurrence of a *force majeure* event) which is not remedied within 60 days following delivery of written notice thereof, subject to any applicable cure periods.

Fibre Supply Agreement

On completion of the Offering, the Operating LP and Fraser Papers will enter into the Fibre Supply Agreement pursuant to which the Operating LP will agree to sell forest products of the types described therein, which are harvested from the NB Timberlands, at prescribed volumes and according to established specifications. The Fibre Supply Agreement will have a term of 20 years, with Fraser Papers having the right to renew for an additional five years.

The Fibre Supply Agreement will set forth the specifications and minimum quantities of fibre to be made available to Fraser Papers for purchase during the period from Closing to December 31, 2010 (the ''Initial Period''). For each calendar year thereafter until expiry of the term of the agreement, quantities of fibre to be made available to Fraser Papers for purchase will be as set out in the Operating LP's annual plan (''Annual Plan) for harvesting, subject to minimum volumes for any given calendar year of not less than the Allowable Cut (as defined below) for such calendar year. Pursuant to the Fibre Supply Agreement, Fraser Papers will have the right to purchase all of the spruce/fir softwood LRSY each year from the NB Timberlands.

The Operating LP will be obligated to develop prior to October 1, 2010, a five-year forest management plan (the ''Forest Management Plan'') with respect to the NB Timberlands to establish an annual allowable volume of fibre in each calendar year after expiration of the Initial Period (the ''Allowable Cut''). The Forest Management Plan will also set out the criteria to be used in the establishment of each Annual Plan and the Allowable Cut for any given year as set forth in the Forest Management Plan will be included in the Annual Plan. The Operating LP will be required to update the Forest Management Plan not later than 2 months prior to each successive fifth anniversary of its implementation. The Operating LP will agree to consult with Fraser Papers in connection with the adoption of the Forest Management Plan, any subsequent modification thereto and any Annual Plan pursuant thereto. Approval of the Forest Management Plan and each Annual Plan and any modifications thereto (other than modifications required in order to comply with applicable law or regulations) will require the prior consent of Fraser Papers, which consent may not be unreasonably withheld or delayed. Fraser Papers is entitled to change the specifications relating to its fibre requirements, provided that in no event will the Operating LP be required to cut more than the Allowable Cut to meet such changes.

Pricing under the terms of the Fibre Supply Agreement will be specified for the period from Closing to December 31, 2006. Thereafter, for each six calendar month period (a ‘‘Price Period’’), the price for each category of fibre will be equal to the weighted average, freight-adjusted prices charged to the lumber mills and pulp facilities owned and operated by Fraser Papers and its affiliates by their five highest-volume, un-affiliated suppliers for such category of fibre (and excluding deliveries from the Acadian Timberlands), calculated with reference to deliveries made during the six-month period immediately preceding such Price Period.

Under the terms of the Fibre Supply Agreement, the Operating LP will be entitled to satisfy its fibre supply commitments to Fraser Papers by delivering fibre from lands other than the NB Timberlands, provided that such source is approved in advance by Fraser Papers in its sole discretion.

In addition, the Fibre Supply Agreement will provide that Fraser Papers is entitled to purchase additional hardwood volumes of fibre in order to effect current and future fibre exchanges. Pricing for such fibre will be determined based upon the weighted-average, freight-adjusted prices paid to the Operating LP by third party purchasers of the same products.

In the event that the Operating LP is unable (other than for reasons of force majeure) to supply timber in a timely fashion, the Operating LP will be liable to reimburse Fraser Papers for its incremental cost of obtaining such fibre from an alternative source.

Fraser Papers will have the right, at any time and from time to time, to reduce for any reason, including a temporary or permanent facility closure, the amount of fibre purchased pursuant to the Fibre Supply Agreement (provided that Fraser Papers reduces purchases from each of its suppliers by a proportionate amount), on not less than 60 days’ advance notice to the Operating LP. In such circumstances, the Operating LP will be entitled to find alternate markets for this fibre; however, Fraser Papers will be entitled to reinstate quantities of fibre within 18 months following such reductions, on 60 days’ advance notice to the Operating LP, provided that Fraser Papers has not exercised its right to reinstate quantities of fibre pursuant to this provision within the preceding twelve months. In the event that Fraser Papers reinstates its volumes, it will not be required to make up for the volume not purchased during such period.

The Fibre Supply Agreement may be terminated in the event of a default by another party in the performance of a material obligation of the Fibre Supply Agreement (other than as a result of the occurrence of a *force majeure* event) which is not remedied within 30 days following delivery of written notice thereof (unless such default is capable of being remedied and the applicable party is working diligently to remedy such default). In addition, the Fibre Supply Agreement may be terminated by the Operating LP in the event of the termination of the Crown Lands Services Agreement as a result of a breach of such agreement by Fraser Papers.

KPC LLC Fibre Supply Agreement

KFM LLC is currently a party to a wood fibre supply agreement (the ‘‘KPC LLC Fibre Supply Agreement’’) with KPC LLC, a wholly-owned subsidiary of Brookfield, the owner and operator of two paper mills in each of Millinocket and East Millinocket, Maine that are currently managed by Fraser Papers. Pursuant to the KPC LLC Fibre Supply Agreement, KFM LLC supplies to KPC LLC roundwood pulpwood harvested from the Maine Timberlands, at a prescribed volume of 70% of all roundwood pulpwood produced by KFM LLC in each semi-annual period and in accordance with established specifications and subject to the right of KPC LLC to reduce such amount in certain circumstances. The KPC LLC Fibre Supply Agreement has a term of 10 years, with an expiry date in February 2014, and may be extended for an additional five year term at the request of KPC LLC.

The parties to the KPC LLC Fibre Supply Agreement are obligated to negotiate, twice per calendar year, semi-annual plans (each, a ‘‘Semi-Annual Plan’’) to govern the purchase and delivery of roundwood pulpwood from KFM LLC to KPC LLC. If the parties cannot agree on a Semi-Annual Plan for the half-year in question, the Semi-Annual Plan applicable to the immediately preceding period continues in effect so that a failure of the parties to reach agreement on the terms contained therein will not constitute a breach of the KPC LLC Fibre Supply Agreement invoking a right to terminate the agreement or otherwise disrupt operations.

Subject to certain conditions such as KFM LLC’s obligation to mitigate its losses, where KPC LLC experiences a significant decrease in its supply requirement or a material change in established specifications, the parties are obligated to engage in good faith negotiations to accommodate such changes, in some cases without liability to KPC LLC and without obligation on the part of KPC LLC to make up the volume not purchased or produced as a result of any decrease in its supply requirements. In circumstances other than where there is a material change in KPC LLC's supply requirements and KPC LLC fails to purchase the quantities of roundwood pulpwood required by the Agreement (for reasons other than those constituting an event of *force majeure*), KFM LLC may be entitled to recover any reprocurement costs. KFM LLC may similarly be required to reimburse KPC LLC in circumstances where it fails to supply the quantity of product required under the KPC LLC Fibre Supply Agreement and KPC LLC procures the required product from an alternate supply source at a cost to it that is greater than it would otherwise have incurred under the KPC LLC Fibre Supply Agreement.

Pricing under the terms of the KPC LLC Fibre Supply Agreement is determined semi-annually as of January 1 and July 1 of each calendar year during the term and remains in effect for the applicable six-month period. Pricing is determined with regard to the transportation cost-adjusted and volume-weighted average price KPC LLC actually paid in arm's length transactions with other suppliers during the prior six-month period. The parties are obligated to decide upon and use a more appropriate pricing determination method if the above method produces a result that is not a reliable indicator of actual market conditions.

Fraser Papers/KFM LLC Fibre Supply Agreement

KFM LLC is currently a party to a wood fibre supply agreement (the ''Fraser Papers/KFM LLC Fibre Supply Agreement'') with Fraser Paper, the owner and operator of sawmills and paper mills located in the Maine, New Hampshire and New Brunswick regions. Pursuant to the Fraser Papers/KFM LLC Fibre Supply Agreement, KFM LLC supplies to Fraser Paper, in accordance with established specifications, fibre harvested from the Maine Timberlands at a fixed price reset to market price every six months. The Fraser Papers/KFM LLC Fibre Supply Agreement has a term of 10 years and expires in February 2014, subject to extension for an additional five year term at the request of Fraser Paper.

There are no minimum or maximum amounts of fibre that KFM LLC is obligated to make available to Fraser Paper for purchase. The parties are required to agree on partial-year plans (each, a ''Plan'') to govern the purchase and delivery of fibre from KFM LLC to Fraser Paper at competitive market prices.

Exclusivity Agreement

On Closing, Brookfield and the Operating LP will enter into the Exclusivity Agreement pursuant to which Brookfield will agree not to, directly or through an affiliate, own or manage timberlands (other than timberlands that are ancillary to businesses or assets in which Brookfield holds an interest) located within the provinces of Ontario, Quebec, Nova Scotia, New Brunswick, PEI, Newfoundland and the states of Connecticut, Maine, Massachusetts, New Jersey, New Hampshire, New York, Pennsylvania, Rhode Island and Vermont, for so long as Brookfield indirectly owns, directly or through any of its affiliates, any Class B Interests in KFM LLC or 10% or more of the outstanding Units (on a fully-diluted basis) provided that Brookfield will remain bound by the terms of this agreement at all times during which Brookfield (or an affiliate of Brookfield) remains the exclusive Manager of the Acadian Timberlands pursuant to the Management Agreement. In addition, during the term of the Exclusivity Agreement, Brookfield will be entitled to hold interests representing less than 5% of the publicly-traded equity securities (including securities convertible into such equity securities) of companies or other entities conducting a timberlands business.

DESCRIPTION OF THE FUND

General

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund Declaration of Trust. It is intended that the Fund will qualify as a ''unit trust'' and a ''mutual fund trust'' for the purposes of the Tax Act, although the Fund will not be a mutual fund under applicable securities laws. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete. Reference is made to the Fund 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 Fund Declaration of Trust provides that the activities of the Fund are restricted to:

(i) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of the Trust and the GP and other corporations, partnerships, trusts or other persons engaged, directly or indirectly, in the business of operating or managing timberlands, as well as activities ancillary thereto, and such other investments as the Trustees may determine;

(ii) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of any of the Trust, or the GP, the LP or any of their respective subsidiaries or KFM LLC in connection with the Fund's obligations under the Support and Registration Rights Agreement or any other entity determined by the Trustees;

(iii) temporarily holding cash in interest bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;

(iv) issuing Units, Special Voting Units and other securities of the Fund (including securities convertible or exchangeable into Units, Special Voting Units or warrants, options or other rights to acquire Units, Special Voting Units or other securities of the Fund): (a) for obtaining funds to conduct the activities of the Fund, including raising funds for acquisitions and development; (b) in satisfaction of any non-cash distribution; (c) pursuant to any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by the Fund, the Trust, the GP or the LP or any of their respective subsidiaries; or (d) under the Support and Registration Rights Agreement;

(v) issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of the Fund) or otherwise borrowing or guaranteeing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;

(vi) disposing of any part of the assets of the Fund;

(vii) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by the Fund;

(viii) repurchasing and redeeming securities issued by the Fund, subject to the provisions of the Fund Declaration of Trust and applicable laws;

(ix) satisfying the obligations, liabilities or indebtedness of the Fund; and

(x) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Fund Declaration of Trust,

provided the Fund will not undertake any activity, take any action, omit to 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.

Units and Special Voting Units

An unlimited number of Units and an unlimited number of Special Voting Units may be issued pursuant to the Fund Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of earnings, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) 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 pursuant to the Offering are not subject to future calls or assessments, and entitle the holders thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as set out under ''Redemption at the Option of Unitholders'' below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Special Voting Units will not be entitled to any beneficial interest in any distribution from the Fund whether of earnings, net realized capital gains or other amounts, or in the net assets of the Fund in the event of a termination or winding up of the Fund. Special Voting Units may, however, be redeemed by the holder at any time for no consideration.

The Special Voting Units may be issued in series and will only be issued in connection with or in relation to Class B LP Units or other securities that are, directly or indirectly, exchangeable for Units, in each case for the sole purpose of providing voting rights at the Fund level to the holders of such securities. Special Voting Units will be issued in conjunction with, and will not be transferable separately from, the Class B LP Units (or other exchangeable securities) to which they relate. Conversely, the Special Voting Units will automatically be transferred upon a transfer of the associated securities. Each Special Voting Unit will entitle the holder thereof to a number of votes at any meeting of Voting Unitholders equal to the number of Units which may be obtained upon the exchange of the Class B LP Unit (or other exchangeable security) to which the Special Voting Unit relates.

Issuance of Units

The Fund Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any unitholder rights plan or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis to the extent that the Fund does not have available cash to fund such distributions. The Fund Declaration of Trust also provides, unless the Trustees determine otherwise, 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 such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate, if any, 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. Where amounts so distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates, if any, representing their original Units in exchange for a certificate representing their post-consolidation Units.

The Trustees may refuse to allow the issue or register the transfer of any Units, where such issuance or transfer would, in their opinion, adversely affect the treatment of the Fund or the entities in which it directly or indirectly invests under applicable Canadian tax legislation or their qualification to carry on any relevant business. See ''Limitation on Non-Resident Ownership'' and ''Certain Canadian Federal Income Tax Considerations''.

Trustees

The Fund will have a minimum of three Trustees and a maximum of 10 Trustees, the majority of who must be residents of Canada (within the meaning of the Tax Act) (except that prior to Closing, the Fund may have a minimum of one Trustee). On Closing, the board of the Fund will be comprised of 5 Trustees, 3 of whom will be independent. The nominees for election of the Trustees in the proxy related materials sent to Voting Unitholders will be determined by the compensation, nominating and corporate governance committee of the Fund.

The Fund Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the trust assets and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the trust assets and will supervise the investments and conduct the affairs of the Fund. Subject to such terms and conditions, the Trustees are responsible for, among other things:

- supervising the activities and managing the investments and affairs of the Fund;
- acting for, voting on behalf of and representing the Fund as a holder of the Trust Units, Trust Notes and other securities of the Trust and the shares of the GP;
- maintaining records and providing reports to Unitholders;
- effecting payments of distributable cash from the Fund to Unitholders; and
- voting in favour of the Fund's nominees to serve as trustees of the Trust.

Any Trustee may resign upon 30 days written notice to the Fund, unless such resignation would cause the number of remaining Trustees to be less than a quorum, and may be removed by a resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders (''Ordinary Resolution'') and the vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees.

Trustees will be appointed at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting. A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), 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 Voting 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 Voting Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Voting Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Voting Unitholder may call the meeting. Except as otherwise provided in the Fund Declaration of Trust, the Trustees may, between annual meetings of Voting Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Voting 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 Voting Unitholders.

The Fund 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 Fund 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 Voting Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his/her conduct was lawful.

Distributions

The Fund intends to make monthly distributions of its distributable cash to Unitholders. The amount of the Fund's distributable cash will be equal to the interest and principal repayments on the Trust Notes owned by the Fund and the distributions (if any) on or in respect of the Trust Units and shares of the GP owned by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units; (iii) satisfaction of the Fund's debt service obligations (principal and interest) on indebtedness, if any; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of the Fund).

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine.

The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for ordinary income taxes under the Tax Act in such year. Prior to the announcement of such distribution, the Fund will advise the holders of the Class B Interests as to the expected amount of such distribution and such holders shall have not less than five business days in which to exercise their conversion rights in order to be eligible to receive such distribution, as Unitholders of record on the record date in respect of such distribution.

Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have any income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. The Declaration of Trust 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 such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

The Fund intends to make monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions will be paid on or about the 15th day following the end of each month. The initial cash distribution for the period from the Closing to February 28, 2006 is expected to be paid on or about March 15, 2006 and is estimated to be $0.071 per Unit (assuming that the Closing occurs on or about January 31, 2006). Subsequent regular distributions in the estimated amount of $0.06875 per Unit are anticipated to be paid each month thereafter commencing April 15, 2006.

Unitholders 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. See ''Certain Canadian Federal Income Tax Considerations''.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof. 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 shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the ''Redemption Price'') equal to the lesser of:

(i) 90% of the ''market price'' of a Unit calculated as of the date on which the Units were surrendered for redemption (the ''Redemption Date''); and

(ii) 100% of the ''closing market price'' on the Redemption Date.

For purposes of this calculation, the ''market price'' of a Unit as at a specified date will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;

(ii) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking prices of the Units for each day on which 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 simple 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'' of a Unit for the purpose of the foregoing calculations, as at any date, will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(ii) an amount equal to the closing price of a Unit on the principal market or exchange, if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

The aggregate Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month shall 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:

(i) the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall 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;

(ii) at the time the Units are tendered for redemption, the outstanding Units shall be 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

(iii) the normal trading of Units is not 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 ending on the Redemption Date.

If a Unitholder is not entitled to receive the Redemption Price in cash upon the redemption of Units as a result of one or more 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.* In such circumstances, the Unitholder will receive his or her pro rata share of the $50,000, unless the *in specie* redemption arises because of (ii) or (iii), above. In addition, Trust Units and Series 1 Trust Notes of a value equal to any portion of the Redemption Price not satisfied in cash will be redeemed by the Trust in consideration of the issuance to the Fund of Series 2 Trust Notes and Series 3 Trust Notes, respectively. The Series 2 Trust Notes and Series 3 Trust Notes will then be distributed in satisfaction of the remaining portion of the Redemption Price. No Series 2 Trust Notes or Series 3 Trust Notes in integral multiples of less than $100 will be distributed and, where the number of securities of the Trust to be received by a Unitholder includes a multiple of less than $100, that number shall be rounded to the next lowest integral multiple of $100 and the difference shall be paid in cash. The Fund will be entitled to all interest paid on the Trust Notes and the distributions paid on the Trust Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of securities of the Trust on the redemption of Units of a Unitholder, the Fund currently intends to designate to that Unitholder any income or capital gain realized by the Fund as a result of the redemption of Trust Units and Series 1 Trust Notes in exchange for Series 2 Trust Notes and Series 3 Trust Notes, respectively, or as a result of the distribution of Series 2 Trust Notes or Series 3 Trust Notes to the Unitholder on the redemption of such Units. 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. Series 2 Trust Notes and Series 3 Trust Notes 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 Series 2 Trust Notes or Series 3 Trust Notes and they may be subject to resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for trusts governed by Plans depending upon the circumstances at the time. See ''Certain Canadian Federal Income Tax Considerations''.

Repurchase of Units

The Fund will be allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase will constitute an ''issuer bid'' under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Meetings of Voting Unitholders

The Fund Declaration of Trust provides that meetings of Voting Unitholders will be called and held annually for the election of Trustees and the appointment of auditors of the Fund. The Fund Declaration of Trust provides that the Voting Unitholders will be entitled to pass resolutions that will bind the Fund only with respect to:

- the election or removal of Trustees;
- the election or removal of nominees of the Fund to serve as trustees of the Trust;

- 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 Fund Declaration of Trust (but only in the manner described below under ''Amendments to the Fund 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 the Trust and the GP held by the Fund, to the securities of the LP that are held by the Trust, the securities of the Operating LP that are held by the GP or the LP, the securities of CanCo that are held by the LP, the securities of USCo that are held by CanCo and the securities of KFM LLC that are held by USCo. See ''— Exercise of Certain Voting Rights Attached to Securities of the Trust, the GP, the LP and the Operating LP'';
- the ratification of any Unitholder rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, Unit option plan or other compensation plan contemplated by the Fund Declaration of Trust requiring Unitholder approval;
- the dissolution of the Fund prior to the end of its term; and
- any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Voting Unitholders for their approval,

provided that the Voting Unitholders shall not pass any resolution that would cause the Fund, the Trust, the GP, the LP, the Operating LP, USCo, CanCo, KFM LLC or their respective subsidiaries to breach the terms of the Support and Registration Rights Agreement, the FP Exchange Agreement, the LP Agreement, the Crown Lands Services Agreement, the Fibre Supply Agreement, or the Management Agreement or that would result in the Fund not being considered a ''mutual fund trust'' for purposes of the Tax Act.

No other action taken by Voting Unitholders or any other resolution of the Voting Unitholders at any meeting will in any way bind the Trustees.

A resolution electing or removing nominees of the Fund to serve as trustees of the Trust (except filling casual vacancies) or with respect to the exercise of certain voting rights attached to the securities of the Trust, the GP, the LP, the Operating LP or any of their respective subsidiaries that are directly or indirectly owned or controlled by the Fund, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Voting Unitholders, 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 Voting Unitholders. The balance of the foregoing matters must be passed by a resolution passed by the affirmative vote of the holders of not less than 66⅔% of the Voting Units who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66⅔% of the Voting Units entitled to vote on such resolution (a ''Special Resolution'').

Subject to the foregoing limitations, a meeting of Voting 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 5% of the Voting Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

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

The Fund Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting 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 benefits of non-residents of Canada within the meaning of the Tax Act and, pursuant to certain proposed amendments to the Tax Act, not more than 50% of the aggregate fair market value of the Units and the Special Voting Units (on both a non-diluted and fully-diluted basis for these purposes) may be held by non-residents of Canada and/or partnerships (other than Canadian partnerships as defined in the Tax Act). Accordingly, the Fund Declaration of Trust provides that at no time may non-residents of Canada and/or partnerships, other than Canadian partnerships, be the beneficial owners of more than 49.9% of the Units and/or Special Voting Units (on both a non-diluted and fully-diluted basis for these purposes). The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units and Special Voting Units are resident or as to their status as Canadian partnerships.

If the Trustees become aware that the beneficial owners of more than 49.9% of the Units and/or Special Voting Units then outstanding (on both a non-diluted and fully-diluted basis for these purposes) are or may be non-residents and/or partnerships, other than Canadian partnerships, or that such a situation is imminent, the Trustees may make a public announcement thereof and will not accept a subscription for Units from, or issue or register a transfer of Units to, any person unless the person provides a declaration that he or she is not a non-resident or a partnership other than a Canadian partnership. If, notwithstanding the foregoing, the Trustees determine that more than 49.9% of the Units and/or Special Voting Units (on both a non-diluted and fully-diluted basis for these purposes) are held by non-residents and/or partnerships other than Canadian partnerships, they may send a notice to such holders of Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period determined by the Trustees. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents or a partnership other than a Canadian partnership within such period, the Trustees may sell such Units on behalf of such Unitholders, and in the interim, the voting and distribution rights attached to such Units will be suspended. Upon such sale, the affected holders will cease to be holders of the Units and their rights will be limited to receiving the net proceeds of such sale.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act relating to the circumstances under which the ownership of units of a trust by non-resident persons and partnerships other than Canadian partnerships would cause the trust to lose its status as a mutual fund trust. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust unless no more than 10% (based on fair market value) of the trust's property at any time is taxable Canadian property within the meaning of the Tax Act and certain other types of specified property. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status such that if, at any time, the Fund were to lose its mutual fund trust status as a result of the application of the draft amendments, the Fund would permanently cease to be a mutual fund trust. On December 6, 2004, the Minister of Finance (Canada), tabled a Notice of Ways and Means Motion which did not include these proposed amendments, and it is counsels' understanding that further discussions will take place with the private sector before a decision is made concerning whether the proposed amendments will be enacted into law. Depending on the final wording of any amendments, it may be necessary to amend the Fund Declaration of Trust to take into account these new restrictions. This amendment may be made without Unitholder approval.

Amendments to the Fund Declaration of Trust

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Voting Unitholders by a Special Resolution.

The Trustees, at their discretion and without the approval of the Voting Unitholders, will be entitled to make certain amendments to the Fund Declaration of Trust, including amendments:

(i) which are required 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, including ensuring that the Fund continues to qualify as a ''mutual fund trust'', within the meaning of the Tax Act;

(ii) which provide additional protection or added benefits for the Voting Unitholders;

(iii) to remove any conflicts or inconsistencies in the Fund Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Voting Unitholders; and

(iv) which are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdictions over the Trustees of the Fund.

Notwithstanding the previous sentence, the Trustees may not (without the approval of the Voting Unitholders) amend the Fund Declaration of Trust in a manner which would result in the Fund failing to qualify as a ''mutual fund trust'' under the Tax Act.

Term of the Fund

The Fund Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Voting Unitholders, which notice shall 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 shall proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, sell and convert into money the Trust Units, the Trust Notes and all other assets comprising the Fund in one transaction or in a series of transactions at public or private net 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 shall distribute the remaining part of the proceeds of the sale of the Trust Units, the Trust Notes 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 Trust Units, the Trust Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Trust Units, the Trust Notes or other assets *in specie* directly to the Unitholders in accordance with their *pro rata* interests subject to obtaining all required regulatory approvals. Voting Unitholders may, at any time, by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of the Fund.

Take-over Bids

The Fund 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 (including Units that may be acquired on the exchange of any Class B LP Units or the exercise of the conversion rights in respect of the Class B Interests of KFM LLC, but excluding 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 on which the offeror acquired Units from Unitholders who accepted the take-over bid.

