

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purposes of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*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 or to, or for the benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act), 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 be offered or sold within the United States or to, or for the benefit of, U.S. Persons only pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States or to, or for the benefit of, 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".*

**PRELIMINARY PROSPECTUS**

Initial Public Offering

September 10, 2004



# Gienow Windows & Doors Income Fund

\$ ●  
● Units

This prospectus qualifies the distribution (the "Offering") of ● units (the "Units") of Gienow Windows & Doors Income Fund (the "Fund"). The Fund is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta. The Fund was created to indirectly invest in and hold a limited partnership interest representing an initial 98% interest in Gienow Windows & Doors Limited Partnership (the "Partnership") and to indirectly purchase all of the outstanding shares of Farley Windows Inc. ("Farley"). Gienow Building Products Ltd. ("Gienow") will indirectly hold an initial 2% interest in the Partnership and Gienow Management Inc. ("ManagementCo"), a wholly-owned subsidiary of the Fund, will hold a nominal interest in the Partnership. ManagementCo and Gienow Services Inc. ("ServiceCo"), the subsidiary through which Gienow indirectly holds its partnership interest, will both be general partners of the Partnership. Concurrently with the closing of the Offering, Gienow will purchase ● Units from the Fund at a price of \$10.00 per Unit, representing approximately ● % of the outstanding Units assuming no exercise of the Over-Allotment Option (as defined herein) (approximately ● % if the Over-Allotment Option is exercised in full). See "Funding, Investments and Related Transactions", "Retained Interest" and "Use of Proceeds".

The Partnership acquired substantially all of the operating assets and related window and door manufacturing, distribution and sales businesses of Gienow, Award Windows Inc. ("Award") and Architectural Windows & Doors Inc. ("AWD") on June 30, 2004. Upon completion of the investment in the Partnership and the acquisition of Farley, the Gienow Group (as defined herein) will be one of the largest Canadian window and door manufacturers and one of only two Canadian window and door manufacturers with a national manufacturing and sales presence. See "Business of the Gienow Group".

**There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus.** The pricing of the Units has been determined, in part, based on an estimate of distributable cash for the 12 months ended June 30, 2004, as indicated on page 15. The Fund intends to make monthly distributions of its available cash to the maximum extent possible, although such distributions are not assured. The ability of the Fund to make cash distributions, and the actual amount distributed, will be entirely dependent on the ability of the Partnership and Farley to generate distributable cash flow from their respective operations and assets and to make distributions of cash on their respective securities, and will be subject to various factors including their respective financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of margins and capital expenditure requirements. The market value of the Units may deteriorate if the Fund is unable to meet its cash distribution targets in the future and that deterioration may be material. The after-tax return to holders of Units ("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. In addition, the composition of cash distributions for tax purposes may change over time and this may affect the after-tax return for investors. The estimated portion of distributions in 2004 that will be taxed as a return on capital is ● % and the estimated portion that will be taxed as a return of capital is ● %. See "Certain Canadian Federal Income Tax Considerations" and "Description of the Fund — Distributions".

In connection with the Offering, the Underwriters (as defined herein) may over-allot or 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".

**An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. The ability of the Fund to make cash distributions will be entirely dependent upon the ability of the Partnership and Farley to make distributions of cash on their respective securities. Cash distributions are not guaranteed. See "Risk Factors". No stability rating for the Units has been applied for or obtained from any rating agency.**

## Price: \$10.00 per Unit

	Price to the Public (1)	Underwriters' Fee	Net Proceeds to the Fund (2)
Per Unit . . . . .	\$10.00	\$ ●	\$ ●
Total Offering (3)(4) . . . . .	\$ ●	\$ ●	\$ ●

- Notes:**
- The price of the Units has been determined by negotiation between the Fund, Gienow Windows & Doors Holdings Trust ("Holdings Trust"), the Partnership, ManagementCo, Gienow, Farley and the Underwriters.
  - After deducting the Underwriters' fee but before deducting the estimated expenses of the Offering of approximately \$ ● million, which expenses, together with the Underwriters' fee, will be paid from the proceeds of the Offering.
  - The Fund has granted the Underwriters an over-allotment option, exercisable for a period of 30 days from the Closing, to purchase up to an additional ● Units on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). 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 \$ ●, \$ ● and \$ ●, respectively. This prospectus qualifies the distribution of the Over-Allotment Option and the distribution of the Units issuable upon exercise of that option. See "Plan of Distribution".
  - Excluding the ● Units to be purchased by Gienow from the Fund on Closing. See "Retained Interest". No Underwriters' fee is payable in respect of the sale of these Units. If the Over-Allotment Option is exercised, the additional net proceeds received will be used by the Fund to repurchase Units from Gienow. See "Use of Proceeds".

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RBC Dominion Securities Inc. and BMO Nesbitt Burns Inc. (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 and its subsidiaries by Bennett Jones LLP and on behalf of the Underwriters by Davies Ward Phillips & Vineberg 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. One or more book-entry only certificates 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 Closing Date which is expected to occur on or about ●, 2004, or such later date as the Fund and the Underwriters may agree, but in any event not later than ●, 2004. 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.

**RBC Dominion Securities Inc. and BMO Nesbitt Burns Inc. are affiliates of Canadian chartered banks that have agreed, subject to the satisfaction of certain conditions precedent, to make new credit facilities available to certain affiliates of the Fund upon closing of the Offering. Consequently, the Fund may be considered to be a "connected issuer" of each of RBC Dominion Securities Inc. and BMO Nesbitt Burns Inc. under Canadian securities laws. See "Relationship Between the Fund and the Underwriters".**

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## GENERAL MATTERS

### Interpretation

Unless otherwise indicated or the context otherwise requires, a reference in this prospectus to the “Gienow Group” means the Partnership and Farley and their respective subsidiaries, and a reference to the “Partnership” means, for the period prior to the close of business on June 30, 2004, the operating assets and related window and door manufacturing, distribution and sales businesses of Gienow, Award and AWD, which were acquired by the Partnership at such time.

Unless otherwise indicated or the context otherwise requires, the information contained in this prospectus assumes that (i) the steps under the heading “Funding, Investments and Related Transactions” and “Retained Interest” have been completed, and (ii) the Over-Allotment Option has not been exercised.

Historically, Gienow has had a fiscal year end of February 1 and Farley has had a fiscal year end of December 31. Unless otherwise indicated or the context otherwise requires, references in this prospectus to a financial measure of the Gienow Group for a fiscal year (*e.g.*, fiscal 2003) refers to the sum of the corresponding financial measure of Gienow for the year ended February 1 of the following calendar year (*i.e.*, February 1, 2004) plus the corresponding financial measure of Farley for the year ended December 31 of that year (*i.e.*, December 31, 2003). Historical financial information for Gienow and Farley has been totaled for the convenience of readers. Investors are cautioned that the totals for such fiscal periods should not be construed as indicative of the results that would have been obtained had Gienow and Farley been combined during such periods.

Unless otherwise indicated or the context otherwise requires, a reference in this prospectus to “North America” means Canada and the United States.

**Please refer to the “Glossary of Terms” at the end of this prospectus for a list of defined terms used herein.**

All dollar amounts in this prospectus are expressed in Canadian dollars, except where stated otherwise.

### Non-GAAP Measures

References in this prospectus to “EBITDA” are to earnings before interest, taxes, depreciation and amortization. References in this prospectus to “Normalized EBITDA” are to EBITDA adjusted for certain items that management believes facilitates the comparison of historical periods. As described under “Reconciliation of Historical Results to EBITDA and Normalized EBITDA”, Normalized EBITDA is EBITDA after removing the effects of non-recurring items that have impacted the operations of the business and, in management’s view, are not expected to recur in the foreseeable future. These include: (i) British Columbia sales tax recovery/expense; (ii) management bonuses; (iii) non-recurring professional, management and consulting fees; (iv) non-operating income; (v) severances and other closure costs; (vi) start-up costs; (vii) royalties; and (viii) other non-operating or non-recurring costs historically paid by the Partnership or Farley. All such adjustments are based on historical information or contractual commitments.

Management believes that EBITDA and Normalized EBITDA are useful supplemental measures in evaluating the performance of the Gienow Group and in determining whether to invest in Units of the Fund. Specifically, management believes that Normalized EBITDA is the appropriate measure from which to make adjustments to determine the Distributable Cash of the Fund.

EBITDA and Normalized EBITDA are not earnings measures recognized by generally accepted accounting principles in Canada (“GAAP”) and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Normalized EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA and Normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Gienow Group’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of EBITDA and Normalized EBITDA to income (loss) from operations, based on the historical financial statements contained elsewhere in this prospectus presented in accordance with GAAP, see “Reconciliation of Historical Results to EBITDA and Normalized EBITDA”.

Distributable Cash is a non-GAAP measure typically used by Canadian income funds as an indicator 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. Management believes that distributable cash is a useful supplemental measure that

may assist prospective investors in assessing the return on their investment in Units. See “Summary of Distributable Cash of the Fund” for a description of the method of calculating the Fund’s Distributable Cash.

### **Forward-Looking Statements**

This prospectus contains 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 Gienow Group, 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 words such as “may”, “will”, “expect”, “believe”, “plan”, “could” and 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 Gienow Group 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 the Fund and the Gienow Group assume no obligation to update or revise them to reflect new events or circumstances.

### **Eligibility for Investment**

In the opinion of Bennett Jones LLP, counsel to the Fund, and Davies Ward Phillips & Vineberg LLP, counsel to the Underwriters, provided that the Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the “Tax Act”), the Units, if issued on the date of this prospectus: (i) would 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; and (ii) based, in part, on a certificate of the Fund as to certain factual matters, would not on that date constitute “foreign property” for Plans (other than registered education savings plans) and other persons subject to tax under Part XI of the Tax Act, including most registered pension funds or plans. Registered education savings plans are not subject to the foreign property rules. See “Certain Canadian Federal Income Tax Considerations” and “Risk Factors”.

The Fund will be a “business income trust” and the Units will constitute “restricted investment property” as described in the Budget Proposals (as defined herein). Under the Budget Proposals, certain investors, including trusts governed by registered pension plans and pension corporations, will be liable for a penalty tax commencing in 2005 if they hold restricted investment property or units of a business income trust in excess of the limits described in the Budget Proposals. The Budget Proposals do not propose that Plans will be subject to this penalty tax. On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals will be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. See “Certain Canadian Federal Income Tax Considerations — Budget Proposals” and “Risk Factors — Risks Relating to the Structure of the Fund and the Offering — Income Tax Matters”.

### **Trademarks**

The trademark “Farley Windows” is owned by Farley and the trademark “SOL-R” is owned by the Partnership.

## 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 Fund is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta. The Fund was created to (i) indirectly invest in and hold a limited partnership interest representing an initial 98% interest in the Partnership, which owns and operates the window and door manufacturing, distribution and sales businesses previously carried on by Gienow, Award and AWD, and (ii) indirectly purchase all of the Farley Shares. Immediately following Closing, the Fund will complete the investment in the Partnership and the acquisition of the Farley Shares through Holdings Trust, a wholly-owned subsidiary of the Fund. ManagementCo, a wholly-owned subsidiary of the Fund, and ServiceCo, a wholly-owned subsidiary of Gienow, will each hold a general partnership interest in the Partnership. See “Description of the Fund” and “Business of the Gienow Group”.

Unitholders will enjoy the statutory limitation on unitholder liability provided by the *Income Trusts Liability Act* (Alberta), which provides that a unitholder of an Alberta income trust (such as the Fund) will not, as a beneficiary, be liable for any act, default, obligation or liability of the trustees of the trust.

### Business of the Gienow Group

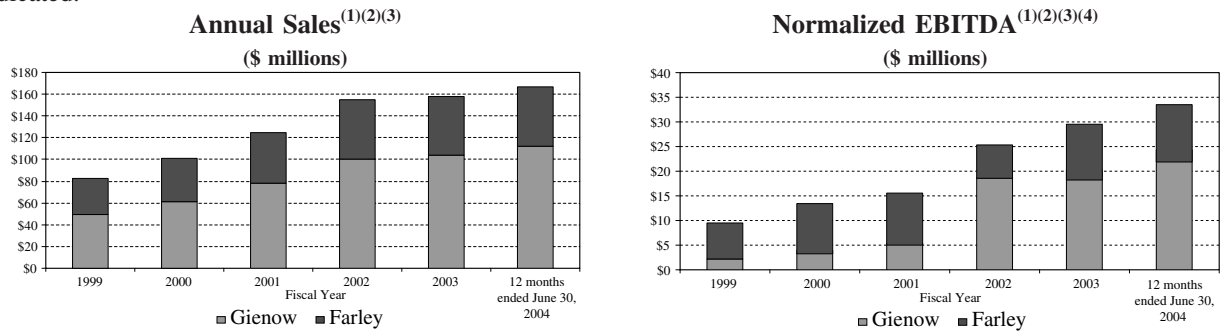
#### Overview

The Gienow Group is one of the largest Canadian window and door manufacturers and one of only two Canadian window and door manufacturers with a national manufacturing and sales presence. It designs, manufactures and sells a full range of high quality, value-priced, custom windows and doors to new home builders, dealers, professional renovators and industrial customers from three manufacturing facilities in Alberta and one in Ontario. The Gienow Group produces a complete line of vinyl, wood, metal-clad wood and aluminum windows, as well as complementary entrance systems including steel, wood and fiberglass entry doors and vinyl, wood, metal-clad wood and aluminum patio doors. Its window products are available in a wide variety of designs, shapes and sizes for all styles of architecture. The Gienow Group also offers installation services and complementary products such as skylights and glass block windows.

The Gienow Group services a wide variety of customers under its Gienow, Award, AWD and Farley brand names. Its distribution channels include new home builders, professional renovators, dealers, a national “big box” retailer (Home Depot of Canada Inc.) and direct sales to the end consumer.

The Gienow Group’s revenues have increased by 91% since June 1999 at a compound annual growth rate (“CAGR”) of approximately 13.8%. The Gienow Group’s sales for the 12 months ended June 30, 2004 were \$166.4 million.

The following charts illustrate the Gienow Group's growth in sales and Normalized EBITDA for the periods indicated.



**Notes:**

- (1) Historical financial information in respect of 1999 and 2000 is based on management calculations. Historical financial information in respect of 2001, 2002 and 2003 is based on the audited financial statements of Gienow and Farley contained elsewhere in this prospectus. Financial information in respect of 2001 is based on the audited consolidated financial statements of Gienow for the year ended February 1, 2002 and the audited combined financial statements of Farley for the year ended December 31, 2001; financial information in respect of 2002 is based on the audited consolidated financial statements of Gienow for the year ended February 1, 2003 and the audited consolidated financial statements of Farley for the year ended December 31, 2002; and financial information in respect of 2003 is based on the audited consolidated financial statements of Gienow for the year ended February 1, 2004 and the audited consolidated financial statements of Farley for the year ended December 31, 2003.
- (2) The figures in the charts for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gienow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gienow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of the operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year.
- (3) Historical financial information for Gienow and Farley has been totaled for the convenience of readers. Investors are cautioned that the totals for such periods should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such periods.
- (4) Normalized EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Normalized EBITDA may not be comparable to similar measures presented by other issuers. See "General Matters — Non-GAAP Measures" and "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".

**Competitive Strengths**

Management believes that the Gienow Group has a number of competitive strengths that make its performance sustainable and provide a solid base for continued growth. These strengths are the result of the manufacturing and process platforms, the complementary benefits of integrating the Partnership and Farley and the focus and discipline of the Gienow Group's senior management team.

**World Class Manufacturer**

- *Efficient Production.* As a result of its previous investment in technological upgrades, Gienow has a state-of-the-art manufacturing facility, which is connected to a comprehensive and integrated management information system that is capable of coordinating the entire manufacturing and delivery cycle from the time an order is entered into the system until the time the product is delivered to the customer. The result is a highly efficient production process that achieves "just in time" manufacturing with: (i) industry leading order-to-delivery lead times, as work-in-progress is minimized; (ii) minimal waste of input materials like vinyl or glass; (iii) an ability to respond immediately to problems experienced in the production process; and (iv) high inventory turnover (very low inventory levels). Gienow's management information system is an expert system that generates daily detailed resources required for each configured product ordered by the customer. This system uses expert engineering knowledge to determine what materials and manufacturing processes are required to make each product. The system integrates with a master production schedule, capacity and material planning modules, production control and distribution systems and a third party accounting application.
- *Quality Products.* The Gienow Group has a reputation for quality and specifically designs its products to meet the competitive characteristics of its various markets. Management believes that the Gienow Group's

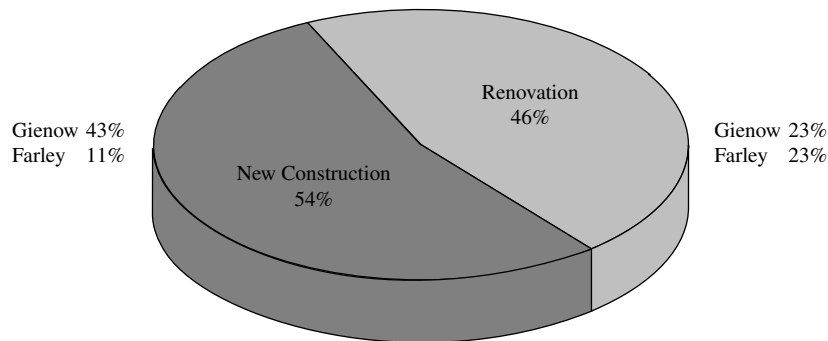
products meet or exceed the quality offered by its competitors within the price range they are offered and that, because of the efficiencies of its production platform, the Gienow Group can produce and sell such products more profitably on a per unit basis than its major competitors.

- *Flexibility to Customize Products.* The Gienow Group produces customized windows and doors to meet the specific requirements of each of its customers. It is able to accommodate customized requests quickly and efficiently without significant additional cost because of the efficiencies in its manufacturing processes and through the use of modular designs for Gienow Group windows. Customization also typically generates higher revenues for the Gienow Group than the non-customized (or stock windows) segment of the market.

**Canada’s Most Diverse Window Manufacturer**

- *Diversification in Product Mix.* The Gienow Group has an extremely diverse product line that includes vinyl, wood and metal-clad wood windows and doors for the new construction and renovation markets, aluminum windows for high-rise buildings and aluminum windows and doors for modular camp applications. A vast array of product configurations are available within each product line after giving effect to size, shape and composition options that are available to the customer.
- *Diversification in End-Markets, Distribution Channels and Customers.* The Gienow Group enjoys diversification as between the new construction and renovation markets. In fiscal 2003, approximately 54% of the Gienow Group’s products were sold to the new construction market and the remaining 46% were sold to the renovation market. Management believes that this balance between the new construction and renovation markets provides the Gienow Group with greater stability than many of its competitors and better insulates it against downturns in one segment of the market by positioning the Gienow Group to benefit from positive trends in either market.

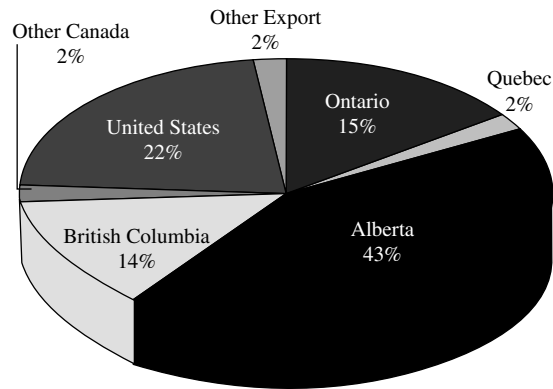
**2003 Sales Breakdown by End-Market**



The Gienow Group currently sells its products through a number of distribution channels, which include a national “big box” retailer (Home Depot of Canada Inc.), local retailers, lumberyards, window dealers and new home builders. This diversification in distribution channels can also help stabilize the Gienow Group’s revenues over a longer period of time since each channel can exhibit different, and sometimes counter-balancing, demand characteristics. The Gienow Group currently serves a customer base of over 2,000 customers. Although the Gienow Group enjoys strong relationships with its customers, it is not dependent on any one customer for the financial success of its business, with the top 10 customers accounting for approximately 28.3% of fiscal 2003 revenues and its single largest customer accounting for approximately 10.3% of fiscal 2003 revenues.

- *Diversification in Geographic Markets.* The Gienow Group operates primarily under the Gienow, Award and AWD brands in western Canada out of its Alberta facilities, and primarily under the Farley brand in eastern Canada out of its Ontario facility. It also exported approximately 22% of its sales in fiscal 2003 to the United States and approximately 2% to China, Chile, Japan and South Korea. Geographic diversity in the markets in which the Gienow Group operates helps to insulate it against downturns in particular geographic regions. The effects of seasonality experienced by the Gienow Group during the fall and winter months is also anticipated to be diminished by this geographic diversification.

### 2003 Sales Breakdown by Geography



#### *Platform for Growth*

The Gienow Group is positioned for future growth and to benefit from the various trends that management expects will drive future sales of windows and doors.

- *Operational Platform.* The Gienow Group has demonstrated an ability to grow revenues while improving its margins and EBITDA, due in part to its ability to control fixed and operating costs without compromising the quality of its products or services. Management believes that the Gienow Group's current manufacturing and process platform will enable it to grow capacity and increase output at costs that are less than those incurred by its competitors and without compromising its "just in time" manufacturing processes and industry leading order-to-delivery lead time. The Gienow Group has a stable fixed cost and breakeven base and sufficient capacity to meet its current growth strategy within its current facilities without the need for significant increased capital.
- *Customer Relationships.* The Gienow Group is committed to strong customer relationships. Most of the Gienow Group's top 50 customers have been customers for an average of more than five years and its top 10 customers have been customers for an average of 15 years. The diversification of its distribution channels and its commitment to servicing its customers' needs has allowed the Gienow Group to develop long standing relationships with a variety of customers. Through its sell, furnish and install ("SFI") business, the Gienow Group also receives leads from homeowners seeking a complete window and/or door installation solution. The Gienow Group representatives can then contact the homeowner directly to arrange for the sale of the windows and the installation by a third party. This program results in both increased sales to the Gienow Group and a stronger relationship with its retail partners.
- *Presence in Most Desirable Markets.* The Gienow Group is well positioned in the most desirable geographic regions in Canada. The Gienow Group's primary target markets in Canada are Alberta, British Columbia and Ontario, which accounted for approximately 67.6% of total Canadian housing starts in 2003 and are experiencing the demographic trends that are the most favourable to the Gienow Group's products. Sales into these three provinces accounted for approximately 72% of the Gienow Group's revenue in fiscal 2003.
- *Management Team.* The Gienow Group's senior management team has more than 130 total years of management experience in the windows and doors business. Many of the senior managers have worked together since the Gienow Shareholders acquired Gienow in 1983. Management has a proven track record of successfully integrating acquired businesses into its existing operations, having successfully done so with Award in 1999 and AWD in 2001, and can draw upon this experience when faced with comparable growth scenarios, whether by way of acquisition or organic expansion. Management encourages a corporate culture of innovation, leadership and personal growth.