Exercise of Certain Voting Rights Attached to Securities of the Trust, the GP, the LP and the Operating LP

The Fund Declaration of Trust provides that the Fund will not vote any securities of the Trust or the GP, nor permit the Trust to vote any securities of the LP, the directors of the GP to vote any securities of the Operating LP or the LP or any of their respective subsidiaries to authorize any transaction which is adverse to the Unitholders including, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of the Trust, the GP, the LP, the Operating LP or KFM LLC or any of their respective subsidiaries except in conjunction with an internal reorganization or good faith pledges or mortgages in the ordinary course of business or in connection with permitted guarantees of the Trust, the GP, the LP, the Operating LP or KFM LLC as applicable, or permitted charge, pledge or lien;
- any amalgamation, arrangement or other merger of the Trust, the GP, the LP, the Operating LP or KFM LLC or any of their respective subsidiaries with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the Trust Note Indenture other than in contemplation of a further issuance of Notes to the Fund that are identical in all respects to the Notes issued in connection with the Offering or in conjunction with an internal reorganization;
- the winding-up or dissolution of the Trust, the GP, the LP, the Operating LP or KFM LLC prior to the end of the term of the Fund other than pursuant to an internal reorganization; or

- any material amendment to the constating documents of the Trust, the GP, the LP or KFM LLC to change the authorized units, share capital or partnership interests which would be prejudicial to the Fund,

without the authorization of the Voting Unitholders by a Special Resolution.

Information and Reports

The Fund will furnish to Voting Unitholders, in accordance with applicable securities laws, all financial statements of the Fund (including quarterly and annual financial statements and certifications) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholder's tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Voting Unitholders, the Trustees will provide to the Voting Unitholders (along with notice of the meeting) all information, together with such certifications, as is required by applicable law and by the Fund Declaration of Trust to be provided to Voting Unitholders.

In addition, the GP has undertaken to the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada and to the Fund that, following Closing and for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- to the extent that the Fund does not do so, issue a press release and deliver to the Fund for filing a material change report in respect of any material change in the LP's business, operations or capital;
- provide to the Fund the information that would be required to be included in an annual information form or any other report or document required to be filed with the securities commissions or other securities regulatory authorities as if the LP were reporting issuers in each of the provinces and territories of Canada; and
- to the extent that the Fund does not prepare financial statements including the LP's results of operations, deliver to the Fund quarterly unaudited and annual audited financial statements together with corresponding management's discussion and analysis for those periods for filing with the securities commissions or other securities regulatory authorities in each of the provinces of Canada and delivery to the Fund's registered and beneficial Voting Unitholders in accordance with applicable securities laws.

Such releases, forms, reports and statements, in each case, shall be in the form and content that the LP would be required to file with the Ontario Securities Commission as if it were a reporting issuer under Ontario securities laws. The quarterly unaudited and annual audited financial statements of the LP will be delivered by the Fund to Voting Unitholders concurrently with the financial statements of the Fund for the corresponding period.

In future interim and annual filings, the Fund will include relevant information and discussions comparing the Fund's business with the predecessor business. The Fund believes that comparative financial information relating to net sales, cost of sales and general and administrative expenses of Fraser Papers' Timberlands Business and KFM LLC are appropriate to include in the operating results of the Fund. The information will be provided on a comparative basis in future interim and annual management discussion and analysis.

The chief executive officer and chief financial officer of the GP will perform functions similar to a chief executive officer and chief financial officer in respect of the Fund. As such the chief executive officer and chief financial officer of the GP will execute the certificates required to be filed pursuant to Multilateral Instrument 52-109 — ''Certification of Disclosure in Issuers' Annual and Interim Filings''.

Trustees of the Fund, the Trust's trustees and directors and senior officers of subsidiaries of the Fund, including the GP, as well as the directors and officers of the Manager, will be required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units and LP Units and Class B Interests of KFM LLC.

In addition, the Fund has undertaken to the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada that following Closing and for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- treat the LP as a subsidiary of the Fund; however, if generally accepted accounting principals prohibit the consolidation of financial information of the LP and the Fund, for as long as the LP (and any of its significant business interests) represents significant assets of the Fund, the Fund will provide unitholders with separate financial statements for the LP (and any of its significant business interests);

- take appropriate measures to require each person who would be an insider of the GP if the GP were a reporting issuer to (a) file insider reports about trades in trust units of the Fund (including securities which are exchangeable into trust units of the Fund), and (b) comply with statutory prohibitions against insider trading; and
- annually certify that it has complied with this undertaking, and file the certificate on the System for Electronic Document Analysis and Retrieval (SEDAR) concurrently with the filing of its annual financial statements.

Book-Entry Only System

Registration of interests in and transfers of the Units will be made through a book-based system (the ''Book-Entry System'') administered by CDS. On or about the date of Closing, the Trustee will deliver to CDS certificates evidencing the aggregate number of Units subscribed for under the Offering. Units may be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a ''CDS Participant''). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such 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 means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund has the option to terminate registration of the Units through the Book-Entry System in which case certificates for the Units in fully-registered form would be issued to beneficial owners of such Units or their nominees.

Conflicts of Interest Restrictions and Provisions

The Fund Declaration of Trust contains ''conflict of interest'' provisions that serve to protect Voting Unitholders without creating undue limitations on the Fund. The Fund Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act* (the ''CBCA''), that require each Trustee to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his remuneration as a Trustee or officer of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with an affiliate.

Rights of Unitholders

Following the completion of the Offering, the rights of the Unitholders will be established by the Fund Declaration of Trust. Although the Fund Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, there do exist significant differences.

The Fund Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of the Fund, although no statutory provisions historically confirmed the limited liability status of Unitholders in a manner comparable to shareholders of a CBCA corporation. However, on December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004*, a new Ontario statute included in Bill 106, received Royal Assent. That statute provides that Unitholders of the Fund are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Fund or the Trustees, arising after December 16, 2004. That statute has not yet been judicially considered and it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Fund Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and trustees, the quorum for and procedures at such meetings and the right of investors to participate in the decision making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Fund Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities, as described under ''— Exercise of Certain Voting Rights Attached to Securities of the Trust, the GP, the LP and the Operating LP''. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are ''reporting issuers'' or the equivalent or listed on the TSX.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to have their Units redeemed through the exercise of the redemption rights provided by the Fund Declaration of Trust, as described under ''— Redemption at the Option of Unitholders''. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregarding the interests of securityholders and certain other parties.

Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders could rely only on the general provisions of the Fund Declaration of Trust which permit the winding up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Fund Declaration of Trust allows Unitholders to pass resolutions appointing an inspector to investigate the Trustees' performance of their responsibilities and duties, but this process would not be subject to court oversight or assure the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Fund Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

Financial Year End

The fiscal year end of the Fund will be December 31 annually.

DESCRIPTION OF THE TRUST

The Trust Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust relating to the Fund. The principal differences between the Trust Declaration of Trust and the Fund Declaration of Trust are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of the Trust Declaration of Trust and the Fund Declaration of Trust.

General

The Trust is an unincorporated open-ended limited purpose trust to be established as at the Closing Date under the laws of the Province of Ontario pursuant to the Trust Declaration of Trust. It is a limited purpose trust and its activities are restricted essentially to holding investments in the LP and such other investments as the trustee of the Trust (the ''Trust's Trustees'') may determine, including all activities ancillary or incidental thereto.

Restrictions on Trust's Trustees' Powers

The Trust Declaration of Trust provides that the Trust's Trustees may not, without approval by ordinary resolution of the holders of Trust Units:

(i) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require approval by ordinary resolution of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading; and

(ii) subject to certain exceptions, appoint or change the auditors of the Trust.

Furthermore, the Trust Declaration of Trust states that the Trust's Trustees may not, without approval by special resolution of the holders of Trust Units:

(i) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require approval by special resolution or super majority (as defined or described therein) of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading;

(ii) amend the Trust Declaration of Trust except in certain limited circumstances similar to those under which the Fund Declaration of Trust may be amended without consent of Unitholders;

(iii) amend the Trust Note Indenture other than in contemplation of a further issuance of Trust Notes;

(iv) sell, lease or exchange all or substantially all of the property of the Trust other than in the ordinary course of business or in connection with an internal reorganization;

(v) authorize the termination, liquidation or winding-up of the Trust, other than at the end of the term of the Trust; or

(vi) authorize the combination, merger or similar transaction of the Trust with any other person, except in conjunction with an internal reorganization.

Redemption Right

The Trust Units will be redeemable at any time on demand by the holders thereof upon delivery to the Trust of a duly completed and properly executed notice requiring the Trust to redeem the Trust Units, in a form reasonably acceptable to the Trust's Trustees, together with the certificates representing the Trust Units to be redeemed and written instructions as to the number of Trust Units to be redeemed. Upon tender of Trust Units by a holder thereof for redemption, the holder of the Trust Units tendered for redemption will no longer have any rights with respect to such Trust Units other than the right to receive the redemption price for such Trust Units. The redemption price for each Trust Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C + D}{E}$$

Where:

A = the cash redemption price per Unit calculated as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder;

B = the aggregate number of Units outstanding as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder;

C = the aggregate unpaid principal amount of the Series 1 Trust Notes and accrued interest thereon and any other indebtedness held by or owed to the Fund and the fair market value of any other assets or investments held by the Fund (other than Trust Units, Trust Notes or any other indebtedness of the Trust held by or owed to the Fund) as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder;

D = the aggregate unpaid liabilities of the Fund (prior to the redemption of Units for such date) as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder; and

E = the aggregate number of Trust Units outstanding held by the Fund as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder.

The Trust's Trustees will also be entitled to call for redemption, from time to time and at any time, all or part of the outstanding Trust Units registered in the name of the holders thereof (other than the Fund) at the same redemption price as described above for each Trust Unit called for redemption, calculated with reference to the date the Trust's Trustees approved the redemption of Trust Units.

The aggregate redemption price payable by the Trust in respect of any Trust Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the Trust's Trustees, (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose Trust Units are to be redeemed of such aggregate amount of Series 2 Trust Notes as is equal to the aggregate redemption price payable to such holder of Trust Units rounded down to the nearest \$100, with the balance of any such aggregate redemption price not paid in Series 2 Trust Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Series 2 Trust Notes as the Trust's Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which the Trust Units were so tendered for redemption. A holder of Trust Units whose Trust Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Series 2 Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such Series 2 Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest $100.

Distributions

The Trust intends to make monthly cash distributions of its distributable cash. The amount of cash to be distributed monthly per Trust Unit to the Trust Unitholders will be equal to a *pro rata* share of distributions on or in respect of the Class A LP Units owned by the Trust and all other amounts, if any, from any other investments from time to time held by the Trust received in such period, less amounts which are paid, payable, incurred or provided for in such period in connection with: (i) administrative expenses and other obligations of the Trust; (ii) amounts that may be paid by the Trust in connection with any cash redemptions or repurchases of Trust Units or repayments of the Trust Notes; (iii) satisfaction of its debt service obligations (principal and interest) on the Trust Notes and other indebtedness, if any; and (iv) any amount that the Trust's Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Trust, that have been or are reasonably expected to be incurred in the activities and operations of the Trust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of the Trust).

Such distributions will be payable to holders of record of Trust Units on the last business day of each month and will be paid within 15 days following each month end. The cash distributions payable by the Trust are intended to be received by the Fund prior to its related cash distribution to Unitholders.

The distribution declared by the Trust's Trustees in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Trust for such year as is necessary to ensure that the Trust will not be liable for ordinary income taxes under the Tax Act in such year.

Any income of the Trust which is unavailable for cash distribution will, to the extent necessary to ensure that the Trust does not have any income tax liability under Part I of the Tax Act, be distributed to the Trust Unitholders in the form of additional Trust Units. The value of each Trust Unit so issued will be equal to the redemption price thereof. The Trust Declaration of Trust provides that immediately after any *pro rata* distribution of Trust Units in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each holder of Trust Units will hold after consolidation the same number of Trust Units as the holder held before the non-cash distribution.

Trust Notes

The following is a summary of the material attributes and characteristics of the Trust Notes which will be issued by the Trust under the Trust Note Indenture. This summary is qualified in its entirety by reference to the provisions of the Trust Note Indenture, which contains a complete statement of those attributes and characteristics.

Trust Notes will be issuable in Canadian currency. Trust Notes are issuable in denominations of $100 and integral multiples of $100. No Trust Notes in integral multiples of less then $100 will be distributed and where the number of Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. On Closing, the Trust will issue approximately $76.7 million principal amount of Series 1 Trust Notes to the Fund.

Series 2 Trust Notes will be reserved by the Trust to be issued exclusively to holders of Trust Units as full or partial payment of the redemption price of Trust Units, as the Trust's Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Trust Notes will be reserved by the Trust to be issued exclusively as full or partial payment of the redemption price for Series 1 Trust Notes.

Interest and Maturity

The Series 1 Trust Notes to be issued at Closing will be payable on demand, will mature on the 25th anniversary of the date of issuance and will bear interest at a rate of 3% per annum, payable on the 15th day of each calendar month that such Series 1 Trust Notes are outstanding. Each Series 2 Trust Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the Trust's Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 2 Trust Note is outstanding. Each Series 3 Trust Note will mature on the same date as the Series 1 Trust Notes and bear interest at a market rate to be determined by the Trust's Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 3 Trust Note is outstanding.

Payment upon Maturity

On maturity, the Trust will repay the Trust Notes by paying to the trustee under the Trust Note Indenture, in cash, an amount equal to the principal amount of the outstanding Trust Notes that have then matured, together with accrued and unpaid interest thereon.

Redemption

The Trust Notes will be redeemable in whole or in part (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, payable in cash or, in the case of a redemption of Series 1 Trust Notes on an *in specie* payment of the Redemption Price of Units, in Series 3 Trust Notes) at the option of the Trust prior to maturity.

Subordination

Payment of the principal amount and interest on the Trust Notes will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which will be defined as all indebtedness, liabilities and obligations of the Trust which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the Trust Note Indenture. The Trust Note Indenture provides that upon any distribution of the assets of the Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the Trust Notes are entitled to receive any payment.

Default

The Trust Note Indenture provides that any of the following shall constitute an event of default:

(i) default in payment of the principal amount of the Trust Notes when the same becomes due and payable and the continuation of such default for a period of 90 days;

(ii) default in payment of any interest due on any Trust Notes and continuation of such default for a period of 90 days;

(iii) default in the observance or performance of any other covenant or condition of the Trust Note Indenture and continuance of such default for a period of 90 days after notice in writing has been given to the Trust's Trustees specifying such default and requiring the Trust to rectify the same; and

(iv) certain events of dissolution, bankruptcy, insolvency, liquidation, reorganization or other similar proceedings relative to the Trust.

The provisions governing an event of default under the Trust Note Indenture and remedies available thereunder do not provide protection to the holders of Trust Notes which would be comparable to the provisions generally found in debt securities issued to the public.

Trust Unit Certificates

As Trust Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfers of, the Trust Units will not be made through the Book-Entry System administered by CDS. Rather, holders of Trust Units will be entitled to receive certificates therefor.

Meetings of Unitholders

An annual meeting of holders of Trust Units may be held at such time and place as shall be prescribed for the purpose of transacting such business as the Trust's Trustees may determine or as may properly be brought before the meeting.

DESCRIPTION OF THE LP

The following is a summary of the material attributes and characteristics of the LP and the LP Units that will be issued under the LP Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the LP Partnership Agreement, which contains a complete statement of those attributes and characteristics.

General

The LP is a limited partnership established under the laws of the Province of Manitoba. The general partner of the LP is the GP. On Closing, the sole limited partner of the LP will be the Trust. The LP is also a limited partner of the Operating LP.

Capitalization

The LP may issue an unlimited number of Class A LP Units and Class B LP Units to any person. The LP Partnership Agreement authorizes the GP to cause the LP to issue additional Class A LP Units or Class B LP Units for any consideration and on any terms and conditions as are established by the GP.

Class A LP Units will initially be issued to the Trust, and Class B LP Units will initially be issued to Fraser Papers. Class B LP Units will be indirectly exchangeable into Units. Following completion of the Offering, Fraser Papers will hold 3,613,780 Class B LP Units (being all of such securities outstanding on Closing), representing in the aggregate, on Closing, and after giving effect to the exchange of the Class B LP Units for Units and the conversion of the Class B Interests for Units, approximately 22% of the issued and outstanding Units on a fully-diluted basis. Class A LP Units and Class B LP Units will rank equally on a dissolution, liquidation or winding-up of the LP. Each Class A LP Unit entitles the holder thereof to one vote at meetings of holders of the LP Units. Class B LP Units do not entitle holders thereof to vote at meetings of holders of the LP Units except in certain limited circumstances in which the rights of holders of Class B LP Units are affected. Additionally, Class B LP Units will be accompanied by Special Voting Units that will entitle the holder to receive notice of, attend and vote at all meetings of Voting Unitholders of the Fund (except in respect of LP Units previously exchanged).

Distributions

The Class A LP Units and Class B LP Units will have economic rights that are equivalent in all material respects except as set forth below.

The LP will distribute to limited partners of record holding Class A LP Units on the last day of each month, their *pro rata* portions of distributable cash as set out below. The LP will distribute to limited partners of record holding Class B LP Units on the last day of each month, an amount per Class B LP Unit equal to the distributions per Unit in respect of the same monthly period to be paid upon the Units. Distributions will be made within 15 days following the end of each month. The LP may, in addition, make a distribution on the Class A LP Units at any other time.

Distributable cash for a monthly period will consist, in general, of its available cash for the particular monthly period less any estimated cash amounts required for debt service obligations, other expense obligations, capital expenditures, taxes, long term incentive awards and other incentive amounts, reserves (including amounts on account of capital expenditures, and reserves to stabilize distributions to Unitholders), and such other amounts as may be considered appropriate by the GP. Capital and other expenditures, including amounts required to enable the LP to pay equal monthly distributions based on expected annual cash distributions, may also be financed with drawings under the New Credit Facilities, other borrowings or additional issuances of securities.

Notwithstanding any other provision governing distributions on the LP Units, other than the distribution declared in respect of the month ending December 31 in each year, the LP will not distribute, in any period, an amount equal to the positive difference (if any) between (i) the distributable cash of the LP (on a consolidated basis) earned in such period, which would be distributed indirectly to the holders of the Class B Interests if all such interests were converted into Units immediately prior to the record date for the distribution by the Fund in respect of such period, less (ii) the distribution that would otherwise be paid to the holders of the Class B Interests in such period if none of such interests were so converted. For greater clarity, any amount not distributed pursuant to the foregoing in respect of any period, may be distributed in any following period to the extent such amount is determined to constitute distributable cash in such period.

Allocation of Earnings and Losses

The income or loss for tax purposes of the LP for a particular fiscal year generally will be allocated to each partner in an amount calculated by multiplying the total income or loss for tax purposes to be allocated to the partners by a fraction, the numerator of which is the sum of the cash distributions or advances received by that partner with respect to that fiscal year and the denominator of which is the total amount of the cash distributions or advances made by the LP to all partners with respect to that fiscal year. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by the LP to that partner.

Income and loss of the LP for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

The fiscal year end of the LP will be December 31.

Limited Liability

The LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the Trust as a limited partner. The Trust may lose its limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the GP in performing its duties and obligations under the LP Partnership Agreement, the GP has agreed to indemnify the Trust against all claims arising from assertions that its liability is not limited as intended by the LP Partnership Agreement. However, since the GP has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of LP Units

The Class A LP Units are transferable subject to compliance with applicable securities restrictions, provided that non-residents of Canada (and partnerships that are not Canadian partnerships within the meaning of the Tax Act) may not acquire or hold a Class A LP Unit. A Class A LP Unit is not transferable in part, and no transfer of a Class A LP Unit will be accepted by the GP, unless a transfer form in a form approved by the LP, duly completed and signed by the registered holder of the Class A LP Unit and the transferee, has been remitted to the registrar and transfer agent of the LP. A transferee of a Class A LP Unit will become a partner and will be subject to the obligations and entitled to the rights of a partner under the LP Partnership Agreement on the date on which the transfer is recorded.

The Class B LP Units are not transferable, except pursuant to an exchange of a Class B LP Unit for Units in accordance with the terms of the FP Exchange Agreement.

Amendment

The LP Partnership Agreement may be amended with the prior consent of the holders of at least 66⅔% of the LP Units voted on the amendment at a duly constituted meeting or by a written resolution of partners holding more than 66⅔% of the LP Units entitled to vote at a duly constituted meeting (a ''Partnership Special Resolution''), except for certain amendments, which require unanimous approval of holders of LP Units, including: (i) altering the ability of the limited partners to remove the GP involuntarily; (ii) changing the liability of any limited partner; (iii) changing the right of a limited partner to vote at any meeting; or (iv) changing the LP from a limited partnership to a general partnership.

Notwithstanding the foregoing,

- no amendment which would adversely affect the rights and obligations of the GP, as general partner, may be made without its consent;
- no amendment which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligations of all other partners may be made without the consent of that partner; and
- the GP may make amendments to the LP Partnership Agreement to reflect: (i) a change in the name of the LP or the location of the principal place of business of the LP or the registered office of the LP; (ii) a change in the governing law of the LP to any other province of Canada; (iii) admission, substitution, withdrawal or removal of limited partners in accordance with the LP Partnership Agreement; (iv) a change that, as determined by the GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the LP as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by the GP, is reasonable and necessary or appropriate to enable the LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (vi) a change to amend or add

any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the LP Partnership Agreement which may be defective or inconsistent with any other provision contained in the LP Partnership Agreement or which should be made to make the LP Partnership Agreement consistent with the disclosure set out in this prospectus.

Meetings

The GP may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding LP Units. A quorum at a meeting of partners consists of one or more partners present in person or by proxy.

DESCRIPTION OF THE GP

General

The GP is a corporation incorporated under the laws of Canada and acts as the general partner of the LP and the Operating LP. Following Closing, the Fund will own all of the outstanding common shares of the GP.

Functions and Powers of the GP

The GP has exclusive authority to manage the business and affairs of the LP and the Operating LP, to make all decisions regarding the business of the LP and the Operating LP and to bind the LP and the Operating LP. The GP is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the LP and the Operating LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in the GP to manage the business and affairs of the LP includes all authority necessary or incidental to carry out the objects, purposes and business of the LP and the Operating LP, including, without limitation, the ability to engage agents to assist the GP to carry out its management obligations or substantially administrative functions. The GP cannot dissolve the LP or the Operating LP or wind up the LP's or the Operating LP's affairs except in accordance with the provisions of the LP Partnership Agreement or the Operating LP Partnership Agreement, as applicable.

Withdrawal or Removal of the GP

The GP may resign on not less than 180 days written notice to the limited partners of the LP or the Operating LP, as applicable, provided that the GP will not resign if the effect would be to dissolve the LP or the Operating LP, as applicable.

The GP may not be removed as general partner of the LP or the Operating LP, as applicable, unless: (i) the GP has committed a material breach of the LP Partnership Agreement or the Operating LP Partnership Agreement, as applicable, which breach has continued for 30 days after notice, and that removal is also approved by a Partnership Special Resolution; or (ii) the shareholders or directors of the GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of the GP, or the GP 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 with the same ownership and governance structure at the relevant time agrees to act as general partner under the LP Partnership Agreement or the Operating LP Partnership Agreement, as applicable.

DESCRIPTION OF THE OPERATING LP

The following is a summary of the material attributes and characteristics of the Operating LP and the Operating LP Units that will be issued under the Operating LP Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the Operating LP Partnership Agreement, which contains a complete statement of those attributes and characteristics.

General

The Operating LP is a limited partnership established under the laws of the Province of Manitoba. The general partner of the Operating LP is the GP. On Closing the LP will be the sole limited partner of the Operating LP.

Capitalization

The Operating LP may issue an unlimited number of Class A Units and Class B Units to any person. The Operating LP Partnership Agreement authorizes the GP to cause the Operating LP to issue additional Class A Units or Class B Units for any consideration and on any terms and conditions as are established by the GP.

Class A Units and Class B Units will initially be issued to the LP, and Class B Units will initially be issued to Fraser Papers and will immediately thereafter be exchanged for Class B LP Units. See ''Funding and Related Transactions — Closing Transactions in Respect of Acquisition of NB Timberlands and Ancillary Assets''. Class A Units and Class B Units will have economic and voting rights that are equivalent in all respects and will rank equally on a dissolution, liquidation or winding-up of the Operating LP. Each Class A Unit and Class B Unit entitles the holder thereof to one vote at meetings of holders of the Operating LP Units.

Distributions

The Operating LP will distribute to limited partners of record holding Class A Units and Class B Units on the last day of each month, their *pro rata* portions of distributable cash as set out below. Distributions will be made within 15 days following the end of each month. Distributions will be made within 15 days following the end of each month. The Operating LP may, in addition, make a distribution at any other time.

Distributable cash for a monthly period will consist, in general, of its available cash for the particular monthly period less any estimated cash amounts required for debt service obligations, other expense obligations, capital expenditures, taxes, reserves (including amounts on account of capital expenditures and reserves to stabilize distributions to Unitholders), and such other amounts as may be considered appropriate by the GP. Capital and other expenditures, including amounts required to enable the Operating LP to pay equal monthly distributions based on expected annual cash distributions, may also be financed with borrowings or additional issuances of securities.

Allocation of Earnings and Losses

The income or loss for tax purposes of the Operating LP for a particular fiscal year generally will be allocated to each partner in an amount calculated by multiplying the total income or loss for tax purposes to be allocated to the partners by a fraction, the numerator of which is the sum of the cash distributions or advances received by that partner with respect to that fiscal year and the denominator of which is the total amount of the cash distributions or advances made by the Operating LP to all partners with respect to that fiscal year. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by the Operating LP to that partner.

Income and loss of the Operating LP for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

The fiscal year end of the Operating LP will be December 31.

Limited Liability

The Operating LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the LP as a limited partner. The LP may lose its limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the GP in performing its duties and obligations under the Operating LP Partnership Agreement, the GP has agreed to indemnify the LP against all claims arising from assertions that its liability is not limited as intended by the Operating LP Partnership Agreement. However, since the GP has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of LP Units

The Operating LP Units are transferable subject to compliance with applicable securities restrictions, provided that non-residents of Canada (and partnerships that are not Canadian partnerships within the meaning of the Tax Act) may not acquire or hold an Operating LP Unit. An Operating LP Unit is not transferable in part, and no transfer of an Operating LP Unit will be accepted by the GP, unless a transfer form, duly completed and signed by the registered holder of the Operating LP Unit and the transferee, has been remitted to the registrar and transfer agent of the Operating LP. A transferee of an Operating LP Unit will become a partner and will be subject to the obligations and entitled to the rights of a partner under the Operating LP Partnership Agreement on the date on which the transfer is recorded.

Amendment

The Operating LP Partnership Agreement may be amended with the prior consent of the holders of at least 66⅔% of the Operating LP Units voted on the amendment at a duly constituted meeting or by a written resolution of partners holding more than 66⅔% of the Operating LP Units entitled to vote at a duly constituted meeting (a ''Partnership Special Resolution''), except for certain amendments, which require unanimous approval of holders of Operating LP Units, including: (i) altering the ability of the limited partners to remove the GP involuntarily; (ii) changing the liability of any limited partner; (iii) changing the right of a limited partner to vote at any meeting; or (iv) changing the Operating LP from a limited partnership to a general partnership.

Notwithstanding the foregoing,

- no amendment which would adversely affect the rights and obligations of the GP, as general partner, may be made without its consent;
- no amendment which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligations of all other partners may be made without the consent of that partner; and
- the GP may make amendments to the Operating LP Partnership Agreement to reflect: (i) a change in the name of the Operating LP or the location of the principal place of business of the Operating LP or the registered office of the Operating LP; (ii) a change in the governing law of the Operating LP to any other province of Canada; (iii) admission, substitution, withdrawal or removal of limited partners in accordance with the Operating LP Partnership Agreement; (iv) a change that, as determined by the GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Operating LP as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by the GP, is reasonable and necessary or appropriate to enable the Operating LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Operating LP Partnership Agreement which may be defective or inconsistent with any other provision contained in the Operating LP Partnership Agreement or which should be made to make the Operating LP Partnership Agreement consistent with the disclosure set out in this prospectus.

Meetings

The GP may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding Operating LP Units. A quorum at a meeting of partners consists of one or more partners present in person or by proxy.

DESCRIPTION OF CANCO, USCO AND KFM LLC

General

CanCo is an unlimited liability company incorporated under the laws of the Province of Nova Scotia. The share capital of CanCo will consist of fifty million common shares. Following Closing, the LP will own all of the outstanding common shares of CanCo and will hold the CanCo Note.

USCo is a corporation incorporated under the laws of Delaware. The share capital of USCo will consist of one hundred shares of common stock. Following Closing, CanCo will own all of the outstanding shares of common stock of USCo and will hold the USCo Note.

KFM LLC is a limited liability company formed under the laws of Delaware. The capital of KFM LLC will consist of an unlimited number of common membership interests and an unlimited number of Class B Interests. Following Closing, USCo will own all of the common membership interests and KTL LLC will own all of the Class B Interests of KFM LLC.

CanCo and USCo Distribution Policy

Each of CanCo and USCo intends to make monthly cash distributions of its cash available for distribution to shareholders to the extent determined prudent by their respective boards of directors by way of dividends on its common shares and returns of capital. Cash available for distribution will consist generally of monthly net cash receipts less any estimated cash amounts required for debt service obligations including, in the case of USCo, the USCo Note, and in the case of CanCo, the CanCo Note, general and administrative expenses, other expense obligations, taxes, long-term incentive awards and other incentives, reserves (including amounts on account of capital expenditures and to stabilize distributions to Unitholders) and such other amounts as may be considered appropriate by their respective boards of directors.

KFM LLC Capital and Distributions

KFM LLC intends to make monthly cash distributions of its cash available for distribution to holders of Class B and common membership interests to the extent determined prudent by way of distributions on common membership interests and Class B Interests and returns of capital.

KFM LLC Common Membership Interests

Holders of common membership interests of KFM LLC will be entitled to receive distributions as and when declared by the board of managers (and subject to the preferential entitlement of the holders of Class B Interests) and are entitled to one vote per common membership interest on all matters to be voted on at all meetings of members. Upon the voluntary or involuntary liquidation, dissolution or winding-up of KFM LLC, the holders of common membership interests are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities. Cash available for distribution will consist generally of monthly net cash receipts less any estimated cash amounts required for debt service obligations, general and administrative expenses (including amounts on account of capital expenditures and to stabilize distributions to Unitholders) and such other amounts as may be deemed appropriate by the board of managers of KFM LLC. Distributions on the common membership interests are anticipated to be paid on a monthly basis on or about the 15th day of the following month.

KFM LLC Class B Interests

The holders of the Class B Interests will be entitled to receive, as and when declared by the board of managers of KFM LLC and to the extent that cash properly applicable to the payment of distributions is available, a fixed cumulative preferential cash distribution at a rate equal to the U.S. dollar equivalent on the date of such distribution of the lesser of (i) $0.075625, being 110% of the initial monthly distribution per Unit, and (ii) the then most recently announced distribution per Unit.

To the extent funds are available, distributions on the Class B Interests will be paid on a monthly basis on the same day that distributions are paid on the Units.

Pursuant to the terms of the Class B Interests, holders of Class B Interests will be entitled to require KFM LLC to convert all or any portion of their Class B Interests into (i) Units (on a one-for-one basis, subject to customary anti-dilution provisions), representing in the aggregate, on Closing, approximately 27% of the outstanding Units on a fully-diluted basis, or (ii) at the sole election of KFM LLC, cash equal to the market price (as defined in the Declaration of Trust of the Fund) of those Units on the date of conversion. The conversion rights may be exercised by a holder of Class B Interests at any time at its discretion so long as all of the following conditions have been met: (a) the conversion pursuant to the conversion rights, and the issuance of Units pursuant thereto and the terms of the Support and Registration Rights Agreement, would not cause the Fund to breach the restrictions respecting non-resident ownership contained in the Fund Declaration of Trust as described in ''Description of the Fund — Limitation on Non-Resident Ownership''; (b) the Fund is legally entitled to issue the Units in connection with the exercise of the conversion rights and the terms of the Support and Registration Rights Agreement; and (c) the person receiving the Units upon the exercise of the conversion rights complies with all applicable securities laws. Upon conversion, a holder of the Class B membership interest will not be entitled to accrued and unpaid distributions.

The Class B Interests will entitle the holder to appoint one manager to the board of managers of KFM LLC if accumulated and unpaid distributions on the Class B Interests exceed 24 monthly distributions and thereafter until all such accumulated distributions are fully paid.

The Class B Interests are non-voting and the holders of those interests are not entitled to receive notice of or to attend or vote at any meeting of the members of KFM LLC, other than as prescribed by law.

In the event of the liquidation, dissolution or winding-up of KFM LLC or other distribution of assets of KFM LLC among members for the purpose of winding-up its affairs, or a sale of all or substantially all of the assets of KFM LLC, the holders of Class B Interests shall be entitled to receive a fixed amount equal to the US dollar equivalent of $10 calculated as at Closing for each Class B membership interest held, together with all accrued and unpaid (whether or not declared) cumulative distributions thereon calculated up to the date of distribution (which for such purposes shall be calculated as if such distributions, to the extent unpaid, were accruing for the period from the expiration of the last period for which distributions thereon were paid in full up to the date of distribution) before any amount shall be paid or any assets of KFM LLC distributed to holders of any other class of interests ranking junior to the Class B Interests. After payment to the holders of the Class B Interests of the amount so payable to them as provided above, the remaining assets and funds of KFM LLC available for distribution to members shall be distributed rateably among the holders of common membership interests.

CanCo Note

Following completion of the transactions described under ''Funding and Related Transactions'', CanCo will be indebted to the LP in the aggregate principal amount of approximately US$3.2 million pursuant to the CanCo Note.

The CanCo Note will mature on the 10th anniversary of the date of issuance and will bear interest at a rate of 7.20% per annum, payable in arrears on or about the 15th day of each calendar month that such CanCo Note is outstanding, except that the first such payment shall be on or about March 15, 2006 in respect of the period from the Closing to such date.

On maturity, CanCo will repay the CanCo Note by paying to the LP, in cash, an amount equal to the principal amount of the outstanding CanCo Note that has then matured, together with accrued and unpaid interest thereon.

The CanCo Note will be redeemable, at the option of CanCo prior to maturity, at a redemption price equal to the principal amount thereof, plus all accrued interest thereon, payable in cash.

Payment of the principal amount and interest on the CanCo Note will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness of CanCo, which will be defined as any interest hedging facility and all indebtedness, liabilities and obligations of or guaranteed by CanCo which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the CanCo Note, but excluding any such indebtedness to trade creditors. CanCo may also designate in writing from time to time any other obligations or liabilities or class thereof, as senior indebtedness. Upon any distribution of the assets of CanCo in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to CanCo, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the CanCo Note are entitled to receive any payment. Senior indebtedness of CanCo will include the obligations of CanCo in respect of the New Credit Facilities.

The CanCo Note will be an unsecured debt obligation of CanCo.

Any of the following shall constitute an event of default under the CanCo Note: (i) default in repayment of the principal amount of the CanCo Note when the same becomes due and payable and the continuation of such default for a period of 10 business days; (ii) subject to the terms of any senior indebtedness, the failure to pay the interest obligations of the CanCo Note, if and when issued, and continuation of such default for a period of 90 days; (iii) certain events of dissolution, liquidation, bankruptcy, insolvency or other similar proceedings relative to CanCo or its affiliates; or (iv) default in the observance or performance of any other covenant or condition of the CanCo Note and the continuance of such default for a period of 30 days after notice in writing has been given by the LP to CanCo specifying such default and requiring CanCo to rectify the same.

USCo Note

Following completion of the transactions described under ''Funding and Related Transactions'', USCo will be indebted to CanCo in the aggregate principal amount of approximately US$3.2 million pursuant to the USCo Note.

The USCo Note will mature on the 10th anniversary of the date of issuance and will bear interest at a rate of 8.00% per annum, payable in arrears on or about the 15th day of each calendar month that such USCo Note is outstanding, except that the first such payment shall be on or about March 15, 2006 in respect of the period from the Closing to such date.

On maturity, USCo will repay the USCo Note by paying to CanCo, in cash, an amount equal to the principal amount of the outstanding USCo Note that has then matured, together with accrued and unpaid interest thereon.

The USCo Note will be redeemable, at the option of USCo prior to maturity, at a redemption price equal to the principal amount thereof, plus all accrued interest thereon, payable in cash.

Payment of the principal amount and interest on the USCo Note will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness of USCo, which will be defined as any interest hedging facility and all indebtedness, liabilities and obligations of or guaranteed by USCo which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the USCo Note, but excluding any such indebtedness to trade creditors. USCo may also designate in writing from time to time any other obligations or liabilities or class thereof, as senior indebtedness. Upon any distribution of the assets of USCo in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to USCo, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the USCo Note are entitled to receive any payment. Senior indebtedness of USCo will include the obligations of USCo in respect of the New Credit Facilities.

The USCo Note will be an unsecured debt obligation of USCo.

Any of the following shall constitute an event of default under the USCo Note: (i) default in repayment of the principal amount of the USCo Note when the same becomes due and payable and the continuation of such default for a period of 10 business days; (ii) subject to the terms of any senior indebtedness, the failure to pay the interest obligations of the USCo Note, if and when issued, and continuation of such default for a period of 90 days; (iii) certain events of dissolution, liquidation, bankruptcy, insolvency or other similar proceedings relative to USCo or its affiliates; or (iv) default in the observance or performance of any other covenant or condition of the USCo Note and the continuance of such default for a period of 30 days after notice in writing has been given by CanCo to USCo specifying such default and requiring USCo to rectify the same.

PRINCIPAL UNITHOLDERS

The following table shows the name and information about the securities of the Fund directly or indirectly beneficially owned by each person or company who, as at the Closing Date, will own of record, or who, to the knowledge of the Fund, will own beneficially, directly or indirectly, more than 10% of any class or series of voting securities of the Fund. The information set forth in the following table is presented on a fully diluted basis assuming the exchange of Class B LP Units held by Fraser Papers for Units of the Fund and the conversion of Class B Interests of KFM LLC held by KTL LLC and Brookfield US for Units of the Fund pursuant to the exchange and conversion rights attached thereto.

Name	Number of Units of the Fund Owned	Type of Ownership	Percentage Owned
Fraser Papers Inc.(1)	3,613,780	Indirect	22%
Katahdin Timberlands LLC(2)	4,507,030	Indirect	27%
Brookfield (or one of its affiliates)(3)	422,532	Direct	3%

Notes:

(1) On Closing, Fraser Papers will hold the outstanding Class B LP Units, which will be indirectly exchangeable for 3,613,780 Units of the Fund, subject to customary anti-dilution adjustments, representing in the aggregate, on Closing, approximately 22% of the outstanding Units on a fully-diluted basis. See ''Principal Agreements — Exchange Agreement''.

(2) KTL LLC and Brookfield US are subsidiaries of Brookfield and will hold, in aggregate, 4,507,030 Class B Interests that will entitle KTL LLC and Brookfield US to require KFM LLC to convert such Class B Interests into (i) Units on a one-for-one basis, or (ii) at the sole election of KFM LLC, cash equal to the fair market value of those Units on the date of conversion. See ''Class B Interests and Conversion Rights'' and ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests''. Brookfield also indirectly beneficially owns approximately 46% of the outstanding common shares of Fraser Papers.

(3) If the Over-Allotment Option is not exercised, Brookfield and its affiliates will hold, on Closing, 422,532 Units (representing approximately 3% of the Units on a fully-diluted basis).

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated January 23, 2006 (the ''Underwriting Agreement'') among the Fund, the Trust, the LP, the GP, the Operating LP, Fraser Papers, KTL LLC and the Underwriters, the Fund has agreed to sell 8,028,111 Units and the Underwriters have agreed to purchase, as principals, on the Closing Date, subject to the conditions stipulated in the Underwriting Agreement, all but not less than all of such Units at a price of $10.00 per Unit payable in cash. The Underwriting Agreement provides that the Underwriters will be paid a fee of $0.60 per Unit purchased by the public in consideration for services performed in connection with the Offering.

In addition, upon completion of the Offering, Brookfield or one of its affiliates will subscribe for 422,532 Over-Allotment Call Units (representing approximately 5% of the Units being offered to the public pursuant to the Offering) at a purchase price of $10 per Unit, which will be issued to Brookfield or one of its affiliates by the Fund. No Underwriters' fee will be paid in connection with the issuance of such Units. The proceeds from the issuance of the Over-Allotment Call Units will be used by the Fund to subscribe, indirectly through the Trust, for Class A LP Units of the LP. If the Over-Allotment Option is not exercised, Brookfield and its affiliates will hold, on Closing, 422,532 Units (representing approximately 3% of the Units on a fully-diluted basis).

Prior to the Offering, there was no market through which the Units could be sold. Accordingly, the terms of the Offering were established through negotiation between the Fund, Fraser Papers and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at the discretion of the Underwriters on the basis of their assessment of the state of the financial markets. The Underwriting Agreement provides that the Underwriters may also terminate their obligations thereunder 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 Units are purchased under the Underwriting Agreement.

The Fund has granted the Underwriters, exercisable from time to time, for a period of 30 days following the date of Closing, the Over-Allotment Option, to cover over-allotments, if any, and for market stabilization purposes. The Fund will be required to purchase from Brookfield or one of its affiliates and Brookfield or one of its affiliates will be required to sell to the Fund, the Over-Allotment Call Units, or any part thereof in order to allow the Fund to deliver Units to the Underwriters pursuant to the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, Brookfield or one of its affiliates, together with its affiliates, will hold no Over-Allotment Call Units. This prospectus qualifies the distribution of the Over-Allotment Call Units and the issuance of the Units issuable upon the exercise of the Over-Allotment Option.

Each of the Fund, the Trust, the GP, the LP, the Operating LP, Fraser Papers and KTL LLC has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian provincial and territorial securities legislation, and to contribute to any payments the Underwriters may be required to make in respect thereof, subject to the same limitations (other than deductibles and thresholds) as are contained in the FP Acquisition Agreement and the KFM Acquisition Agreement (as applicable), without duplication.

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.

During a period ending 180 days from the Closing Date, the Fund will not offer, sell or issue for sale or resale any Units or financial instruments or securities convertible into, or exercisable or exchangeable for, Units or agree to, or announce, any such offer, sale or issuance, without the prior written consent of CIBC World Markets Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld.

In addition, Fraser Papers has agreed with the Underwriters not to sell any of the Units underlying the Class B LP Units for a period of 180 days following Closing, without the prior written consent of CIBC World Markets Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld. Brookfield, KTL LLC and Brookfield US have also agreed with the Underwriters not to sell any of the Over-Allotment Call Units (except in respect of the exercise of the Over-Allotment Option) or their interests in KFM LLC (or the Units underlying such securities) for a period of 180 days following Closing, without the prior written consent of CIBC World Markets Inc. and RBC Dominion Securities Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld, except pursuant to a conversion of such interests for Units. Notwithstanding the foregoing, the Over-Allotment Call Units shall not be sold before the expiry of the Over-Allotment Option other than in connection with the exercise of the Over-Allotment Option.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the United States and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of 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). 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 certain securities commissions, 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 not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Units. Such exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of Market Regulation Services Inc., relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the 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. Such transactions, if commenced, may be discontinued at any time.

Pursuant to Ontario Securities Commission Rule 48-501, the Underwriters may not, throughout the period of distribution under this prospectus (the ''Restricted Period''), bid for or purchase Units. The foregoing restriction is subject to certain exceptions. These exceptions include a bid or purchase permitted under the rules of the TSX in relation to market stabilization and passive market-making activities, provided that the bid or purchase does not exceed the lesser of the price per Unit under this prospectus and the last independent sales price at the time of the entry of the bid or order to purchase, and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Units. Pursuant to the first exception above, in connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Units at a level other than that which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Closing is expected to take place on January 31, 2006 or on any other date which may be agreed upon, but no later than February 28, 2006.

Chartered bank affiliates of each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. are currently lenders to Brookfield, in each case, pursuant to credit facilities that have not been drawn upon as of the date of this prospectus. In addition, the Canadian chartered bank affiliates of CIBC World Markets Inc. and RBC Dominion Securities Inc. have agreed to make the New Credit Facilities available to the LP. Accordingly, under applicable securities laws, the Fund may be considered a ''connected issuer'' to each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. The decision to issue the Units and the determination of the terms of the distribution were made through negotiation between the Fund, Fraser Papers and the Underwriters. The Canadian chartered banks of which CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. are affiliates did not have any involvement in such decision or determination. As a consequence of the Offering, each of CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. will receive its proportionate share of the Underwriters' fee.

Brookfield indirectly owns more than 20% of the voting securities of Trilon Securities Corporation (''Trilon''), one of the Underwriters. Brookfield will own directly or indirectly approximately 4,507,030 Class B Interests and up to 422,532 Units. Brookfield, as at the date of this prospectus, also owns approximately 46% of the voting securities of Fraser Papers which on Closing will own 3,613,780 Class B LP Units. Accordingly, the Fund may be considered a related issuer and connected issuer of Trilon under applicable Canadian securities legislation. Each of Fraser Papers and an affiliate of Trilon will indirectly receive proceeds of the Offering. Trilon will also receive its proportionate share of the Underwriters' fee. Further to a letter application dated January 3, 2006, Trilon has applied for a discretionary order from the regulator in Ontario, the only province in which Trilon is registered, requesting relief from the underwriting restrictions which apply to a non-independent underwriter and a related issuer. Trilon has further requested that the exemption from the independent underwriter requirements be evidenced by the issuance of a receipt for the final prospectus related to the Offering.

PRIOR ISSUANCES

The only issuance of securities by the Fund in the twelve months prior to the date of this prospectus was the issuance of one Unit to the settlor thereof at a price equal to the offering price hereunder of $10.00.

USE OF PROCEEDS

The Fund will use the proceeds of the Offering to subscribe for units (the ''Trust Units'') and Series 1 notes (the ''Series 1 Trust Notes'') of the Trust. The Trust will, in turn, subscribe for Class A LP Units. The LP will use these funds, together with the proceeds from the New Credit Facilities, to: (i) indirectly, through the Operating LP, acquire the NB Timberlands and the ancillary assets from Fraser Papers, (ii) indirectly acquire all of the common membership interests of KFM LLC initially representing a 20% economic interest in KFM LLC, and (iii) directly or indirectly pay the expenses of the Offering. See ''Debt Financing'', ''Funding and Related Transactions'' and ''Use of Proceeds''. Fraser Papers does not have any current intention to distribute proceeds of the Offering received by it to Fraser Papers' shareholders. In the event the Over-Allotment Option is not exercised, the amount of the Underwriters' fee that would otherwise have been payable on the number of Units issuable in connection therewith, will be paid in the form of a purchase price adjustment under the KFM Acquisition Agreement.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Fund and McCarthy Tétrault 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 pursuant to the Offering and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated 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). In addition, this summary does not address the deductibility of interest by a Unitholder who has borrowed money to acquire Units.

This summary is based upon the facts set out in this prospectus, the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this prospectus, counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency (''CRA'') and certificates from the Fund and the Trust and certain of the Underwriters as to certain factual matters. This summary 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, will elect to be deemed to be a mutual fund trust from the date it is established and will thereafter continuously qualify as a mutual fund trust at all relevant times. 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.

In order for the Fund to qualify as a mutual fund trust, it must satisfy various requirements, including a requirement that the Fund must not have been established or maintained primarily for the benefits of non-residents unless all or substantially all of its property is property other than ''taxable Canadian property'' as defined in the Tax Act. If draft amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 are enacted as proposed, the Fund may cease to qualify as a mutual fund trust for purposes of the Tax Act if at any time after 2004 the fair market value of all Units and Special Voting Units held by non-residents of Canada or partnerships, which are not ''Canadian partnerships'' for purposes the Tax Act, is more than 50% of the fair market value of all issued and outstanding Units and Special Voting Units unless no more than 10% (based on fair market value) of the Fund's property is at any time taxable Canadian property within the meaning of the Tax Act and certain other types of specified property. A partnership will only qualify as a Canadian partnership at a particular time if all of its members at that time are resident in Canada. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed amendments, and it is counsel's understanding that further discussions will take place with the private sector before a decision is made concerning whether the proposed amendments will be enacted. The issue of ownership of a trust by non-resident persons and partnerships other than Canadian partnerships was not addressed as part of the February 23, 2005 federal budget.

Tax-Exempt Unitholders

The Units will be qualified investments for trusts governed by 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.

Series 2 Trust Notes and Series 3 Trust Notes received as a result of a redemption of Units may not be a qualified investment for a Plan, and this 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.

The foreign property limitations formerly contained in Part XI of the Tax Act have been repealed.

Legislative Proposals

On September 8, 2005, the Department of Finance (Canada) released a consultation paper on tax and other issues related to publicly listed flow-through entities such as income trusts and limited partnerships and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that he had requested that the CRA postpone providing advance income tax rulings respecting flow-through entity structures effective immediately, that the Department of Finance (Canada) was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures were appropriate. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process and no legislative amendments were proposed to change the taxation of income trusts. Instead, the Minister of Finance (Canada) has tabled a Notice of Ways and Means Motion that will enhance the dividend gross-up and tax credit mechanism applicable to dividends paid by certain corporations after 2005. In addition, the CRA will resume providing advance income tax rulings in respect of flow-through entity structures.

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 tax purposes 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 such amount of the Trust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the Trust Units and all interest on the Trust Notes 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 such interest was included in computing its income for a preceding year. The Fund will not be subject to tax on any amount received as a payment of principal in respect of the Trust Notes or any amount received as a return of capital from the Trust (provided that the capital returned, if any, does not exceed the cost amount of the Trust Units held by the Fund).

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to its fair market value (less the accrued interest, if any, on the Trust Notes so disposed of). 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, if any, incurred by it for the purpose of earning income.