## **Growth Strategy**

Management believes growth will be achieved through a combination of the following:

### ***Serving National and Multi-Regional Customers***

The Gienow Group's national manufacturing and sales presence positions it to serve new or existing national and multi-regional customers across Canada. The Gienow Group's ability to source products from multiple facilities is expected to alleviate the problem of prohibitive transportation costs associated with a strategy of serving customers from a single facility. Management also expects that some customers with a multi-regional presence may prefer to source their needs from a single supplier of window and door products. Facilities in the key geographic regions of Alberta and Ontario are expected to give the Gienow Group the ability to service national and multi-regional retailers and distributors throughout most of Canada in a cost effective manner.

### ***Further Penetrating Existing Markets***

The Gienow Group is well positioned to increase its penetration of existing markets by taking advantage of the different end market focus of the Partnership and Farley and through the development of new products. The Farley business has in the past focused primarily on the renovation market, but has not been as active in pursuing opportunities in the new construction market. Management expects that the Partnership's experience in this market will allow the Gienow Group to expand such business into the geographic areas in which the Farley business is operated. Similarly, the Partnership's business has focused primarily on the new construction market, rather than the renovation market in western Canada, and Farley's experience in the latter will provide a base from which to grow this area of the business in that region. In addition, management intends to grow sales by developing new products to meet evolving consumer demands. The Gienow Group's in-house research and development group will be an important contributor in this area, as will the ability of its manufacturing processes to accommodate custom orders.

### ***Acquisitions***

The Gienow Group intends to pursue an acquisition strategy of targeting small and mid-sized regional producers as potential acquisition candidates. Management believes that consolidation in the window and door industry presents significant growth opportunities for the Gienow Group. Although the industry has historically been fragmented with very few large participants and many small, family-owned businesses, more recently there has been an increase in the number of consolidation transactions.

Management expects that the pace of consolidation will accelerate and present attractive acquisition opportunities for the Gienow Group, as consolidation provides the opportunity for increased buying power, larger market share and increased economies of scale resulting in cost reductions. Lower overall costs also provide opportunities for penetrating higher value markets more competitively and, together with an expanded geographical presence, facilitate servicing more national accounts and expanding international exports.

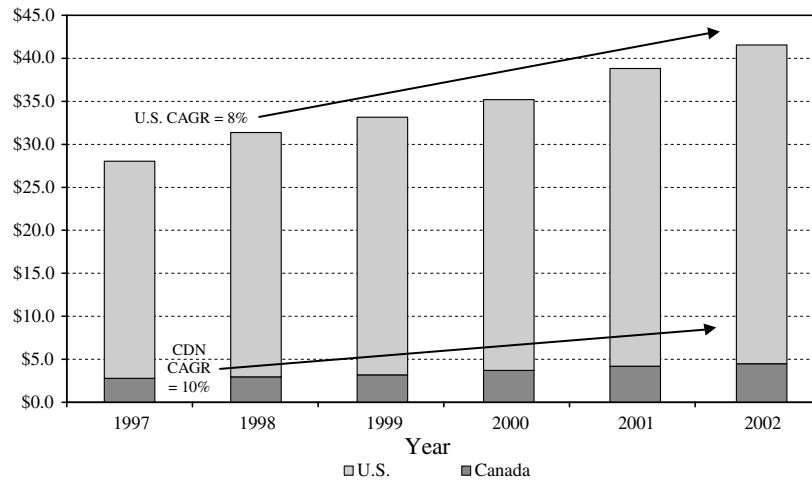
Management believes that the Gienow Group's existing manufacturing facilities will be able to accommodate significantly increased production without the need for a material investment of additional capital, thereby enabling such additional production to be undertaken more profitably than would otherwise be the case. Given the breadth of its current product line relative to most other window and door manufacturers, the Gienow Group expects to be able to offer new products to customers of businesses that are acquired by or merged into the Gienow Group and thereby gain potential market share from an existing customer base.

## **Industry Overview**

### **Overview**

In 2002, the market for windows and doors was approximately \$4.5 billion in Canada and approximately \$37.1 billion in the U.S., with North American shipments for all types of windows and doors totaling approximately \$41.6 billion in that year. From 1997 to 2002, the dollar value of window and door shipments grew at a CAGR of approximately 8% in the U.S. and approximately 10% in Canada, as illustrated in the chart below. Management expects these growth trends to continue for the foreseeable future.

### North American Window and Door Shipments (\$ billions\*)

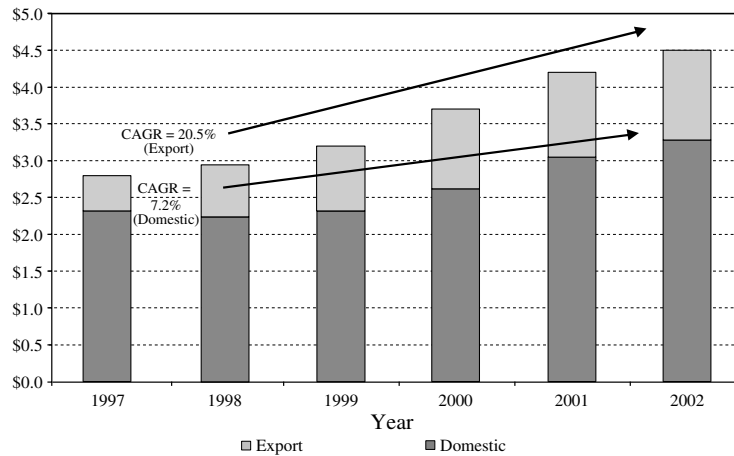


Sources: Freedonia Study (May 2003), Statistics Canada

\* U.S. dollar figures converted to Canadian dollars at the annual average noon rate of exchange quoted by the Bank of Canada for the year in question.

Management also expects that the U.S. export markets will continue to be an important target of the Canadian window and door industry. Canadian window and door manufacturers have steadily increased their share of the U.S. market, with exports growing at a CAGR of approximately 20.5% between 1997 and 2002 and representing approximately 27% of the total dollar value of Canadian window and door shipments in 2002. Over the same period, domestic shipments by Canadian window and door manufacturers grew at a CAGR of approximately 7.2%.

### Canadian Window and Door Shipments (Exports vs Domestic) (\$ billions)



Source: Industry Canada

### Growth in Demand for Vinyl Products

Windows and doors are manufactured from wood, metal (steel and aluminum) or plastic (vinyl, fiberglass and wood-plastic composites). Consumer demand for improved energy efficiencies, reduced maintenance requirements and lower costs have made vinyl an increasingly popular alternative to wood and metal products, as vinyl offers lower material costs, increased longevity and stability, greater durability and superior thermal efficiency.

Vinyl products are the fastest growing segment of the North American window and door market and represented 47% of all window and door units shipped in 2002 (up from 40% in 1997). Vinyl is also growing in terms of its

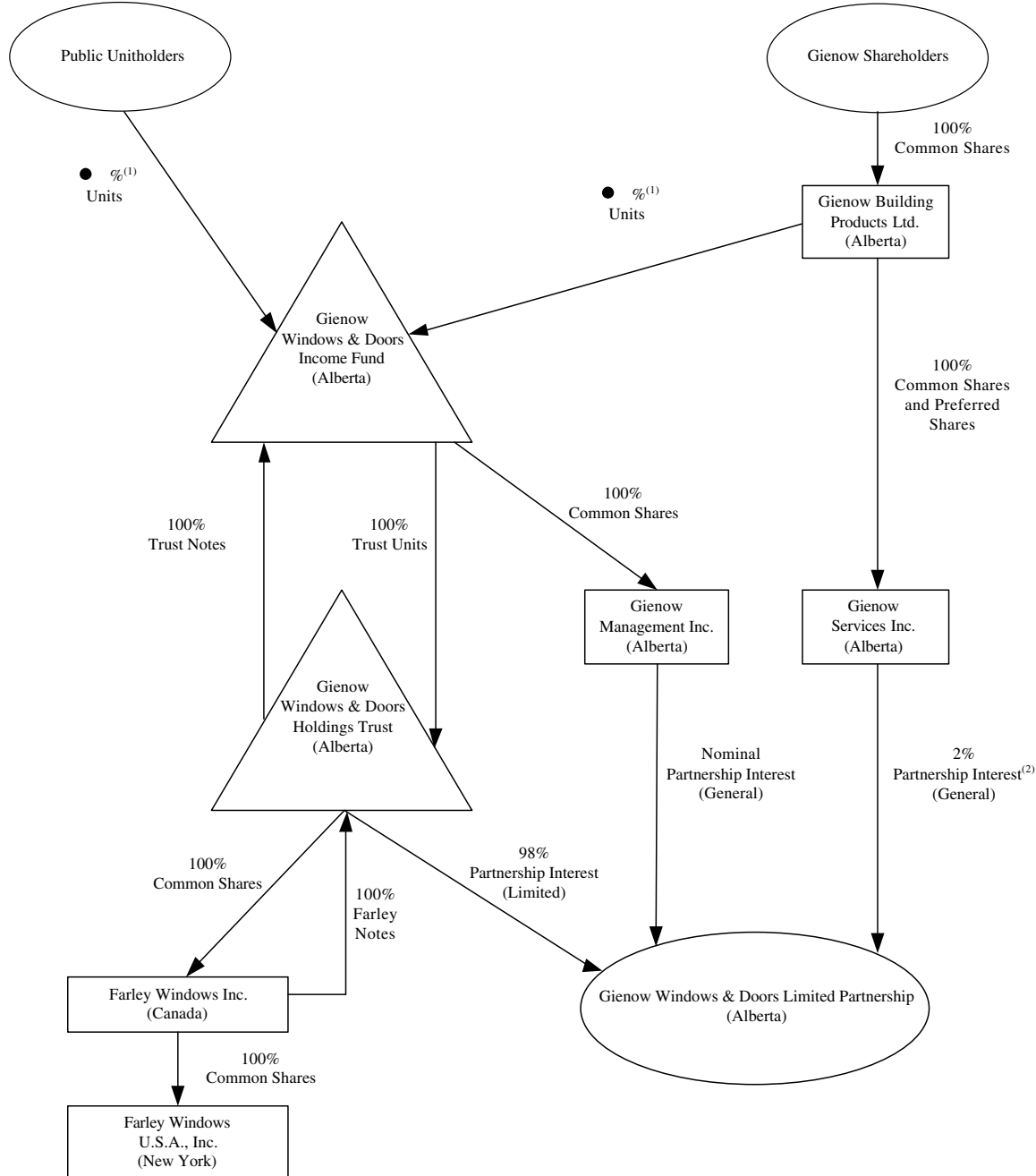
proportionate share of the market by value. From 1997 to 2002, according to proportionate dollar value of North American window and door shipments, wood products remained relatively constant at approximately 42% of window and door shipments while metal products fell from approximately 45% of window and door shipments to approximately 40%. The proportional value of vinyl products, however, rose from approximately 12% to approximately 18%, representing total growth of 50% over the period.

***New Construction and Renovation***

Demand for residential windows and doors is driven by two primary end-markets: the new construction market and the renovation market. The new construction market typically provides manufacturers with the opportunity to outfit a new home with all of its windows and doors. As a result, production runs can be more efficient versus the custom designs that more typically characterize the renovation market. However, the renovation market tends to be more stable over time, as many consumers who decide against purchasing a new home will instead renovate their existing one, which helps to insulate manufacturers serving that market from construction cycles. In 2001, the new construction and renovation markets accounted for approximately 51% and 49%, respectively, of residential window sales in Canada.

### Structure Following Closing

The following chart illustrates the structure of the Fund and its subsidiaries (including jurisdiction of establishment or incorporation of the various entities) following completion of this Offering, the indirect investment by the Fund in the Partnership, the indirect acquisition by the Fund of the Farley Shares and certain related transactions (as described in more detail under “Funding, Investments and Related Transactions” and “Retained Interest”). See “The Fund and its Subsidiaries”, “Description of the Fund”, “Description of Holdings Trust”, “Description of the Partnership”, “Description of ManagementCo” and “Description of Farley”.



**Notes:**

- (1) Assuming that the Over-Allotment Option has not been exercised. If the Over-Allotment Option is exercised in full, the public Unitholders will hold approximately ● % of the outstanding Units and Gienow will hold approximately ● % of the outstanding Units. On Closing, Units representing approximately ● % of the outstanding Units will be transferred by Gienow to a trust established for the benefit of certain employees of the Gienow Group.
- (2) Gienow Services Inc. will be responsible for the payment of the salary of the Chief Executive Officer of the Gienow Group and a portion of the salary of the Executive Vice President, Sales and Marketing of the Gienow Group. These executive officers are also employees of ManagementCo and the Partnership. See “Administration Agreement”.

### Selected Historical and Pro Forma Financial Information

The following selected financial information has been derived from, and should be read in conjunction with, the historical consolidated financial statements of Gienow, the historical consolidated and combined financial statements of Farley and the unaudited pro forma consolidated financial statements of the Fund (including the notes thereto) contained elsewhere in this prospectus. The aggregate figures represent the sum of the corresponding measures of Gienow and Farley for the periods indicated, without further adjustment.

	<u>2001<sup>(1)</sup></u>	<u>2002<sup>(1)</sup></u>	<u>2003<sup>(1)</sup></u>	<u>12 months ended June 30, 2004<sup>(2)</sup></u> (unaudited)
	(in thousands)			
<u>Revenues</u>				
Gienow .....	\$78,157	\$100,172	\$104,227	\$111,779
Farley .....	<u>46,252</u>	<u>55,017</u>	<u>54,000</u>	<u>54,643</u>
	124,409	155,189	158,227	166,422
Pro forma <sup>(3)</sup> .....			158,227	
<u>Cost of Sales</u>				
Gienow .....	\$60,371	\$70,134	\$70,150	\$73,438
Farley .....	<u>26,719</u>	<u>33,552</u>	<u>32,940</u>	<u>32,756</u>
	87,090	103,686	103,090	106,194
Pro forma <sup>(3)</sup> .....			103,090	
<u>EBITDA<sup>(4)</sup></u>				
Gienow .....	\$1,454	\$8,668	\$15,422	\$19,600
Farley .....	<u>6,950</u>	<u>5,566</u>	<u>10,548</u>	<u>11,015</u>
	8,404	14,234	25,970	30,615
Pro forma <sup>(3)</sup> .....			●	
<u>Income (Loss) before Taxes</u>				
Gienow .....	\$(1,702)	\$5,713	\$12,687	\$17,018
Farley .....	<u>1,260</u>	<u>(458)</u>	<u>4,624</u>	<u>5,027</u>
	(442)	5,255	17,311	22,045
Pro forma <sup>(3)</sup> .....			●	
<u>Net Income (Loss)</u>				
Gienow .....	\$(1,155)	\$4,250	\$8,072	\$10,227
Farley .....	<u>226</u>	<u>(392)</u>	<u>2,530</u>	<u>2,814</u>
	(929)	3,858	10,602	13,041
Pro forma <sup>(3)</sup> .....			●	
<u>Normalized EBITDA<sup>(5)</sup></u>				
Gienow .....	\$4,405	\$15,111	\$18,283	\$21,844
Farley .....	<u>10,928</u>	<u>9,815</u>	<u>10,847</u>	<u>11,612</u>
	15,333	24,926	29,130	33,456

**Notes:**

- (1) Historical financial information for Gienow and Farley is based on the audited financial statements of Gienow and Farley contained elsewhere in this prospectus. Financial information for 2001 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2002 and the audited combined financial statements of Farley for the year ended December 31, 2001; financial information for 2002 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2003 and the audited consolidated financial statements of Farley for the year ended December 31, 2002; financial information for 2003 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2004 and the audited consolidated financial statements of Farley for the year ended December 31, 2003. Historical financial information for Gienow and Farley has been totaled for the convenience of readers. Investors are cautioned that the totals for such periods should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such periods.

- (2) The figures in the table for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gienow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gienow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year. Historical financial information for Gienow and Farley has been added for the convenience of readers. Investors are cautioned that the totals for such periods should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such periods.
- (3) The pro forma amounts for 2003 are based on the unaudited pro forma consolidated financial statements of the Fund for the 12 months ended December 31, 2003 contained elsewhere in this prospectus.
- (4) See “General Matters — Non-GAAP Measures”. EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See “Reconciliation of Historical Results to EBITDA and Normalized EBITDA”.
- (5) See “General Matters — Non-GAAP Measures”. Normalized EBITDA represents historical earnings before interest, taxes, depreciation and amortization, adjusted for certain items that management believes facilitates the comparison of historical periods. See “Reconciliation of Historical Results to EBITDA and Normalized EBITDA” for a description of these items. Normalized EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Normalized EBITDA may not be comparable to similar measures presented by other issuers.

### Summary of Distributable Cash

The following analysis has been prepared by management on the basis of the information contained in this prospectus, more recent financial results available to management and management's estimate of the amount of expenses and expenditures to be incurred by the Fund and the Gienow Group. **This analysis is not a forecast or a projection of future results. The actual results of operations of the Fund for any period, whether before or after Closing, will vary from the amounts set forth in the following analysis, and such variation may be material. Additionally, the Gienow Group's operations are subject to certain risks and, in reviewing the following summary of distributable cash flow, investors should consider the risks outlined under "Risk Factors".**

Management believes that, upon completion of the Offering and the transactions described under "Funding, Investments and Related Transactions" and "Retained Interest", the Fund will incur interest expenses, administrative costs and taxes that will differ from those contained in the historical financial statements of Gienow or Farley or in the unaudited pro forma consolidated financial statements of the Fund that are included elsewhere in this prospectus. In addition, in calculating the estimated cash available for distribution ("Distributable Cash"), the Gienow Group intends to continue to make maintenance capital expenditures. See "Business of the Gienow Group — Capital Expenditures". Although management does not have firm commitments for all of these items and, accordingly, the complete financial effects of all of these items are not objectively determinable, management believes that the following represents a reasonable estimate of what Distributable Cash would have been for the 12 months ended June 30, 2004 had the Fund and the Partnership been in existence during such time and had the transactions described under "Funding, Investments and Related Transactions" and "Retained Interest" been completed at the start of such period:

	<b>12 months ended June 30, 2004<sup>(1)</sup></b> (unaudited) (in thousands, except per Unit figures)
Normalized EBITDA <sup>(2)(3)</sup> .....	\$33,456
Management estimates that Distributable Cash should be increased by the following:	
Procurement savings <sup>(4)</sup> .....	2,884
	36,340
Management also believes that Distributable Cash should be reduced by the following:	
Maintenance capital expenditures <sup>(5)</sup> .....	725
Interest and principal repayment relating to growth capital expenditures <sup>(6)</sup> .....	1,353
Interest <sup>(7)</sup> .....	3,015
Additional administrative expenses <sup>(8)</sup> .....	875
Taxes <sup>(9)</sup> .....	119
	\$30,253
Distributable Cash <sup>(10)</sup> .....	\$30,253
Estimated distributions per Unit <sup>(11)</sup> .....	\$ ●

**Notes:**

- (1) The figures in the table for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gienow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gienow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year. For the purposes of calculating a reasonable estimate of what the Fund's Distributable Cash would have been for the 12 months ended June 30, 2004, historical financial information for Gienow and Farley has been totaled. Investors are cautioned that such total should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such period.
- (2) See "General Matters — Non-GAAP Measures". Normalized EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Normalized EBITDA may not be comparable to similar measures presented by other issuers. See "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".
- (3) Represents the sum of the Normalized EBITDA of Gienow for the 12 months ended June 30, 2004 plus the Normalized EBITDA of Farley for the 12 months ended June 30, 2004. See "Selected Historical and Pro Forma Financial Information" and "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".

- (4) Represents procurement savings as a result of the Gienow Group securing raw material supply arrangements with certain suppliers on more favourable terms. Of these savings, \$1,984,000 results from applying Gienow's current pricing terms to certain of Farley's raw material purchases during the 12 month period ended June 30, 2004 and \$900,000 results from new raw material arrangements entered into by Gienow during 2004, assuming such arrangements had been in effect for the full 12 month period ended June 30, 2004.
- (5) See "Business of the Gienow Group — Capital Expenditures".
- (6) Represents estimated interest expense and principal repayments of \$717,000 on the first mortgage (based on the interest rate of 6.6% per annum) and of \$636,000 on capital lease obligations arising from the funding of new equipment.
- (7) Represents estimated interest expense on the New Credit Facilities described under "Debt Financing", based on assumed drawings of \$57 million at an average assumed interest rate of 5.29% (based on three-year floating-to-fixed interest swap rates on the term loan).
- (8) Management estimates that, subsequent to the Offering, the Fund and the Gienow Group will incur, on a continuing basis, additional general and administrative costs in connection with reporting to Unitholders, investor relations, directors' fees, trustee, director and officer insurance and other related expenses.
- (9) Represents U.S. income taxes and U.S. withholding taxes of \$119,000 for the period. Management estimates that the net present value of future large corporation and Ontario capital tax liability is \$635,000 and has established a cash reserve for this liability.
- (10) See "General Matters — Non-GAAP Measures". Distributable cash is a non-GAAP measure typically used by Canadian income funds as an indicator 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.
- (11) Including the ● Units to be purchased by Gienow from the Fund on Closing. See "Retained Interest".