Under the Fund Declaration of Trust, an amount equal to all of the income (including net realized taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Fund, but excluding capital gains arising in connection with a distribution *in specie* on redemption of Units which are designated by the Fund to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund, will be payable in the year to Unitholders by way of cash distributions, subject to the exceptions described below. Where the income of the Fund in a taxation year exceeds the monthly cash distributions for that year, such excess income 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 in connection with the distribution of its property on the redemption of Units. The Fund Declaration of Trust provides that all or a portion of any income or taxable capital gain realized by the Fund as a result of that redemption may, at the discretion of the Trustees, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and will be deductible by the Fund in computing its income. In addition, accrued interest on Trust Notes distributed to a redeeming Unitholder may be treated as an amount paid to the 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 earnings for tax purposes and net realized taxable capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

Taxation of the Trust

The Trust will be taxable on its income determined under the Tax Act for each taxation year (which will be the calendar year), which will include its allocated share of the taxable income of the LP for its fiscal period ending on or before the year end of the Trust, except to the extent such income is paid or payable in such year to the Fund and is deducted by the Trust in computing its income for tax purposes. The Trust will generally be entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the Trust Declaration of Trust, all of the income of the Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by the Trust in the year, will generally be payable in the year to the Fund and will generally be deductible by the Trust in computing its taxable income. The Trust will be deemed to realize a capital gain to the extent the adjusted cost base of its LP Units is negative at the end of a taxation year of the LP. Counsel has been advised that the Trust intends to make sufficient distributions in each year of its net income for tax purposes and net realized taxable capital gains so that the Trust will generally not be liable in that year for income tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

Taxation of the LP and the Operating LP

The LP and the Operating LP are not subject to tax under the Tax Act. Each partner of the LP and the Operating LP (including the Trust, Fraser Papers and the LP, as the case may be) is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of the LP or the Operating LP, as the case may be, for its fiscal year ending in, or coinciding with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of the LP or the Operating LP will be computed for each fiscal year as if the LP or the Operating LP, as applicable, was a separate person resident in Canada. Income of the LP may include dividends on the common shares of CanCo and its share of income from the Operating LP. In computing the income or loss of the LP or the Operating LP, deductions may be claimed in respect of capital cost allowance, reasonable administrative costs, interest and other expenses incurred by the LP or the Operating LP, as applicable, to earn income from its business or investments, subject to the provisions of the Tax Act. The LP or the Operating LP, as applicable, may also claim a deduction from its income for the year in respect of a portion of the reasonable expenses incurred by it to issue its partnership interests in connection with the transactions contemplated by the Offering. The portion of such issue expenses which may be claimed as deductions by the LP or the Operating LP, as applicable, in a taxation year is 20% of such issue expenses, that are not otherwise deductible, pro-rated where its taxation year is less than 365 days. The net income or loss of the LP or the Operating LP for a fiscal year will be allocated to its partners (including the Trust, Fraser Papers and the LP, as the case may be) in the manner set out in the LP Partnership Agreement or the Operating LP Partnership Agreement, as applicable, subject to the detailed rules in the Tax Act in that regard.

If the LP or the Operating LP incurs losses for tax purposes, the Trust, Fraser Papers or the LP, as the case may be, will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any fiscal year to the extent that the Trust's, Fraser Papers' or the LP's investment, as applicable, is ''at risk'' within the meaning of the Tax Act. In general, the amount ''at risk'' for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year (such adjusted cost base to the investor computed excluding any unpaid portion of the purchase price payable by the investor for such partnership interest), plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to the LP or the Operating LP, as the case may be, (or to a person with whom the LP or the Operating LP, as the case may be, does not deal at arm's length) and less the amount of any benefits that a limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

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 for tax purposes 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 (and the Fund deducts in computing its income), whether that amount is received in cash, additional Units or otherwise.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital, which are not included in a Unitholder's income but which reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of these distributions may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Fund and the Trust, that portion of their taxable dividends, if any, received (or deemed to be received) from taxable Canadian corporations, net taxable capital gains and foreign source income as is paid or payable to a Unitholder and the amount of foreign taxes paid or deemed to be paid by the Fund and the Trust, if any, will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals (other than trusts), 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 benefits of an individual or related group of individuals (other than trusts) and the deduction in computing taxable income will be available to Unitholders that are corporations. An additional refundable $6^2/_3$% tax will be payable by Unitholders that are Canadian controlled private corporations in certain circumstances.

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 (other than as proceeds in respect of the redemption of Units) 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, 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 taxation of capital gains is described below.

Purchasers of Units

Since the net income of the Fund is distributed on a monthly basis, a purchaser of a Unit may become taxable on a portion of the net income of the Fund accrued or realized by the Fund in a month before the time the Unit was purchased but which was not paid or made payable to Unitholders until the end of the month after the time the Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized by the Fund in a year before the time the Unit was purchased but which is paid or made payable to Unitholders at year end and after the time the Unit was purchased.

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, including any capital gain or income realized by the Fund in connection with a redemption which has been designated by the Fund to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. 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.

Where Units are redeemed and the redemption price is paid by the delivery of Series 2 Trust Notes and Series 3 Trust Notes to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Series 2 Trust Notes and Series 3 Trust Notes so distributed less any income or capital gain realized by the Fund in connection with the redemption of those Units which has been designated by the Fund to the Unitholder. Where any income or capital gain realized by the Fund in connection with the distribution of Series 2 Trust Notes and Series 3 Trust Notes 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 income or taxable portion of the capital gain so designated. The redeeming Unitholder will be required to include in income, interest on any Series 2 Trust Notes and Series 3 Trust Notes acquired (including interest that accrued prior to the date of the acquisition of such notes by the Unitholder that is designated as income to the Unitholder by the Fund) in accordance with the provisions of the Tax Act. The cost of any Series 2 Trust Notes and Series 3 Trust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of those Series 2 Trust Notes and Series 3 Trust Notes at the time of the distribution less any accrued interest on such Trust Notes. The Unitholder will thereafter be required to include in income interest on the Series 2 Trust Notes and Series 3 Trust Notes, in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income, any interest accrued to the date of the acquisition of the Series 2 Trust Notes and Series 3 Trust Notes by the Unitholder, an offsetting deduction may be available. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

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 on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will generally be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units may generally be deducted only from taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

Unitholders that are Canadian controlled private corporations (as defined in the Tax Act) will be liable for an additional refundable $6\frac{2}{3}\%$ tax in respect of taxable capital gains realized on a disposition of Units and in respect of net taxable capital gains designated by the Fund to such Unitholders.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit at a loss, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends, 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 or a certain type of trust that is designated as taxable dividends or net taxable capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

RISK FACTORS

Prospective investors should carefully consider the following risk factors before deciding whether to purchase Units. The following information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. These risks and uncertainties are not the only ones facing the Partnership and the Fund. Additional risks and uncertainties not presently known to the Partnership or the Fund, or that the Partnership or the Fund currently deem immaterial, may also impair the operations of the Partnership or the Fund. If any such risks actually occur, the business, assets financial condition, results of operations, cash flows, liquidity and/or distributable cash of the Partnership could be materially adversely affected and the ability of the Fund to make distributions on the Units could be materially adversely affected.

Risks Related to the Business and Industry

Dependence on Fraser Papers

Approximately 39% of net sales from the Acadian Timberlands for the twelve months ended October 1, 2005 were derived from lumber mills and pulp and paper mills owned or managed by Fraser Papers. Acadian's financial results could be materially adversely affected if Fraser Papers reduces the volume of fibre that it is currently purchasing as a result of market factors or the sale or closure (whether temporary or permanent) of any of its owned or managed mills. As at October 1, 2005, Fraser Papers' senior, unsecured notes issued pursuant to the Indenture had a credit rating of B from Standard and Poor's (''S&P'') and B3 from Moody's Investor Services (''Moody's). S&P ranks Fraser Papers' outlook as stable, and Moody's ranks Fraser Papers' outlook as negative. These ratings are described below. Under the Fibre Supply Agreement, Fraser Papers is permitted to permanently reduce its purchases by any amount, subject to certain notice periods.

In addition, the Crown Licenses have been granted to Fraser Papers as the owner/operator of its mills. If Fraser Papers sells or closes these mills in the future, the Crown Licenses would likely be required to be transferred to the purchaser or revert to the Crown, as the case may be, resulting in the potential of Fraser Papers losing management over the Crown Lands subject to these licences and thereby potentially eliminating the fees earned by Acadian in providing services relating to the Crown Lands. Acadian generated net sales of approximately $2.0 million for the twelve months ended October 1, 2005 for services that it provided in relation to the Crown Licenses. The fees that Acadian earns for these services cover a portion of Acadian's total fixed costs. In the event that Fraser Papers were to lose the management of the Crown Licenses causing Acadian to lose the service fees from Fraser Papers relating to the Crown Licenses, management believes that it may not be able to eliminate sufficient fixed costs and a reduction in distributable cash of approximately $0.9 million could result. Any reductions or loss of service fees could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The ratings accorded to debt securities or preferred shares by the rating agencies are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. No assurance can be given that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant.

Credit ratings are on a long-term rating scale that ranges from AAA to C (in the case of Moody's) and AAA to D (in the case of S&P), which represents the range from highest to lowest quality of such securities rates.

According to the Moody's rating system, debt securities rated B are considered speculative and subject to high credit risk. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from AA through CCC in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

According to the S&P rating system, debt securities rated B exhibit significant speculative characteristics. Companies issuing these securities have the capacity to meet the financial commitment on the obligation; however, they face major ongoing uncertainties which could lead to the companies' inadequate capacity to meet their financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories.

Dependence on the Lumber and Pulp and Paper Industries

Acadian depends on the state of the lumber and pulp and paper industries. Depressed commodity prices of lumber, pulp or paper may cause Fraser Papers and/or other mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Moreover, these operators may be required to temporarily suspend operations at one or more of their mills to bring production in line with market demand or in response to the market irregularities, such as those caused by the trade dispute between Canadian and U.S. softwood lumber producers. In addition, the average sawmill and pulp and paper mill in northeastern North America is generally smaller and less efficient than mills located in other regions of North America. There can be no assurance that mills in Eastern Canada and the Northeastern U.S. will be able to maintain their operations and compete effectively on an on-going basis. Any of these circumstances could significantly reduce the amount of timber that such operators purchase from Acadian. The decline in revenue associated with such reductions in purchases could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Dependence on the Housing, Construction, Repair and Remodelling Market

The demand for logs and wood products is primarily affected by the level of new residential construction activity and, to a lesser extent, repair and remodelling activity and other industrial uses, which are subject to fluctuations due to changes in general economic conditions. Decreases in the level of residential construction activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to Acadian. Consequently, a decrease in housing, construction, repair or remodelling could reduce demand for Acadian's products, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Timber and Wood Market, Price Volatility and Other General Risk Factors relating to Timberlands

The financial performance of Acadian is dependent on the selling prices of its products. The markets for timber are cyclical and are influenced by a variety of factors beyond Acadian's control. For example, the market prices for timber can be affected by changes in regional and global demand, supply and economic conditions which are affected by:

- general economic activity;
- consumption and production levels and prices of lumber;
- consumption and production levels and prices of pulp and paper;
- new housing, repair and remodelling activity;
- interest and foreign currency exchange rates;
- change in levels of investment in lumber mills, pulp mills and paper mills;
- population growth and other demographic factors;
- consumer preferences;
- price and availability of substitute wood and non-wood products;
- weather conditions, including wind damage, flooding and ice damage;
- fires, disease epidemics and insect infestation of forestlands;
- regional, domestic and international changes in regulatory, social, political, labour or economic conditions in a specific country or region;
- global shipping and transportation costs;
- trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, and import and export licensing requirements;
- increases in global timber supply including global supply shifts to low cost countries;
- harvesting restrictions in wood-supplying regions that affect supply;
- the costs of timber production; and
- technological advances, which improve harvest yield in competing supply regions.

The following table illustrates the sensitivity of Acadian's cash available for distribution for the last twelve months ended October 1, 2005, based on management's estimates assuming a simultaneous 1% increase or decrease in the pricing of softwood sawlogs and hardwood pulpwood. This analysis does not take into account any cost-saving or other operating strategies, which management may employ in response to a temporary or permanent change in such prices, which strategies will depend on the particular circumstances.

	1% decrease in price	**1% increase in price**
	(In $ thousands)	(In $ thousands)
Pro forma Adjusted EBITDA	20,707	20,707
impact of a 1% change in softwood sawlog prices	(400)	400
impact of a 1% change in hardwood pulpwood prices	(200)	200
	20,107	21,307
Management believes that cash available for distribution should be reduced by the following:		
Interest expense	4,018	4,018
Additional general, administrative and other costs	500	500
Taxes	30	30
Silviculture expenditures	942	942
Other capital expenditures	401	401
Non-continuing business arrangements	425	425
Estimated cash available for distribution	13,791	14,991

Note:

(1) See ''Non-GAAP Measures''. Pro forma Adjusted EBITDA is Adjusted EBITDA taken from the pro forma consolidated financial statements of the Fund. Distributable cash, Adjusted EBITDA and Pro forma Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Distributable cash, Adjusted EBITDA and Pro forma Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''Summary of Distributable Cash of Acadian'' and ''Reconciliation of Earnings to Adjusted EBITDA and Pro forma Adjusted EBITDA''.

In addition to impacting Acadian's sales, cash flows and earnings, weakness in the market prices of its timber products will also have an effect on Acadian's ability to attract additional capital, the cost of that capital and the value of its timberland assets. Moreover, Acadian's results of operations are subject to global and regional economic changes, as the vast majority of Acadian's products are sold in regional markets that are sensitive to macroeconomic conditions in North America and worldwide.

In particular, Acadian is generally subject to various risks including (but not limited to) changes in general economic conditions (including market and price factors, currency fluctuations, population growth rates and global economic health), government laws and regulations (including, without limitation tax regulations and regulations regarding environmental issues) and trade issues, dealings with unionized employees and the potential for land claims. Certain significant expenditures, including interest payments, must be made whether or not the Acadian Timberlands are producing sufficient income to pay these expenses. These risks, if they materialize, could disrupt Acadian's business and have a material adverse effect on its business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Highly Competitive Industry

Timberland companies operate in a highly competitive business environment in which companies compete, to a large degree, on the basis of price and also on the basis of service and ability to provide steady supply of products over the long term. In Canada, Acadian's prime competitors are other large forestland owners, Government and small private forestland owners while Acadian's prime competitors in the U.S. are private forestland owners. There are many suppliers of softwood and hardwood logs located in Eastern Canada and the Northeastern U.S., who compete in Acadian's markets, including: J.D. Irving Ltd., Wagner Forest Management, Bowater, Prentiss & Carlisle, Seven Islands Land Company, Plum Creek Timber Company and J.M. Huber Corporation. Acadian may also be subject to increased import competition from worldwide suppliers of forest products. In addition, wood and paper products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products and electronic media. Acadian's competitive position is also influenced by a number of other factors including:

- the availability, quality and cost of labour;
- the cost of energy;
- the ability to attract and maintain long-term customer relationships;
- the quality of products and customer service; and
- foreign currency fluctuations.

If Acadian is unable to compete successfully its revenue may decline, which could have a material adverse effect on its business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Lack of Control with Fraser Papers' Crown Lands Management

Acadian's revenue from operations in respect of the Crown Lands is generated from the service fees it charges to Fraser Papers. Acadian has little control over these revenues as the Government of New Brunswick dictates the management fees that Fraser Papers receives and therefore indirectly influences the service fees to be charged by Acadian on harvesting from Crown Lands. There is a risk that Acadian's overhead expenses incurred to provide services relating to the Crown Lands may not be fully recovered through the fees it is permitted to charge. A portion of the service fees increase each year based on the New Brunswick Consumers Price Index but are revised only once every five years. If Acadian's overhead expenses incurred to provide services relating to the Crown Lands increase or the Government of New Brunswick reduces the management fees that Fraser Papers is able to charge, it could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Reduction in Royalties

The government of New Brunswick periodically establishes the royalties to be paid for the right to harvest timber on Crown lands. Royalties are established for each product and species harvested. Charges levied on timber harvested from Crown lands are based on the amount of timber cut and the royalty then in effect. A reduction in the royalty charged on Crown lands could make Acadian's timber harvested from the NB Timberlands and Maine Timberlands less competitive, and could adversely affect Acadian's ability to market its timber and therefore could have a material adverse effect on its business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Increase in Crown Lands Harvest Limits

Increased AAC on Crown lands could have a negative impact on Acadian's ability to market its timber harvested from the NB Timberlands and the Maine Timberlands. The AAC on Crown lands for New Brunswick is determined by the Minister of Natural Resources of New Brunswick and reflects timber conditions, regional and local economic and social interests, and environmental considerations. A significant increase in the AAC in any given year could have an adverse impact on Acadian's operating results. If the Government chooses to permit the harvest of more timber than has been permitted in recent years, timber prices could fall which could have a material adverse effect on its business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Restrictions Imposed by Forestry and Environmental Regulations

While a significant portion of the Acadian Timberlands are comprised of freehold timberlands and as such are subject to less regulation than Crown Lands, provincial, state and federal government regulations relating to forestry practices and sale of logs may result in increased costs for Acadian and accordingly, impact its financial results and operations. In addition, forestry and environmental regulations may restrict timber harvesting and may otherwise restrict the ability of Acadian to conduct its business. Although Acadian believes that it is in material compliance with these requirements, there can be no assurance that it will not incur significant costs, civil and criminal penalties and liabilities, including those relating to claims for damages to property or natural resources, resulting from its operations, any of which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash. Acadian maintains environmental and safety compliance programs and conducts regular internal and independent third-party audits of its facilities and timberlands to monitor compliance with these laws and regulations.

Laws, regulations and related judicial decisions and administrative interpretations affecting Acadian's business are subject to change and new laws and regulations that may affect its business are frequently enacted. Some of these laws and regulations could impose on Acadian significant costs, penalties and liabilities for violations or existing conditions whether or not Acadian caused or knew about them. The Acadian Timberlands are subject to laws and regulations which relate to, among other things: the protection of timberlands, health and safety, the protection of endangered species, air and water quality, and timber harvesting practices. Regions with frequent policy changes add volatility to revenue streams and depress timberland values. Historically, New Brunswick has had relatively stable forestry regulations. Forest regulation in Maine has experienced volatility in the past but has shown a consistent trend towards stabilization. There can be no assurance that changes in government laws and regulations will not have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

In connection with a variety of operations of the Acadian Timberlands, Acadian may be required to make regulatory filings. Any of the Government agencies could delay review of or reject any of Acadian's filings. Any such delay or rejection could result in a delay or restriction in harvesting, replanting, thinning, insect control or fire control, any of which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Limitations on Ability to Harvest

Revenues, earnings and cash flow from the operations of Acadian are dependent to a significant extent on its continued ability to harvest timber at adequate levels. Weather conditions, timber growth cycles, access limitations and regulatory requirements associated with the protection of wildlife and water resources may restrict harvesting of the Acadian Timberlands, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural and man-made disasters. There can be no assurance that Acadian will achieve harvest levels in the future necessary to maintain or increase revenues, earnings and cash flows. Moreover, the occurrence of or a change in any of the above factors could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Forest Management

Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that the established LRSY of the NB Timberlands and Maine Timberlands and management's forest management planning, including silviculture, will have the intended result of ensuring that Acadian's asset base appreciates over time. If management's estimates of merchantable inventory are incorrect or the LRSY is too high, harvesting levels on the Acadian Timberlands may result in depletion of Acadian's timber assets. Such depletion could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Reduced Operational Flexibility due to Fibre Supply Agreements

Under the Fibre Supply Agreements, Acadian is committed to sell to Fraser Papers a significant portion of Acadian's harvested timber values annually. In the twelve months ended October 1, 2005, this commitment would have represented approximately 37% of net sales from the Acadian Timberlands on a *pro forma* basis. In addition, pursuant to the Fibre Supply Agreement, Fraser Papers has the right to reduce the volume of timber that it purchases while retaining the right to increase such volumes in the future up to the committed level, provided that such increases occur within 18 months of the reduction. This right may restrict Acadian's ability to find replacement customers given the uncertainty of ongoing supply to which such replacement customers will be subject over the applicable 18-month period. Failure to find replacement customers could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Fuel and Energy Costs

Acadian relies almost exclusively on land transportation for its timber. Consequently, Acadian may be more susceptible to fuel cost increases than other timberland companies, which rely more heavily on other transportation methods that are less exposed to fuel prices. Acadian may be limited in the amount of fuel cost increases it can pass on to its customers. Moreover, increases in fuel prices may also reduce the distance over which Acadian can economically deliver timber to customers, thereby reducing the number of customers available to Acadian. As a result, increase in fuel costs could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

In addition, many of Acadian's customers are high-energy consumers and, as a result, are themselves vulnerable to energy cost increases. If energy costs increase significantly, Acadian's customers may not be able to compete effectively and may have to reduce current operating volumes or close mills, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Geographic Concentration

The Acadian Timberlands are concentrated in Maine and New Brunswick. Accordingly, if the level of production from these forests substantially declines or demand in the region were to decline for any reason, such changes could have a material adverse effect on Acadian's overall harvest levels and its financial results. In addition, any reduction in demand due to closure of pulp, paper or lumber manufacturing operations in the region could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Currency Risk

All of the net sales generated and expenses incurred by the Maine Timberlands are denominated in U.S. dollars and would have amounted to U.S. $4.0 million of distributable cash in the twelve month period ended October 1, 2005. In addition, net sales of approximately Canadian $9.5 million from the NB Timberlands were denominated in U.S. dollars during the same period, while less than 1% of the expenses incurred in respect of the NB Timberlands were incurred in U.S. dollars. Changes in foreign currency exchange rates, particularly the Canadian-U.S. dollar exchange rate, could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Acadian's cost competitiveness could also be impacted by unfavourable fluctuations in currency exchange rates. These fluctuations could negatively affect Acadian's operations, the value of its foreign investments and its financial position. In addition, the apparent historical correlation between currency rates and timber prices in regions within close proximity to the Canadian/U.S. border may weaken over time thereby undermining any hedge relating to the Maine Timberlands. From time to time, Acadian may hedge a portion of its net foreign currency-denominated cash flows using foreign exchange forward contracts or other derivatives. Due to timing differences between cash flows associated with derivative contracts and the Canadian dollar-denominated asset or liability, Acadian may not be fully hedged at a given point in time. Consequently, Acadian's reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Acadian's customers are also susceptible to currency value fluctuations. If these fluctuations negatively impact the sawmills and pulp and paper mills to which Acadian sells its fibre, the quantity of fibre sales to such customers could decline. Such declines could have a material adverse effect on Acadian's business, assets financial condition, results of operations, cash flows and/or distributable cash.

Insurance

Acadian's business is subject to the risks of forest harvesting, such as fires, drought, tree diseases, severe weather, unforeseen equipment breakdowns, or any other event, including any event of *force majeure,* which could result in material damages to the Acadian Timberlands. From time to time, various types of insurance for companies who operate timberlands have not been available on commercially acceptable terms or, in some cases, have been unavailable. For example, Acadian does not insure and cannot obtain insurance against losses of standing timber from any causes, including fire and insurance against certain environmental risks is not available on commercially acceptable terms. Any material damages to Acadian's timber for which Acadian is not insured could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Land Titles Claims

Approximately 95% of the NB Timberlands have been registered under the new land titles system in New Brunswick while approximately 5% remains under the old registry regime. Title to this remaining 5% of the NB Timberlands cannot be verified with certainty. Although the lands have been owned by Fraser Papers for over 60 years, there may be a risk of title claims in the future. If a claim to any portion of the NB Timberlands were successful, Acadian could be required to forfeit such lands or pay amounts to the claimant, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Seasonality

Acadian's operations are subject to seasonal variations. Much of its harvesting activities occur during the summer months, when ground is often dry, and the winter, when ground is frozen, providing a good base on which to operate its harvesting equipment. By contrast, harvesting levels decline in the spring due to the muddy and soft ground conditions. Acadian's operating results, therefore, vary from quarter to quarter, depending on these seasonal factors. For example, including a prolonged spring season could negatively impact harvesting levels, resulting in unanticipated declines in distributable cash in the period. Accordingly, seasonal variations could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash. Results of one quarter are not indicative of results that may be achieved in other quarters or for the full year.

Cyclicality

Acadian depends on the state of the lumber and pulp and paper industries. Demand for products from the lumber and pulp and paper industries is correlated with global economic conditions. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand for such products, resulting in lower product prices and possible manufacturing downtime, which, in turn, may result in lower net sales, profits and cash flows for Acadian since lumber mills and pulp and paper mills are important customers to Acadian.

Changes in demand based in economic and market shifts, fluctuations in production capacity and changes in prices of raw materials and energy have created cyclical changes in prices, sales volume and margins for products from the lumber and pulp and paper industries. Prices and demand for lumber and pulp and paper products have fluctuated significantly in the past and may fluctuate significantly in the future. Any prolonged or severe weakness in the market for any of such products could adversely affect Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Non-Timber Income

The NB Timberlands and Maine Timberlands have several sources of non-timber income including various land leases for recreational and commercial use as well as a recreational access permit plan. The annual income from these activities totalled approximately $650,000 for the twelve months ended October 1, 2005. Most of these revenues are not subject to long term agreements and a decrease in the recreational and commercial activities that lead to those revenues could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Dependence on the Manager and Potential Conflicts of Interest

Acadian will be dependent on the Manager in respect of certain strategic management functions relating to the ongoing operations of the Acadian Timberlands. The Manager, its affiliates, employees or agents and other funds and vehicles managed by the Manager or such affiliates are engaged or invest, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in timberland operations and businesses. This may result in conflicts, which could restrict expansion and other opportunities available to Acadian, thereby having a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

In addition, as at the date of this prospectus, Brookfield, an affiliate of the Manager and KTL LLC, owned approximately 46% of the outstanding common shares of Fraser Papers. For as long as it retains its significant ownership interest, Brookfield will have significant influence over the business and affairs of Fraser Papers. As a significant shareholder of Fraser Papers, Brookfield may have different interests than Unitholders, which interests could conflict with the interests of Unitholders.

Aboriginal Claims

Aboriginal claims could adversely affect Acadian's ability to harvest timber. Canadian courts have recognized that aboriginal peoples may possess rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded to deal with these rights. The rights may vary from limited rights of use for traditional purposes to a right of aboriginal title and will depend upon, among other things, the nature and extent of the prior aboriginal use and occupation. In Canada, aboriginal groups have made claims in respect of land governed by Canadian authorities, which could affect a portion of the land covered by Fraser Papers' Crown Licenses. Any settlements in respect of these claims could lower the volume of timber managed by Acadian on the Crown Lands and could increase the cost to harvest timber on such lands, which could have a material adverse effect on Acadian's financial position, results of operations and cash flows. Courts have also stated that the Crown has a duty to consult with aboriginal groups and, where appropriate, to accommodate aboriginal interests in certain circumstances. Although the courts have explicitly stated that private parties do not have such a duty to consult or accommodate, such consultation and accommodation duties owed by the government could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Softwood Lumber Trade Dispute

Resolution of the softwood lumber trade dispute between Canada and the U.S. may increase or decrease the supply of timber in North America. The future of the U.S.-imposed import duties on Canadian lumber remains uncertain. Attempts to negotiate a settlement to the current trade dispute are ongoing, but the outcome of these proposals and their impact on the duties is unknown. Any ruling that would cause the duties to continue at their current or higher levels or result in a restriction on shipments by Canadian producers into the U.S. could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Labour Relations and Labour Laws

A portion of Acadian's work force is unionized and, as a result, it is required to negotiate the wages, benefits and other terms with many of its employees collectively. The union agreement covering Acadian's largest union local, Local 114, with 81 active employees, is currently under negotiation. Acadian's financial results could be adversely affected if labour negotiations were to restrict its ability to maximize the efficiency of its operations. Its inability to negotiate acceptable contracts with Local 114 or any of its other unions as existing agreements expire could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized employees were to engage in a strike or other work stoppage, or other employees were to become unionized, Acadian could experience a significant disruption of its operations and higher ongoing labour costs, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Dependence on and Scarcity of Trained Labour

The operations on the Acadian Timberlands rely significantly on a limited number of entities to cut and haul harvested timber, as well as conduct road building and silviculture activities. If any of these entities were to stop doing business with Acadian, Acadian's operations could be negatively impacted. In addition, there is a limited supply of trained foresters and trained operators/contractors in the New Brunswick and Maine regions. There is a possibility that, in the future, Acadian will have to pay more to retain its workforce, thereby increasing its costs. Shortages in trained labour or increases in labour costs could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Export Restrictions

All export logs from Crown lands must be advertised for local consumption and may be exported only with the approval of the Minister of Natural Resources of New Brunswick. Any changes to log export regulations may have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Protection of Threatened or Endangered Species and Waterways

Federal, state and provincial laws and regulations protecting threatened or endangered species, waterways and wetlands or other environmental values may limit or prevent timber harvesting, road building and other activities on the Acadian Timberlands. Threatened and endangered species restrictions generally apply to activities that would kill, injure or harass a protected species or significantly degrade its habitat. The size of the area subject to restriction will vary depending on the protected species at issue, the time of year and other factors, but can range from less than one to several thousand acres. As Acadian gains additional information regarding the presence of threatened or endangered species on the Acadian Timberlands, or if regulations become more restrictive, the amount of the Acadian Timberlands subject to harvest restrictions could increase, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Undetected Environmental Liabilities

Acadian may currently own or may acquire properties subject to environmental and other liabilities, such as obligations to clean up or pay for the cleanup of contamination. While timberlands do not generally carry as high a risk of environmental contamination as industrial properties, the cost of clean-up of contaminated properties could increase Acadian's operating costs, which could have a material adverse effect on Acadian's financial position, results of operations and cash flows. Acadian may not be able to recover any of these liabilities from Fraser Papers or Brookfield, which could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Business Integration Risk

Until the Closing, the operations on the NB Timberlands and the Maine Timberlands will have been conducted as separate businesses. The consolidation of these operations into one business involves a number of risks, including: the difficulty of assimilating the operations and personnel of the combined business; the challenge of implementing, where appropriate, uniform standards, control procedures and policies throughout the combined business; the inability to integrate, train, retain and motivate key personnel of the combined business; and the potential disruption of Acadian's ongoing business and the distraction of management from its day-to-day operations. Such risks, if they materialize, could have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Risks Associated with Future Acquisitions

The acquisition and development of existing businesses to be operated by Acadian will be dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets, but in certain circumstances, acceptable acquisition targets might not be available. Acquisitions involve a number of risks, including the possibility that Acadian, as successor owner, may be legally and financially responsible for liabilities of prior owners if the indemnities are inapplicable or the former owner has limited assets; the possibility that Acadian pays more than the acquired company or assets are worth; the additional expense associated with completing an acquisition and amortizing any acquired intangible assets; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls, procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption of Acadian's ongoing business and the distraction of management from its day-to-day operations; and the inability to successfully interact acquired businesses into Acadian's. In addition, Acadian may not be able to maintain the levels of operating efficiency that any of the acquired companies had achieved or might have achieved separately. These risks and difficulties, if they materialize, could disrupt Acadian's ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have a material adverse effect on Acadian's business, assets, financial condition, results of operations, cash flows and/or distributable cash.

Risks Related to the Structure of the Fund and the Offering

Dependence on the Partnership

The Fund is an unincorporated open-ended, limited purpose trust that will be entirely dependent on the operations and assets of the Partnership. Cash distributions to Unitholders will be dependent on, among other things, the ability of the Trust to pay interest on the Trust Notes and to make cash distributions in respect of the Trust Units, which, in turn, is dependent on the LP making cash distributions. The LP's ability to make cash distributions is dependent on the Operating LP and KFM LLC making cash distributions. The ability of the Fund and its subsidiaries to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities, including restrictive covenants in the New Credit Facilities.

Cash Distributions Are Not Guaranteed and Will Fluctuate with the Business Performance

Although the Fund intends to distribute the interest received in respect of the Trust Notes and the cash distributions received in respect of the Trust Units, 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 the Partnership's businesses or ultimately distributed to the Fund. The ability of the Fund to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the Partnership, and will be subject to various factors including each of its financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margin, its capital expenditure requirements and the rights of the Class B Interest holders of KFM LLC. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See ''Certain Canadian Federal Income Tax Considerations''.

Nature of Units

The Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the businesses of the Partnership and should not be viewed by investors as direct securities of the Partnership. 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 or rights of dissent. The Units represent a fractional interest in the Fund. The Fund's primary assets will be Trust Units and Trust Notes. The price per Unit is mainly a function of anticipated distributable income.

The Units are not ''deposits'' within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

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, Fraser Papers, KFM LLC 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''.

Market Price of Units

Publicly traded investment trusts such as the Fund do not necessarily trade at prices determined solely by reference to the underlying value of their investments. Increases in market rates of interest may lead purchasers to demand a higher yield on the Units, which may adversely affect their price. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and other factors beyond the Fund's control.

The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and that deterioration may be material. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See ''Certain Canadian Federal Income Tax Considerations''.

Distribution of Securities on Redemption or Termination of the Fund

Upon termination of the Fund, the Trustees may distribute the Trust Notes and Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. Upon redemption of Units, the Trustees may distribute the Trust Notes directly to Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Trust Notes and the Trust Units. In addition, Trust Notes and the Trust Units are not freely tradable or listed on any stock exchange. See ''Description of the Fund — Term of the Fund'' and ''Description of the Fund — Redemption at the Option of Unitholders''. Securities so distributed may not be qualified investments for trusts governed by Plans, depending on the circumstances at the time.

Dilution of Existing Unitholders

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. Additional Units will be issued by the Fund in connection with the conversion of the Class B Interests of KFM LLC by KTL LLC into Units pursuant to the conversion rights attached thereto. See ''Description of CanCo, USCo and KFM LLC — KFM LLC Class B Interests'' and ''Principal Agreements — Support and Registration Rights Agreement''. In addition, Fraser Papers will have the right, at any time, to exchange its Class B LP Units for Units representing in the aggregate, on Closing, an approximate 22% interest in the Fund on a fully-diluted basis. See ''Principal Agreements — FP Exchange Agreement. The LP is permitted to issue additional LP Units (including Class B LP Units) for any consideration and on any terms and conditions.

Leverage and Restrictive Covenants in Agreements Relating to Indebtedness

The ability of the Trust and its subsidiaries 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 New Credit Facilities). The degree to which the Partnership is leveraged could have important consequences to the Unitholders including: the Partnership's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of the Partnership's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; certain borrowings will be at variable rates of interests, which exposes the Partnership to the risk of increased interest rates; and the Partnership may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

The New Credit Facilities will contain numerous restrictive covenants that limit the discretion of the LP's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the LP and its subsidiaries to create liens or other encumbrances, to pay distributions 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 New Credit Facilities will contain a number of financial covenants that require the LP to meet certain financial ratios and financial condition tests. A failure by the LP to comply with the obligations in the New Credit Facilities could result in a default which, if not cured or waived, could result in a termination of distributions by LP and permit accelerated repayment of the relevant indebtedness. If the repayment of indebtedness under the New Credit Facilities were to be accelerated, there can be no assurance that the assets of the LP would be sufficient to repay in full that indebtedness. In addition, the term portion of the New Credit Facilities will mature no later than the 3rd anniversary thereof and the revolving portion will mature 364 days from Closing (subject to customary extension features), and accordingly, the LP may be required to refinance such indebtedness or seek alternative financing arrangements. There can be no assurance that the New Credit Facilities will be able to be refinanced or refinanced on acceptable terms or that future borrowings or equity financings will be available to the LP, or available on acceptable terms, in an amount sufficient to fund the LP's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Partnership and the ability of the Fund to make distributions on Units.

In addition, KFM LLC has a significant amount of debt. The KFM Credit Facility contains numerous restrictive covenants that limit the discretion of KFM LLC's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of KFM LLC to create liens or other encumbrances, to pay distributions 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 KFM Credit Facility contains a number of financial covenants that require KFM LLC to meet certain financial ratios and financial condition tests. A failure by KFM LLC to comply with the obligations in the KFM Credit Facility could result in a default which, if not cured or waived, could result in a termination of distributions KFM LLC and permit acceleration of the relevant indebtedness. If the indebtedness under the KFM Credit Facility were to be accelerated, there can be no assurance that the assets of KFM LLC would be sufficient to repay in full that indebtedness. In addition, the KFM LLC Credit Facility will mature in February, 2011, and accordingly, KFM LLC may be required to refinance such indebtedness or seek alternative financing arrangements. There can be no assurance that the KFM Credit Facility will be able to be refinanced or refinanced on acceptable terms or that future borrowings or equity financings will be available to KFM LLC, or available on acceptable terms, in an amount sufficient to fund KFM LLC's needs. This could, in turn, have a material adverse effect on the business, financial condition and results of operations of the Partnership and the ability of the Fund to make distributions on Units. See ''Debt Financing''.

Future Sales of Units by KTL LLC and Fraser Papers

Upon the Closing, KTL LLC and Brookfield US will hold all of the Class B Interests of KFM LLC, representing approximately 27% of the outstanding Units on a fully-diluted basis. KTL LLC has also been granted certain registration rights by the Fund. See ''Principal Agreements — Support and Registration Rights Agreement''. In addition, Fraser Papers will have the right, at any time, to exchange its Class B LP Units for Units representing in the aggregate, on Closing, an approximate 22% interest in the Fund on a fully-diluted basis. Fraser Papers has also been granted certain registration rights by the Fund. See ''Principal Agreements — FP Exchange Agreement. If KTL LLC or Fraser Papers sells substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these net sales will occur could also contribute to a decline in the market price of the Units.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a ''mutual fund trust'' under the Tax Act, the income tax considerations described herein under the heading ''Certain Canadian Federal Income Tax Considerations'' would be materially and adversely different in certain respects, including that Units may cease to be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

On September 8, 2005, the Department of Finance (Canada) released a consultation paper on tax and other issues related to publicly listed flow-through entities such as income trusts and limited partnerships and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that he had requested that the CRA postpone providing advance income tax rulings respecting flow-through entity structures effective immediately, that the Department of Finance (Canada) was closely monitoring development in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures were appropriate. On November 23, 2005, the Minister of Finance (Canada) announced the end of this consultation process and no legislative amendments were proposed to change the taxation of income trusts. Instead, the Minister of Finance (Canada) has tabled a Notice of Ways and Means Motion that will enhance the dividend gross-up and tax credit mechanism applicable to dividends paid by certain corporations after 2005. In addition, the CRA will resume providing advance income tax rulings in respect of flow-through entity structures.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of the Fund were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Department of Finance indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties.

Interest on the Trust Notes accrues to the Fund for Canadian federal income tax purposes, whether or not actually paid. The Fund Declaration of Trust provides that a sufficient amount of the Fund's earnings and net realized capital gains will be distributed each year to Unitholders in order to eliminate the Fund's liability for tax under Part 1 of the Tax Act. Where such amount of net income (including interest on the Trust Notes) and net realized capital gains of the Fund in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

In addition, the FP Acquisition Agreement under which Fraser Papers will transfer the NB Timberlands and ancillary assets to the Operating LP provides that Fraser Papers and the Operating LP will make elections under the Tax Act and corresponding provincial legislation, if applicable, to transfer such assets on a partially tax-deferred basis for income tax purposes. The cost to the Operating LP of such assets for income tax purposes may therefore be less than their fair market value, such that the Operating LP may realize greater taxable income on a future disposition of these assets than it would have, had it acquired the assets without such elections having been made. In addition, the Operating LP's deductions for capital cost allowance and other tax deductions may be less than they would have been in the absence of a tax-deferred transfer.

Prior to any conversion of Class B Interests, distributions on Class B Interests paid to KTL LLC and Brookfield US will be taxed directly or indirectly in the hands of Brookfield US. Following the conversion of all or a portion of the Class B Interests into Units, such distributions may become income of one or more subsidiaries of the Fund which in turn may be subject to increased Canadian or US income taxes as a result. Any such increased tax liability could have a negative impact on distributable cash of the Fund.

Implications of Exercise of Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Upon a redemption of Units or termination of the Fund, the Trustees may distribute the Trust Units and Trust Notes directly to the Unitholders, subject to obtaining any required regulatory approvals and complying with the requisite terms and conditions of such approvals. Trust Units and Trust Notes so distributed may not be qualified investments for Plans depending upon the circumstances at the time. Additionally, such Trust Units and Trust Notes will not be listed on any stock exchange and no established market is expected to develop in such Trust Units and Trust Notes and they may be subject to resale restrictions under applicable securities laws.

Limitation on Potential Growth

The payout by the Partnership 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 the Partnership and its cash flow.

Restrictions on Certain Unitholders and Liquidity of Units

The Fund Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning either more than 49.9% of Units and/or the Special Voting Units (on a non-diluted and a fully-diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain persons, including non-residents of Canada and U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

Statutory Remedies

The Fund is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of the Fund were necessary, the Fund and its stakeholders may not be able to access the remedies and procedures available thereunder.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the LP during the past two years or to which the Fund or the LP will become a party on or prior to the Closing, other than in the ordinary course of business, are as follows:

(i) the Fund Declaration of Trust, described under ''Description of the Fund'';

(ii) the Trust Declaration of Trust, described under ''Description of the Trust'';

(iii) the Trust Note Indenture, described under ''Description of the Trust'';

(iv) the LP Partnership Agreement, described under ''Description of the LP'';

(v) the Operating LP Partnership Agreement, described under ''Description of the Operating LP''

(vi) the Support and Registration Rights Agreement, described under ''Principal Agreements — Support and Registration Rights Agreement'';

(vii) the FP Exchange Agreement, described under ''Principal Agreements — FP Exchange Agreement'';

(viii) the FP Acquisition Agreement, described under ''Funding and Related Transactions'';

(ix) the credit agreement creating the New Credit Facilities, described under ''Debt Financing'';

(x) the Management Agreement described under ''Management of the Fund and Partnership — The Manager'';

(xi) the Crown Lands Services Agreement described under ''Principal Agreements — Crown Lands Services Agreement'';

(xii) the Fibre Supply Agreement described under ''Principal Agreements — Fibre Supply Agreement'';

(xiii) the KPC LLC Fibre Supply Agreement described under ''Principal Agreements — Katahdin Paper Company Fibre Supply Agreement'';

(xiv) the KFM Credit Facility, described under ''Debt Financing'';

(xv) the Exclusivity Agreement described under ''Principal Agreements — Exclusivity Agreement'';

(xvi) the KFM Acquisition Agreement, described under ''Funding and Related Transactions'';

(xvii) the Underwriting Agreement, described under ''Plan of Distribution''.

Copies of the foregoing documents may be examined during normal business hours at the office of the Fund located at suite 200, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

EXPERTS

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon on behalf of the Fund by Goodmans LLP and on behalf of the Underwriters by McCarthy Tétrault LLP.

LEGAL PROCEEDINGS

Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund, the Trust, the LP or KFM LLC that would be material to a purchaser of Units.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus and in the notes to the historical financial statements of the Fraser Papers' Timberlands Business and of Katahdin Forest Management LLC contained in this prospectus, there are no material interests, direct or indirect, of the trustees of the Fund or the trustees, directors or executive officers of the Fund's subsidiaries or any Unitholder that beneficially owns more than 10% of the Units or any known associate or affiliate of the same, in any transaction within the last three years, or in any proposed transaction that has materially affected or would materially affect the Fund.

PROMOTER

Fraser Papers may be considered to be a promoter of the Fund by reason of its initiative in organizing the business and affairs of the Fund.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund are Ernst & Young LLP, Chartered Accountants, Toronto, Ontario.

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

PURCHASERS' STATUTORY RIGHTS

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

GLOSSARY OF TERMS

''**2005 YTD**'' means the nine months ended October 1, 2005;

''**Acadian**'' and ''**Acadian Timberlands**'' has the meaning described under Meaning of Certain References;

''**Acadian Timberlands Business**'' means, collectively, Fraser Papers' Timberlands Business and the operations conducted by KFM LLC in respect of the Maine Timberlands;

''**access roads**'' means roads leading from a main road to a harvest block or roads within a block;

''**Acquisition Agreements**'' means, collectively, the FP Acquisition Agreement and the KFM Acquisition Agreement;

''**Adjusted EBITDA**'' means earnings before interest expense, income taxes, depreciation and depletion and restructuring charges;

''**ancillary assets**'' means certain assets held and used by Fraser Papers in connection with Fraser Papers' Timberlands Business, including certain motor vehicles, buildings and a tree nursery;

''**Asset Value of the Fund**'' has the meaning set out under ''Management of the Fund and the Partnership — The Manager''.

''**Book-Entry System**'' means a book-based system administered by CDS;

''**Brookfield**'' means Brookfield Asset Management Inc.;

''**Brookfield US**'' means Brascan (U.S.) Corporation;

''**CAGR**'' means compounded annual growth rate;

''**CanCo**'' means AT Timberlands (N.S.) ULC, a Nova Scotia unlimited liability company;

''**CanCo Note**'' means the interest bearing note of CanCo described under ''Description of CanCo, USCo and KFM LLC — CanCo Note'';

''**Capital Gains Refund**'' shall have the meaning ascribed thereto under ''Certain Canadian Federal Income Tax Considerations — Taxation of the Fund'';

''**CBCA**'' means the *Canada Business Corporations Act*;

''**CDS**'' means The Canadian Depository for Securities Limited;

''**CDS Participants**'' means a participant in the CDS depository service;

''**Class A LP Units**'' means the Class A limited partnership units of the LP;

''**Class B LP Units**'' means the Class B limited partnership units of the LP;

''**Class B Interests**'' means the convertible preferred membership interests in KFM LLC;

''**Class A Units**'' means the Class A limited partnership units of the Operating LP;

''**Class B Units**'' means the Class B limited partnership units of the Operating LP;

''**Closing**'' means the closing of the Offering;

''**Closing Date**'' means January 31, 2006 or any other date agreed upon, but not later than February 28, 2006;

''**CRA**'' means the Canada Revenue Agency;

''**Crown Lands**'' means the approximately 1.3 million acres of Crown Lands located in the province of New Brunswick subject to a licensing arrangement between Fraser Papers and the Government of the Province of New Brunswick;

''**Crown lands**'' means lands owned in Canada by a government in Canada;

''**Crown Lands Services Agreement**'' means the services agreement to be entered into between the Operating LP and Fraser Papers on or prior to the Closing Date in respect of the Crown Lands;

''**Crown Licenses**'' means the licences issued by the Government of the Province of New Brunswick pursuant to which Fraser Papers manages the Crown Lands;

''**Eastern Canada**'' means Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland;

‘‘**Exclusivity Agreement**’’ means the exclusivity agreement between Brookfield and the Operating LP described under ‘‘Principal Agreements — Exclusivity Agreement’’;

‘‘**Fibre Supply Agreement**’’ means the fibre supply agreement to be entered into between the Operating LP and Fraser Papers on or before the Closing Date;

‘‘**Fibre Supply Agreements**’’ means, collectively, the Fibre Supply Agreement, the KPC LLC Fibre Supply Agreement and the Fraser Papers/KFM LLC Fibre Supply Agreement;

‘‘**Forest Nursery**’’ means the forest nursery in Second Falls, New Brunswick;

‘‘**FP Exchange Agreement**’’ means the exchange agreement among the Fund, the Trust, the GP, the LP, the Operating LP and Fraser Papers described under ‘‘Principal Agreements — FP Exchange Agreement’’;

‘‘**FP Acquisition Agreement**’’ means the acquisition agreement to be entered into between the Fund, the Trust, the LP, the GP, the Operating LP and Fraser Papers and others on or before the Closing Date;

‘‘**Fraser Papers**’’ means Fraser Papers Inc.;

‘‘**Fraser Papers/KFM LLC Fibre Supply Agreement**’’ means the fibre supply agreement entered into between Fraser Papers and KFM LLC;

‘‘**Fraser Papers’ Timberlands Business**’’ means the timberlands operations conducted by Fraser Papers in respect of the NB Timberlands, the Forest Nursery and its management of the Crown Lands;

‘‘**freehold**’’ means the private ownership of land, also commonly referred to as ownership in fee simple;

‘‘**Fund**’’ means Acadian Timber Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario;

‘‘**Fund Declaration of Trust**’’ means the declaration of trust dated December 15, 2005, pursuant to which the Fund is established, as it may be amended, supplemented or restated from time to time;

‘‘**GAAP**’’ means generally accepted accounting principles in Canada;

‘‘**GP**’’ means Acadian Timber GP Inc., a corporation incorporated under the laws of the Province of Ontario;

‘‘**Indenture**’’ means the indenture among Fraser Papers, as issuer, FPS Canada Inc., Fraser Papers Holdings Inc., Fraser Timber Limited, Fraser Papers Limited, Katahdin Services Company LLC, and Fraser N.H. LLC, as guarantors, The Bank of New York, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee;

‘‘**KFM Acquisition Agreement**’’ means the acquisition agreement to be entered into between the Fund, the Trust, the LP, the GP, USCo, CanCo, KFM LLC and KTL LLC on or before the Closing Date;

‘‘**KFM LLC**’’ means Katahdin Forest Management LLC;

‘‘**KPC LLC**’’ means Katahdin Paper Company, LLC;

‘‘**KPC LLC Fibre Supply Agreement**’’ means the fibre supply agreement entered into between KPC LLC and KFM LLC;

‘‘**KTL LLC**’’ means Katahdin Timberlands LLC, a limited liability company formed under the laws of Delaware;

‘‘**LP**’’ means Acadian Timber Limited Partnership, a limited partnership to be established under the laws of the Province of Manitoba pursuant to the LP Partnership Agreement;

‘‘**LP Partnership Agreement**’’ means the LP limited partnership agreement governing the LP to be dated on or before the Closing Date;

‘‘**LP Units**’’ means, collectively, the Class A LP Units and the Class B LP Units;

‘‘**LRSY**’’ means long run sustainable yield;

‘‘**Maine Timberlands**’’ means the approximately 311,000 acres of the timberlands located in Maine, U.S.A. owned by KFM LLC:

‘‘**main roads**’’ means roads designed to provide access for forest management activities and recreational use;

‘‘**Management Agreement**’’ means the management agreement dated October 3, 2005 between KFM LLC, Fraser Papers and the Manager and to which the Operating LP will be joined as a party on Closing;

''**Manager**'' means Brookfield Timberlands Management LP, a limited partnership formed under the laws of Manitoba;

''**NB Timberlands**'' means the approximately 765,000 acres of timberlands located in the province of New Brunswick currently owned by Fraser Papers;

''**New Credit Facilities**'' means the new credit facilities, which are comprised of a revolving credit facility and a term credit facility in the aggregate amount of up to $47.5 million, for which Canadian financial institutions have provided the LP a firm underwritten commitment to make such facilities available to the LP at Closing, subject to the fulfilment of customary conditions;

''**Northeastern U.S.**'' means the following nine states: Connecticut, Maine, Massachusetts, New Jersey, New Hampshire, New York, Pennsylvania, Rhode Island and Vermont;

''**Offering**'' means the offering of 8,450,643 Units to be issued and sold by the Fund pursuant to this prospectus;

''**Operating LP**'' means AT Limited Partnership, a limited partnership to be established under the laws of the Province of Manitoba pursuant to the Operating LP Partnership Agreement;