### The Offering

<b>Offering:</b>	● Units of the Fund ( ● if the Over-Allotment Option is exercised in full).
<b>Amount:</b>	\$ ● .
<b>Price:</b>	\$10.00 per Unit.
<b>Units:</b>	Each Unit represents an equal undivided beneficial interest in the Fund and any distributions payable by 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 Unitholders. See “Description of the Fund”.
<b>Use of Proceeds:</b>	<p>Assuming no exercise of the Over-Allotment Option, the aggregate gross proceeds of the Offering and the concurrent sale of ● Units to Gienow at a price of \$10.00 per Unit will be \$ ● . The net proceeds of the Offering and the sale of Units to Gienow, after deducting \$ ● representing, in the aggregate, fees payable to the Underwriters and a portion of the estimated expenses of the Offering and the transactions described under “Funding, Investments and Related Transactions” payable by the Fund and its subsidiaries, will be used by the Fund to capitalize Holdings Trust by subscribing for Trust Notes and Trust Units. Holdings Trust will, in turn, use these funds, together with amounts drawn under the New Credit Facilities immediately following Closing, to: (i) invest in the Partnership in consideration for the LP Interest; (ii) purchase the Farley Shares; (iii) capitalize Farley so as to enable Farley to repay its debt (including the Option Notes), repurchase its outstanding warrants and convertible debentures, establish the Capital Tax Reserve, establish a \$3.0 million working capital reserve, and pay expenses payable by Farley; and (iv) pay expenses payable by Holdings Trust.</p> <p>The Partnership will use the funds invested in it by Holdings Trust to repay the Gienow Note owing to ServiceCo (the successor by amalgamation to Award and AWD), retire the limited partnership interest of Gienow in the Partnership, and pay expenses payable by the Partnership. See “Debt Financing”, “Funding, Investments and Related Transactions”, “Retained Interest” and “Use of Proceeds”.</p>
<b>Over-Allotment Option:</b>	The Fund has granted to the Underwriters, exercisable for a period of 30 days following the Closing, the Over-Allotment Option to purchase up to ● additional Units at the price of \$10.00 per Unit payable in cash against delivery of such additional Units. If the Over-Allotment Option is exercised, the Underwriters will receive a fee of \$ ● per additional Unit purchased pursuant to such option, and the additional net proceeds received will be used by the Fund to repurchase Units from Gienow. See “Plan of Distribution”.
<b>Retained Interest:</b>	Concurrently with the Closing, Gienow will purchase ● Units from the Fund at a price of \$10.00 per Unit, representing ● % of the outstanding Units assuming no exercise of the Over-Allotment Option. On Closing, Units representing ● % of the outstanding Units will be transferred by Gienow to a trust established for the benefit of certain employees of the Gienow Group. If the Over-Allotment Option is exercised in full, Gienow will hold ● Units representing ● % of the outstanding Units. See “Retained Interest” and “Principal Unitholders”. Gienow has also agreed to enter into a 180-day lock-up arrangement with the Underwriters regarding any disposition of its Units

(other than in connection with the exercise of the Over-Allotment Option). See “Plan of Distribution”.

Gienow will be granted “piggy-back” rights in respect of the Units it acquires on Closing and the right to appoint up to two Directors to the board of directors of ManagementCo, subject to certain conditions. See “Retained Interest”.

**Distribution Policy of the Fund:**

The Fund intends to make monthly distributions of its available cash to Unitholders to the maximum extent possible. The Fund intends to make equal monthly cash distributions to Unitholders of record on the last business day of each month, less estimated cash amounts required for costs, expenses, liabilities and other obligations of the Fund, contingencies and certain other amounts.

The initial cash distribution for the period from the Closing to ● , 2004 is expected to be paid on or before ● , 2004 and is estimated to be \$ ● per Unit (assuming that the Closing occurs on ● , 2004). See “Description of the Fund — Distributions”.

**Distribution Policy of Holdings Trust:**

Holdings Trust intends to make monthly distributions to the Fund of its cash receipts, after satisfaction of its debt service obligations, if any, and less any estimated cash amounts required for other costs, expenses, liabilities and obligations of Holdings Trust, reserves for principal repayments in respect of the Trust Notes and the New Credit Facilities and certain other amounts. See “Description of Holdings Trust — Distributions”.

**Distribution Policy of the Partnership:**

The Partnership intends to make monthly distributions to its partners of all of its available cash less any cash amounts required for debt service obligations, other expenses and obligations, maintenance capital expenditures, taxes, reserves (including amounts on account of capital expenditures) and such reasonable working capital as may be considered appropriate by the Partnership. Capital and other expenditures (including amounts to enable the Partnership to pay equal monthly distributions based on expected annual cash distributions) may also be financed with drawings under one or more credit facilities to be established on behalf of the Gienow Group or other borrowings. See “Description of the Partnership — Distributions” and “Debt Financing”.

**Distribution Policy of Farley:**

Farley and its subsidiaries intend to make monthly distributions by way of dividends or otherwise of all of their available cash less any cash amounts required for debt service obligations, interest, other expenses and obligations, maintenance capital expenditures, taxes, reserves (including amounts on account of capital expenditures) and such reasonable working capital as they may consider appropriate. Capital and other expenditures (including amounts to enable Farley to pay equal monthly distributions based on expected annual cash distributions) may also be financed with drawings under one or more credit facilities to be established on behalf of the Gienow Group or other borrowings. See “Description of Farley” and “Debt Financing”.

**Risk Factors:**

An investment in the 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 the ability of the Fund to make cash distributions will be entirely dependent upon the ability of the Partnership and Farley to generate distributable cash flow from their respective operations and assets and to make distributions of cash on their respective securities.

The business operated by the Gienow Group is susceptible to a number of risks, including risks related to: sensitivity to general economic conditions; reliance on the residential construction industry; dependence on major customers; integration of the Partnership and Farley; inability to sustain and manage growth; future acquisition and integration risks; inability to sustain sales or EBITDA margins; exchange rate fluctuations; raw material price volatility; reliance on manufacturing facilities; competition; dependence on key personnel; dependence on key products; dependence on management information systems; income and other taxes; litigation; lack of long-term customer and supplier agreements; product liability; labour disruptions; dependence on sole or limited sources of supply; operating hazards; environmental, health and safety requirements and related considerations; absence of operating history as a public company; weather; losses relating to credit provided to customers; goodwill; more stringent government regulations; insufficient insurance coverage; additional capital requirements; and interest rates.

An investment in Units is also subject to risks related to the structure of the Fund and the Offering, including risks related to: dependence on Holdings Trust and the Gienow Group; the fact that cash distributions are not guaranteed and will fluctuate with business performance; the nature of the Units; the absence of a prior public market; the distribution of securities on redemption or termination of the Fund; dilution of existing Unitholders; leverage and restrictive covenants; future sales of Units by Gienow; investment eligibility and foreign property; income tax matters; enforcement of indemnities; restrictions on potential growth; and restrictions on certain Unitholders and liquidity of Units.

See “Risk Factors”.

## THE FUND AND ITS SUBSIDIARIES

The Fund is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta pursuant to the Fund Deed of Trust. The principal and head office of the Fund is located at 7140 – 40th Street S.E., Calgary, Alberta T2C 2B6. The Fund has been established to acquire and hold the Trust Units, the Trust Notes, the shares of ManagementCo and to indirectly acquire and hold the LP Interest and the Farley Shares. See “Description of the Fund”.

Holdings Trust is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta pursuant to the Trust Deed of Trust. The principal and head office of Holdings Trust is located at 7140 – 40th Street S.E., Calgary, Alberta T2C 2B6. Holdings Trust has been established to (i) invest in the Partnership and (ii) acquire and hold the Farley Shares. See “Description of Holdings Trust”.

The Partnership is a limited partnership formed under the laws of the Province of Alberta on June 30, 2004 to acquire, hold and operate the window and door manufacturing, distribution and sales businesses previously owned and operated by Gienow, Award and AWD. Following completion of the transactions described under “Funding, Investments and Related Transactions”, the sole limited partner of the Partnership will be Holdings Trust and the general partners of the Partnership will be ManagementCo and ServiceCo. See “Description of the Partnership”.

ManagementCo is a corporation organized and existing under the laws of the Province of Alberta and is a wholly-owned subsidiary of the Fund. ManagementCo acts as the sole trustee of Holdings Trust and provides administrative and managerial services to each of the Fund, Holdings Trust, the Partnership and Farley pursuant to the Administration Agreement. See “Description of ManagementCo” and “Administration Agreement”. ManagementCo will also be a general partner of the Partnership.

Farley is a corporation organized and existing under the laws of Canada and is engaged in the manufacturing, distribution and sale of windows and doors. The head and registered office of Farley is located at 254 MacDonald Boulevard, Alexandria, Ontario K0C 1A0. See “Description of Farley”. Following completion of the transactions described under “Funding, Investments and Related Transactions”, Farley will be a direct wholly-owned subsidiary of Holdings Trust.

For a description of the structure of the Fund after completion of the Offering and certain related transactions, see “Funding, Investments and Related Transactions” and “Retained Interest”.

## THE GIENOW GROUP

The Gienow Group is one of the largest Canadian window and door manufacturers and one of only two Canadian window and door manufacturers with a national manufacturing and sales presence. The Gienow Group produces a complete line of vinyl, wood, metal-clad wood and aluminum windows as well as complementary entrance systems including steel, wood and fiberglass entry doors and vinyl, wood, metal-clad wood and aluminum patio doors. The Gienow Group’s products are principally utilized in residential buildings, and in fiscal 2003 approximately 54% of its products were sold for use in the new construction market and approximately 46% of its products were sold for use in the renovation market. The Gienow Group offers its products in a variety of different designs and colours custom-made to its customers’ specifications. Products are offered in markets throughout Canada and the northern United States, with a particular emphasis on the provinces of Alberta, British Columbia, and Ontario.

The Gienow Group services a wide variety of customers under its Gienow, Award, AWD and Farley brand names. Its distribution channels include new home builders, professional renovators, dealers, a national “big box” retailer (Home Depot of Canada Inc.) and direct sales to the end consumer.

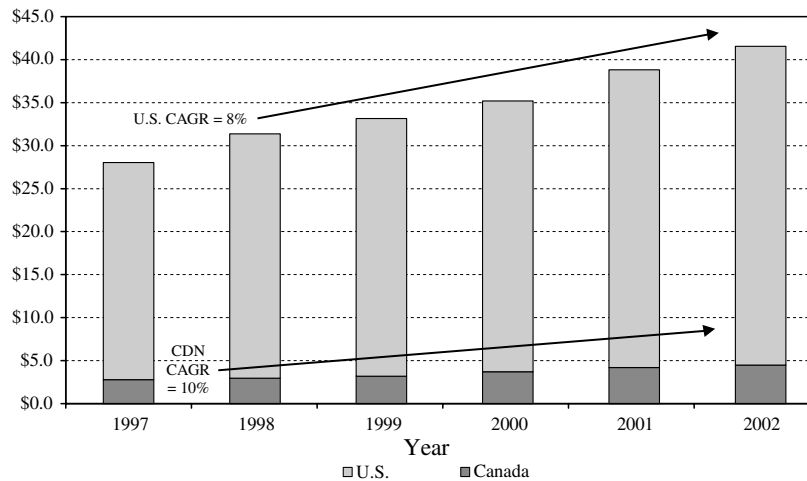
## WINDOW AND DOOR INDUSTRY

### Overview

Windows and doors can help define the character and style of a residence or a commercial building while providing exterior protection and interior comfort. While the basic function of window and door products has not changed over the last 25 years, demand for improved energy efficiencies, reduced maintenance requirements and lower costs have prompted a general shift in the types of material from which windows and doors are constructed, and consumer preferences have moved beyond functional considerations to ones of style and design. Consumers are increasingly looking for custom designs with the same energy efficiency and low maintenance features offered by standardized product offerings, all at a reasonable cost.

In 2002, the market for windows and doors was approximately \$4.5 billion in Canada and approximately \$37.1 billion in the U.S., with North American shipments for all types of windows and doors totaling approximately \$41.6 billion in that year. From 1997 to 2002, the dollar value of window and door shipments grew at a CAGR of approximately 8% in the U.S. and approximately 10% in Canada, as illustrated in the chart below. Management expects these growth trends to continue for the foreseeable future.

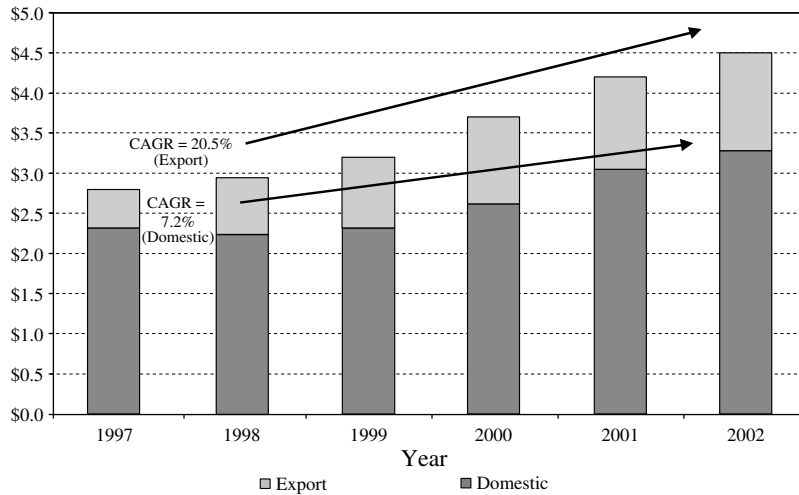
**North American Window and Door Shipments**  
(\$ billions\*)



Sources: Freedonia Study (May 2003), Statistics Canada  
 \* U.S. dollar figures converted to Canadian dollars at the annual average noon rate of exchange quoted by the Bank of Canada for the year in question.

Management also expects that the U.S. export markets will continue to be an important target of the Canadian window and door industry. Canadian window and door manufacturers have steadily increased their share of the U.S. market, with exports growing at a CAGR of approximately 20.5% between 1997 and 2002 and representing approximately 27% of the total dollar value of Canadian window and door shipments in 2002. Over the same period, domestic shipments by Canadian window and door manufacturers grew at a CAGR of approximately 7.2%.

**Canadian Window and Door Shipments  
(Exports vs Domestic)  
(\$ billions)**



Source: Industry Canada

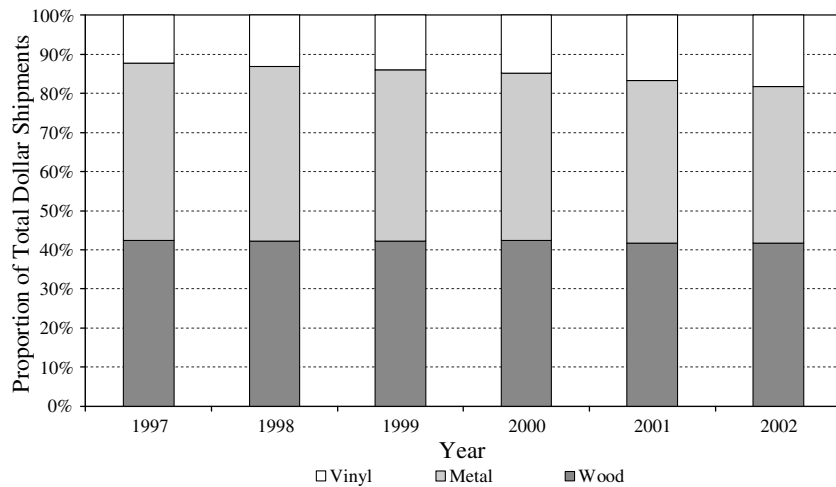
In 2002, almost 95% of Canadian window and door exports by dollar value were to the U.S., with the northeastern states accounting for 40%, the midwestern states accounting for 17%, the southern states accounting for 21% and the western states accounting for 22% of such exports.

**Growth in Demand for Vinyl Products**

Windows and doors are manufactured from wood, metal (steel and aluminum) or plastic (vinyl, fiberglass and wood-plastic composites). Consumer demands for improved energy efficiencies, reduced maintenance requirements and lower costs have made vinyl an increasingly popular alternative to wood and metal products, as vinyl offers lower material costs, increased longevity and stability, greater durability and superior thermal efficiency.

Vinyl products are the fastest growing segment of the North American window and door market and represented 47% of all window and door units shipped in 2002 (up from 40% in 1997). Vinyl is also growing in terms of its proportionate share of the market by value. From 1997 to 2002, according to proportionate dollar value of North American window and door shipments, wood products remained relatively constant at approximately 42% of window and door shipments while metal products fell from approximately 45% of window and door shipments to approximately 40%. The proportional value of vinyl products, however, rose from approximately 12% to approximately 18%, representing total growth of 50% over that period.

### North American Window and Door Shipments By Type



Vinyl products now constitute the largest segment of the window and door market in terms of numbers of units shipped and management believes that vinyl will continue to capture additional market share from wood and metal due to improved formulation techniques and continuing consumer emphasis on the cost, efficiency and maintenance qualities that vinyl offers.

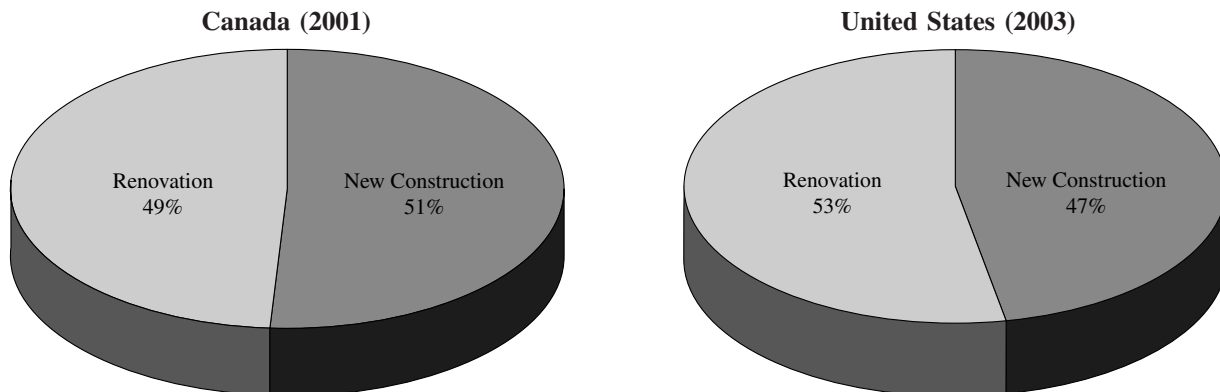
### Residential Window and Door Market

#### *New Construction and Renovation*

Demand for residential windows and doors is driven by two primary end-markets: the new construction market and the renovation market. The new construction market typically provides manufacturers with the opportunity to outfit a new home with all of its windows and doors. As a result, production runs can be more efficient versus the custom designs that more typically characterize the renovation market. However, the renovation market tends to be more stable over time as many consumers who decide against purchasing a new home will instead renovate their existing one, which helps to insulate manufacturers serving that market from construction cycles. In addition, the renovation market tends to produce higher margins since it often involves customized products with more value-added features.

In 2001, the new construction and renovation markets accounted for approximately 51% and 49%, respectively, of residential window sales in Canada. The renovation market is slightly more predominant in the U.S., representing approximately 53% of 2003 sales versus approximately 47% for the new construction market. Management believes that these proportions have not materially changed in the last three years.

### Residential Window Sales by End Market

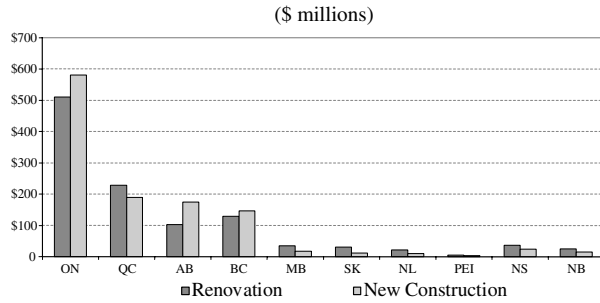


Source: Internal Management, Statistics Canada

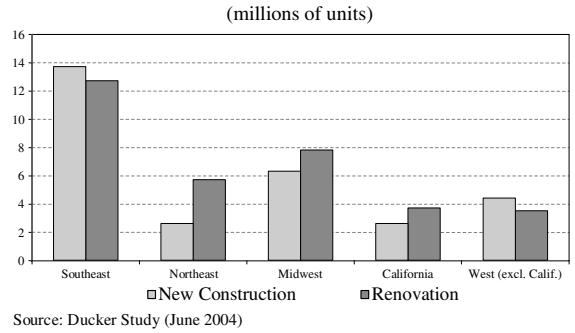
Source: Internal Management, Ducker Study (June 2004)

Within Canada, the largest residential window markets are in the central (Ontario and Québec) and western (British Columbia and Alberta) provinces. In the U.S., the southeast region is the single largest geographic market, followed by the northeast and midwest regions.

**2001 Canadian Window and Door Market  
New Construction vs Renovation Shipments<sup>(1)</sup>  
By Province**



**2003 U.S. Window and Door Market  
New Construction vs Renovation Shipments<sup>(1)</sup>  
By Region**

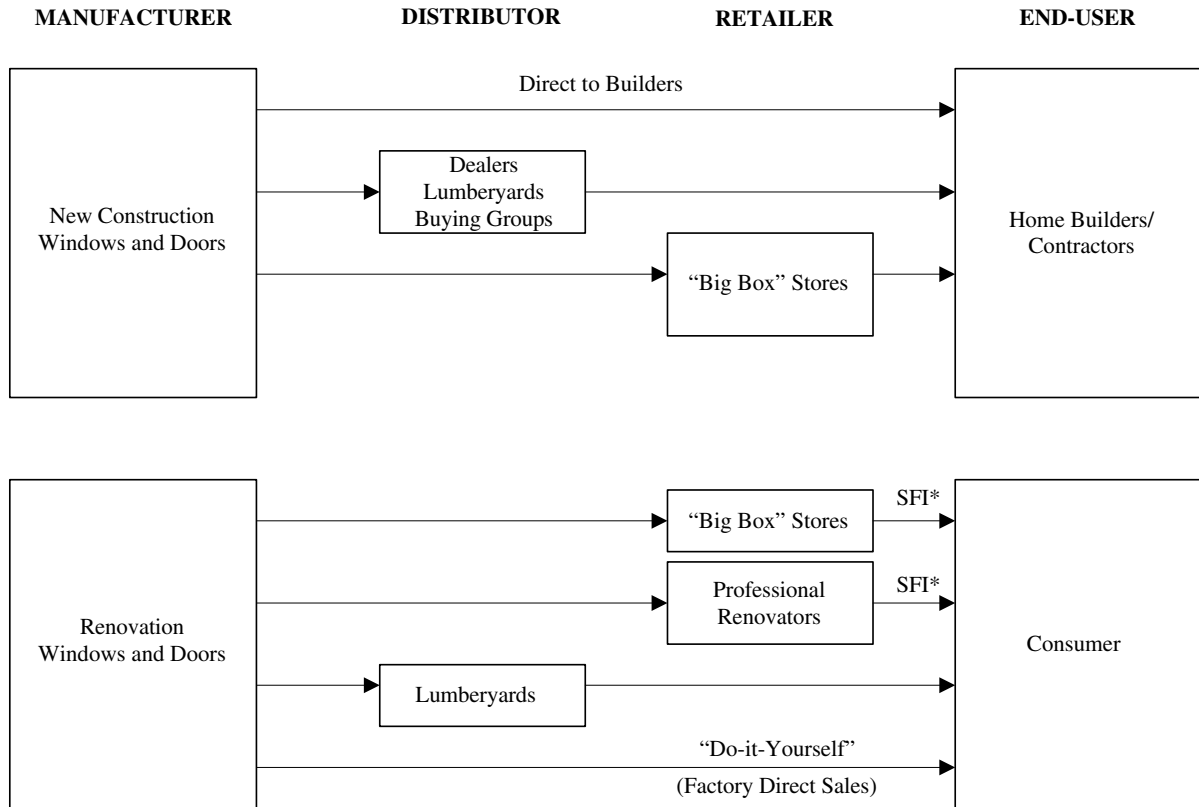


**Note:**

(1) Excludes non-residential and export windows and doors

*Distribution Channels*

The distribution channels through which windows and doors are sold vary between the new construction and renovation markets. In Canada, sales in the new construction market are predominantly made through direct sales to builders and contractors, while sales in the renovation market are often made indirectly through “big box” retailers, lumberyards and professional renovators.