''**Operating LP Partnership Agreement**'' means the limited partnership agreement governing the Operating LP to be dated on or before the Closing Date;

''**Operating LP Units**'' means, collectively, the Class A Units and the Class B Units;

''**Ordinary Resolution**'' means a resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders;

''**Over-Allotment Call Units**'' means the 422,532 Units to be issued to Brookfield or one of its affiliates, pursuant to its subscription therefor, which Units, or any part thereof, will be purchased by the Fund in order to allow the Fund to deliver Units to the Underwriters pursuant to the exercise of the Over-Allotment Option;

''**Over-Allotment Option**'' means the option granted by the Fund to the Underwriters to purchase up to 422,532 additional Units, exercisable for a period of 30 days from the Closing;

''**Plans**'' means 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;

''**Redemption Date**'' shall have the meaning ascribed thereto under ''Description of the Fund — Redemption at the Option of Unitholders'';

''**Redemption Price**'' shall have the meaning ascribed thereto under ''Description of the Fund — Redemption at the Option of Unitholders'';

''**Regional Markets**'' means Nova Scotia, New Brunswick, Prince Edward Island, south shore Quebec, Maine and New Hampshire;

''**Revolving Facility**'' means senior revolving credit facility in an aggregate principal amount of up to $5 million;

''**Series 1 Trust Notes**'' means the series 1 notes of the Trust issued under the Trust Note Indenture;

''**Series 2 Trust Notes**'' means the series 2 notes of the Trust issued under the Trust Note Indenture;

''**Series 3 Trust Notes**'' means the series 3 notes of the Trust issued under the Trust Note Indenture;

''**Special Resolution**'' means a resolution passed by the affirmative vote of the holders of not less than 66⅔% of the Units who voted in respect of that resolution at a meeting of Voting Unitholders at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66⅔% of the Units and Special Voting Units entitled to vote on such resolution;

''**Special Voting Unitholders**'' means holders of Special Voting Units;

''**Special Voting Units**'' means the units of the Fund to be issued to represent voting rights in the Fund that accompany the Class B LP Units of the LP;

''**Support and Registration Rights Agreement**'' means the support and registration rights agreement to be entered into between the Fund, the Trust, the LP, the GP and KFM LLC, among others, on or before the Closing Date;

''**Tax Act**'' means the Income *Tax Act* (Canada) and the regulations thereunder, as amended;

''**Term Facility**'' means the senior term loan facility in an aggregate amount of up to $42.5 million;

‘‘**Trust**’’ means AT Trust;

‘‘**Trust Declaration of Trust**’’ means the declaration of trust to be dated on or prior to Closing pursuant to which the Trust was established, as the same may be amended, supplemented or restated from time to time;

‘‘**Trust Note Indenture**’’ means the note indenture to be entered into between the Trust and CIBC Mellon Trust Company dated the Closing Date governing the Trust Notes;

‘‘**Trust Notes**’’ means, collectively, the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes of the Trust;

‘‘**Trust Units**’’ means units of the Trust;

‘‘**Trust’s Trustees**’’ means the trustees of the Trust;

‘‘**Trustee**’’ or ‘‘**Trustees**’’ means the trustees of the Fund or any one of them;

‘‘**TSX**’’ means the Toronto Stock Exchange;

‘‘**Underwriters**’’ means, collectively, CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Desjardins Securities Inc. and Trilon Securities Corporation;

‘‘**Underwriting Agreement**’’ means the underwriting agreement dated January 23, 2006 among the Fund, the Trust, the LP, the GP, the Operating LP, Fraser Papers and the Underwriters;

‘‘**Unitholders**’’ means the holders of Units;

‘‘**Units**’’ means units of the Fund other than Special Voting Units;

‘‘**USCo**’’ means Acadian Timber (U.S.), Inc., a Delaware corporation;

‘‘**USCo Note**’’ means the interest-bearing note of USCo described under ‘‘Description of CanCo, USCo and KFM LLC — USCo Note’’;

‘‘**U.S. Securities Act**’’ means the *United States Securities Act of 1933*, as amended;

‘‘**Voting Unitholders**’’ means Unitholders and Special Voting Unitholders; and

‘‘**Voting Units**’’ means Units and Special Voting Units.

INDEX TO FINANCIAL STATEMENTS

AUDITORS' CONSENT

We have read the prospectus of Acadian Timber Income Fund (the ''Fund'') dated January 23, 2006, relating to the issue and sale of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of the following reports:

(a) Our report to the Trustees of Acadian Timber Income Fund on the balance sheet of the Fund as at December 15, 2005. Our report is dated January 23, 2006.

(b) Our report to the Directors of Fraser Papers Inc. on the balance sheets of the Fraser Papers' Timberlands Business as at December 31, 2004 and 2003 and the statements of operations and Fraser Paper Inc.'s net investment and cash flows for each of the years in the three-year period ended December 31, 2004. Our report is dated October 28, 2005.

(c) Our report to the Managers of Katahdin Forest Management LLC on the balance sheets of Katahdin Forest Management LLC as at December 31, 2004 and 2003 and the statements of operations, retained earnings and Katahdin Timberlands LLC's net investment and cash flows for the year ended December 31, 2004 and for the period from April 29, 2003 to December 31, 2003. Our report is dated November 11, 2005.

(d) Our report to the Managers of Katahdin Forest Management LLC on the balance sheets of Katahdin Timberlands LLC as at September 30, 2005 and the statements of operations, retained earnings and Katahdin Timberlands LLC's net investment and cash flows for the nine-month period then ended. Our report is dated November 11, 2005.

(Signed) ERNST & YOUNG LLP
Chartered Accountants

Toronto, Canada

January 23, 2006

AUDITORS' REPORT

To The Trustees of
ACADIAN TIMBER INCOME FUND

We have audited the balance sheet of Acadian Timber Income Fund as at December 15, 2005. This balance sheet is the responsibility of the Fund's management. Our responsibility is to express an opinion on the balance sheet 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Fund as at December 15, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) ERNST & YOUNG LLP
Chartered Accountants

Toronto, Canada

January 23, 2006

ACADIAN TIMBER INCOME FUND

BALANCE SHEET
December 15, 2005

ASSETS	
Cash	$10
UNITHOLDER'S EQUITY (*note 3*)	$10

On behalf of the Trustees:

(Signed) J.W. Bud Bird, O.C.
Trustee

(Signed) Louis J. Maroun
Trustee

See accompanying notes to balance sheet.

ACADIAN TIMBER INCOME FUND

NOTES TO BALANCE SHEET
December 15, 2005

1. BASIS OF PRESENTATION:

The balance sheet of Acadian Timber Income Fund (the ''Fund'') has been prepared in accordance with Canadian generally accepted accounting principles.

2. THE FUND:

The Fund is an unincorporated open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 15, 2005. It is intended that the Fund will qualify as a ''mutual fund trust'' for the purposes of the *Income Tax Act* (Canada).

3. UNITHOLDER'S EQUITY:

An unlimited number of units may be authorized and issued pursuant to the Declaration of Trust. The units will each represent an equal fraction of undivided beneficial interest in the Fund. All trusts units are transferable and share equally in all distributions from the Fund whether of earnings, return of capital, return of principal, interest, dividends or net realizable capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund. The trust units are redeemable at any time on demand by the holders at a value as determined by and subject to the conditions of the Declaration of Trust.

The Fund issued one initial unit on December 15, 2005 for cash consideration of $10.

4. SUBSEQUENT EVENT:

The Fund has filed a prospectus dated January 23, 2006 for the sale to the public of 8,450,643 units at a price of $10 per unit (the ''Offering''), payable on closing for estimated net proceeds of $75.8 million, after deducting expenses of the Offering and related transactions and underwriters' fees. Included in the 8,450,643 units issued by the Fund are 422,532 units to be acquired by Brookfield or one of its affiliates from the Fund upon the completion of the Offering (the ''Over-Allotment Call Units''). No underwriters fee will be paid in connection with the issuance of such units.

The Fund has granted the underwriters an over-allotment option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to a total of 422,532 additional Fund units on the same terms as the initial public offering of the Fund units to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised in full, there will be additional underwriters fees of $0.3 million resulting in estimated net proceeds of the Fund of $75.5 million. The Fund will be required to purchase from Brookfield or one of its affiliates and Brookfield or one of its affiliates will be required to sell to the Fund, the Over-Allotment Call Units, or any part thereof in order to allow the Fund to deliver units to the underwriters pursuant to the exercise of the over-allotment option.

The proceeds of the offering (including the proceeds received from Brookfield or one of its affiliates for the Over-Allotment Call Units) will be used to indirectly acquire certain timberlands located in New Brunswick (the ''NB Timberlands''). The Fund will also indirectly acquire and hold all the common membership interests of Katahdin Forest Management LLC) (''KFM LLC''), which owns certain timberlands located in Maine, USA. All of the Class B Interests of KFM LLC will be owned by Katahdin Timberlands LLC and Brascan (US) Corporation. The Fund will also enter into a number of major agreements with respect to the proposed transactions.

AUDITORS' REPORT

To the Directors of
FRASER PAPERS INC.

We have audited the balance sheets of the Fraser Papers' Timberlands Business as at December 31, 2004 and 2003, and statements of operations and Fraser Papers' net investment and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company'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 Fraser Papers' Timberlands Business as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

(Signed) ERNST & YOUNG LLP
Chartered Accountants

Toronto, Canada

October 28, 2005

FRASER PAPERS' TIMBERLANDS BUSINESS

BALANCE SHEETS
(in millions of Canadian dollars)

	As at December 31, 2004	As at December 31, 2003
ASSETS		
Current assets:		
Accounts receivable (*note 2*)	$ 6.7	$10.1
Inventory	3.3	3.4
	10.0	13.5
Property, plant and equipment (*note 3*)	2.9	3.5
Timber and timberlands (*note 4*)	27.4	27.6
	$40.3	$44.6
LIABILITIES AND FRASER PAPERS INC.'S NET INVESTMENT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 9.3	$ 8.9
Income taxes payable	3.9	2.6
	13.2	11.5
Employee benefit plan liability (*note 5*)	2.1	2.2
Future income taxes (*note 6*)	5.8	6.7
Fraser Papers Inc.'s net investment	19.2	24.2
	$40.3	$44.6

On behalf of the Board:

(Signed) PAUL GAGNÉ, CA
Audit Committee Chair
Fraser Papers Inc.

(Signed) DOMINIC GAMMIERO
President and Chief Executive Officer
Fraser Papers Inc.

See accompanying notes to financial statements.

FRASER PAPERS' TIMBERLANDS BUSINESS

**STATEMENTS OF OPERATIONS
AND FRASER PAPERS INC.'S NET INVESTMENT**
(in millions of Canadian dollars)

	Year Ended December 31,		
	2004	2003	2002
Net sales	$ 60.3	$57.6	$58.0
Operating expenses:			
Cost of sales	48.5	46.1	45.2
Selling, administration and other	0.6	0.9	1.1
Restructuring charges (*note 8*)	0.7	—	—
Depreciation and depletion	0.9	0.9	0.9
	$ 50.7	$47.9	$47.2
Operating earnings	9.6	9.7	10.8
Income taxes (*note 6*)	3.1	3.1	4.5
Earnings	$ 6.5	$ 6.6	$ 6.3
Fraser Papers Inc.'s Net Investment			
Balance, beginning of year	$ 24.2	$24.4	$18.3
Earnings	6.5	6.6	6.3
Distribution to Fraser Papers Inc.	(11.5)	(6.8)	(0.2)
Balance, end of year	$ 19.2	$24.2	$24.4

See accompanying notes to financial statements.

FRASER PAPERS' TIMBERLANDS BUSINESS

STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)

	Year Ended December 31,		
	2004	2003	2002
Cash provided by (used for):			
Operating Activities			
Earnings	$ 6.5	$ 6.6	$ 6.3
Items not affecting cash:			
Depreciation and depletion	0.9	0.9	0.9
Future income taxes (*note 6*)	(0.8)	0.5	0.9
	6.6	8.0	8.1
Net change in non-cash working capital balances (*note 7*)	3.9	2.8	(3.5)
	10.5	10.8	4.6
Investing Activities			
Capital expenditures	(0.1)	(3.6)	(3.7)
Financing Activities			
Distribution to Fraser Papers Inc.	(10.4)	(7.2)	(0.9)
Change in cash	$ —	$ —	$ —
Cash, beginning of year	—	—	—
Cash, end of year	$ —	$ —	$ —

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(in millions of Canadian dollars)

In these notes ''Fraser Papers' Timberlands Business'' means the timberlands operations conducted by Fraser Papers in respect of the NB Timberlands and its management of the Crown Lands, ''Fraser Papers'' means Fraser Papers Inc. and all of its consolidated subsidiaries and affiliates for periods subsequent to June 30, 2004 and the Fraser Papers division of Norbord for periods up to June 30, 2004, and ''Company'' means Fraser Papers Inc. as a separate corporation. ''Norbord'' means Norbord Inc. (the prior owner of Fraser Papers) or any of its subsidiaries. ''Brookfield'' means Brookfield Asset Management Inc. (a related party by virtue of a significant shareholding in the Company) or any of its subsidiaries.

Fraser Papers' Timberlands Business manages the timber harvesting business of Fraser Papers in New Brunswick, Canada. Fraser Papers' Timberlands Business owns approximately 765,000 acres of forestlands (the ''NB Timberlands''). In addition, Fraser Papers' Timberlands Business manages approximately 1,300,000 acres of forestland under Crown Licenses (the ''Crown Lands'') on behalf of the province of New Brunswick. A portion of the sustainable harvest from Crown Lands is managed for Fraser Papers with the remainder managed on behalf of other forest products companies in the region.

Fraser Papers' Timberlands Business owns and manages a nursery. The nursery's output of seedlings is predominantly used internally for reforestation.

Fraser Papers' Timberlands Business products include softwood and hardwood logs of various species as well as biomass as a by-product.

The customer base for Fraser Papers' Timberlands Business is primarily pulp and paper companies and lumber sawmills.

Note 1. Significant Accounting Policies

Basis of Presentation

These financial statements present the financial position, results of operations and changes in Fraser Papers' net investment and cash flows of the Fraser Papers' Timberlands Business and have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'') from the books and records of Fraser Papers. The earnings of Fraser Papers' Timberlands Business includes the administrative costs associated with managing Fraser Papers' Timberlands Business. These include selling costs and divisional personnel and travel costs.

Income taxes have been recorded at statutory rates and based on income as reported in the statements of operations as though Fraser Papers' Timberlands Business was a separate tax paying entity. Income taxes payable in respect of the components which were not historically separate tax paying legal entities have been included in Fraser Papers' net investment. Future income taxes have been presented in the balance sheet for each temporary difference between the financial reporting and tax bases of the assets and liabilities. In addition, future tax assets have been recognized to the extent that they would have been realized as though Fraser Papers' Timberlands Business was a separate tax paying entity.

The functional currency of Fraser Papers is the United States dollar. However, the financial statements of Fraser Papers' Timberlands Business have been presented on the basis that the functional currency of Fraser Papers' Timberlands Business was the Canadian dollar as the majority of the revenues and expenses of Fraser Papers' Timberlands Business are denominated in Canadian dollars.

As a result of the basis of presentation described above, the statements of operations for all periods may not necessarily be indicative of the revenues and expenses that would have resulted had the Fraser Papers' Timberlands Business historically operated as a stand-alone entity during those periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during a period. Significant estimates include the determination of the carrying value and useful lives of property, plant and equipment, provisions for employee future benefits and future income tax assets and liabilities. Actual results could differ from those estimates.

Timber and Timberlands

Fraser Papers' Timberlands Business records a provision for depletion of the NB Timberlands in a systematic manner based on the utilization of the timber resources. Depletion is based on a *pro rata* calculation of units of timber harvested and relative values of tree species present, and is applied against the historical cost of timberlands.

Silviculture costs on the NB Timberlands are capitalized. Silviculture and reforestation spending on Crown Lands is performed on behalf of and is reimbursed by the Government of New Brunswick.

Property, Plant and Equipment

Property, plant and equipment consist mainly of roads and bridges as well as campsites. These assets are recorded at cost and are depreciated on a straight-line basis over their useful lives, which are generally 10 years.

Revenue Recognition

Net sales are net of discounts and rebates to customers. Revenue for sales from NB Timberlands is recognized when the risks of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities delivered are determined. Sales are governed by standard industry terms and, in some cases by contract.

Fraser Papers' Timberlands Business performs harvesting, transportation and other services on a contractual basis for Crown licencees and sub-licencees. Fraser Papers' Timberlands Business does not take title to the timber it cuts on Crown Lands. Revenue from services performed for licencees and sub-licencees plus related management fees are included in sales, net of the costs incurred to perform those services as these costs are recovered from the licencees and sublicencees.

Inventories and Cost of Sales

Inventories of wood and seedlings are recorded at the lower of average cost and net realizable value. Cost of sales includes predominantly cutting, harvesting and transportation costs as well as costs for access roads and passages.

Employee Future Benefits

Fraser Papers sponsors various defined benefit and defined contribution pension plans, which cover substantially all employees, including substantially all Fraser Papers' Timberlands Business employees, and are funded in accordance with applicable plan and regulatory requirements. The benefits under Fraser Papers' defined benefit pension plans are generally based on an employee's length of service and the final five years' average salary, and the plans do not provide for indexation of benefit payments. Hourly employees are generally members of negotiated plans. Fraser Papers also provides non-pension post-retirement benefits to certain eligible retirees, consisting of medical and dental benefits, which are funded on a pay-as-you-go basis.

The measurement date for all defined benefit plans is December 31. The obligations associated with Fraser Papers' defined benefit plans are actuarially valued using the projected unit credit method pro-rated on services, management's best estimate assumptions for expected investment performance, salary escalation, health care cost trend rates, and a current market discount rate. For the purpose of calculating the expected return on plan assets, those assets are measured at fair value. Prior service costs related to plan amendments and transitional assets are amortized on a straight-line basis over the estimated average remaining service lives (EARSL) of the employee groups. The net actuarial gains or losses in excess of 10% of the greater of the accrued benefit obligation and the fair value of plan assets are amortized on a straight-line basis over EARSL.

Financial Instruments

The fair values of financial instruments consisting of financial assets and liabilities, such as accounts receivable and accounts payable, approximate their carrying values. Fraser Papers' Timberlands Business does not hold or issue derivative financial instruments.

Note 2. Accounts Receivable

Accounts receivable includes $2.6 (2003 — $5.1) receivable from Fraser Papers for the sale of logs and other products.

Note 3. Property, Plant and Equipment

	2004	2003
Cost	$22.8	$22.7
Accumulated depreciation	19.9	19.2
	$ 2.9	$ 3.5

Note 4. Timber and Timberlands

	2004	2003
Cost	$39.6	$39.6
Accumulated depletion	12.2	12.0
	$27.4	$27.6

Cost of timber and timberlands includes $21.3 (2003-$21.3) of silviculture costs, which are not subject to depletion as the timber is in pre-commercial stage.

Note 5. Employee Benefit Plans

Pension Plans

Fraser Papers has a number of pension plans, participation in which is available to substantially all employees, including substantially all Fraser Papers' Timberlands Business employees, after periods of up to two years of continuous service. Fraser Papers' obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations, which are required every three years for

Canadian plans. The date of the last actuarial valuation for funding purposes was December 31, 2003. Information about these plans as they relate to the Fraser Papers' Timberlands Business is as follows:

	2004	2003
Change in Accrued Benefit Obligation During the Year:		
Accrued benefit obligation, beginning of year	$17.0	$16.1
Current service cost	0.4	0.4
Interest on accrued benefit obligation	0.8	0.9
Benefits paid	(1.3)	(1.2)
Net actuarial loss	0.6	0.8
Accrued benefit obligation, end of year(1)	$17.5	$17.0
Change in Plan Assets During the Year:		
Plan assets, beginning of year	$13.5	$12.3
Actual return on plan assets	1.3	1.8
Employer contributions	0.9	0.6
Benefits paid	(1.3)	(1.2)
Plan assets, end of year(1)	$14.4	$13.5
Reconciliation of Funded Status:		
Accrued benefit obligation	$17.5	$17.0
Plan assets	14.4	13.5
Accrued benefit obligation in excess of plan assets	(3.1)	(3.5)
Unamortized net actuarial loss	3.7	3.8
Net accrued benefit liability	$ 0.6	$ 0.3

(1) All plans have accrued benefit obligations in excess of plan assets.

	2004	2003	2002
Components of Net Pension Expense:			
Current service cost	$ 0.4	$ 0.4	$ 0.4
Interest on accrued benefit obligation	0.8	0.9	0.8
Actual return on plan assets	(1.3)	(1.8)	(1.1)
Net actuarial loss	0.6	0.7	—
Difference between actual and expected return on plan assets	0.3	0.8	—
Difference between actual and recognized net actuarial loss	(0.4)	(0.5)	0.1
Amortization of net transitional asset	(0.1)	(0.1)	(0.1)
Net periodic pension expense	$ 0.3	$ 0.4	$ 0.1
Significant Weighted-Average Actuarial Assumptions:			
Used in calculation of net periodic pension expense for the year:			
Discount rate	6.00%	6.50%	6.75%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	3.75%	3.75%	3.75%
Used in calculation of accrued benefit obligation, end of year:			
Discount rate	5.75%	6.00%	6.50%
Rate of compensation increase	3.75%	3.75%	3.75%

The weighted average asset allocation of Fraser Papers' defined benefit pension plan assets is as follows:

Asset category:		
Equity investments	69%	68%
Fixed income investments	31%	32%
Total assets	100%	100%

Operating costs include $0.1 (2003 — $0.1) related to contributions to Fraser Papers' defined contribution pension plans.

Post-retirement Benefit Plans

Fraser Papers funds health care benefits costs on a pay-as-you-go basis. Fraser Papers' obligations under its post-retirement benefit plans are determined periodically through actuarial valuations, which are conducted no less frequently than every three years. Information about these plans is as follows:

	2004	2003
Change in Accrued Benefit Obligation During the Year:		
Accrued benefit obligation, beginning of year	$ 4.3	$ 3.6
Current service cost	0.1	0.1
Interest on accrued benefit obligation	0.2	0.2
Benefits paid	(0.1)	(0.1)
Net actuarial loss	0.3	0.5
Accrued benefit obligation, end of year	$ 4.8	$ 4.3
Reconciliation of Funded Status:		
Accrued benefit obligation	$ 4.8	$ 4.3
Plan assets	—	—
Accrued benefit obligation in excess of plan assets	(4.8)	(4.3)
Unamortized net actuarial loss	2.1	1.8
Net accrued benefit liability	$(2.7)	$(2.5)

	2004	2003	2002
Components of Net Post-retirement Benefit Expense:			
Current service cost	$ 0.1	$ 0.1	$ 0.1
Interest on accrued benefit obligation	0.2	0.2	0.1
Net actuarial loss	0.3	0.5	—
Difference between actual and recognized net actuarial loss	(0.2)	(0.5)	—
Net periodic post-retirement benefit expense	$ 0.4	$ 0.3	$ 0.2
Significant Weighted-Average Actuarial Assumptions:			
Used in calculation of net periodic pension expense for the year:			
Discount rate	6.00%	6.50%	6.75%
Rate of compensation increase	3.75%	3.75%	3.75%
Used in calculation of accrued benefit obligation, end of year:			
Discount rate	5.75%	6.00%	6.50%
Rate of compensation increase	3.75%	3.75%	3.75%
Health care cost trend rate used in calculation of accrued benefit obligation, end of year:			
Initial rate	10.00%	10.00%	10.00%
Ultimate rate	5.00%	5.00%	5.00%
Year ultimate rate reached	2014	2013	2012
Sensitivity to change in health care cost trend rate, for year ended December 31, 2004:	1% increase	1% increase	
Impact on net periodic post-retirement benefit expense	0.1	(0.1)	
Impact on accrued benefit obligation	0.8	(0.6)	

Note 6. Income Taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for income tax purposes.

Significant components of the provision for income taxes are as follows:

	2004	2003	2002
Current tax expense	$ 3.9	$2.6	$3.6
Future income tax expense (recovery)	(0.8)	0.5	0.9
Income tax expense	$ 3.1	$3.1	$4.5

The differences between income taxes computed using statutory tax rates and income tax as recorded are as follows:

	2004	2003	2002
Earnings before income tax	$ 9.6	$ 9.7	$10.8
Tax expense at combined statutory rates	$ 3.4	$ 3.6	$ 4.4
Effect of:			
Large corporations tax and rate changes	(0.3)	(0.5)	0.1
Income tax expense	$ 3.1	$ 3.1	$ 4.5

The income tax effects of temporary differences that give rise to future income taxes are as follows:

	2004	2003
Accrued liabilities	$(0.6)	$(0.4)
Employee benefit plans	(0.7)	(0.8)
Property, plant and equipment	(0.4)	—
Timber and timberlands	7.5	7.9
Future income taxes	$ 5.8	$ 6.7
Represented by:		
Long-term future income liability	$ 5.8	$ 6.7

Fraser Papers' Timberlands Business makes no payments in respect of income taxes as taxable earnings are offset by taxable losses at other divisions of the Company. Income taxes payable are offset by a non-cash contribution from the Company.