\* SFI = Sell, furnish and install

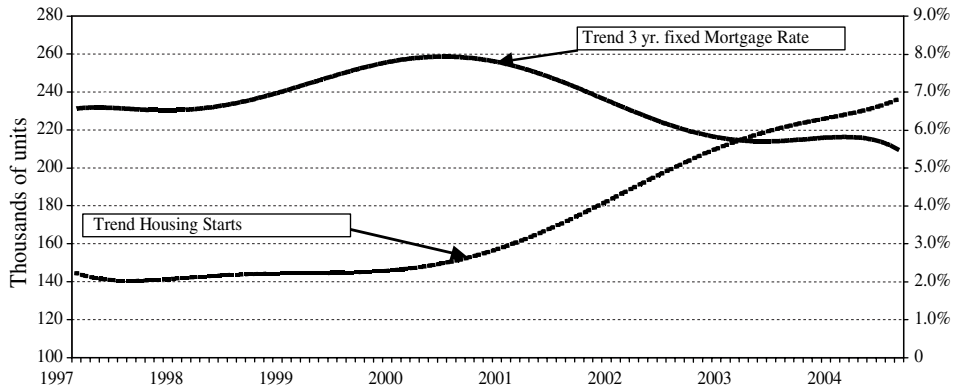
**Industry Drivers**

The window and door industry is dependent on general economic conditions and demand is influenced by new construction and renovation activities. Management has identified housing affordability, the aging state of North American housing stock and certain demographic patterns as the key drivers of the residential window and door market.

*Housing Affordability*

Interest rate levels affect both the number and size of new housing developments as well as consumer appetite for renovation projects. There is an inverse relationship between interest rates and housing starts, illustrated in the chart below, as the lower cost of mortgage credit makes housing more affordable. Lower interest costs make existing homeowners more likely to purchase a new or larger home. Increased home ownership also increases the pool of renovating households.

**Canadian Mortgage Rates and Housing Starts**



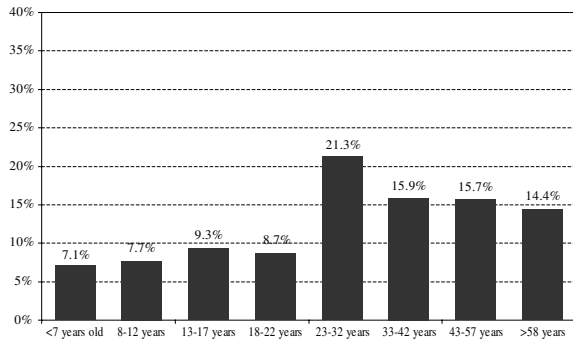
Source: Canada Mortgage and Housing Corporation, National Bank of Canada

*Aging Housing Stock*

Over the coming decade, the average age of North American housing stock is expected to rise as a result of the slowdown in new construction in the 1980s and early 1990s and increased interest in preserving older homes. Management believes that this trend will favourably impact both the new construction and renovation markets, as it expects that owners of many aging houses will elect to renovate their house or replace it with a new one.

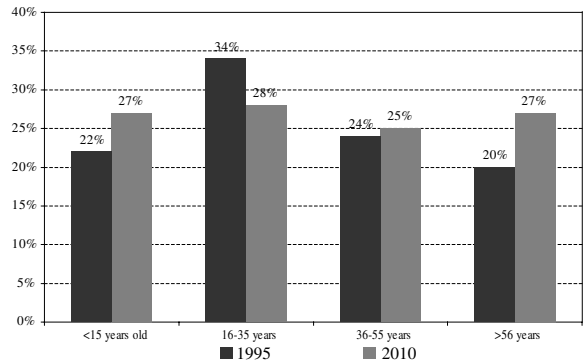
According to data from the Canada Mortgage and Housing Corporation, approximately 46% of owner-occupied housing in Canada in 2001 was at least 33 years old. In the U.S., homes older than 36 years will comprise more than 52% of owner-occupied housing by 2010, an increase from 44% in 1995, according to the Center for Joint Housing Studies of Harvard University. Management believes that this same aging trend applies in Canada. Older homes are likely to experience deteriorating window and door performance, which will reduce heating efficiency and impair window transparency, creating momentum for replacement. Management believes that this will increase demand for window and door replacements, which are already one of the more popular renovation projects undertaken by homeowners, and that the nature of the units to be replaced are likely to involve customized products for which higher margins are available.

**Canadian Age of Housing Stock**



Source: Canada Mortgage and Housing Corporation, adapted from Statistics Canada (Census of Canada 2001)

**U.S. Age of Housing Stock**



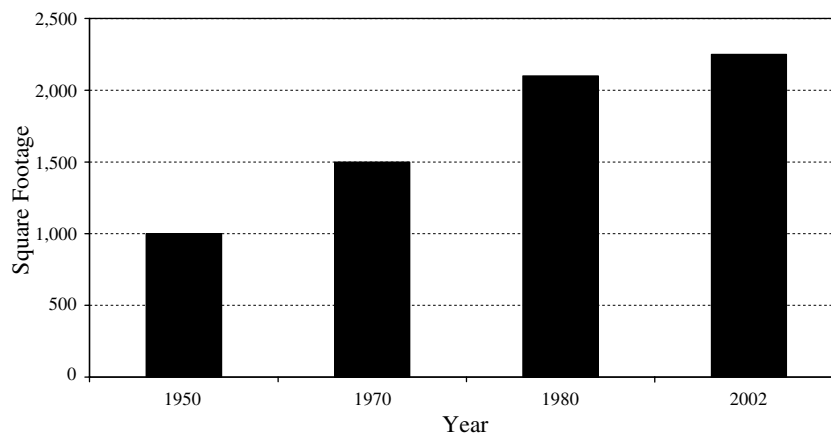
Source: Joint Center for Housing Studies of Harvard University (2004)

## Demographics

Management believes that certain demographic trends in the general population will also have a positive impact on residential window and door sales over the next few years. The so-called “baby boomers” represent the largest generational group in North America and are, as a group, relatively affluent. Currently in their peak earning years, “baby boomers” are also reducing debt and inheriting wealth from previous generations, resulting in greater disposable income that management believes is being expended increasingly on, among other things, new or second homes and renovation projects, both of which have a positive impact on window and door demand. Regional and national migration trends from rural to urban centers as well as immigration trends are expected to produce more first-time homebuyers, which is expected to have a favourable influence on the residential window and door market.

In addition to demographic trends towards new home ownership or second homes, the average size of new homes continues to grow. Management believes that, generally, larger homes contain more windows than smaller homes.

**North American Average Square Footage of New Homes**



## Industry Trends

Management has identified the following trends as being relevant to the window and door industry:

### Product Trends

While the basic function of window and door products has not changed over the last 25 years, consumer demand for improved energy efficiency, better weather resistance and lower unit costs has prompted producers to develop new and improved products. The industry response has been to change the materials from which, or the manner in which, windows and doors are made and to adopt new technologies in glass and other input materials. More thermally efficient and weather resistant materials such as vinyl, fiberglass and composites have been developed and new technology such as gas-filled “Low E” sealed glass units are becoming more commonplace throughout North America. Window and door product development will also be influenced by changes in building codes, which are focusing more on window and door performance, and by government initiatives to promote energy conservation, such as the Energy Star program of Natural Resources Canada.

### Distribution Trends

Distribution channels are changing. In more densely populated areas, building product manufacturers are increasingly excluding middlemen such as dealers and distributors from the distribution channels and are instead selling directly to builders. “Big box” retailers and national chains are also handling increasing volumes of windows and doors.

In addition, electronic sales processes regarding ordering, invoicing and stock control are contributing to more efficient and effective distribution channels and are facilitating the better management of large accounts.

## Consolidation Trends

The window and door industry is highly fragmented among many producers, with few having more than a regional presence. This presents consolidation opportunities to those producers who have the platform from which to execute acquisitions.

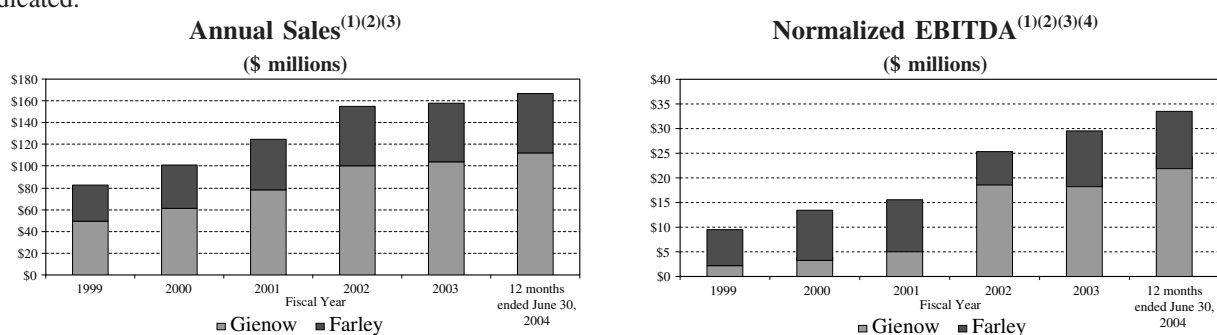
## BUSINESS OF THE GIENOW GROUP

### Overview

The Gielow Group is one of the largest Canadian window and door manufacturers and one of only two Canadian window and door manufacturers with a national manufacturing and sales presence. It designs, manufactures and sells a full range of high quality, value-priced, custom windows and doors to new home builders, dealers, professional renovators and industrial customers from three manufacturing facilities in Alberta and one in Ontario. The Gielow Group produces a complete line of vinyl, wood, metal-clad wood and aluminum windows, as well as complementary entrance systems including steel, wood and fiberglass entry doors and vinyl, wood, metal-clad wood and aluminum patio doors. Its window products are available in a wide variety of designs, shapes and sizes for all styles of architecture. The Gielow Group also offers installation services and complementary products such as skylights and glass block windows.

The Gielow Group's revenues have increased by 91% since 1999 at a CAGR of approximately 13.8%. The Gielow Group's sales for the 12 months ended June 30, 2004 were \$166.4 million.

The following charts illustrate the Gielow Group's growth in sales and Normalized EBITDA for the periods indicated.



### Notes:

- (1) Historical financial information in respect of 1999 and 2000 is based on management calculations. Historical financial information in respect of 2001, 2002 and 2003 is based on the audited financial statements of Gielow and Farley contained elsewhere in this prospectus. Financial information in respect of 2001 is based on the audited consolidated financial statements of Gielow for the year ended February 1, 2002 and the audited combined financial statements of Farley for the year ended December 31, 2001; financial information in respect of 2002 is based on the audited consolidated financial statements of Gielow for the year ended February 1, 2003 and the audited consolidated financial statements of Farley for the year ended December 31, 2002; and financial information in respect of 2003 is based on the audited consolidated financial statements of Gielow for the year ended February 1, 2004 and the audited consolidated financial statements of Farley for the year ended December 31, 2003.
- (2) The figures in the charts for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gielow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gielow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of the operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year.
- (3) Historical financial information for Gielow and Farley has been totaled for the convenience of readers. Investors are cautioned that the totals for such periods should not be construed as indicative of results that would have been achieved had Gielow and Farley been combined during such periods.
- (4) Normalized EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Normalized EBITDA may not be comparable to similar measures presented by other issuers. See "General Matters — Non-GAAP Measures" and "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".

The Gienow Group services a wide variety of customers under its Gienow, Award, AWD and Farley brand names. Its distribution channels include new home builders, professional renovators, dealers, a national “big box” retailer (Home Depot of Canada Inc.) and direct sales to the end consumer.

The following map indicates the jurisdictions in North America (marked in grey) in which the Gienow Group’s products are sold.



## History

The Gienow Group traces its beginnings to Gienow, which was formed in 1947 and became a leading manufacturer and supplier of vinyl, wood and metal-clad wood windows and doors, operating primarily in Alberta and British Columbia with a presence in the northern and midwestern United States. In 1999, Gienow acquired Award, a manufacturer of high-performance custom-built vinyl windows and maintenance-free entry door systems operating in Alberta, Saskatchewan, northern British Columbia, the Yukon, the Northwest Territories and Alaska. In 2001, Gienow formed AWD to carry on business as a manufacturer of aluminum high-rise windows in British Columbia and the northern and midwestern United States.

Farley commenced operations in 1952 and currently manufactures vinyl windows for sale in Ontario, Québec, the Atlantic provinces, Manitoba, Saskatchewan and the northeastern United States.

In 1998, Gienow's senior management initiated a comprehensive business plan involving major operational and infrastructure changes to bring Gienow to the forefront of the industry and equip it with industry-leading capabilities. The plan focused on upgrades to Gienow's physical production facilities (plant and equipment) and the development and implementation of comprehensive, integrated and fully-automated management information systems capable of coordinating the entire manufacturing and delivery cycle from the time an order is entered into the system until the time the product is delivered to the client. Specific actions undertaken included:

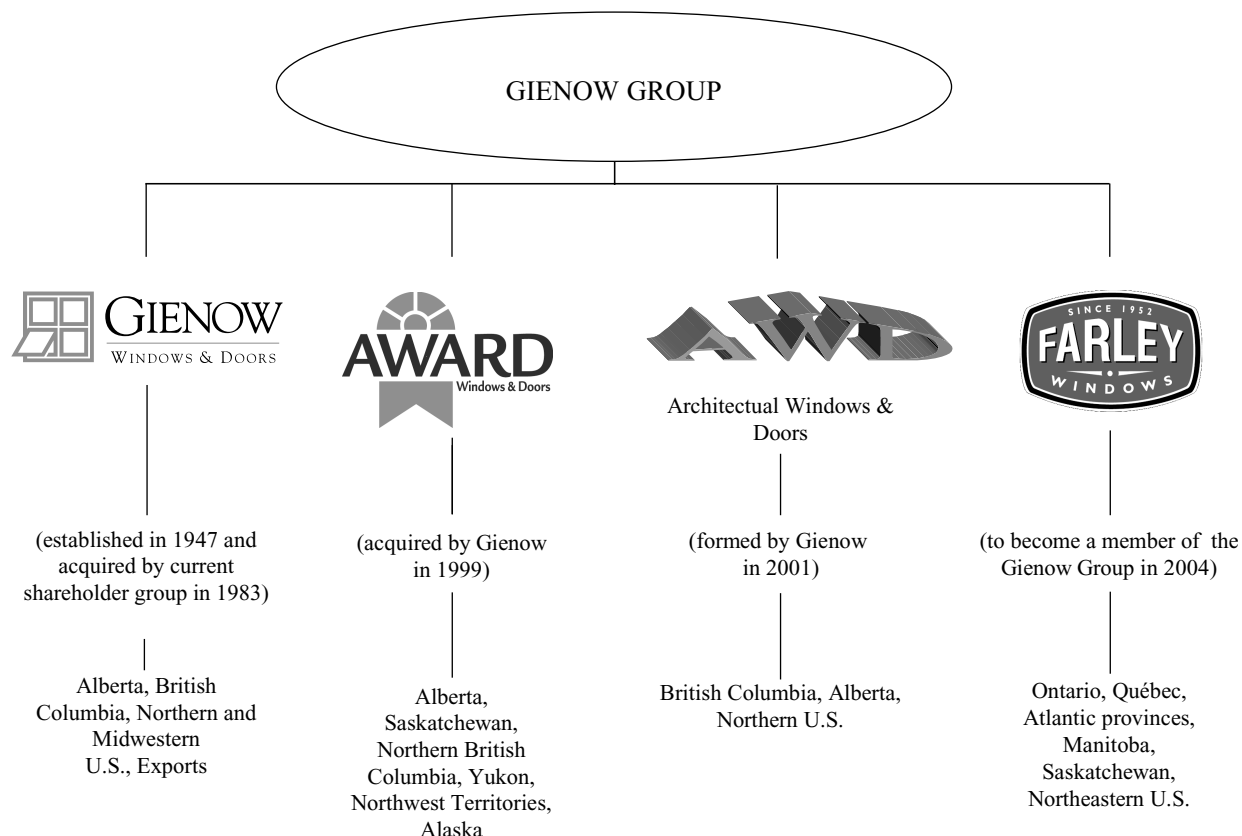
- the purchase and conversion of a 350,000 square foot warehouse in Calgary, Alberta into a state-of-the-art window and door manufacturing and distribution facility, complete with climate-controlled receiving and shipping facilities, a product showroom, employee facilities, and office space for all managerial and administrative functions;
- consolidation of the four facilities previously occupied by Gienow into the new facility;
- development of proprietary management information systems (and associated software) that have enabled Gienow to integrate and optimize the entire manufacturing and delivery cycle so as to become a "just in time" manufacturer with industry-leading order-to-delivery lead times, low inventory levels (over 14 turnovers per year) and minimal waste;
- development and implementation of the Accuorder system (which is the product configurator and electronic catalogue through which Gienow salespeople, agents and customers may order customized products), the GDS (Gienow Digital Solutions) set of intranet applications and utilities which complement Accuorder, and the "My Secure Gienow" internet portal (which allows clients to place and track their orders online);
- investment in product design and development to satisfy customer demand for most kinds of customized window products;
- earning ISO 9001-2000 certification to further enhance its quality control and manufacturing processes; and
- acquiring Award and forming AWD and successfully integrating them within the consolidated Gienow operations.

Gienow, Award and AWD formed the Partnership on June 30, 2004 for the purpose of combining their respective window and door manufacturing, distribution and sales businesses.

The Gienow Group is the product of the indirect acquisition of the LP Interest and the Farley Shares by the Fund and the combination of the Partnership and Farley businesses under a common ownership structure. Management believes that the combination will significantly augment the capabilities of the Gienow Group through the pairing of two businesses with complementary products, target markets and strategies.

The same individuals who led the implementation of the Gienow business plan after 1998 will remain in senior management positions with the Gienow Group, and will bring the same discipline and focus to the integration of the Partnership and Farley as they did to the execution of the Gienow business plan.

The following diagram identifies the divisions of the Gienow Group and the geographic markets in which they operate.



### Principal Markets

The Gienow Group derives most of its revenues from the sale of windows, which accounted for approximately 85% of its total revenues in fiscal 2003. The Gienow Group also manufactures and sells entrance systems including steel, wood and fiberglass entry doors and vinyl, wood and aluminum patio doors, which together accounted for approximately 12% of total revenues in fiscal 2003. The remaining 3% of the Gienow Group’s revenues were derived from other sources such as service activities.

The Gienow Group’s products are principally sold into the residential new construction (single-family homes, low-rise multi-family homes and high-rise buildings) and renovation markets. The proportionate share of the Gienow Group’s sales to the new construction (approximately 54% based on fiscal 2003 sales) and renovation (approximately 46% based on fiscal 2003 sales) markets closely approximates the proportion for the entire window and door industry in Canada (51% new construction and 49% renovation, based on 2001 data). See “Window and Door Industry — Residential Window and Door Market”.

Geographically, the Gienow Group’s products are offered in markets throughout Canada and the northern United States, with over 76% of fiscal 2003 revenues generated from sales in Canada. Within Canada, the Gienow Group operates primarily in Alberta, British Columbia and Ontario, which together represented over 72% of total Canadian demand for residential windows and doors in fiscal 2003. In the United States, the Gienow Group services an area that represented approximately 40% of total U.S. demand for residential windows and doors in 2001.

### Competitive Strengths

Management believes that the Gienow Group has a number of competitive strengths that make its performance sustainable and provide a solid base for continued growth. These strengths are the result of the manufacturing and process platforms, the complementary benefits of integrating the Partnership and Farley and the focus and discipline of the Gienow Group’s senior management team.

## ***World Class Manufacturer***

### ***Efficient Production***

As a result of its previous investment in technological upgrades, Gienow has a state-of-the-art manufacturing facility which is connected to a comprehensive and integrated management information system that is capable of coordinating the entire manufacturing and delivery cycle from the time an order is entered into the system until the time the product is delivered to the customer. The result is a highly efficient production process that achieves “just in time” manufacturing with:

- industry leading order-to-delivery lead times, as work-in-progress is minimized;
- minimal waste of input materials like vinyl or glass;
- an ability to respond immediately to problems experienced in the production process; and
- high inventory turnover (very low inventory levels).

Although management believes that the existing platform will accommodate further growth without significant upgrades or modification, it will continue to invest in technology to maintain its competitive advantage with the support of its in-house research and development group.

Gienow’s management information system is an expert system that generates daily detailed resources required for each configured product ordered by the customer. This system uses expert engineering knowledge to determine what materials and manufacturing processes are required to make each product. The system integrates with a master production schedule, capacity and material planning modules, production control and distribution systems and a third party accounting application.

### ***Quality Products***

The Gienow Group has a reputation for quality and specifically designs its products to meet the competitive characteristics of its various markets. Management believes that the Gienow Group’s products meet or exceed the quality offered by its competitors within the price range they are offered and that, because of the efficiencies of its production platform, the Gienow Group can produce and sell such products more profitably on a per unit basis than its major competitors. The Gienow Group’s products also incorporate a number of premium features and are available in a variety of materials, colours and designs. Product quality has helped, and will continue to help, the Gienow Group develop and maintain long-term customer relationships, and employees are regularly exposed to continuous improvement initiatives.

The Gienow Group’s products have consistently met or exceeded the requirements of the Canadian Standards Association, the National Fenestration Rating Council, the American Architectural Manufacturers’ Association and the Insulated Glass Manufacturers’ Association in tests performed by those organizations. Gienow also achieved certification under ISO 9001-2000 in 2004, which provides for the proper documentation and monitoring of manufacturing and other processes and aims to ensure that customers’ needs are appropriately addressed.

In recognition of its product and service quality, the Gienow Group has received various industry awards, including the 2003 Partner of the Year award from the Calgary Region Home Builders Association and the 2002 Builders’ Choice award from the Edmonton Region Home Builders Association (both awarded to Gienow) and the 2001 and 2000 National Millwork Supplier of the Year awards from Home Depot of Canada Inc. (awarded to Farley).

### ***Flexibility to Customize Products***

The Gienow Group produces customized windows and doors to meet the specific requirements of each of its customers. It is able to accommodate customized requests quickly and efficiently without significant additional cost because of the efficiencies in its manufacturing processes and through the use of modular designs for Gienow Group windows. Customization also typically generates higher revenues for the Gienow Group than the non-customized (or stock windows) segment of the market.

## ***Canada’s Most Diverse Window Manufacturer***

Management believes that the Gienow Group is the most diversified window manufacturer in Canada in terms of its product mix, customer base, distribution channels and geographic markets served, with a national manufacturing and

sales presence and particular focus on what management considers to be the most desirable geographic areas of the Canadian marketplace.