Note 7. Change in Non-Cash Working Capital

The net change in non-cash working capital balances comprise:

	2004	2003	2002
Cash provided by (used for):			
Accounts receivable	$3.4	$1.7	$(4.3)
Inventory	0.1	0.3	(0.9)
Accounts payable and accrued liabilities	0.4	0.8	1.7
	$3.9	$2.8	$(3.5)

Note 8. Restructuring Charges

In the fourth quarter of 2004, Fraser Papers' Timberlands Business recorded pre-tax charges of $0.7 relating to severance payments and pension enhancements as a result of eliminating certain positions.

Note 9. Related Party Transactions

Fraser Papers' Timberlands Business sells a significant portion of its production to Fraser Papers and generates all of its revenue for services performed for licencees and sublicencees from Fraser Papers. Net sales to Fraser Papers amounted to $22.7 (2003 — $23.9 and 2002 — $23.5), representing 38% (2003 — 42%, 2002 — 41%) of total net sales.

Fraser Papers provides a number of administrative services to the Fraser Papers' Timberlands Business including information technology support, payroll support and other administrative services. Total fees paid to Fraser Papers for these services were $0.2 million in 2004 (2003 — $0.2 million, 2002 — $0.3 million)

All related party transactions are recorded at the exchange amount.

Note 10. Segmented Information

The Fraser Papers' Timberlands Business operates one segment and carries on business substantially in the province of New Brunswick. All of the Fraser Papers' Timberlands Business' assets are located in New Brunswick.

UNAUDITED INTERIM BALANCE SHEETS

(in millions of Canadian dollars)

	As at October 1, 2005	As at December 31, 2004
ASSETS		
Current assets:		
Accounts receivable (*note 2*)	$ 7.1	$ 6.7
Inventory	2.9	3.3
	10.0	10.0
Property, plant and equipment	2.6	2.9
Timber and timberlands	27.3	27.4
	$39.9	$40.3
LIABILITIES, FRASER PAPERS INC.'S NET INVESTMENT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5.0	$ 9.3
Income taxes payable	3.3	3.9
	8.3	13.2
Employee benefit plan liability	2.2	2.1
Future income taxes	5.1	5.8
Fraser Papers Inc.'s net investment	24.3	19.2
	$39.9	$40.3

On behalf of the Board:

(Signed) PAUL GAGNÉ, CA
Audit Committee Chair
Fraser Papers Inc.

(Signed) DOMINIC GAMMIERO
President and Chief Executive Officer
Fraser Papers Inc.

See accompanying notes to financial statements.

FRASER PAPERS' TIMBERLANDS BUSINESS

UNAUDITED INTERIM STATEMENTS OF OPERATIONS AND FRASER PAPER INC.'S NET INVESTMENT
(in millions of Canadian dollars)

	Nine Months Ended	
	October 1, 2005	September 25, 2004
Net sales	$42.2	$46.0
Operating expenses:		
Cost of sales	33.6	37.1
Selling, administration and other	0.6	0.4
Depreciation and depletion	0.8	0.8
	$35.0	$38.3
Operating earnings	7.2	7.7
Income taxes (*note 4*)	2.6	2.4
Earnings	$ 4.6	$ 5.3
Fraser Papers Inc.'s net investment		
Balance, beginning of period	$19.2	$24.2
Earnings	4.6	5.3
Contribution from (distribution to) Fraser Papers Inc.	0.5	(6.1)
Balance, end of period	$24.3	$23.4

See accompanying notes to financial statements.

FRASER PAPERS' TIMBERLANDS BUSINESS

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)

	Nine Months Ended	
	October 1, 2005	September 25, 2004
Cash provided by (used for):		
Operating Activities		
Earnings	$4.6	$5.3
Items not affecting cash:		
Depreciation and depletion	0.8	0.8
Future income taxes (*note 4*)	(0.7)	(0.8)
	4.7	5.3
Net change in non-cash working capital balances (*note 5*)	(4.3)	1.1
	0.4	6.4
Investing Activities		
Capital expenditures	(0.2)	—
Financing Activities		
Distribution to Fraser Papers Inc.	(0.2)	(6.4)
Change in cash	$ —	$ —
Cash, beginning of period	—	—
Cash, end of period	$ —	$ —

See accompanying notes to financial statements.

FRASER PAPERS' TIMBERLANDS BUSINESS

NOTES TO UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS
(in millions of Canadian dollars)

In these notes ''Fraser Papers' Timberlands Business'' means the timberlands operations conducted by Fraser Papers in respect of the NB Timberlands and its management of the Crown Lands, ''Fraser Papers'' means Fraser Papers Inc. and all of its combined subsidiaries and affiliates for periods subsequent to June 30, 2004 and the Fraser Papers division of Norbord for periods up to June 30, 2004, and ''Company'' means Fraser Papers Inc. as a separate corporation. ''Norbord'' means Norbord Inc. (the prior owner of Fraser Papers) or any of its subsidiaries. ''Brookfield'' means Brookfield Asset Management Inc. (a related party by virtue of significant shareholdings in the Company) or any of its subsidiaries.

Note 1. Significant Accounting Policies

Basis of Presentation

These financial statements present the financial position, results of operations and changes in Fraser Papers' net investment and cash flows of the Fraser Papers' Timberlands Business and have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'') from the books and records of Fraser Papers. The earnings of Fraser Papers' Timberlands Business includes the administrative costs associated with managing Fraser Papers' Timberlands Business. These include selling costs and divisional personnel and travel costs.

Income taxes have been recorded at statutory rates based on income as reported in the combined statements of operations as though the Fraser Papers' Timberlands Business was a separate tax paying entity. Income taxes payable in respect of the components which were not historically separate tax paying legal entities have been included in Fraser Papers' net investment. Future income taxes have been presented in the combined balance sheet for each temporary difference between the financial reporting and tax bases of the assets and liabilities. In addition, future tax assets have been recognized to the extent that they would have been realized as though the Fraser Papers' Timberlands Business was a separate tax paying entity.

The functional currency of Fraser Papers is the United States dollar. However, the financial statements of Fraser Papers' Timberlands Business have been presented on the basis that the functional currency of Fraser Papers' Timberlands Business was the Canadian dollar as the majority of the revenues and expenses of Fraser Papers' Timberlands Business are denominated in Canadian dollars.

As a result of the basis of presentation described above, the combined statements of operations for all periods may not necessarily be indicative of the revenues and expenses that would have resulted had the Fraser Papers' Timberlands Business historically operated as a stand-alone entity during those periods.

These interim financial statements have been prepared using the same accounting policies and methods as the annual financial statements of Fraser Papers' Timberlands Business for each of the years in the three-year period ended December 31, 2004. These interim financial statements have been prepared in accordance with Canadian GAAP for interim financial statements and do not contain all of the disclosures required for annual financial statements. As a result, these interim financial statements should be read in conjunction with the financial statements of Fraser Papers' Timberlands Business for the years ended December 31, 2004, 2003 and 2002. These financial statements include any adjustments that are, in the opinion of management, necessary to fairly state the results of interim periods in accordance with GAAP.

Note 2. Accounts Receivable

Accounts receivable includes $1.4 (2004 — $2.6) receivable from Fraser Papers for the sale of logs and other products.

Note 3. Employee Benefit Plans

Operating costs include $0.7 (2004 — $0.7) of pension costs for defined benefit pension plans. Defined benefit pension plan funding amounted to $0.9 (2004 — $0.8).

Operating costs include $0.1 (2004 — $0.1) related to contributions to Fraser Papers' defined contribution pension plans.

Note 4. Income Taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the amounts used for income tax purposes.

Significant components of the provision for income taxes are as follows:

	October 1, 2005	September 25, 2004
Current tax expense	$ 3.3	$ 3.2
Future income tax recovery	(0.7)	(0.8)
Income tax expense	$ 2.6	$ 2.4

Fraser Papers' Timberlands Business makes no payments in respect of income taxes as taxable earnings are offset by taxable losses at other divisions of the Company. Income taxes payable are offset by a non-cash contribution from the Company.

Note 5. Change in Non-Cash Working Capital

The net change in non-cash working capital balances comprise:

	October 1, 2005	September 25, 2004
Cash provided by (used for):		
Accounts receivable	$(0.4)	$ 1.0
Inventory	0.4	1.2
Accounts payable and accrued liabilities	(4.3)	(1.1)
	$(4.3)	$ 1.1

Note 6. Related Party Transactions

Fraser Papers' Timberlands Business sells a significant portion of its production to Fraser Papers and generates all of its revenue for services performed for licencees and sublicencees from Fraser Papers. Net sales to Fraser Papers amounted to $14.6, representing 35% of net sales, (2004 — $17.1 and 37% respectively).

All related party transactions are recorded at the exchange amount.

Note 7. Segmented Information

The Fraser Papers' Timberlands Business operates in one segment and carries on business substantially in the province of New Brunswick. All of the Fraser Papers' Timberlands Business' assets are located in New Brunswick.

AUDITORS' REPORT

To the Managers of
KATAHDIN FOREST MANAGEMENT LLC

We have audited the balance sheets of the Katahdin Forest Management LLC as at December 31, 2004 and 2003 and the statements of operations, retained earnings and Katahdin Timberlands LLC's net investment and cash flows for the year ended December 31, 2004 and for the period from April 29, 2003 to December 31, 2003. These financial statements are the responsibility of the Company'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 Katahdin Forest Management LLC as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the year ended December 31, 2004 and for the period from April 29, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

(Signed) ERNST & YOUNG LLP
Chartered Accountants

Toronto, Canada

November 11, 2005

KATAHDIN FOREST MANAGEMENT LLC

BALANCE SHEETS
(in millions of U.S. dollars)

	As at December 31,	
	2004	**2003**
ASSETS		
Current assets:		
Cash	$ 1.4	$ 1.7
Accounts receivable (*note 2*)	0.5	1.0
	1.9	2.7
Timber and timberlands (*note 3*)	36.8	37.3
Deferred financing costs (*note 4*)	0.3	—
	$39.0	$40.0
LIABILITIES, MEMBERS' EQUITY AND TIMBERLANDS' NET INVESTMENT		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1.1	$ 0.3
Current debt (*note 4*)	—	0.8
	1.1	1.1
Long-term debt (*note 4*)	31.5	37.0
Timberlands' net investment	—	1.9
Members' equity (*note 10*)	6.4	—
	$39.0	$40.0

On behalf of the Managers:

(Signed) CRAIG LAURIE
Manager
Katahdin Forest Management LLC

(Signed) MARCIA A. MCKEAGUE
President
Katahdin Forest Management LLC

See accompanying notes to financial statements.

KATAHDIN FOREST MANAGEMENT LLC

STATEMENTS OF OPERATIONS, RETAINED EARNINGS AND TIMBERLANDS NET INVESTMENT

(in millions of U.S. dollars)

	Year Ended December 31, 2004	Period from April 29, 2003 to December 31, 2003
Net sales	$17.4	$ 9.9
Operating expenses:		
Cost of sales	10.8	6.1
Selling, administration and other	0.9	0.5
Depreciation and depletion	1.4	0.8
	$13.1	$ 7.4
Operating earnings	4.3	2.5
Other income	0.3	0.1
Interest expense	(1.5)	(1.0)
Earnings	$ 3.1	$ 1.6
Retained Earnings and Timberlands' Net Investment		
Timberlands' net investment, beginning of period	$ 1.9	$ 0.3
Earnings prior to reorganization	0.5	1.6
Contribution from Timberlands	3.4	—
Transfer to members' equity	(5.8)	—
Earnings subsequent to reorganization	2.6	—
Dividends	(2.0)	—
Balance, end of period	$ 0.6	$ 1.9

See accompanying notes to financial statements.

KATAHDIN FOREST MANAGEMENT LLC

STATEMENTS OF CASH FLOWS

(in millions of U.S. dollars)

	Year Ended December 31, 2004	Period from April 29, 2003 to Dec. 31, 2003
Cash provided by (used for):		
Operating Activities		
Earnings	$ 3.1	$ 1.6
Items not affecting cash:		
Depreciation and depletion	1.4	0.8
	4.5	2.4
Net change in non-cash working capital balances (*note 5*)	1.3	(0.9)
	5.8	1.5
Investing Activities		
Capital expenditures	(0.8)	—
	(0.8)	—
Financing Activities		
Contribution from Timberlands	3.4	—
Dividends	(2.0)	—
Repayment of long-term debt (*note 4*)	(37.8)	(0.5)
Issuance of long-term debt (*note 4*)	31.5	
Deferred financing costs	(0.4)	—
	(5.3)	(0.5)
Increase (decrease) in cash	$ (0.3)	$ 1.0
Cash, beginning of period	1.7	0.7
Cash, end of period	$ 1.4	$ 1.7

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
(in millions of U.S. dollars)

In these notes ''KFM'' means Katahdin Forest Management LLC for periods subsequent to February 18, 2004 and KFM operations of Katahdin Timberlands LLC for the period from April 29, 2003 to February 18, 2004. ''Timberlands'' means Katahdin Timberlands LLC, the parent company of Katahdin Forest Management LLC. ''Fraser Papers'' means Fraser Papers Inc., a related party by virtue of being under common significant influence, and all of its consolidated subsidiaries. ''Katahdin Paper'' means Katahdin Paper Company LLC, a related party by virtue of being under common significant influence. ''Brookfield'' means Brookfield Asset Management Inc. and its wholly-owned subsidiaries, a related party by virtue of control and or significant equity holdings in Katahdin Paper, Timberlands, KFM and Fraser Papers.

KFM owns and manages approximately 311,000 acres of freehold timberlands in Maine. KFM also has retained cutting rights on lands sold to a third party, and earns a management fee. The cutting rights on those lands expire in May 2005. KFM also manages wood sales and harvesting on Katahdin Paper lands. The products of KFM include hardwood and softwood logs of various species, as well as biomass as a by-product. Trees are harvested using third party contractors. The customer base of KFM is primarily lumber sawmills and pulp and paper companies.

Note 1. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'').

On February 18, 2004, Timberlands completed a reorganization, whereby, among other things it transferred its interest in its woodlands assets to a newly formed wholly-owned subsidiary, KFM. Prior to February 18, 2004, these financial statements were prepared from the books and records of Timberlands, excluding any operations that were not related to its woodlands operations. The financial results of KFM include administrative costs associated with managing the woodlands operations of Timberlands. These include office rents, selling costs and divisional personnel and travel costs. Certain expenses and income in the financial statements represent inter-company allocations for services provided by or to Timberlands.

As a result of the basis of presentation described above, the statements of operations for periods prior to February 18, 2004 may not necessarily be indicative of the revenues and expenses that would have resulted had KFM historically operated as a stand-alone entity during those periods.

Push-down Accounting

Timberlands was formed by Brookfield on April 29, 2003 to acquire and manage Brookfield's interest in Timberlands and related operations in the state of Maine. No financial information for KFM has been provided for periods prior to April 29, 2003 as the financial information to do so is not available. As a result, the carrying amounts of the assets and liabilities of KFM at April 29, 2003 were recorded at Brookfield's April 29, 2003 acquisition amounts which were as follows:

Assets:	
Current assets	$ 0.8
Timber and timberlands	37.9
Leasehold improvements	0.1
Total assets	$38.8
Liabilities:	
Current liabilities	$ 1.0
Long-term debt	37.5
Total liabilities	$38.5
Timberlands' net investment	$ 0.3

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during a period. Significant estimates include the determination of the carrying value and useful lives of property, plant and equipment. Actual results could differ from those estimates.

Timber and Timberlands

KFM records a provision for depletion in a systematic manner based on the utilization of the timber resources. Depletion is based on a *pro rata* calculation of units of timber and relative values of tree species present, and is applied against the historical cost of timberlands.

Bridges are included in the cost of timberlands and are recorded at cost and depreciated by the straight-line method over their useful lives, which are estimated to be 20 years.

Planting costs are capitalized. Silviculture costs are expensed.

Revenue Recognition

Net sales are net of discounts and rebates to customers. Revenue is recognized when the risks of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities are determined. Net sales are governed by standard industry terms and, in some cases by contract.

Inventories and Cost of Sales

Inventories of road construction supplies are valued at the lower of cost, determined primarily on the first-in, first-out method, or replacement value. At December 31, 2004 and 2003 inventories were less than $0.1.

Inventories of wood are valued at the lower of average cost and net realizable value. Cost of sales includes predominantly cutting, harvesting and transportation costs as well as costs for silviculture and access roads and passages.

Financial Instruments

The fair values of financial instruments approximate their carrying values.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over the term of the related loan.

Income Taxes

KFM is a limited liability company and, as such, is treated as a partnership under the Internal Revenue Code. Income, losses, and other tax attributes are passed through to its members based on the respective members' capital in KFM, and taxed at the members' level. Distributions are shared among the members in accordance with their capital contributions. Accordingly, KFM has not recorded any income tax expense or future income tax assets or liabilities.

Note 2. Accounts Receivable

Accounts receivable includes $0.1 (2003 — $0.4) receivable from Katahdin Paper for the sale of wood and other products. Accounts receivable also includes $0.1 (2003 — $0.3) receivable from Fraser Papers for wood and other products.

Note 3. Timber and Timberlands

	2004	2003
Cost	$38.9	$38.1
Accumulated depletion	2.1	0.8
	$36.8	$37.3

Note 4. Long-term Debt

Long-term debt consists of:

	2004	2003
Loan from CCM Working Forests I LLC	$31.5	—
Nature Conservancy loan	—	33.8
Note payable to Carrier Timberlands LLC	—	4.0
	$31.5	$37.8
Less current portion	—	0.8
	$31.5	$37.0

The loan from CCM Working Forests I LLC bears interest at a fixed rate of 4.67% per annum. Interest is paid quarterly. The principal amount of $31.5 is due in February 2011. KFM has pledged all of its assets as collateral for the loan. This loan has certain restrictive covenants relating to debt incurrence and sale of assets and also contains restrictive covenants that require KFM to maintain certain financial ratios. As at December 31, 2004, KFM was in compliance with all covenants.

The Nature Conservancy loan had an interest rate of 4.0% per annum and was repaid in February 2004.

The note payable to Carrier Timberlands LLC had an interest rate of the Prime rate plus 0.25% and was repaid in February 2004. As at December 31, 2003, KFM had classified $0.8 as current debt.

Deferred financing costs of $0.4 are being amortized over the term of the loan.

Note 5. Change in Non-Cash Working Capital

The net change in non-cash working capital balances comprise:

	2004	2003
Cash provided by (used for):		
Accounts receivable	$0.5	$(0.8)
Accounts payable and accrued liabilities	0.8	(0.1)
	$1.3	$(0.9)

Note 6. Commitments & Contingencies

On November 30, 2004, the Company had entered into an operating lease for office space through September 2011 for total payments over the term of the lease of approximately $0.1.

Note 7. Related Party Transactions

KFM sells a significant portion of its harvest to Katahdin Paper and Fraser Papers. Total net sales to Katahdin Paper and Fraser Papers amounted to $7.2 million in 2004, or 42% of net sales (2003 — $3.0 million, or 30% of net sales).

Katahdin Paper provides a number of administrative services to KFM including information technology support, payroll support and other administrative services. KFM, in turn, provides other services to Katahdin Paper such as purchased wood accounting. No fees have been charged for these services. Certain employees of KFM also perform services for Timberlands, the parent company. Total fees charged to Timberlands in 2004 were $0.1 (2003 — $0.1).

All related party transactions are recorded at the exchange amount.

Note 8. Segmented Information

KFM operates one segment and operates substantially in the state of Maine. All of the Company's assets are located in Maine.

Note 9. Concentration

KFM has entered into various contracts with outside parties to cut and haul harvested timber. During the year ended December 31, 2004, approximately 92% of KFM's costs under these contracts were for services provided by four entities (period ended December 31, 2003 — 88% to four entities).

During the year ended December 31, 2004, net sales to KFM's four largest customers represented 58% (2003 — 63%) of total net sales including net sales to related parties representing 42% (2003 — 31%) of total net sales.

Note 10. Members' Equity

As a result of the reorganization on February 18, 2004, Katahdin Timberlands LLC owns 99% of the membership interests with the remaining 1% owned by an affiliate of Brookfield.

	2004
Membership interest, February 18, 2004:	$5.8
Retained earnings	0.6
	$6.4

AUDITORS' REPORT

To the Managers of
KATAHDIN FOREST MANAGEMENT LLC

We have audited the balance sheets of Katahdin Forest Management LLC as at September 30, 2005 and statements of operations, retained earnings and Katahdin Timberland LLC's net investment and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 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 Katahdin Forest Management LLC as at September 30, 2005 and the results of its operations and its cash flows for the nine-month period then ended in accordance with Canadian generally accepted accounting principles.

(Signed) ERNST & YOUNG LLP
Chartered Accountants

Toronto, Canada

November 11, 2005

KATAHDIN FOREST MANAGEMENT LLC

BALANCE SHEETS
(in millions of U.S. dollars)

	As at September 30, 2005	As at December 31, 2004
		(Unaudited)
ASSETS		
Current assets:		
Cash	$ 2.2	$ 1.4
Accounts receivable (*note 2*)	0.6	0.5
	2.8	1.9
Timber and timberlands (*note 3*)	35.8	36.8
Deferred financing costs	0.3	0.3
	$38.9	$39.0
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued liabilities	$ 0.9	$ 1.1
Long-term debt (*note 4*)	31.5	31.5
Members' equity (*note 10*)	6.5	6.4
	$38.9	$39.0

On behalf of the Managers:

(Signed)
Manager
Katahdin Forest Management LLC

(Signed)
President
Katahdin Forest Management LLC

See accompanying notes to financial statements.

KATAHDIN FOREST MANAGEMENT LLC

STATEMENTS OF OPERATIONS, RETAINED EARNINGS AND TIMBERLAND'S NET INVESTMENT

(in millions of U.S. dollars)

	For the Nine Months Ended	
	September 30, 2005	September 30, 2004
		(Unaudited)
Net sales	$11.9	$11.6
Operating expenses:		
Cost of sales	7.2	7.1
Selling, administration and other	0.6	0.6
Depreciation and depletion	1.0	1.0
	$ 8.8	$ 8.7
Operating earnings	3.1	2.9
Other income	0.3	0.2
Interest expense	(1.1)	(1.1)
Earnings	$ 2.3	$ 2.0
Retained Earnings and Timberland's Net Investment		
Balance, beginning of period	$ 0.6	$ 1.9
Earnings prior to reorganization	—	0.5
Contribution from Timberlands	—	3.4
Transfer to membership interests	—	(5.8)
Earnings subsequent to reorganization	2.3	1.5
Dividends	(2.2)	(1.0)
Balance, end of period	$ 0.7	$ 0.5

See accompanying notes to financial statements.

KATAHDIN FOREST MANAGEMENT LLC

STATEMENTS OF CASH FLOWS
(in millions of U.S. dollars)

	For the Nine Months Ended	
	September 30, 2005	September 30, 2004
		(Unaudited)
Cash provided by (used for):		
Operating Activities		
Earnings	$ 2.3	$ 2.0
Items not affecting cash:		
Depreciation and depletion	1.0	1.0
	3.3	3.0
Net change in non-cash working capital balances (*note 5*)	(0.3)	1.8
	3.0	4.8
Investing Activities		
Capital expenditures	—	(0.8)
	—	(0.8)
Financing Activities		
Contribution from Timberlands	—	3.4
Dividends	(2.2)	(1.0)
Repayment of long-term debt (*note 4*)	—	(37.8)
Issuance of long-term debt (*note 4*)	—	31.5
Deferred financing costs	—	(0.4)
	(2.2)	(4.3)
Increase (decrease) in cash	$ 0.8	$ (0.3)
Cash, beginning of period	1.4	1.7
Cash, end of period	$ 2.2	$ 1.4

See accompanying notes to financial statements.

KATAHDIN FOREST MANAGEMENT LLC

NOTES TO FINANCIAL STATEMENTS
(in millions of U.S. dollars)

(All amounts and information as at December 31, 2004 and for the nine months ended September 30, 2004 are unaudited.)

In these notes ''KFM'' means Katahdin Forest Management LLC for periods subsequent to February 18, 2004 and KFM operations of Katahdin Timberlands LLC for the period from January 1, 2004 to February 18, 2004. ''Timberlands'' means Katahdin Timberlands LLC, the parent company of Katahdin Forest Management LLC. ''Fraser Papers'' means Fraser Papers Inc., a related party by virtue of being under common significant influence, and all of its consolidated subsidiaries. ''Katahdin Paper'' means Katahdin Paper Company LLC, a related party by virtue of being under common significant influence. ''Brookfield'' means Brookfield Asset Management Inc. or its wholly-owned subsidiaries, a related party by virtue of control and or significant equity holdings in Katahdin Paper, Timberlands, KFM and Fraser Papers.

KFM owns and manages approximately 311,000 acres of freehold timberlands in Maine. KFM also has retained cutting rights on lands sold to a third party, and earns a management fee. The cutting rights on those lands expire in May 2005. KFM also manages wood sales and harvesting on Katahdin Paper lands. The products of KFM include hardwood and softwood logs of various species, as well as biomass as a by-product. Trees are harvested using third party contractors. The customer base of KFM is primarily pulp and paper companies and lumber sawmills.

Note 1. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'').

On February 18, 2004, Timberlands completed a reorganization, whereby, among other things it transferred its interest in its woodlands assets to a newly-formed, wholly-owned subsidiary, KFM. Prior to February 18, 2004, these financial statements were prepared from the books and records of Timberlands, excluding any operations that were not related to its woodlands operations, and the financial results of KFM include administrative costs associated with managing the woodlands operations of Timberlands. These include office rents, selling costs and divisional personnel and travel costs. Certain expenses and income in the financial statements represent inter-company allocations for services provided by or to Timberlands and/or Brookfield.

As a result of the basis of presentation described above, the combined statements of operations for periods prior to February 18, 2004 may not necessary be indicative of the revenues and expenses that would have resulted had KFM historically operated as a stand-alone entity during those periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during a period. Significant estimates include the determination of the carrying value and useful lives of property, plant and equipment. Actual results could differ from those estimates.

Timber and Timberlands

KFM records a provision for depletion in a systematic manner based on the utilization of the timber resources. Depletion is based on a *pro rata* calculation of units of timber and relative values of tree species present, and is applied against the historical cost of timberlands.

Bridges are included in the cost of timberlands and are recorded at cost and depreciated by the straight-line method over their useful lives, which is estimated to be 20 years.

Silviculture costs are expensed.

Revenue Recognition

Net sales are net of discounts and rebates to customers. Revenue is recognized when the risks of ownership pass to the purchaser, which is generally when timber is delivered to the purchaser and actual quantities delivered are determined. Net sales are governed by standard industry terms and, in some cases by contract.

Inventories and Cost of Sales

Inventories of road construction supplies are valued at the lower of cost, determined primarily on the first-in, first-out method, or replacement value. At September 30, 2005 and December 31, 2004, inventories were less than $0.1.

Inventories of wood are valued at the lower of average cost and net realizable value. Cost of sales includes predominantly cutting, harvesting and transportation costs as well as costs for silviculture and access roads and passages.

Financial Instruments

The fair values of financial instruments approximate their carrying values.

Deferred Financing Costs

Deferred financing costs are amortized on a straight-line basis over the term of the related loan.

Income taxes

KFM is a limited liability company and, as such, is treated as a partnership under the Internal Revenue Code. Income, losses, and other tax attributes are passed through to its members based on the respective members' capital in KFM, and taxed at the members' level. Distributions are shared among the members in accordance with their capital contributions. Accordingly, KFM has not recorded any income tax expense or future income tax assets or liabilities.

Note 2. Accounts Receivable

Accounts receivable includes receivables of nil (2004 — $0.1) from Katahdin Paper for the sale of wood and other products. Accounts receivable also includes $0.1 (2004 — $0.1) receivable from Fraser Papers for wood and other products.

Note 3. Timber and Timberlands

	September 30, 2005	December 31, 2004
Cost	$38.9	$38.9
Accumulated depletion	3.1	2.1
	$35.8	$36.8

Note 4. Long-term Debt

Long-term debt consists of a $31.5 loan from CCM Working Forests I LLC that bears interest 4.67% per annum. Interest is paid quarterly. The principle amount of $31.5 is due in February 2011. KFM has pledged all of its assets as collateral for the loan. This loan has certain restrictive covenants relating to debt incurrence and sale of assets and also contains restrictive covenants that require KFM to maintain certain financial ratios. As at September 30, 2005, KFM was in compliance with all covenants.

Note 5. Change in Non-Cash Working Capital

The net change in non-cash working capital balances comprise:

	September 30, 2005	September 30, 2004
Cash provided by (used for):		
Accounts receivable	$(0.1)	$0.7
Accounts payable and accrued liabilities	(0.2)	1.1
	$(0.3)	$1.8

Note 6. Commitments & Contingencies

At November 30, 2004, KFM had entered into an operating lease for office space through September 2011 for total payments over the term of the lease of approximately $0.1.

Note 7. Related Party Transactions

KFM sells a portion of its harvest to Katahdin Paper and Fraser Papers. Net sales to Katahdin Paper and Fraser Papers amounted to $5.2 for the nine months ended September 30, 2005 (2004 — $5.5).

Katahdin Paper provides a number of administrative services to KFM including information technology support, payroll support and other administrative services. KFM, in turn, provides other services to Katahdin Paper such as purchased wood accounting. No fees have been charged for these services.

Certain employees of KFM also perform services for Timberlands, the parent company. Total fees charged to Timberlands in 2005 were $0.1 (2004 — $0.1).

All related party transactions are recorded at the exchange amount.

Note 8. Segmented Information

KFM operates one segment and operates substantially in the state of Maine. All of the Company's assets are located in Maine.

Note 9. Concentration

KFM has entered into various contracts with outside parties to cut and haul harvested timber. During the nine months ended September 30, 2005, approximately 92% of the KFM's costs under these contracts were paid to four entities (2004 — 94% to four entities).

During the nine months ended September 30, 2005, net sales to KFM's four largest customers represented 66% (2004 — 63%) of total net sales including net sales to related parties representing 44% (2004 — 47%) of total net sales.

Note 10. Members' Equity

As a result of the reorganization on February 18, 2004, Timberlands owns 99% of the membership interests with the remaining 1% owned by an affiliate of Brookfield.

	September 30, 2005	December 31, 2004
Membership interest	$5.8	$5.8
Retained earnings	0.7	0.6
	$6.5	$6.4

COMPILATION REPORT ON *PRO FORMA* FINANCIAL STATEMENTS

To the Trustees of
Acadian Timber Income Fund

We have read the accompanying unaudited *pro forma* consolidated balance sheet of the Acadian Timber Income Fund as at October 1, 2005 and unaudited *pro forma* consolidated statements of operations for the nine months then ended, for the twelve months ended October 1, 2005 and for the year ended December 31, 2004 and have performed the following procedures.

1. Compared the figures in the columns captioned ''The Fund'' to the audited balance sheet of Acadian Timber Income Fund, as at December 15, 2005 and found them to be in agreement.
2. For the *pro forma* consolidated balance sheet as at October 1, 2005 and the *pro forma* consolidated statements of operations for the nine months ended October 1, 2005 and for the year ended December 31, 2004, compared the figures in the columns captioned ''Fraser Papers' Timberlands Business'' to the unaudited financial statements of the Fraser Papers' Timberlands Business as at October 1, 2005 and for the nine months then ended and the audited financial statements of Fraser Papers' Timberlands Business for the year ended December 31, 2004, respectively, and found them to be in agreement.
3. For the *pro forma* consolidated statement of operations for the twelve months ended October 1, 2005, we recalculated the figures in the column captioned ''Fraser Papers' Timberlands Business'' based on the audited financial statements of Fraser Papers' Timberlands Business as at December 31, 2004 and for the year then ended and the unaudited interim financial statements of Fraser Papers' Timberlands Business as at October 1, 2005 and for the nine months ended October 1, 2005 and September 25, 2004 and found them to be in agreement.
4. For the *pro forma* consolidated balance sheet as at October 1, 2005 and the *pro forma* consolidated statements of operations for the nine months ended October 1, 2005 and for the year ended December 31, 2004, we recalculated the figures in the columns captioned ''KFM'' based on the audited financial statements of Katahdin Forest Management LLC (''KFM'') as at September 30, 2005 and for the nine months then ended and the audited financial statements of KFM as at December 31, 2004 and for the year then ended, respectively, after giving effect to the conversion from United States dollars to Canadian dollars as described in note 3 of the *pro forma* consolidated financial statements, and found them to be in agreement.
5. For the *pro forma* consolidated statement of operations for the twelve months ended October 1, 2005, we recalculated the figures in the column captioned ''KFM'' based on the audited financial statements of KFM as at September 30, 2005 and for the nine-months then ended, the audited financial statements of KFM as at December 31, 2004 and for the year then ended and the unaudited interim financial statements of KFM for the nine months ended September 30, 2004, after giving effect to the conversion from United States dollars to Canadian dollars as described in note 3 of the *pro forma* consolidated financial statements, and found them to be in agreement.
6. Made enquiries of certain officials of the Acadian Timber Income Fund who have responsibility for financial and accounting matters about:

   a. the basis for determination of the *pro forma* adjustments; and

   b. whether the unaudited *pro forma* consolidated financial statements comply as to form in all material respects with the published requirements of Canadian securities legislation.

   The officials:

   a. described to us the basis for determination of the *pro forma* adjustments; and

   b. stated that the unaudited *pro forma* consolidated financial statements comply as to form in all material respects with the requirements of Canadian securities legislation.
7. Read the notes to the *pro forma* consolidated financial statements, and found them to be consistent with the basis described to us for determination of the *pro forma* adjustments.
8. Recalculated the application of the *pro forma* adjustments to the aggregate of the amounts in the columns entitled ''The Fund,'' ''Fraser Papers' Timberlands Business'' and ''KFM'' as at October 1, 2005 and for the nine months

ended October 1, 2005, the twelve months ended October 1, 2005 and the year ended December 31, 2004 and found the amounts in the column captioned ''*Pro forma* Fund'' to be arithmetically correct.

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

(Signed) ERNST & YOUNG LLP
Chartered Accountants

Toronto, Canada

January 23, 2006

ACADIAN TIMBER INCOME FUND

PRO FORMA CONSOLIDATED BALANCE SHEET

(in millions of Canadian dollars)

	As at October 1, 2005 (Unaudited — see compilation report)					
	Fund	**Fraser Papers' Timberlands Business**	**KFM** (Note 3)	***Pro forma* Adjustments** (Note 4)		***Pro forma* Fund**
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 2.5	$ —	a, b, c, d	$ 2.5
Accounts receivable	—	7.1	0.6	—		7.7
Inventories	—	2.9	0.1	0.3	c	3.3
	—	10.0	3.2	0.3		13.5
Property, plant and equipment	—	2.6	—	—		2.6
Timber and timberlands	—	27.3	41.6	156.6	c, d	225.5
Deferred financing costs	—	—	0.4	(0.3)	b, d	0.1
	$ —	$39.9	$45.2	$156.6		$241.7
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities	$ —	$ 5.0	$ 1.1	$ —		$ 6.1
Income taxes payable	—	3.3	—	(3.3)	c	—
	—	8.3	1.1	(3.3)		6.1
Long-term debt	—	—	36.5	42.0	b	78.5
Employee future benefit liability	—	2.2	—	(2.2)	c	—
Future income taxes	—	5.1	—	(5.1)	c	—
Katahdin Class B Interest liability	—	—	—	45.1	d	45.1
Equity	—	24.3	7.6	(31.9)	c, d	—
Unitholder's equity	—	—	—	112.0	a, c	112.0
	$ —	$39.9	$45.2	$156.6		$241.7

On behalf of the Trust:

J.W. Bud Bird, O.C.
Trustee

Louis J. Maroun
Trustee

See accompanying notes to financial statements.

ACADIAN TIMBER INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(in millions of Canadian dollars)

	For the Twelve Months Ended October 1, 2005 (Unaudited — See Compilation Report)					
	Fund	Fraser Papers' Timberlands Business	KFM	*Pro Forma* Adjustments		*Pro Forma* Fund
			(Note 3)	(Note 4)		
Net sales	$ —	$56.5	$21.8	$ 2.7	e	$81.0
Operating expenses:						
Cost of sales	—	45.0	13.4	(0.4)	k	58.0
Selling, administration and other	—	0.8	1.2	0.7	f	2.7
Restructuring	—	0.7	—	—		0.7
Depreciation and depletion	—	0.9	1.7	4.1	g	6.7
	$ —	$47.4	$16.3	$ 4.4		$68.1
Operating earnings	—	9.1	5.5	(1.7)		12.9
Other income (expense)	—	—	0.4	—		0.4
Interest expense	—	—	(1.7)	(2.3)	h, i	(4.0)
Payment on Katahdin Class B Interest liability	—	—	—	(3.7)	j	(3.7)
Earnings before income taxes	—	9.1	4.2	(7.7)		5.6
Income tax expense	—	3.3	—	(3.3)	l	—
Earnings	$ —	$ 5.8	$ 4.2	$(4.4)		$ 5.6

See accompanying notes to financial statements.

ACADIAN TIMBER INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(in millions of Canadian dollars)

	For the Nine Months Ended October 1, 2005 (Unaudited — See Compilation Report)					
	Fund	**Fraser Papers' Timberlands Business**	**KFM**	***Pro Forma* Adjustments**		***Pro Forma* Fund**
			(Note 3)	(Note 4)		
Net sales	$ —	$42.2	$14.6	$ 2.2	e	$59.0
Operating expenses:						
Cost of sales	—	33.6	8.8	(0.3)	k	42.1
Selling, administration and other	—	0.6	0.8	0.6	f	2.0
Depreciation and depletion	—	0.8	1.2	3.2	g	5.2
	$ —	$35.0	$10.8	$ 3.5		$49.3
Operating earnings	—	7.2	3.8	(1.3)		9.7
Other income (expense)	—	—	0.3	—		0.3
Interest expense	—	—	(1.3)	(1.7)	h, i	(3.0)
Payment on Katahdin Class B Interest liability	—	—	—	(2.8)	j	(2.8)
Earnings before income taxes	—	7.2	2.8	(5.8)		4.2
Income tax expense	—	2.6	—	(2.6)	l	—
Earnings	$ —	$ 4.6	$ 2.8	$(3.2)		$ 4.2

See accompanying notes to financial statements.

ACADIAN TIMBER INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(in millions of Canadian dollars)

	For the Year Ended December 31, 2004 (Unaudited — See Compilation Report)					
	Fund	Fraser Papers' Timberlands Business	KFM	*Pro Forma* Adjustments		*Pro Forma* Fund
			(Note 3)	(Note 4)		
Net sales	$ —	$60.3	$22.7	$ 3.0	e	$86.0
Operating expenses:						
Cost of sales	—	48.5	14.1	(0.4)	k	62.2
Selling, administration and other	—	0.6	1.2	1.0	f	2.8
Restructuring	—	0.7	—	—		0.7
Depreciation and depletion	—	0.9	1.8	4.2	g	6.9
	$ —	$50.7	$17.1	$ 4.8		$72.6
Operating earnings	—	9.6	5.6	(1.8)		13.4
Other income (expense)	—	—	0.4	—		0.4
Interest expense	—	—	(2.0)	(2.3)	h, i	(4.3)
Payment on Katahdin Class B Interest liability	—	—	—	(3.7)	j	(3.7)
Earnings before income taxes	—	9.6	4.0	(7.8)		5.8
Income tax expense	—	3.1	—	(3.1)	l	—
Earnings	$ —	$ 6.5	$ 4.0	$(4.7)		$ 5.8

See accompanying notes to financial statements.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(in millions of Canadian dollars)
(unaudited — see compilation report)

In these notes, ''Acadian'' means Acadian Timber Income Fund and its consolidated operations, ''Fraser Papers' Timberlands Business'' means the timberlands operations conducted by Fraser Papers in respect of the NB Timberlands and its management of the Crown Lands, ''KFM'' means Katahdin Forest Management LLC, ''Fraser Papers'' means Fraser Papers Inc. and its wholly-owned subsidiaries and ''Brookfield'' means Brookfield Asset Management Inc. and its consolidated subsidiaries.

Note 1. Basis of Presentation

The *pro forma* consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The *pro forma* consolidated balance sheet has been prepared from the unaudited balance sheet of Fraser Papers' Timberlands Business as at October 1, 2005, the audited balance sheet of KFM as at September 30, 2005 and the audited opening balance sheet of Acadian as at December 15, 2005. The *pro forma* consolidated statement of operations for the nine-month period ended October 1, 2005 has been prepared from the unaudited interim statement of operations of Fraser Papers' Timberlands Business for the nine-month period ended October 1, 2005 and the audited statement of operations of KFM for the nine-month period ended September 30, 2005. The *pro forma* consolidated statement of operations for the twelve month period ended October 1, 2005 has been prepared from the unaudited interim statements of operations of Fraser Papers' Timberlands Business for the nine-month periods ended October 1, 2005 and September 25, 2005, the audited statement of operations of Fraser Papers' Timberlands Business for the year ended December 31, 2004, the unaudited statements of operations of KFM for the nine-month periods ended September 30, 2004 and the audited statements of operations of KFM for the year ended December 31, 2004 and the nine-months ended September 30, 2005. The *pro forma* consolidated statement of operations for the year ended December 31, 2004 has been prepared from the audited statements of operations Fraser Papers' Timberlands Business and KFM for the year then ended. These *pro forma* consolidated financial statements should be read in conjunction with the audited and unaudited financial statements of Fraser Papers' Timberlands Business, KFM and Acadian, including the notes thereto, which are presented elsewhere in this prospectus.

The *pro forma* consolidated financial statements have been prepared assuming the formation of Acadian occurred on January 1, 2004 for the *pro forma* consolidated statements of operations and on October 1, 2005 for the *pro forma* consolidated balance sheet.

These *pro forma* consolidated financial statements are not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transactions taken place at the respective dates referred to above.

Note 2. Initial Public Offering and Related Transactions

Acadian will use the net proceeds of the Offering and issuance of debt to indirectly acquire all of the assets of Fraser Papers' Timberlands Business. In addition, Acadian will indirectly acquire 100% of the outstanding common membership units of KFM. Prior to the Offering, KFM will issue the Class B Interests to Brookfield in exchange for approximately 80% of the common membership units then outstanding. The terms of these Class B Interests are described elsewhere in this prospectus. For accounting purposes, the Class B Interests are considered to be a liability of Katahdin.

As part of the consideration for the assets of Fraser Papers' Timberlands Business, Fraser Papers will accept Class B LP Units. The terms of these Class B LP Units are described elsewhere in this prospectus. For accounting purposes, the Class B LP Units are considered equivalent to Units of the Fund.

At the time of the Offering, Acadian will enter into a number of agreements with Fraser Papers, KFM and Brookfield. The terms of each of these agreements are described elsewhere in this prospectus and include the Crown Lands Services Agreement, the Fibre Supply Agreement and the Management Agreement.

Note 3. Foreign Currency Translation

The reporting currency for Acadian will be the Canadian dollar. The functional currency of KFM is the United States dollar. Katahdin will be a self-sustaining subsidiary of Acadian and has been translated into Canadian dollars using the current rate method. The rates used to translate KFM are as follows:

As at October 1, 2005	US$1 = CDN$1.16
For the nine months ended September 30, 2005	US$1 = CDN$1.22
For the year ended December 31, 2004	US$1 = CDN$1.30
For the nine months ended September 30, 2004	US$1 = CDN$1.33

Note 4. Pro forma Adjustments

These *pro forma* consolidated financial statements give effect to the following adjustments:

(a) Acadian will issue 8,450,643 Units of the Fund pursuant to the Offering for net proceeds of approximately $75.8 on closing after deducting estimated expenses of the Offering and underwriting fees. Estimated expenses of the Offering and underwriting fees of $8.7 will be charged directly against unitholders' equity. Included in the 8,450,643 Units issued by the Fund are 422,532 Units to be acquired by Brookfield or one of its affiliates from the Fund upon completion of the Offering (the ''Over-Allotment Call Units''). No underwriters fee will be paid in connection with the issuance of such Units.

The Fund has granted the underwriters an over-allotment option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to a total of 422,532 additional Units on the same terms as the initial public offering of the Units to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised in full, there will be additional underwriters fees of $0.3 resulting in net proceeds to the Fund of $75.5. The Fund will be required to purchase from Brookfield or one of its affiliates and Brookfield or one of its affiliates will be required to sell to the Fund, the Over-Allotment Call Units, or any part thereof in order to allow the Fund to deliver Units to the underwriters pursuant to the exercise of the over-allotment option. The *pro forma* consolidated financial statements assume that the over-allotment option is not exercised.

(b) Acadian will arrange for senior secured credit facilities including a revolving credit facility of up to $5 and a term credit facility of $42. Total fees associated with these facilities will amount to $0.1 and will be amortized over the term of the respective facility.

(c) Acadian will acquire all of the assets of Fraser Papers' Timberlands Business. The assets will be acquired for consideration of $108.4 in cash and 3,613,780 of Class B LP Units for total consideration of $144.5, and accounted for using the purchase method. The estimated purchase price of $144.5 has been preliminarily allocated on a *pro forma* basis to the assets and liabilities acquired from Fraser Papers' Timberlands Business at October 1, 2005 as follows:

Current assets less account payable and accrued liabilities	5.3
Property plant and equipment	2.6
Timber and timberlands	136.6
Total	144.5

The actual determination and allocation of the purchase price will be based upon the assets purchased and the liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of the assets and liabilities acquired will vary from the *pro forma* amounts and the variations may be material.

Acadian will not acquire the following liabilities shown in the historical financial statements of Fraser Papers' Timberlands Business, presented elsewhere in this prospectus, as at October 1, 2005:

Income taxes payable	(3.3)
Future income taxes	(5.1)
Employee benefit plan liability	(2.2)

As Fraser Papers' Timberlands Business is a Division of Fraser Papers Inc., all current taxes owing and temporary differences included in future income taxes of Fraser Papers' Timberlands Business will remain with Fraser Papers.

Obligations for employee benefits up to the time of the offering will remain with Fraser Papers.

(d) Acadian will acquire the common membership interests of Katahdin. The estimated purchase price of $9.4 ($9.1 if the Over-Allotment Option is exercised) has been preliminarily allocated on a *pro forma* basis to the assets and liabilities of Katahdin at October 1, 2005 as follows:

Current assets less account payable and accrued liabilities	2.1
Timber and timberlands	88.9
Long-term debt	(36.5)
Katahdin Class B Interest liability	(45.1)
Total	9.4

The actual determination and allocation of the purchase price will be based upon the assets purchased and the liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of the assets and liabilities acquired will vary from the *pro forma* amounts and the variations may be material.

Deferred financing costs are ascribed a value of nil on a *pro forma* basis.

(e) Fraser Papers will enter into the Fibre Supply Agreement with Acadian whereby Fraser Papers will pay market related value for all of its wood purchases (determined as the average price paid during the period to Fraser Papers' largest wood suppliers excluding Acadian). The historical purchases of wood by Fraser Papers were based on a significant discount from market prices and have been adjusted to reflect pricing based on the Fibre Supply Agreement.

(f) Acadian will enter into the Management Agreement with Brookfield Timberlands Management LP. Selling and administration and other expenses have been adjusted to reflect the fees payable under that agreement, to remove expense allocations from Fraser Papers to Fraser Papers' Timberlands Business and to reflect the transfer of certain employees to Brookfield Timberlands Management LP. Management fees payable by the Fund under the Management Agreement are assumed to be $2.0 for the twelve months ended October 1, 2005, $1.5 for the nine months ended October 1, 2005, and $2.0 for the year ended December 31, 2004.

(g) Depreciation and depletion have been adjusted to reflect the preliminary fair value of property plant and equipment and timber and timberlands.

(h) Interest expense has been adjusted to include interest expense on the term credit facility.

(i) Interest expense has been adjusted to reflect the amortization of deferred financing costs related to the senior secured credit facilities and the Offering. These amount to less than $0.1 for all periods presented.

(j) Payment on Katahdin Class B Interest represents distributions to Class B Interest holders on a *pro forma* basis. For *pro forma* purposes, it has been assumed that there is no change in the value of each Unit of the Fund.

(k) Fraser Papers and KFM follow different policies for accounting for silviculture. Cost of sales has been adjusted to give effect to capitalizing the silviculture expenditures of KFM.

(l) Acadian's distribution policy is such that the Fund will on a consolidated basis, attract minimal tax on a *pro forma* basis. It is assumed that taxes paid by the Fund will be less than $0.1 in each of the periods presented.

(m) Estimated additional administrative expenses of $0.5 to be incurred by Acadian in connection with reporting to shareholders, investor relations, directors' fees and other expenses have not been reflected in the *pro forma* consolidated statements of operations.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: January 23, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon), by Section 77 of the *Securities Act* (Northwest Territories) and by Section 27 of the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

ACADIAN TIMBER INCOME FUND

by its attorney
Acadian Timber GP Inc.

By: (Signed) REID CARTER
Chief Executive Officer

By: (Signed) BRYAN K. DAVIS
Chief Financial Officer

On behalf of the Board of Trustees

By: (Signed) LOUIS J. MAROUN
Trustee

By: (Signed) SAMUEL J.B. POLLOCK
Trustee

The Promoter
FRASER PAPERS INC.

By: (Signed) BENJAMIN MICHAEL VAUGHAN
Senior Vice-President, Finance
and Corporate Development

CERTIFICATE OF THE UNDERWRITERS

Dated: January 23, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador), by Part 3 of the *Securities Act* (Yukon), by Section 77 of the *Securities Act* (Northwest Territories) and by Section 27 of the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

CIBC World Markets Inc.

By: (Signed) ERIC MORISSET

RBC Dominion Securities Inc.

By: (Signed) J. CRAIG DUDRA

Scotia Capital Inc.

By: (Signed) J. PAUL ROLLINSON

TD Securities Inc.

By: (Signed) MATTHEW D. QUINLAN

National Bank Financial Inc.

By: (Signed) DARIN E. DESCHAMPS

HSBC Securities (Canada) Inc.

By: (Signed) JEFFREY B. ALLSOP

Raymond James Ltd.

By: (Signed) J. GRAHAM FELL

Desjardins Securities Inc.

By: (Signed) STEPHEN J. ALTMAN

Trilon Securities Corporation

By: (Signed) TREVOR D. KERR

ACADIAN TIMBER
INCOME FUND

BOWNE
PRINTED IN CANADA
T19138