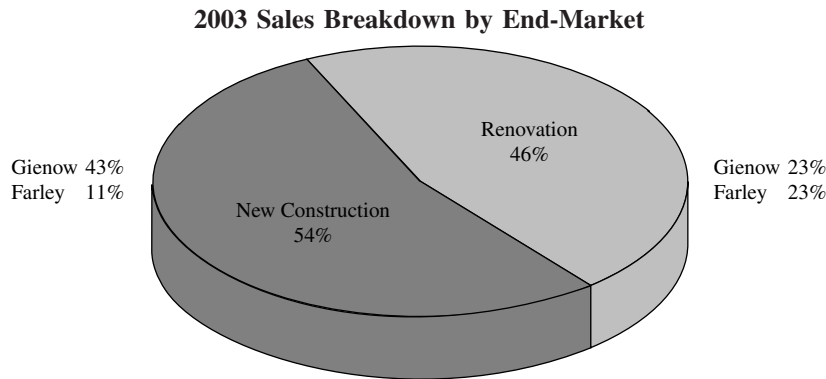
*Diversification in Product Mix*

The Gienow Group has an extremely diverse product line that includes vinyl, wood and metal-clad wood windows and doors for the new construction and renovation markets, aluminum windows for high-rise buildings, and aluminum windows and doors for modular camp applications. A vast array of product configurations are available within each product line after giving effect to size, shape and composition options that are available to the customer. See “— Products”.

*Diversification in End-Markets, Distribution Channels and Customers*

The Gienow Group enjoys diversification as between the new construction and renovation markets. In fiscal 2003, approximately 54% of the Gienow Group’s products were sold to the new construction market and the remaining 46% were sold to the renovation market. Management believes that this balance between the new construction and renovation markets provides the Gienow Group with greater stability than many of its competitors and better insulates it against downturns in one segment of the market by positioning the Gienow Group to benefit from positive trends in either market. See “Window and Door Industry — Industry Trends”.

The following chart illustrates the proportion of fiscal 2003 revenues derived by the Gienow Group from the new construction and renovation markets:



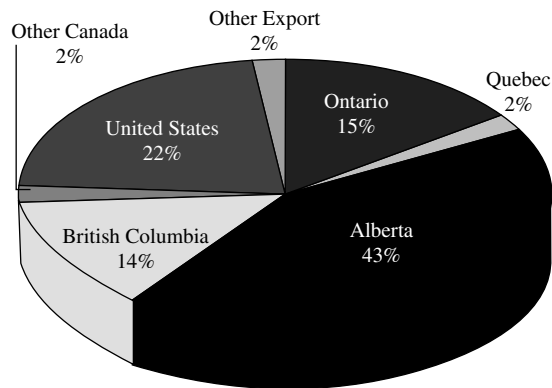
The Gienow Group currently sells its products through a number of distribution channels, which include a national “big box” retailer (Home Depot of Canada Inc.), local retailers, lumberyards, window dealers and new home builders. This diversification in distribution channels can also help stabilize the Gienow Group’s revenues over a longer period of time since each channel can exhibit different, and sometimes counter-balancing, demand characteristics. The Gienow Group currently serves a customer base of over 2,000 customers. Although the Gienow Group enjoys strong relationships with its customers, it is not dependent on any one customer for the financial success of its business, with the top 10 customers accounting for approximately 28.3% of fiscal 2003 revenues and its single largest customer accounting for approximately 10.3% of fiscal 2003 revenues.

*Diversification in Geographic Markets*

The Gienow Group operates primarily under the Gienow, Award and AWD brands in western Canada out of its Alberta facilities, and primarily under the Farley brand in eastern Canada out of its Ontario facility. It also exported approximately 22% of its sales in fiscal 2003 to the United States and approximately 2% to China, Chile, Japan and South Korea. Management intends to continue to grow the Gienow Group’s export sales. Geographic diversity in the markets in which the Gienow Group operates helps to insulate it against downturns in particular geographic regions. The effects of seasonality experienced by the Gienow Group during the fall and winter months is also anticipated to be diminished by this geographic diversification.

The following chart illustrates the proportion of fiscal 2003 revenues derived by the Gienow Group from each of its primary geographic markets.

**2003 Sales Breakdown by Geography**



### *Platform for Growth*

The Gienow Group is positioned for future growth and to benefit from the various trends that management expects will drive future sales of windows and doors.

### *Operational Platform*

The Gienow Group has demonstrated an ability to grow revenues while improving its margins and EBITDA, due in part to its ability to control fixed and operating costs without compromising the quality of its products or services. It is expected that the Gienow Group's ability to generate cash flow will enable continued growth in operations, including targeting and integrating further acquisitions.

Management believes that the Gienow Group's current manufacturing and process platform will enable it to grow capacity and increase output at costs that are less than those incurred by its competitors and without compromising its "just in time" manufacturing processes and industry leading order-to-delivery lead time. The Gienow Group has a stable fixed cost and breakeven base and sufficient capacity to meet its current growth strategy within its current facilities without the need for significant increased capital.

### *Customer Relationships*

The Gienow Group is committed to strong customer relationships. Most of the Gienow Group's top 50 customers have been customers for an average of more than five years and its top 10 customers have been customers for an average of 15 years. The diversification of its distribution channels and its commitment to servicing its customers' needs has allowed the Gienow Group to develop long standing relationships with a variety of customers. The Gienow Group has been successful in growing its business along with its customers' business and in meeting its customers' changing needs in terms of product design and volume. In addition, the Gienow Group has enabled its customers to improve their own businesses by meeting their needs in terms of product design and volume and by ensuring reliable delivery.

Through its sell, furnish and install ("SFI") business, the Gienow Group also receives leads from homeowners seeking a complete window and/or door installation solution. The Gienow Group representatives can then contact the homeowner directly to arrange for the sale of the windows and the installation by a third party. This program results in both increased sales to the Gienow Group and a stronger relationship with its retail partners.

### *Presence in Most Desirable Markets*

The Gienow Group is well positioned in the most desirable geographic regions in Canada. The Gienow Group's primary target markets in Canada are Alberta, British Columbia and Ontario, which accounted for approximately 67.6% of total Canadian housing starts in 2003 and are experiencing the demographic trends that are the most favourable to Gienow Group products. Sales into these three provinces accounted for approximately 72% of the Gienow Group's revenue in fiscal 2003.

### New Housing Starts in Canada

	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2003</u>
Alberta.....	9.5%	12.5%	17.3%	16.6%
British Columbia .....	20.2%	24.4%	9.5%	12.0%
Ontario .....	<u>34.5%</u>	<u>32.3%</u>	<u>47.2%</u>	<u>39.0%</u>
	<b><u>64.2%</u></b>	<b><u>69.2%</u></b>	<b><u>74.0%</u></b>	<b><u>67.6%</u></b>
Other .....	<u>35.8%</u>	<u>30.8%</u>	<u>26.0%</u>	<u>32.4%</u>
	100.0%	100.0%	100.0%	100.0%

Source: Canada Mortgage and Housing Corporation

In the United States, the Gienow Group has targeted the northeast, mountain and midwest regions because of product and market compatibility and proximity to its manufacturing facilities. These regions accounted for approximately 40% of residential window and door units sold in the U.S. in 2001. See ‘‘Window and Door Industry — Residential Window and Door Market’’.

#### *Management Team*

The Gienow Group’s senior management team has more than 130 total years of management experience in the windows and doors business. Many of the senior managers have worked together since the Gienow Shareholders acquired Gienow in 1983. Management has a proven track record of successfully integrating acquired businesses into its existing operations, having successfully done so with Award in 1999 and AWD in 2001, and can draw upon this experience when faced with comparable growth scenarios, whether by way of acquisition or organic expansion. Management encourages a corporate culture of innovation, leadership and personal growth.

#### **Growth Strategy**

The Gienow Group has a track record of growth, having increased revenues by over 90% over the past five years from \$83 million in fiscal 1999 to over \$158 million in fiscal 2003. The Gienow Group’s primary focus has been, and will continue to be, on the following six factors:

<i>Sales Growth:</i>	<i>Cost Competitiveness:</i>
<ul style="list-style-type: none"> <li>• Improved market presence</li> <li>• Product line enhancements</li> <li>• Sales and service expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement gains (<i>i.e.</i>, increased buying power)</li> <li>• Production efficiencies, capacity and optimization strategies</li> <li>• Centralized management and administration functions</li> </ul>

By focusing on these factors, the Gienow Group has, within the last three years, increased its competitiveness, expanded its existing markets and penetrated new ones without substantial additional investment in equipment, facilities or human resources, and improved the quality of its revenues in terms of gross margins, EBITDA and operating cash flow. Growth opportunities, whether internally or through acquisitions, will be assessed on the basis of these factors.

Management believes growth will be achieved through a combination of the following:

#### ***Serving National and Multi-Regional Customers***

The Gienow Group’s national manufacturing and sales presence positions it to serve new or existing national and multi-regional customers across Canada. The Gienow Group’s ability to source products from multiple facilities is expected to alleviate the problem of prohibitive transportation costs associated with a strategy of serving customers from a single facility. Management also expects that some customers with a multi-regional presence may prefer to source their needs from a single supplier of window and door products. Facilities in the key geographic regions of

Alberta and Ontario are expected to give the Gienow Group the ability to service national and multi-regional retailers and distributors throughout most of Canada in a cost effective manner.

### ***Further Penetrating Existing Markets***

The Gienow Group is well positioned to increase its penetration of existing markets by taking advantage of the different end market focus of the Partnership and Farley and through the development of new products. For example, the Farley business has in the past focused primarily on the renovation market, but has not been as active in pursuing opportunities in the new construction market. Management expects that the Partnership's experience in this market will allow the Gienow Group to expand such business into the geographic areas in which the Farley business is operated. Similarly, the Partnership business has focused primarily on the new construction market, rather than the renovation market in western Canada, and Farley's experience in the latter will provide a base from which to grow this area of the business in that region. In addition, management intends to grow sales by developing new products to meet evolving consumer demands. The Gienow Group's in-house research and development group will be an important contributor in this area, as will the ability of its manufacturing processes to accommodate custom orders.

### ***Acquisitions***

The Gienow Group intends to pursue an acquisition strategy of targeting small and mid-sized regional producers as potential acquisition candidates. Management believes that consolidation in the window and door industry presents significant growth opportunities for the Gienow Group. Although the industry has historically been fragmented with very few large participants and many small, family-owned businesses, more recently there has been an increase in the number of consolidation transactions.

Management expects that the pace of consolidation will accelerate and present attractive acquisition opportunities for the Gienow Group, as consolidation provides the opportunity for increased buying power, larger market share and increased economies of scale resulting in cost reductions. Lower overall costs also provide opportunities for penetrating higher value markets more competitively and, together with an expanded geographical presence, facilitate servicing more national accounts and expanding international exports.

In assessing acquisition opportunities, the Gienow Group will consider the following criteria:

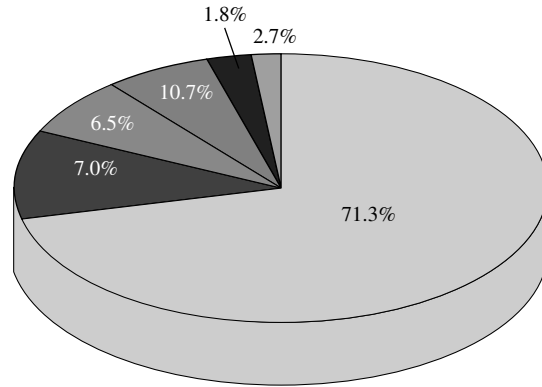
- whether the acquisition is expected to be accretive to Unitholders;
- geographic reach post-acquisition and the possibility to integrate into existing facilities;
- profitability of the target business and market share;
- continuing involvement of owners and key personnel; and
- compatibility with the Gienow Group's culture.

Management believes that the Gienow Group's existing manufacturing facilities will be able to accommodate significantly increased production without the need for a material investment of additional capital, thereby enabling such additional production to be undertaken more profitably than would otherwise be the case. In an acquisition context, management would seek to export all or some part of the Gienow Group's production processes to the acquired business or facility. Given the breadth of its current product line relative to most other window and door manufacturers, the Gienow Group expects to be able to offer new products to customers of businesses that are acquired by the Gienow Group and thereby gain potential market share from an existing customer base.

### **Products and Services**

The Gienow Group offers an extensive range of window products, including vinyl windows for the new home construction market, vinyl windows for the standard and high-end renovation markets, wood and metal-clad wood windows for the high-end new home construction and renovation markets, aluminum windows for high-rise buildings and industrial camp applications, and complementary entrance systems for the new home construction and renovation markets such as patio doors and steel and fiberglass entry doors. The following chart illustrates the percentage of the Gienow Group's revenues for the 2003 fiscal year represented by each of its product groups.

### 2003 Revenue by Product Type

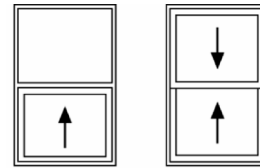


- Vinyl Windows
- Wood and Metal-Clad Wood
- Aluminum Windows
- Steel Doors
- Patio Doors
- Other

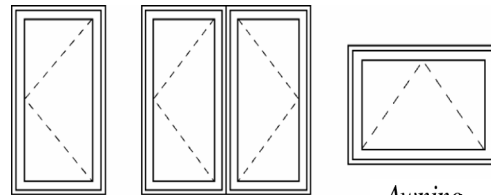
Windows are offered in a variety of types, colours, sizes and designs for residential use, including single and double hung, casement, awning, slider, bay, bow and architecturally shaped designs.

The following is a description of the principal types of windows and window components that the Gienow Group manufactures and sells:

- *Double Hung and Single Hung Windows:* Colonial in style, double and single hung windows combine a traditional look with functionality. In the double hung style, both sashes tilt in, while the single hung version uses the same balance system as the double hung, only the top sash is stationary.
- *Casement and Awning Windows:* Casement windows are contemporary in design and the most efficient in preventing air infiltration. Casement windows are hinged windows that open out, like a door, and are operated by a crank mechanism. The Gienow Group's casement windows vent vertically whereas its awning windows vent horizontally.
- *Sliders:* Sliders offer premium views and can be an economical option in designs where the casement look is desired. Within this category, the Gienow Group offers unique tilt sliders that turn in for cleaning or an economical lift out sash series. Tilt sliders are available only in two-lite styles, while lift-out sliders may be ordered in both two and three-lite configurations.

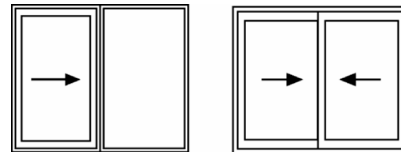


*Single Hung Double Hung*



*Casement Double Casement*

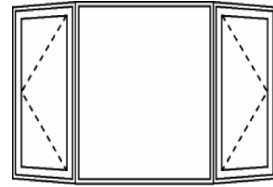
*Awning*



*Single Slider*

*Double Slider*

- *Bow and Bay Windows:* Bow and bay windows project from the exterior wall of the residence. A bay window is a window or series of windows with at least three sides that project from the exterior wall of the residence. A bow window is a semicircular bay window. Bay and bow windows add space and light to a room and are available in a wide variety of designs and configurations. The Gienow Group's bay and bow windows are designed to maximize sight lines for an elegant look.



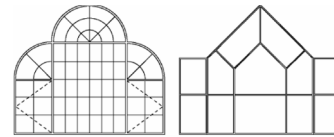
*Bay Window*

- *Picture Windows:* The Gienow Group's picture windows are stationary and can be made as direct-set or as a sash-in-frame design. Picture windows are typically larger in size than other forms of windows. Picture windows combine contemporary style with a design that is compatible with the Gienow Group's other windows.



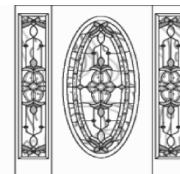
*Picture Window*

- *Specialty Architectural Shapes:* Specialty architectural shaped windows are available in a variety of shapes such as rectangles, triangles, trapezoids, octagons, pentagons, half-rounds, quarter-rounds, arches, ovals and ellipses and are designed to enhance the architectural detailing of a room. These can be mullered to other configurations to create unique looks in window design.



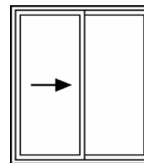
*Specialty Architectural shapes*

- *Steel and Fiberglass Entry Doors:* The Gienow Group manufactures a variety of entry doors with decorative options such as in-glass grills, specialty door inserts, and high-end hardware options.

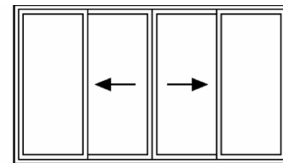


*Entry Door Systems*

- *Patio Doors:* The Gienow Group supplies a complete line of patio doors in both swing and sliding style in vinyl, wood, metal-clad wood, and aluminum.



*Patio Door*



*Patio Door*

The Gienow Group has extensive sales and service expertise with respect to new home construction, sell, furnish and install services in the renovation market, dealer sales in the renovation market, and high-rise residential buildings. By providing excellent sales support and service to its customers, the Gienow Group increases the likelihood of repeat business and positive endorsement of the Gienow Group and its products. In addition, Farley provides sell, furnish and install services to Home Depot of Canada Inc. under the "At Home Services" brand whereby inquiries from homeowners are serviced by Farley sales representatives who arrange installations through third parties. The Gienow Group also offers sell, furnish and install services under the Award and AWD brands.

## Facilities and Operations

### Manufacturing Facilities

The Gienow Group manufactures its products at four facilities, the two largest of which are owned by the Gienow Group. These facilities together provide the capacity that management believes is needed to accommodate the current and anticipated demands of the Gienow Group's customers, including during peak periods.

The Gienow Group's primary manufacturing facility in Calgary, Alberta was recognized in 2001 as "Most Innovative Plant" by Window and Door Magazine, a North American trade publication. The head office of the Gienow Group is maintained at this location.

The following table identifies, for each of the Gienow Group's manufacturing facilities, its approximate square footage, the division of the Gienow Group served by that facility, and whether the facility is owned or leased.

<u>Location</u>	<u>Approximate Square Footage</u>	<u>Division</u>	<u>Owned or Leased</u>
Calgary, Alberta . . . . .	350,000	Gienow	Owned
Alexandria, Ontario . . . . .	120,000	Farley	Owned
Edmonton, Alberta . . . . .	51,000	Award	Leased (expires February 2013)
Calgary, Alberta . . . . .	43,000	AWD	Leased (expires September 2005)

The Gienow Group also owns a redundant 15,000 square foot facility in Massena, New York that is currently unoccupied and for sale or lease. If the facility is sold or leased, the proceeds from the sale or lease payments, as the case may be, are not expected to be material.

### Sales and Branch Offices

The Gienow Group also maintains sales and branch offices (all in leased premises), or has resident sales agents located in, various centers in Alberta, British Columbia, Ontario and Saskatchewan as well as a U.S. sales office in Massachusetts. The following table identifies each such center and the division of the Gienow Group primarily served by that office or agent.

<u>Jurisdiction</u>	<u>Center</u>	<u>Division</u>
British Columbia . . . . .	Vancouver (Langley)	Gienow and AWD
	Kelowna	Gienow
	Kamloops	Gienow
	Prince George	Gienow
Alberta . . . . .	Lethbridge <sup>(1)</sup>	Gienow
	Red Deer <sup>(1)</sup>	Gienow
	Edmonton	Gienow
Saskatchewan . . . . .	Saskatoon <sup>(1)</sup>	Award
Ontario . . . . .	Woodbridge	Farley (SFI services)
Massachusetts . . . . .	Westminster	Farley (U.S. sales office)

**Note:**

(1) Denotes resident sales agent.

## Capital Expenditures

The Gienow Group has made significant investments over the past three years to expand its production capacity and product offerings and to modernize its operations in order to increase efficiency. The Gienow Group incurred, on average, capital expenditures of approximately \$3.0 million per year between fiscal 2001 and fiscal 2003, approximately \$670,000 per year of which was maintenance related capital expenditures. The amount and timing of these expenditures were as follows.

<u>Expenditures</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Average</u>
	(in thousands)			
Maintenance . . . . .	\$675	\$855	\$479	\$670
Expansion . . . . .	3,048	2,770	1,101	2,306
Total . . . . .	<u>\$3,723</u>	<u>\$3,625</u>	<u>\$1,580</u>	<u>\$2,976</u>

The expansion capital expenditures identified above for 2001 and 2002 include the purchase and renovation of one additional building in Alexandria, Ontario to expand the manufacturing space for Farley. In 2002 and 2003, Farley incurred almost \$1.9 million in expansion capital expenditures to implement an ERP system to support its operations. Both of these types of expenditures are significant one-time items and are not expected to re-occur.

Management estimates that, based on the three-year average above, maintenance capital expenditures of \$725,000 will be adequate to support its operations.

Management currently expects that, for the near- to medium-term, the level of capital expenditures required to maintain and grow the Gienow Group's operations will not be material because of excess capacity at each of its manufacturing facilities, including during peak periods. Maintenance capital expenditures are expected to be funded from the Gienow Group's cash flows.

### **Research and Development**

New product development and product enhancements help the Gienow Group achieve quality performance, field serviceability, efficiency gain, and total cost reduction and are therefore integral to the Gienow Group's future. The Gienow Group is committed to product development, both in terms of improving its existing products and developing new products. The Gienow Group maintains an in-house research and development program staffed by six full-time employees, and has implemented a process to direct research and development from conception to development, quality control and introduction into the marketplace. The process involves multi-disciplinary teams and communication strategies such as marketing and manufacturing bulletins. Within the next year, the Gienow Group expects to introduce three new products currently under development: a wood sliding patio door; a full suite of fiberglass doors; and a wood double hung window.

### **Information Systems**

The Gienow Group's information systems are designed and administered to support growth, control costs, facilitate better decision making, and to enhance the value of the Gienow Group to its customers, suppliers, employees and business partners. The Gienow Group manages the majority of its information systems internally, thereby allowing it to react quickly to changing business needs. Management continually identifies and implements cost effective opportunities and solutions to upgrade its information systems.

The Gienow, Award, AWD and Farley operations currently use different information systems that pre-existed their integration within the Gienow Group and that have sufficient capability for their respective business operations, including the capability to service the needs of their customers, sales staff, manufacturing operations and financial reporting. The various enterprise resource planning systems and production systems ensure the efficient running of the Gienow Group's production facilities. All operational systems are linked to the financial systems and are able to generate financial reporting information. As the businesses are further integrated, other business units may benefit from Gienow's experience and be able to take advantage of certain of its modules.

### **Competition**

The window and door industry is a relatively fragmented industry with a few large manufacturers and many small family-owned or independent members. Participants generally compete for customers on a local or regional basis. In general, competitors in the industry can be grouped into three categories: local window manufacturers; regional window manufacturers; and multi-regional window manufacturers. For the most part, the Gienow Group competes against regional and multi-regional competitors. The Gienow Group competes against other manufacturers of mid-level priced vinyl windows on the basis of price, quality, window features, delivery time, after sales service and product warranty. Management believes that the Gienow Group offers the highest quality vinyl windows at its price point in the markets it serves, with equivalent or more features, competitive delivery, better after-sale service and one of the most comprehensive warranties in the industry and is therefore well positioned to compete successfully in its markets.

### **Suppliers and Raw Materials**

The Gienow Group has long-term relationships with most of its suppliers, and typically enters into one-year commitments at the beginning of each year for the supply of its raw materials at a fixed price throughout the following year. Raw materials comprised approximately 43% of the Gienow Group's sales in fiscal 2003. The main raw materials used in the manufacturing of the Gienow Group's products are wood, glass, vinyl and aluminum, all of which may be sourced from a number of suppliers. In most cases the Gienow Group sources its primary raw materials from one or

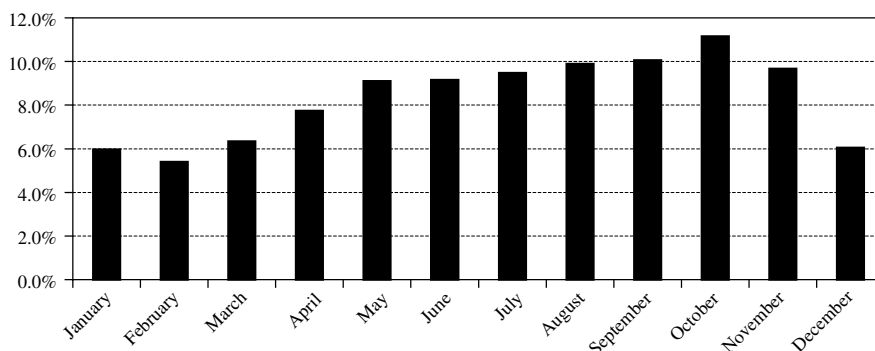
two suppliers. If the Gienow Group’s demand for raw materials cannot be adequately serviced by its current suppliers, the Gienow Group has the ability to purchase raw materials from various other suppliers located throughout Canada and the United States. However, as certain raw materials must be provided based on specifications unique to the Gienow Group, management would expect some disruption to operations if a supplier were to unexpectedly be unable to supply required materials.

Certain of the Gienow Group’s suppliers are located in the United States and the cost of such materials is therefore subject to currency fluctuations, for which the Gienow Group does not currently have a hedging program. However, the Gienow Group also has U.S. dollar denominated revenues from sales in the U.S. and its exposure to currency exchange rate risk is therefore limited to the difference between its U.S. dollar sales and its U.S. dollar costs. See ‘Risk Factors’.

**Seasonality**

Historically, the Gienow Group’s revenues have been seasonal with peak times occurring in the warmer months when the new construction and renovation industries are typically more active. The following table shows the average percentage of annual sales revenues of the Gienow Group in each calendar month for the past three fiscal years.

**Average Percentage of Sales by Month<sup>(1)</sup>**



**Note:**

(1) Based on average sales of each of Gienow and Farley for fiscal 2001, 2002 and 2003.

**Employees**

As at June 30, 2004, the Gienow Group had 1,210 full-time employees.

Approximately 300 of the Gienow Group’s full-time employees, all of whom are employed by Farley at the Alexandria, Ontario facility, belong to a collective bargaining unit. The collective agreement with the union expires in January, 2005. None of Farley or any other member of the Gienow Group has experienced a work stoppage as a result of a labour disruption.

Management believes that it has a good relationship with the employees of the Gienow Group. The Gienow Group is a responsible employer, providing occupational health and safety programs to ensure a safe and healthy work environment, as well as offering equal employment opportunities to all employees and access to future career advancements. The Gienow Group also provides a comprehensive employee benefit program and other incentives to encourage employee development and growth.

**Regulatory Environment**

The Gienow Group’s operations are subject to a broad range of federal, provincial, state and local laws and regulations governing environmental, transportation and occupational health and safety matters. Management believes that the Gienow Group is in material compliance with such laws and regulations with respect to the conduct of its operations.

## SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following selected financial information has been derived from and should be read in conjunction with the historical financial statements of Gienow and Farley and the unaudited pro forma financial statements of the Fund (including the notes thereto) contained elsewhere in this prospectus.

	2001 <sup>(1)</sup>	2002 <sup>(1)</sup>	2003 <sup>(1)</sup>	12 months ended June 30, 2004 <sup>(2)</sup>	Five months ended June 30, 2004 <sup>(3)</sup>	Five months ended June 30, 2003 <sup>(3)</sup>
				(unaudited)	(unaudited)	(unaudited)
				(in thousands)		
<b>Gienow:</b>						
Revenue . . . . .	\$ 78,157	\$100,172	\$ 104,227	\$111,779	\$ 48,664	\$ 41,112
Cost of Sales . . . . .	60,371	70,134	70,150	73,438	32,732	29,444
EBITDA <sup>(4)</sup> . . . . .	1,454	8,668	15,422	19,600	9,056	4,878
Income (Loss) Before Taxes . . . . .	(1,702)	5,713	12,687	17,018	8,027	3,696
Net Income . . . . .	(1,155)	4,250	8,072	10,227	4,514	2,359
Normalized EBITDA <sup>(5)</sup> . . .	4,405	15,111	18,283	21,844	8,996	5,435
				12 months ended June 30, 2004 <sup>(2)</sup>	Six months ended June 30, 2004 <sup>(3)</sup>	Six months ended June 30, 2003 <sup>(3)</sup>
				(unaudited)	(unaudited)	(unaudited)
				(in thousands)		
<b>Farley:</b>						
Revenue . . . . .	\$ 46,252	\$ 55,017	\$ 54,000	\$ 54,643	\$ 22,666	\$ 22,023
Cost of Sales . . . . .	26,719	33,552	32,940	32,756	14,265	14,449
EBITDA <sup>(4)</sup> . . . . .	6,950	5,566	10,548	11,015	2,903	2,436
Income (Loss) Before Taxes . . . . .	1,260	(458)	4,624	5,027	(44)	(447)
Net Income . . . . .	226	(392)	2,530	2,814	(209)	(493)
Normalized EBITDA <sup>(5)</sup> . . .	10,928	9,815	10,847	11,612	3,371	2,606
	2001	2002	2003	12 months ended June 30, 2004		
				(unaudited)		
				(in thousands)		
<b>Aggregate Gienow and Farley:<sup>(6)</sup></b>						
Revenue . . . . .	\$124,409	\$155,189	\$ 158,227	\$166,422		
Cost of Sales . . . . .	87,090	103,686	103,090	106,194		
EBITDA <sup>(4)</sup> . . . . .	8,404	14,234	25,970	30,615		
Income (Loss) Before Taxes . . . . .	(442)	5,255	17,311	22,045		
Net Income . . . . .	(929)	3,858	\$ 10,602	13,041		
Normalized EBITDA <sup>(5)</sup> . . .	15,333	24,926	29,130	33,456		
			2003 <sup>(1)</sup>	12 months ended June 30, 2004 <sup>(2)</sup>	Six months ended June 30, 2004 <sup>(2)</sup>	
				(in thousands)		
<b>Fund (Pro forma):<sup>(7)</sup></b>						
Revenue . . . . .			\$ 158,227		\$ 79,018	
Cost of Sales . . . . .			103,090		52,373	
EBITDA <sup>(4)</sup> . . . . .			●		●	
Income (Loss) Before Taxes . . . . .			●		●	
Net Income . . . . .			●		●	

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**Notes:**

- (1) Historical financial information for Gienow and Farley is based on the audited financial statements of Gienow and Farley contained elsewhere in this prospectus. Financial information for 2001 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2002 and the audited combined financial statements of Farley for the year ended December 31, 2001; financial information for 2002 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2003 and the audited consolidated financial statements of Farley for the year ended December 31, 2002; financial information for 2003 is based upon the audited consolidated financial statements of Gienow for the period ended February 1, 2004 and the audited consolidated financial statements of Farley for the year ended December 31, 2003.
- (2) The figures in the table for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gienow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gienow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year.
- (3) Historical financial information for interim periods is based on the unaudited financial statements of Gienow and Farley contained elsewhere in this prospectus.
- (4) See “General Matters — Non-GAAP Measures”. EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See “Reconciliation of Historical Results to EBITDA and Normalized EBITDA”.
- (5) See “General Matters — Non-GAAP Measures”. Normalized EBITDA represents historical earnings before interest, taxes, depreciation and amortization, adjusted for certain items that management believes facilitates the comparison of historical periods. See “Reconciliation of Historical Results to EBITDA and Normalized EBITDA” for a description of these items. Normalized EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Normalized EBITDA may not be comparable to similar measures presented by other issuers.
- (6) Management has prepared the “Aggregate Gienow and Farley” figures by adding the corresponding measures of Gienow and Farley for each of the periods indicated, without further adjustment. Historical financial information for Gienow and Farley has been totaled for the convenience of readers. Investors are cautioned that the totals for such periods should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such periods.
- (7) The pro forma amounts are based on the unaudited pro forma consolidated financial statements of the Fund for the year ended December 31, 2003 and six months ended June 30, 2004 contained elsewhere in this prospectus.

## **SUMMARY OF DISTRIBUTABLE CASH**

The following analysis has been prepared by management on the basis of the information contained in this prospectus, more recent financial results available to management and management’s estimate of the amount of expenses and expenditures to be incurred by the Fund and the Gienow Group. **This analysis is not a forecast or a projection of future results. The actual results of operations of the Fund for any period, whether before or after Closing, will vary from the amounts set forth in the following analysis, and such variation may be material. The Gienow Group’s operations are also subject to certain risks and, in reviewing the following summary of distributable cash flow, investors are encouraged to consider the risks outlined under “Risk Factors”.**

Management believes that, upon completion of the Offering and the transactions described under “Funding, Investments and Related Transactions” and “Retained Interest”, the Fund will incur interest expenses, administrative costs and taxes that will differ from those contained in the historical financial statements of Gienow and Farley or in the unaudited pro forma consolidated financial statements of the Fund that are included elsewhere in this prospectus. In addition, in calculating Distributable Cash, the Gienow Group intends to continue to make maintenance capital expenditures. See “Business of the Gienow Group — Capital Expenditures”. Although management does not have firm commitments for all of the aforementioned items and, accordingly, the complete financial effects of all of these items are not objectively determinable, management believes that the following represents a reasonable estimate of what Distributable Cash would have been for the 12 months ended June 30, 2004 had the Fund and the Partnership

been in existence during such time and had the transactions described under “Funding, Investments and Related Transactions” and “Retained Interest” been completed at the start of such period:

	<b>12 months ended June 30, 2004<sup>(1)</sup></b>
	(unaudited) (in thousands, except per Unit figures)
Normalized EBITDA <sup>(2)(3)</sup> .....	\$33,456
Management estimates that Distributable Cash should be increased by the following:	
Procurement savings <sup>(4)</sup> .....	<u>2,884</u>
	36,340
Management also believes that Distributable Cash should be reduced by the following:	
Maintenance capital expenditures <sup>(5)</sup> .....	725
Interest and principal repayment relating to growth capital expenditures <sup>(6)</sup> .....	1,353
Interest <sup>(7)</sup> .....	3,015
Additional administrative expenses <sup>(8)</sup> .....	875
Taxes <sup>(9)</sup> .....	<u>119</u>
Distributable Cash <sup>(10)</sup> .....	\$30,253
Estimated distributions per Unit <sup>(11)</sup> .....	\$ ●

**Notes:**

- (1) The figures in the table for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gienow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gienow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year. For the purposes of calculating a reasonable estimate of what the Fund’s Distributable Cash would have been for the 12 months ended June 30, 2004, historical financial information for Gienow and Farley has been totaled. Investors are cautioned that such total should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such period.
- (2) See “General Matters — Non-GAAP Measures”. Normalized EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Normalized EBITDA may not be comparable to similar measures presented by other issuers. See “Reconciliation of Historical Results to EBITDA and Normalized EBITDA”.
- (3) Represents the sum of the Normalized EBITDA of Gienow for the 12 months ended June 30, 2004 plus the Normalized EBITDA of Farley for the 12 months ended June 30, 2004. See “Selected Historical and Pro Forma Financial Information” and “Reconciliation of Historical Results to EBITDA and Normalized EBITDA”.
- (4) Represents procurement savings as a result of the Gienow Group securing raw material supply arrangements with certain suppliers on more favourable terms. Of these savings, \$1,984,000 results from applying Gienow’s current pricing terms to certain of Farley’s raw material purchases during the 12 month period ended June 30, 2004 and \$900,000 results from new raw material arrangements entered into by Gienow during 2004, assuming such arrangements had been in effect for the full 12 month period ended June 30, 2004.
- (5) See “Business of the Gienow Group — Capital Expenditures”.
- (6) Represents estimated interest expense and principal repayments of \$717,000 on the first mortgage (based on the interest rate of 6.6% per annum) of \$636,000 and on capital lease obligations arising from the funding of new equipment.
- (7) Represents estimated interest expense on the New Credit Facilities described under “Debt Financing”, based on assumed drawings of \$57 million at an average assumed interest rate of 5.29% (based on three-year floating-to-fixed interest swap rates on the term loan).
- (8) Management estimates that, subsequent to the Offering, the Fund and the Gienow Group will incur, on a continuing basis, additional general and administrative costs in connection with reporting to Unitholders, investor relations, directors’ fees, trustee, director and officer insurance and other related expenses.
- (9) Represents U.S. income taxes and U.S. withholding taxes of \$119,000 for the period. Management estimates that the net present value of future large corporation and Ontario capital tax liability is \$635,000 and has established a cash reserve for this liability.
- (10) See “General Matters — Non-GAAP Measures”. Distributable cash is a non-GAAP measure typically used by Canadian income funds as an indicator 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.
- (11) Including the ● Units to be purchased by Gienow from the Fund on Closing. See “Retained Interest”.

## RECONCILIATION OF HISTORICAL RESULTS TO EBITDA AND NORMALIZED EBITDA

Management believes that EBITDA and Normalized EBITDA are important measures in evaluating the performance of the Gienow Group and in determining whether to invest in the Units. However, EBITDA and Normalized EBITDA are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Normalized EBITDA may not be comparable to similar measures presented by other issuers. Prospective investors are cautioned that EBITDA and Normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Gienow Group's performance or cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Gienow Group defines and has computed EBITDA and Normalized EBITDA as described under "General Matters — Non-GAAP Measures". The following tables reconcile EBITDA and Normalized EBITDA to net income (loss) for each of Gienow and Farley based on the historical consolidated or combined financial statements of each of Gienow and Farley contained elsewhere in this prospectus, as well as the aggregate figures for Gienow and Farley calculated by adding the applicable measures of each company for the periods indicated:

	<u>2001<sup>(1)</sup></u>	<u>2002<sup>(1)</sup></u>	<u>2003<sup>(1)</sup></u>	<u>12 months ended June 30, 2004<sup>(2)</sup></u>	<u>Five months ended June 30, 2004</u>	<u>Five months ended June 30, 2003</u>
				(unaudited)		
				(thousands of dollars)		
<b>Gienow:</b>						
<b>Net Income (loss)</b> .....	\$(1,155)	\$4,250	\$ 8,072	\$10,227	\$ 4,514	\$ 2,359
<b>Adjustments to Net income (loss)</b>						
Amortization .....	2,290	2,253	2,175	2,049	813	939
Interest .....	866	702	560	533	216	243
Taxes .....	(547)	1,463	4,615	6,791	3,513	1,337
<b>EBITDA<sup>(3)</sup></b> .....	<u>1,454</u>	<u>8,668</u>	<u>15,422</u>	<u>19,600</u>	<u>9,056</u>	<u>4,878</u>
<b>Adjustments to EBITDA</b>						
B.C. Sales tax (recovery) expense <sup>(4)</sup> .....	—	1,469	(1,469)	(1,721)	—	252
Management bonuses <sup>(5)</sup> .....	2,286	4,476	3,978	3,978	—	—
Non-recurring professional, management & consulting fees <sup>(6)</sup> .....	110	150	32	32	—	—
Non-operating income <sup>(7)</sup> .....	(638)	(376)	(398)	(628)	(333)	(103)
Severances and closure costs <sup>(8)</sup> .....	187	—	274	—	—	274
Start-up costs <sup>(9)</sup> .....	841	—	61	4	—	57
Royalty <sup>(10)</sup> .....	64	211	294	495	277	76
Other <sup>(11)</sup> .....	101	513	89	84	(4)	1
<b>Normalized EBITDA<sup>(3)</sup></b> .....	<u><u>4,405</u></u>	<u><u>15,111</u></u>	<u><u>18,283</u></u>	<u><u>21,844</u></u>	<u><u>8,996</u></u>	<u><u>5,435</u></u>

	<u>2001<sup>(1)</sup></u>	<u>2002<sup>(1)</sup></u>	<u>2003<sup>(1)</sup></u>	<u>12 months ended June 30, 2004<sup>(2)</sup></u>	<u>Six months ended June 30, 2004</u>	<u>Six months ended June 30, 2003</u>
				(unaudited) (in thousands)		
<b>Farley:</b>						
<b>Net Income (loss)</b> .....	\$ 226	\$ (392)	\$ 2,530	\$ 2,814	\$ (209)	\$ (493)
<b>Adjustments to Net income (loss)</b>						
Amortization .....	3,053	1,322	1,183	1,400	768	551
Interest .....	2,637	4,702	4,741	4,588	2,179	2,332
Taxes .....	<u>1,034</u>	<u>(66)</u>	<u>2,094</u>	<u>2,213</u>	<u>165</u>	<u>46</u>
<b>EBITDA<sup>(3)</sup></b> .....	6,950	5,566	10,548	11,015	2,903	2,436
<b>Adjustments to EBITDA</b>						
Management bonuses <sup>(12)</sup> .....	3,932	—	136	235	166	67
Non-recurring professional, management & consulting fees <sup>(13)</sup> .....	248	2,076	71	363	297	5
Non-operating income <sup>(14)</sup> .....	—	377	(155)	(155)	—	—
Severances and closure costs <sup>(15)</sup> .....	98	1,536	—	—	—	—
Start-up costs <sup>(16)</sup> .....	—	260	149	12	(39)	98
Other <sup>(11)</sup> .....	<u>(300)</u>	<u>—</u>	<u>98</u>	<u>142</u>	<u>44</u>	<u>—</u>
<b>Normalized EBITDA<sup>(3)</sup></b> .....	<u>10,928</u>	<u>9,815</u>	<u>10,847</u>	<u>11,612</u>	<u>3,371</u>	<u>2,606</u>

	<u>2001<sup>(1)</sup></u>	<u>2002<sup>(1)</sup></u>	<u>2003<sup>(1)</sup></u>	<u>12 months ended June 30, 2004</u>
				(unaudited) (in thousands)
<b>Aggregate Gienow and Farley:<sup>(17)</sup></b>				
<b>Net Income (loss)</b> .....			\$ (929)	\$ 3,858
				\$10,602
				\$13,041
<b>Adjustments to Net income (loss)</b>				
Amortization .....			5,343	3,575
Interest .....			3,503	5,404
Taxes .....			<u>487</u>	<u>1,397</u>
<b>EBITDA<sup>(3)</sup></b> .....			8,404	14,234
				25,970
				30,615
<b>Adjustments to EBITDA</b>				
B.C. Sales tax (recovery) expense <sup>(4)</sup> .....			—	1,469
Management bonuses <sup>(5)(12)</sup> .....			6,218	4,476
Non-recurring professional, management & consulting fees <sup>(6)(13)</sup> .....			358	2,226
Non-operating income <sup>(7)(14)</sup> .....			(638)	1
Severances and closure costs <sup>(8)(15)</sup> .....			285	1,536
Start-up costs <sup>(9)(16)</sup> .....			841	260
Royalty <sup>(10)</sup> .....			64	211
Other <sup>(11)</sup> .....			<u>(199)</u>	<u>513</u>
<b>Normalized EBITDA<sup>(3)</sup></b> .....			<u>15,333</u>	<u>24,926</u>
				<u>29,130</u>
				<u>33,456</u>

**Notes:**

- (1) Financial information for Gienow and Farley is based on the financial information of each of Gienow and Farley contained elsewhere in this prospectus. Financial information in respect of 2001 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2002 and the audited combined financial statements of Farley for the year ended December 31, 2001; financial information in respect of 2002 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2003 and the audited consolidated financial statements of Farley for the year ended December 31, 2002; financial information in respect of 2003 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2004 and the audited consolidated financial statements of Farley for the year ended December 31, 2003.

- (2) The figures in the table for the 12 months ended June 30, 2004 are based on the consolidated financial statements of Gienow and Farley contained elsewhere in this prospectus and have been calculated, in the case of Gienow, by adding the figures for the five months ended June 30, 2004 to the figures for the year ended February 1, 2004 and deducting the figures for the five months ended June 30, 2003; and, in the case of Farley, by adding the figures for the six months ended June 30, 2004 to the figures for the year ended December 31, 2003 and deducting the figures for the six months ended June 30, 2003. The results of operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year.
- (3) See “General Matters — Non-GAAP Measures”. EBITDA represents the historical earnings before interest, taxes, depreciation and amortization of Gienow and Farley and Normalized EBITDA represents EBITDA adjusted for certain items described herein that management believes facilitates the comparability of historical periods. EBITDA and Normalized EBITDA are not earnings measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, EBITDA and Normalized EBITDA may not be comparable to similar measures presented by other issuers.
- (4) In 2003, the Government of British Columbia, on further review, lowered its 2002 assessment in respect of provincial sales taxes owed by Gienow for prior years.
- (5) Represents bonuses declared by Gienow which will be discontinued following Closing.
- (6) Represents consulting fees paid by Gienow in connection with an acquisition of certain real estate, a non-core asset that was not transferred to the Partnership; consulting fees to a former shareholder; and non-recurring tax planning consulting fees.
- (7) Represents interest income and rental income which are not a regular recurring part of the business of the Partnership as well as the income or loss in the equity of investment companies and the recovery of non-trade loans or investments written-off.
- (8) Represents severance costs associated with employees at Gienow.
- (9) Represents costs associated with the relocation of Award to its current facilities in 2003; the opening of a Gienow sales office in Vancouver, British Columbia in 2001; and the formation of AWD in 2001.
- (10) In connection with the formation of AWD in 2001, Gienow and AWD entered into a three-year contract to pay royalties on sales made in the geographical territory served by the new business. This contract expired in August 2004.
- (11) Includes inventory write-down, gains on disposals of fixed assets, removal of insurance on accounts receivable and the reversal of pension accrual.
- (12) Represents bonuses declared by Farley which will be discontinued following Closing.
- (13) Represents consulting fees paid by Farley in connection with the initial feasibility assessment and subsequent design of Farley’s ERP system; professional fees incurred in connection with an aborted acquisition; and bank fees relating to a refinancing of long-term debt.
- (14) Represents (recovery) write-off of loan (from) to former shareholders.
- (15) Represents severance costs associated with employee reductions at Farley.
- (16) Represents costs associated with the start-up of Farley’s SFI business in 2003.
- (17) Historical financial information for Gienow and Farley has been totaled for the convenience of readers. Investors are cautioned that the totals for such periods should not be construed as indicative of results that would have been achieved had Gienow and Farley been combined during such periods.

## CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the pro forma consolidated capitalization of the Fund after giving effect to the Offering and the transactions described under “Funding, Investments and Related Transactions” and “Retained Interest”. The table should be read in conjunction with the financial statements contained elsewhere in this prospectus.

<u>Designation</u>	<u>Pro forma as at</u> <u>●, 2004</u>
<b>Indebtedness</b>	
Long-term debt . . . . .	\$ ●
New Credit Facilities (term loan) . . . . .	57,000,000
<b>Unitholders’ equity</b>	
Units	
(authorized — unlimited) . . . . .	● (● Units) <sup>(1)(2)</sup>

**Notes:**

- (1) Without giving effect to any exercise of the Over-Allotment Option granted to the Underwriters.
- (2) Including Units purchased by Gienow from the Fund on Closing. See “Retained Interest”. If the Over-Allotment Option is exercised, the same number of Units purchased by the Underwriters will be repurchased from Gienow by the Fund.

**GIENOW BUILDING PRODUCTS LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*The following discussion and analysis of Gienow's financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements. Please see "General Matters — Forward-Looking Statements" for a discussion of the risks, uncertainty and assumptions relating to these statements.*

*In this discussion and analysis, "Gienow" refers to Gienow Building Products Ltd. and its two wholly-owned subsidiaries Award Windows Inc. ("Award") and Architectural Windows & Doors Inc. ("AWD") and "GBPL" refers to Gienow Building Products Ltd. On June 30, 2004, GBPL, Award and AWD transferred substantially all of their operating assets and related window and door manufacturing, distribution and sales businesses to the Partnership in consideration for partnership interests therein.*

**Overview**

Gienow designs, manufactures, and sells a full range of high quality, value priced, custom windows and doors to the new construction, dealer, renovation/replacement, industrial and retail markets. Headquartered in Calgary, Alberta, Gienow has three manufacturing facilities in Alberta and sales offices in Edmonton, Red Deer, and Lethbridge, Alberta; Vancouver, Kelowna, Kamloops and Prince George, British Columbia; and Saskatoon, Saskatchewan. Through an extensive dealer network, Gienow windows are also available throughout Alberta, British Columbia, Saskatchewan, the Yukon, Northwest Territories, Wisconsin, Minnesota, Iowa, South Dakota, North Dakota, Montana, Wyoming, Colorado and Alaska and in certain overseas markets, including South Korea, China, Japan and Chile.

Gienow's products are available in a variety of designs, sizes and shapes for all styles of architecture. Its window lines include vinyl windows, wood and metal-clad wood windows, thermally-broken aluminum windows and industrial windows. Gienow's entrance systems include steel doors, fiberglass doors, vinyl, wood, metal-clad wood and aluminum sliding patio doors and industrial grade doors for re-locatable structures.

Gienow services several different markets including new home construction (approximately 66% of fiscal 2003 sales), renovation and dealer (approximately 28% of fiscal 2003 sales), industrial (approximately 4% of fiscal 2003 sales) and retail and clearance (approximately 3% of fiscal 2003 sales). Gienow enjoys a significant presence in Western Canada with the majority of its revenue coming from Alberta (65% of fiscal 2003 sales) and British Columbia (22% of fiscal 2003 sales). Gienow serves a highly diversified customer base of over 1,800 accounts, with revenue generated from homebuilders, industrial customers, lumberyards and dealers. The vast majority of Gienow's revenue is generated from repeat business.

To further diversify its product lines, geographic scope, and customer base, GBPL acquired Award in 1999 and formed AWD in 2001. Award and AWD accounted for 8.59% and 8.75% of fiscal 2003 sales, respectively. The acquisition of Award provided Gienow with additional revenue, a manufacturing facility in Edmonton, Alberta, an expansion of its geographic scope to include clients from Northern Canada and diversification in terms of product lines. The formation of AWD in 2001 enabled Gienow to diversify its product offering into the growing high-rise market in British Columbia and Alberta.

**Key Factors Affecting the Business**

The window and door industry is dependent on general economic conditions. Demand is influenced by new construction activity and the demand for replacement products and, as a result, trends in the housing sector directly impact the financial performance of Gienow. The strength of the Canadian and U.S. economies, the age of existing homes, job growth, consumer confidence, consumer credit, interest rates, demographics, and migration of population all have a direct impact on the business of Gienow. As well, strong industry conditions of the housing market, demand for construction materials and increased demand for high-rise residential condominiums due to changing demographics have a direct effect on the business of Gienow. Any declines in new housing starts and/or demand for replacement products may adversely impact the business of Gienow and there can be no assurance that any such adverse effects would not be material.

On the cost side, many of Gienow's inputs come from raw materials such as vinyl, glass, aluminum and wood, where fluctuations in price may not reflect the general rate of inflation as these are more closely tied to the supply of, and demand for, the particular commodity (or an input of that commodity, such as natural gas). There have been

periods of significant and rapid changes in new material prices, with a concurrent short-term impact on Gienow's operating margins. These changes are generally recovered through the implementation of annual price increases.

Other factors affecting the business of Gienow include customer and supplier relationships, competition, currency risks, reliance on key personnel, acquisition risks, interest rates, and legal proceedings. See "Risk Factors".

### Selected Financial and Operating Information

The following selected financial and operating information has been derived from, and should be read in conjunction with, the historical consolidated financial statements of Gienow contained elsewhere in this prospectus.

	Five months ended		Year ended February 1		
	June 30		2003 <sup>(1)</sup>	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>
	2004	2003			
	(unaudited)		(thousands of dollars)		
Total sales	\$48,664	\$41,112	\$104,227	\$100,172	\$78,157
Sales in Canada	\$41,604	\$35,428	\$ 92,554	\$ 88,473	\$68,637
Sales in the U.S. & International	\$ 7,060	\$ 5,684	\$ 11,673	\$ 11,699	\$ 9,520
Cost of sales	\$32,732	\$29,444	\$ 70,150	\$ 70,134	\$60,371
Gross profit	\$15,932	\$11,668	\$ 34,077	\$ 30,038	\$17,786
Selling and administrative expenses	\$ 7,213	\$ 6,309	\$ 16,731	\$ 16,130	\$14,654
Net income (loss)	\$ 4,514	\$ 2,359	\$ 8,072	\$ 4,250	\$(1,155)
Adjustments to net income (loss)					
Interest	\$ 216	\$ 243	\$ 560	\$ 702	\$ 866
Taxes	\$ 3,513	\$ 1,337	\$ 4,615	\$ 1,463	\$ (547)
Depreciation and amortization	\$ 813	\$ 939	\$ 2,175	\$ 2,253	\$ 2,290
EBITDA <sup>(3)</sup>	\$ 9,056	\$ 4,878	\$ 15,422	\$ 8,668	\$ 1,454
Normalization adjustments <sup>(2)</sup>	\$ (60)	\$ 557	\$ 2,861	\$ 6,443	\$ 2,951
Normalized EBITDA <sup>(3)</sup>	\$ 8,996	\$ 5,435	\$ 18,283	\$ 15,111	\$ 4,405
Gross profit margin (as a % of sales)	32.7%	28.4%	32.7%	30.0%	22.8%
Selling and administrative expenses (as a % of sales)	14.8%	15.3%	16.1%	16.1%	18.7%
Normalized EBITDA margin (as a % of sales)	18.5%	13.2%	17.5%	15.1%	5.6%
	As at June 30		As at February 1		
	2004	2003	2004	2003	2002
	(unaudited)		(thousands of dollars)		
Total assets	\$51,635	\$47,324	\$49,866	\$47,863	\$41,374
Total long term liabilities	\$ 8,867	\$10,668	\$ 9,035	\$11,556	\$13,626

#### Notes:

- (1) Financial information is based on the financial information of Gienow contained elsewhere in the prospectus. Financial information in respect of 2001 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2002; financial information in respect of 2002 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2003; financial information in respect of 2003 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2004.
- (2) Normalization adjustments include B.C. sales tax adjustments, management bonuses, non-recurring professional fees, non-operating income, severance costs, branch start-up costs, royalty on B.C. sales, and other non-recurring or non-operating items.
- (3) See "General Matters — Non-GAAP Measures". EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".

### Results of Operations

#### Five Months Ended June 30, 2004 Compared to Five Months Ended June 30, 2003

##### Sales

During the five months ended June 30, 2004 (in this section only, the "2004 Interim Period") Gienow achieved sales of \$48.7 million, representing a 18.4% increase over Gienow's results for the five months ended June 30, 2003 (in

this section only, the “2003 Interim Period”) of \$41.1 million. The increase year-over-year is largely a product of significantly improved new construction activity in British Columbia, both single-family and multi-family (including high-rise). Other areas of growth include sales to new customers in the U.S. and sales to Gienow’s customers in South Korea.

#### *Cost of sales and gross profit*

Cost of sales increased by \$3.3 million in the 2004 Interim Period to \$32.7 million from \$29.4 million in the 2003 Interim Period. Gross profit increased to \$15.9 million in the 2004 Interim Period from \$11.7 million in the 2003 Interim Period. Gross profit margin improved to 32.7% in the 2004 Interim Period from 28.4% in the 2003 Interim Period. Management attributes this improvement to improvements in raw material procurement and plant throughput.

#### *Selling and administrative expenses*

Selling, general and administrative (“SG&A”) expenses increased to \$7.2 million in the 2004 Interim Period from \$6.3 million in the 2003 Interim Period. However, as a percentage of sales, SG&A decreased by 0.5% to 14.8% in the 2004 Interim Period reflecting the more fixed nature of these costs applied over a larger sales base.

#### *EBITDA*

EBITDA increased to \$9.1 million in the 2004 Interim Period from \$4.9 million in the 2003 Interim Period. EBITDA margin increased by 6.6% to 18.6% of sales in the 2004 Interim Period compared to 15.3% of sales in the 2003 Interim Period. The increase in EBITDA in the 2004 Interim Period is largely attributable to an increase in gross margins partially offset by the small increase in SG&A expenses discussed above. Normalized EBITDA increased to \$9.0 million from \$5.4 million in the 2003 Interim Period.

#### *Financing Charges*

Interest expense decreased from \$0.243 million to \$0.216 million in the 2004 Interim Period. The decrease in finance costs is due to a combination of lower debt levels and more favourable interest rates from the prior period.

#### *Depreciation and Amortization*

Depreciation and amortization expenses decreased slightly from \$0.939 million to \$0.813 million in the 2004 Interim Period.

#### *Net Income*

Net income increased by \$2.1 million, or 91.4%, to \$4.5 million in the 2004 Interim Period from \$2.4 million in the 2003 Interim Period, which is consistent with the growth in EBITDA less the provision for income taxes.

### ***Fiscal 2003 Compared to Fiscal 2002***

#### *Sales*

Gienow achieved sales of \$104.2 million in fiscal 2003, representing a 4.0% increase versus fiscal 2002 results of \$100.2 million. The sales increase can be attributed to growth in the British Columbia market from the continued growth of the new branch in Vancouver and strong demand for Gienow’s products. Aside from British Columbia, sales from other geographic areas, including the United States, remained relatively flat.

From a market segment viewpoint, new construction represented 66% of overall sales.

#### *Cost of sales and gross profit*

Cost of sales remained relatively flat, increasing only slightly to \$70.2 million in fiscal 2003 from \$70.1 million in fiscal 2002 despite the \$4.0 million increase in sales. A combination of a reduction in the cost of raw materials and improving exchange rates on Gienow’s net U.S. dollar exposure were the principal reasons for the decrease.

The above has translated into an increase in gross profit by \$4.0 million or 13.4% in fiscal 2003 to \$34.1 million from \$30.0 million in fiscal 2002. Consequently, the gross profit margin increased in fiscal 2003 to 32.7% from 30.0% in fiscal 2002.

### *Selling, general and administrative*

SG&A expenses increased to \$16.7 million in fiscal 2003 from \$16.1 million in fiscal 2002; however, as a percentage of overall sales, the SG&A remained flat year over year. Of further note, other expenses declined from \$5.2 million in fiscal 2002 to \$1.9 million in fiscal 2003, largely on the reversal of a one-time British Columbia Provincial Sales Tax expense of \$1.5 million in the previous year.

### *EBITDA*

EBITDA increased to \$15.4 million in fiscal 2003 from \$8.7 million in fiscal 2002. EBITDA margins were 14.8% of sales in fiscal 2003 and 8.7% of sales during fiscal 2002. A portion of the increase is tied to the reversal of the charge taken in fiscal 2002 for an assessment of British Columbia Provincial Sales Tax. The assessment was reversed in 2003 as a result of the settlement with the British Columbia Ministry of Finance. The remaining increase is a factor in the improvement in gross profit discussed above. Normalized EBITDA increased to \$18.3 million from \$15.1 million in fiscal 2002, and Normalized EBITDA margins increased to 17.5% of sales compared to 15.1% of sales during fiscal 2002.

### *Financing Charges*

Interest expense decreased from \$0.702 million in fiscal 2002 to \$0.560 million in fiscal 2003. The decrease in financing costs is largely due to a reduction in the amount of debt outstanding.

### *Depreciation and Amortization*

Depreciation and amortization remained relatively constant from \$2.3 million in fiscal 2002 to \$2.2 million in fiscal 2003.

### *Net Income*

Net income increased by \$3.8 million to \$8.1 million in fiscal 2003, compared to \$4.3 million during 2002. Higher income taxes from higher taxable income in fiscal 2003 offset some of the gains attributed to the previously mentioned increase in gross profit and the one-time British Columbia Provincial Sales Tax recovery.

## ***Fiscal 2002 Compared to Fiscal 2001***

### *Sales*

Gienow achieved sales of \$100.2 million in fiscal 2002, representing a 28.2% increase versus fiscal 2001 results of \$78.2 million.

Sales in all geographic segments were higher. Sales in British Columbia grew significantly as Gienow and AWD both commenced business in a new Vancouver branch at the end of the second quarter. As such, the results for 2001 only include two quarters of operations. Other factors contributing to the increase in sales were an increase in export sales to Korea from a new customer and an increase in new construction sales in Alberta following a record year in housing starts in that province.

### *Cost of sales and gross profit*

Cost of sales increased by \$9.7 million in fiscal 2002 to \$70.1 million from \$60.4 million in fiscal 2001. Gross profit increased by \$12.2 million or 68.9% in fiscal 2002 to \$30.0 million from \$17.8 million in fiscal 2001. As a result, the gross profit margin increased significantly in fiscal 2002 to 30.0% from 22.8% in fiscal 2001. This increase is principally attributable to Gienow's plant efficiencies resulting in higher throughput and utilization of excess capacity to achieve economies of scale.

### *Selling, general and administrative expenses*

SG&A expenses increased to \$16.1 million in fiscal 2002 from \$14.7 million in fiscal 2001. The increase is largely a result of the opening of the new branch in Vancouver and the inclusion of AWD's first full year of operations in fiscal 2002. However, as a percentage of sales, SG&A actually decreased by 2.6% falling from 18.7% to 16.1%.

### *EBITDA*

Due to the increase in gross profit, EBITDA increased significantly to \$8.7 million in fiscal 2002 from \$1.5 million in fiscal 2001. EBITDA margins increased in fiscal 2002 to 8.7% of sales compared to 2.4% of sales

during fiscal 2001. This performance is due to the efficiencies generated in the cost of sales and SG&A mentioned above.

#### *Financing Charges*

Interest expense decreased from \$0.866 million in fiscal 2001 to \$0.702 million in fiscal 2003. The decrease in financing costs is due to a combination of lower debt levels and more favourable interest rates from the prior period.

#### *Depreciation and Amortization*

Depreciation and amortization remained constant year over year at \$2.3 million.

#### *Net Income*

Net income improved by \$5.4 million to \$4.3 million compared to a loss of \$1.2 million during fiscal 2001.

### **Liquidity and Capital Resources**

Gienow has historically utilized cash from operations to maintain existing capacity and fund growth. Gienow maintains an operating facility of up to \$8.0 million to manage working capital requirements throughout the year. The following table provides an overview of Gienow's cash flows for the periods indicated.

	<b>Five months ended</b>		<b>Year ended February 1</b>		
	<b>June 30</b>		<b>2003<sup>(1)</sup></b>	<b>2002<sup>(1)</sup></b>	<b>2001<sup>(1)</sup></b>
	<b>2004</b>	<b>2003</b>			
	(unaudited)		(thousands of dollars)		
Operating activities	\$ (1,329)	\$ 895	\$ 9,043	\$ 12,214	\$ (422)
Financing activities	\$ 3,403	\$ (2,538)	\$ (9,085)	\$ (2,425)	\$ (2,934)
Investing activities	\$ (1,634)	\$ 347	\$ (1,504)	\$ (1,807)	\$ 43
Increase (decrease) in cash	\$ 440	\$ (1,296)	\$ (1,546)	\$ 7,982	\$ (3,313)

	<b>As at June 30</b>		<b>As at February 1</b>		
	<b>2004</b>	<b>2003</b>	<b>2003<sup>(1)</sup></b>	<b>2002<sup>(1)</sup></b>	<b>2001<sup>(1)</sup></b>
	(unaudited)		(thousands of dollars)		
Cash and cash equivalents	\$ 3,052	\$ 2,862	\$ 2,612	\$ 4,158	\$ 0
Bank indebtedness (open)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,824
Capital leases	\$ 158	\$ 183	\$ 0	\$ 529	\$ 1,261
Term loan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 147
Mortgages	\$ 7,483	\$ 7,842	\$ 7,636	\$ 7,984	\$ 8,307
Due to shareholders	\$ 0	\$ 1,159	\$ 7	\$ 2,869	\$ 2,284
Note payable	\$ 273	\$ 364	\$ 273	\$ 364	\$ 455
Working Capital	\$ 13,288	\$ 7,044	\$ 9,539	\$ 5,136	\$ 1,658
Shareholders Equity	\$ 29,562	\$ 19,335	\$ 25,048	\$ 17,431	\$ 13,181

#### **Note:**

- (1) Financial information is based on the financial information of Gienow contained elsewhere in the prospectus. Financial information in respect of 2001 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2002; financial information in respect of 2002 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2003; financial information in respect of 2003 is based upon the audited consolidated financial statements of Gienow for the year ended February 1, 2004.

Net cash inflows related to operating activities decreased by \$3.2 million in fiscal 2003 over fiscal 2002. This was mainly attributable to a large decrease in accounts payable and accruals resulting from the reversal of the British Columbia Provincial Sales Tax assessment referred to earlier, as well as a decrease in bonuses payable.

Cash outflows related to financing activities increased by \$6.7 million in fiscal 2003 over fiscal 2002. This significant increase is largely attributable to advances made to related parties and repayment of shareholders' loans. Gienow's obligations under capital leases were retired in fiscal 2003.

Cash outflows related to investing activities remained relatively stable for fiscal 2003 and fiscal 2002 as a decrease in capital expenditures was offset by an increase in proceeds from sale of equipment and an increase in purchased long-

term investments. Management believes that most of the required capital to expand Gienow's infrastructure has already been deployed, and has budgeted \$2.5 million in capital expenditures for fiscal 2004 and anticipates capital expenditures of \$2.5 million annually for 2005 and 2006. Management expects that cash flows will be sufficient to continue to maintain its plant and equipment for the foreseeable future.

### Off-Balance Sheet Arrangements

Gienow does not have any material off-balance sheet arrangements other than those discussed below:

The following table provides an overview of Gienow's contractual obligations as at February 1, 2004.

	Payments Due by Period				
	Total	< 1 year	1-3 years	4-5 years	> 5 years
	(thousands of dollars)				
Operating leases — Vehicles & Equipment . . . . .	\$2,712	\$ 608	\$1,167	\$ 937	\$0
Operating leases — Premises . . . . .	<u>\$2,925</u>	<u>\$ 826</u>	<u>\$1,244</u>	<u>\$ 855</u>	<u>\$0</u>
Total contractual obligations . . . . .	<u>\$5,637</u>	<u>\$1,434</u>	<u>\$2,411</u>	<u>\$1,792</u>	<u>\$0</u>

Operating leases are entered into for fleet vehicles used in the delivery of product to customers and for service vans and for some manufacturing equipment. The fleet leases are provided by a third party leasing company. The facility used by Award is leased, as well as all sales branches used by Gienow. Other operating leases include miscellaneous office equipment.

### Transactions with Related Parties

During fiscal 2003, in the normal course of operations, Gienow paid consulting fees of \$0.394 million (\$0.449 million in fiscal 2002) to companies owned by its shareholders. The interest income is from an investment in and a loan made to an unrelated business. The transactions are recorded at their exchange amount which is the amount established and agreed to by the related parties.

### Critical Accounting Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported values of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Accordingly, actual results could differ from these estimates.

The accounting policies that are critical to Gienow's business relate to (i) the valuation of inventories, and (ii) the capitalization and depreciation policies in respect of capital assets and goodwill.

#### *Inventories*

Assessments and judgments are inherent in the determination of the net realizable value of inventories. Raw materials are valued at the lower of cost and replacement cost on a first-in, first-out basis. Inventories of finished goods and work-in-progress are stated at the lower of cost and net realizable value on first-in, first-out basis. Cost of finished products and work-in-progress include direct materials and labour. While Gienow's management applies judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

#### *Capital Assets*

Capital assets are recorded at cost. Amortization is based on their estimated useful lives and is recorded on a straight-line basis at the following annual rates:

Buildings and land improvements . . . . .	3-10%
Machinery, equipment and dies . . . . .	10-20%
Vehicles . . . . .	10-20%
Furniture, fixtures and computer equipment . . . . .	10-20%

Amortization commences one month after the asset is placed in use.

Leasehold improvements are amortized over the lease terms.

The carrying value of capital assets is evaluated whenever significant circumstances indicate impairment in value, based upon a comparison of the carrying value of the net recoverable amount.

#### *Goodwill*

Gienow assesses goodwill for impairment on an annual basis and any transitional impairment will be recognized as a change in accounting principle and will be charged to opening retained earnings in the period the impairment is identified.

### **Changes in Accounting Policies including Initial Adoption**

#### *Impairment of Long-Lived Assets*

Effective February 2, 2004, Gienow adopted the Canadian Institute of Chartered Accountants recommendations for Impairment of Long-Lived Assets. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated. Previously, Gienow measured impairment as the excess of carrying value over the net recoverable amount based on undiscounted estimated future net cash flows. Under the new recommendations, long-lived assets held for use are recorded at the lower of their carrying amount and fair value. The adoption of the new recommendation had no material effect on the consolidated financial statements.

#### *Goodwill*

Effective February 2, 2004, Gienow adopted the CICA recommendations for goodwill. Pursuant to these recommendations, the change was not applied retroactively, and prior periods have not been restated.

Previously Gienow recorded goodwill at acquisition cost, and amortized this cost on a straight line basis over 20 years. Under the new recommendations, goodwill is no longer amortized but is tested for impairment. Had goodwill continued to be amortized, there would have been no material change in 2003 reported net income.

#### *Derivative Financial Instruments*

Effective February 2, 2004, Gienow adopted prospectively the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for derivative financial instruments not designated as a hedge. Under the new recommendations, derivative financial instruments that are held for trading or speculative purposes or that do not qualify as a hedge should be recognized in the balance sheet and measured at fair value. The effect of the change had no material effect on the consolidated financial statements.

### **Financial Instruments and Other Instruments**

Gienow, as part of its operations, carries a number of financial instruments. Management believes that Gienow is not exposed to significant interest risks arising from these financial instruments.

The majority of Gienow's sales are funded through credit terms, which Gienow provides to its customers.

#### *Credit Risk*

Gienow is exposed to normal credit risks from certain financial instruments to the extent of non-performance by third parties. Given the diversity and reputation of its client base, management believes Gienow is not exposed to any significant credit risk.

#### *Interest Rate Risk*

Gienow is exposed to interest rate risk on its revolving credit facility.

#### *Currency Risk*

In the normal course of business, Gienow enters into arrangements in order to reduce exposure to fluctuating foreign exchange rates. Gienow enters into sales and purchase transactions denominated in U.S. dollars for which the related revenues, cost of sales, accounts receivable and accounts payable are subject to exchange rate fluctuations.

In the normal course of business, Gienow enters into arrangements in order to reduce exposure to fluctuating foreign exchange rates. At February 1, 2004, Gienow had US\$3.6 million of U.S. dollar forward contracts at exchange rates ranging from \$1.2870 to \$1.3857 and expiring between February 2 and November 1, 2004. At June 30, 2004, Gienow had US\$1.65 million of these contracts remaining.

**FARLEY WINDOWS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of Farley's financial condition and results of operations should be read together with the financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements. Please see "General Matters — Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements*

**Overview**

Farley designs, manufactures, and sells a full range of high quality, value priced, custom vinyl windows principally in Ontario, Québec, the Atlantic provinces and the northeastern United States. Farley's windows are available in numerous designs including single and double hung, casement, awning, sliders, bays, bows and shapes and are used both in the renovation (approximately 68% of fiscal 2003 volume) and new construction (approximately 32% of fiscal 2003 volume) building markets. Farley also supplies externally manufactured vinyl patio doors and steel entrance doors.

In addition to manufacturing, Farley provides sell, furnish and install ("SFI") services to Home Depot of Canada Inc. under the "At-Home Services" brand, where inquiries from homeowners are serviced by Farley sales representatives who arrange installation of windows and steel entrance doors through third parties.

Located in Alexandria, Ontario (approximately one hour from each of Montreal and Ottawa), Farley enjoys a significant presence in Ontario, Quebec, the Atlantic provinces and the northeastern United States. Farley serves an extensive customer base of over 240 accounts and accesses its markets via all of the major channels of distribution including to a big box retailer, distributors, dealers, lumberyards, buyer groups and direct to consumers through its SFI business.

Over the last three fiscal years, Farley has grown its sales and gross profit and maintained consistent Normalized EBITDA. Over this period, sales have grown from \$46.3 million to \$54.0 million, with 47.8% of fiscal 2003 sales occurring in the United States and gross profits have grown from \$19.5 million to \$21.1 million, with gross margins declining from 42.2% in fiscal 2001, to 39.0% in fiscal 2003. This decrease in gross margin was principally caused by a significant increase in Canadian/U.S. dollar exchange rates, which was only partially mitigated by nominal price increases and significant improvements in purchasing and manufacturing efficiency. Normalized EBITDA has remained relatively flat, declining slightly from \$11.1 million to \$11.0 million, with Normalized EBITDA margins declining from 23.9% of sales to 20.3% of sales in fiscal 2003.

In mid-2001, Farley's current shareholders acquired the business from Farley's founding shareholders, the Farley family. Since acquiring the business, the shareholders have worked to transition Farley from a family-operated business to a professionally managed operation. This transition has involved upgrading Farley's management team, production and logistics efficiency, financial reporting, information technology, and re-establishing Farley's reputation for superior quality and order fulfillment.

Specific actions undertaken during fiscal 2001 included purchasing a building adjacent to Farley's manufacturing facility to support Farley's manufacturing expansion and upgrading several pieces of machinery. The improvements in Farley's manufacturing operation resulted in Farley being awarded Home Depot of Canada Inc.'s prestigious National Millwork Supplier of the Year award for the second time in recognition of Farley's outstanding working relationship with Home Depot of Canada Inc.

In fiscal 2002, Farley made several management changes including hiring a new President and Vice President of Sales & Marketing. Under the stewardship of this management team, Farley (i) entered into an agreement with Home Depot of Canada Inc. to provide SFI services under the "At Home Services" brand of Home Depot of Canada Inc., (ii) began implementing an enterprise resource planning system and (iii) launched an aggressive expansion into the southern United States. Higher than expected start-up costs relating to the SFI business and transportation costs relating to the U.S. expansion caused a considerable increase in overheads without a commensurate growth in gross margins, resulting in deterioration in Farley's financial results. Due to the deterioration in profitability, Farley's President and Vice President of Sales & Marketing were terminated and Farley's current President and Director of Finance were

hired. Under new management's leadership, Farley undertook a significant restructuring of the business, which included the following:

- terminating Farley's expansion into the southern United States resulting in improved profitability;
- reconfiguring Farley's manufacturing facility resulting in improved production flow, operational efficiency and quality;
- rationalizing and integrating Farley's U.S. customer service operation into its Canadian operation, resulting in cost savings and improved customer service levels;
- reducing overhead expenses in SFI through increasing efficiency and more appropriately matching personnel levels to demand; and
- realizing efficiency gains in indirect and general overhead expenses.

For comparative purposes, severances and other costs associated with management changes and headcount reductions from the above noted restructuring initiatives have been normalized.

During fiscal 2003, Farley focused on completing the restructuring it commenced in 2002. In addition, Farley refined its sales strategy to focus more heavily on the renovation and replacement dealer segment and, in support of this strategy, Farley launched several sales and marketing related initiatives, including introducing a new line of marketing materials (including literature, component cases, samples and in-store displays), launching Farley Window Builder Online (which supports online quotes, configuration, and ordering), and introducing a new window specifically designed for the Quebec market. Farley's focus on improved sales and marketing resulted in successfully opening new accounts representing over \$800,000 in sales in fiscal 2003.

During the six months ended June 30, 2004, Farley continued to grow its new customer base by opening 44 new accounts (15 in Canada and 29 in the United States). In addition, Farley further strengthened its relationship with Home Depot of Canada Inc., securing a contract to install steel entrance doors in Ontario through Farley's SFI division.

## **Key Factors Affecting the Business**

### *Seasonality*

Historically, Farley's results of operations have fluctuated on a seasonal basis. Farley has experienced lower levels of sales and profitability during the period from mid-November to mid-March, impacting its results in the first and fourth quarters of each year. Inclement weather conditions in the winter and spring months in Farley's markets usually reduce the level of building and remodeling activity in both the home improvement and new construction markets and, accordingly, have an adverse impact on the demand for window products. Furthermore, because a high percentage of Farley's manufacturing overhead and operating expenses are relatively fixed throughout the year, operating income has historically been lower in quarters with lower sales. Working capital (and borrowings to satisfy working capital requirements) is usually at its highest level during the second and third quarters.

### *Cyclical*

Demand in the window and door manufacturing industry is influenced by new home construction activity and the demand for replacement products and, as a result, trends in the housing sector directly impact the financial performance of Farley. The strength of the Canadian and U.S. economies, the age of existing housing stock in Farley's markets, job growth, consumer confidence, consumer credit, interest rates and migration of population have a direct impact on the demand for Farley's products. Any declines in new housing starts and/or demand for replacement products may adversely impact Farley and there can be no assurance that any such adverse effects would not be material.

### *Inflation and Raw Material Costs*

During the past several years, the rate of inflation has been relatively low and has not had a significant impact on Farley's operations. However, Farley purchases raw materials, such as vinyl and glass that are subject to fluctuations in price that may not reflect the general rate of inflation and are more closely tied to the supply of and demand for the particular commodity (or a commodity which is an input into the manufacturing of these commodities, such as natural gas). Specifically, there have been periods of significant and rapid changes in vinyl prices, with a concurrent short-term impact on Farley's operating margins. In some cases, generally where the increases have been modest, Farley has been able to mitigate the effect of these price increases over the long-term by passing them on to customers.

## Selected Financial and Operating Information

The following selected financial and operating information has been derived from and should be read in conjunction with the historical financial statements of Farley found elsewhere in this prospectus.

	<u>Six months ended June 30</u>		<u>Year ended December 31</u>		
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(unaudited)		(thousands of dollars)		
Total sales . . . . .	\$ 22,666	\$ 22,023	\$ 54,000	\$ 55,017	\$ 46,252
Sales in Canada . . . . .	\$ 12,381	\$ 10,057	\$ 28,171	\$ 24,759	\$ 19,702
Sales in the U.S. in U.S. dollars . . . . .	US\$7,627	US\$8,315	US\$18,831	US\$19,269	US\$17,282
Cost of sales . . . . .	\$ 14,265	\$ 14,449	\$ 32,940	\$ 33,552	\$ 26,719
Gross Profit . . . . .	\$ 8,401	\$ 7,574	\$ 21,060	\$ 21,465	\$ 19,533
Selling and administrative expenses . . . . .	\$ 5,258	\$ 4,988	\$ 10,276	\$ 11,685	\$ 8,475
Earnings (Loss) before income taxes . . . . .	\$ (44)	\$ (447)	\$ 4,624	\$ (458)	\$ 1,260
Adjustments to earnings (loss) before income taxes					
Financing . . . . .	\$ 2,179	\$ 2,332	\$ 4,741	\$ 4,702	\$ 2,637
Depreciation and amortization <sup>(1)</sup> . . . . .	\$ 768	\$ 551	\$ 1,183	\$ 1,322	\$ 3,053
Normalization adjustments <sup>(2)</sup> . . . . .	\$ 450	\$ 217	\$ 470	\$ 4,214	\$ 4,108
Normalized EBITDA <sup>(3)</sup> . . . . .	\$ 3,353	\$ 2,653	\$ 11,018	\$ 9,780	\$ 11,058
Gross margin (as a % of sales) . . . . .	37.1%	34.4%	39.0%	39.0%	42.2%
Selling and administrative expenses (as a % of sales) . . . . .	23.2%	22.6%	19.0%	21.2%	18.3%
Normalized EBITDA margin (as a % of sales) . . . . .	14.8%	12.0%	20.4%	17.8%	23.9%
Average days receivables outstanding . . . . .	46 days	45 days	30 days	31 days	32 days
Inventory turnover (annually) . . . . .	16x	14x	17x	15x	12x
Average CAD/USD exchange rate . . . . .	\$ 1.349	\$ 1.439	\$ 1.383	\$ 1.570	\$ 1.536

	<u>As at June 30</u>		<u>As at December 31</u>		
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(unaudited)		(thousands of dollars)		
Total assets . . . . .	\$57,469	\$58,387	\$57,451	\$56,808	\$58,493
Total long term liabilities . . . . .	\$24,501	\$28,913	\$26,838	\$29,779	\$33,997

### Notes:

- (1) Including amortization of goodwill in 2001 of \$1.83 million.
- (2) Normalization adjustments include prior owner's remuneration and expenses, shareholder management fees and expenses, severance of former senior managers, normalized CEO costs (for period when interim CEO was in place), restructuring provision, SFI and ERP startup costs, foreign exchange (gain) and loss, reversal of pension accrual and timing differences of various expenses. See "General Matters — Non-GAAP Measures" and "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".
- (3) EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See "General Matters — Non-GAAP Measures" and "Reconciliation of Historical Results to EBITDA and Normalized EBITDA".

## Results of Operations

### *Six Months Ended June 30, 2004 Compared to Six Months Ended June 30, 2003*

Having completed its restructuring efforts and developed a platform for growth, management turned its focus to profitable growth during the first six months ended June 30, 2004 (in this section only, the "2004 Interim Period"). Key areas of focus were dealer account growth in the United States and Quebec and SFI growth.

During the 2004 Interim Period, Farley sold \$0.6 million to new accounts and increased SFI sales by 51.1%. Farley further strengthened its relationship with Home Depot of Canada Inc., securing a contract to install steel entrance doors in Ontario through Farley's SFI division.

#### *Sales*

During the 2004 Interim Period, Farley achieved sales of \$22.7 million, representing a 2.9% increase over Farley's result for the six months ended June 30, 2003 (in this section only, the "2003 Interim Period").

Canadian sales increased to \$12.4 million or 23.1% in the 2004 Interim Period from \$10.1 million in the 2003 Interim Period, driven by a combination of strong sales to Farley's two largest existing customer accounts and sales to new customers secured during the 2004 Interim Period.

SFI sales increased by 51.1% in the 2004 Interim Period compared to the 2003 Interim Period. During the 2004 Interim Period, Farley secured the SFI doors business for Home Depot of Canada Inc.'s Ontario stores. This program commenced in April 2004 and has performed in line with Farley's expectations.

Strong performance in Canada was partially offset by Farley's performance in the United States, where sales in U.S. dollars decreased 8.3% to \$7.6 million in the 2004 Interim Period from \$8.3 million in the 2003 Interim Period. Underperformance in the United States was in part due to adverse weather in the Northeast U.S. during January and February 2004. Farley has consciously worked towards growing its more profitable renovation accounts in the United States, which tend to pick up during the prime renovation season of August through November. Accordingly, softer sales in the United States during the 2004 Interim Period may be offset by stronger sales in the summer and fall of 2004. Farley converts its U.S. sales into Canadian dollars for financial statement presentation. The average U.S. dollar exchange rate in the 2004 Interim Period was 1.349 versus an average rate of 1.439 in the 2003 Interim Period. Accordingly, ignoring the effects of exchange rate fluctuations, sales in the U.S. decreased by \$1.7 million or 14.0% during this period. U.S. sales in Canadian dollars represented 45.4% of total sales in the 2004 Interim Period versus 54.3% of total sales in the 2003 Interim Period.

#### *Cost of sales and gross profit*

Cost of sales decreased by \$0.2 million in the 2004 Interim Period to \$14.3 million from \$14.5 million in the 2003 Interim Period. Gross profit increased to \$8.4 million in the 2004 Interim Period from \$7.6 million in the 2003 Interim Period. Gross profit margin improved considerably to 37.1% in the 2004 Interim Period from 34.4% in the 2003 Interim Period despite the negative impact of the appreciating Canadian dollar due to a number of initiatives undertaken by Farley's management. These initiatives included (i) a price increase introduced on April 1, 2004, (ii) a number of raw material-related initiatives resulting in cost savings of approximately \$0.8 million and (iii) scheduling and line flow changes to improve labour utilization. Together these initiatives effectively negated a 2004 contractual wage increase of approximately 3.6%.

#### *Selling and administrative expenses*

Selling, general and administrative ("SG&A") expenses increased by \$0.3 million in the 2004 Interim Period versus the 2003 Interim Period to \$5.3 million. SG&A consists primarily of two types of expenses: salaries & benefits and transportation & logistics. The increase in SG&A expenses in the 2004 Interim Period is attributable to (i) a general wage increase of 2% for all non-union employees effective January 1, 2004, and (ii) the impact of general inflation on costs other than wages. To reduce delivery costs in the 2004 Interim Period, Farley has outsourced its Maritime transportation and consolidated vehicle routes.

#### *Normalized EBITDA*

Normalized EBITDA increased to \$3.4 million in the 2004 Interim Period from \$2.7 million in the 2003 Interim Period. Normalized EBITDA margin increased to 14.8% of sales in the 2004 Interim Period compared to 12.0% of sales in the 2003 Interim Period. The increase in Normalized EBITDA in the 2004 Interim Period is attributable to an increase in gross margins partially offset by the increase in SG&A expenses discussed above.

#### *Earnings (Loss) before income taxes*

Loss before income taxes was \$0.04 million in the 2004 Interim Period versus the 2003 Interim Period at \$0.4 million.

## ***Fiscal 2003 Compared to Fiscal 2002***

### *Sales*

Farley achieved sales of \$54.0 million in 2003, representing a 1.8% decline versus Farley's 2002 results of \$55.0 million.

Canadian sales increased to \$28.2 million or by 13.8% in 2003, from \$24.8 million in 2002, driven by strong sales with Home Depot of Canada Inc. and significant support from long-term renovation accounts.

SFI sales increased by 8.3% in 2003 compared to 2002. During 2003, Farley focussed on operating SFI more efficiently by reducing overhead expenses.

Sales in U.S. dollars decreased 2.3% to \$18.8 million in 2003 from \$19.3 million in 2002. This decline is largely due to Farley rationalizing low margin accounts during 2003. The average U.S. dollar exchange rate during 2003 was 1.383 versus an average rate of 1.570 during 2002. Accordingly, in Canadian dollars, U.S. sales decreased to \$25.8 million in 2003 from \$30.3 million in 2002 or 14.6%, due to the relative strength of the Canadian dollar. U.S. sales in Canadian dollars represented 47.8% of total sales in 2003 versus 55.0% of total sales in 2002. This shift in geographic mix is a combination of the Canadian dollar appreciation and a stronger Canadian market.

### *Cost of sales and gross profit*

Cost of sales declined by \$0.6 million in 2003 to \$32.9 million from \$33.6 million in 2002. Gross profit declined by \$0.4 million in 2003 to \$21.1 million from \$21.5 million in 2002. Gross profit margin remained stable in 2003 at 39.0%. Farley was largely able to maintain its gross margin in the face of the adverse Canadian dollar movement in 2003 due to the significant improvements in raw material sourcing, production layout and associated direct labour cost savings that were implemented in late 2002 and early 2003. In aggregate, management estimates the 2002 restructuring initiatives generated annual cost savings of approximately \$2.2 million, of which a significant portion directly benefited cost of sales.

### *Selling and administrative expenses*

SG&A expenses declined to \$10.3 million in 2003 from \$11.69 million in 2002. This decline in SG&A expenses is principally as a result of rationalizing geographic coverage (and associated sales and transport costs), headcount reductions and closing Farley's Massena, New York customer service center.

### *Normalized EBITDA*

Normalized EBITDA increased to \$11.0 million in 2003 from \$9.8 million in 2002. Normalized EBITDA margin increased by 2.6% in 2003 to 20.4% of sales compared to 17.8% of sales during 2002. The increase in Normalized EBITDA is attributable to management's success at restructuring and streamlining Farley operations in late 2002.

### *Earnings (Loss) before income taxes*

Earnings before income taxes increased by \$5.1 million to \$4.6 million compared to a loss of \$0.5 million during 2002. This significant increase is principally attributable to the discontinuation of amortization of goodwill for accounting purposes and one time charges taken in respect of the 2002 restructuring initiatives.

## ***Fiscal 2002 Compared to Fiscal 2001***

### *Sales*

Farley achieved sales of \$55.0 million in 2002, representing a 19.0% increase versus Farley's 2001 results of \$46.3 million.

Canadian sales increased to \$24.8 million or by 25.7% in 2002, from \$19.7 million in 2001, driven largely by Home Depot of Canada Inc. expansion.

Sales in U.S. dollars increased 11.5% to \$19.3 million in 2002 from \$17.3 million in 2001. The average U.S. dollar exchange rate during 2002 was 1.570 versus an average rate of 1.536 during 2001. Accordingly, in Canadian dollars, U.S. sales increased to \$30.3 million in 2002 from \$26.6 million in 2001 or 14.0%. U.S. sales in Canadian dollars represented 55.0% of total sales in 2002 versus 57.4% of total sales for the same period in 2001.

### Cost of sales and gross profit

Cost of sales increased by \$6.8 million in 2002 to \$33.6 million from \$26.7 million in 2001. Gross profit increased by \$1.9 million in 2002 to \$21.5 million from \$19.5 million in 2001. Gross profit margin declined slightly in 2002 to 39.0% from 42.2% in 2001. This decline in gross profit margin was primarily the result of a 5% to 8% price reduction in casement windows (introduced by the previous President) and no price increase during the year to off set the impact of higher production cost.

### Selling and administrative expenses

SG&A expenses increased to \$11.7 million in 2002 from \$8.5 million in 2001, principally due to restructuring charges. Farley incurred significant one-time restructuring expenses in 2002 for a number of operational and expansion related issues, including:

- In 2002 Farley commenced its SFI relationship with Home Depot of Canada Inc. This was a new business for Farley and the start-up phase presented a considerable learning curve. Farley also over-hired at launch, and subsequently had to terminate a significant number of these individuals, as sales were initially slow to materialize.
- Unprofitable expansion into the southern United States.
- Production and quality challenges, precipitated by volume exceeding the capabilities of the plant layout and production flow.

### Normalized EBITDA

Normalized EBITDA declined to \$9.8 million in 2002 from \$11.1 million in 2001. Normalized EBITDA margin declined by 6.1% in 2002 to 17.8% of sales compared to 23.9% of sales during 2001. The decline in Normalized EBITDA is attributable to lower gross margins and higher SG&A expenses as discussed above.

### Earnings (Loss) before income taxes

Earnings before income taxes declined by \$1.7 million generating a loss of \$0.5 million compared to earnings of \$1.3 million during 2001. This significant decrease was attributable to a number of factors, including a full year of interest charges (versus only a partial year for these expenses during 2001 as Farley was purchased by the shareholders in July) and lower levels of profitability.

### Liquidity and Capital Resources

Farley has historically utilized cash from operations to maintain existing capacity and fund growth. Due to the seasonal nature of the window business, Farley maintains a revolving credit facility to manage working capital requirements throughout the year. The following table provides an overview of Farley's cash flows for the periods indicated.

	Six months ended June 30		Year ended December 31		
	2004	2003	2003	2002	2001
	(unaudited)		(thousands of dollars)		
Operating activities .....	\$(2,615)	\$ 400	\$ 7,056	\$ 1,236	\$ (7,308)
Financing activities .....	\$ (517)	\$ 92	\$(3,115)	\$(2,299)	\$ 49,939
Investing activities .....	\$ (27)	\$ (492)	\$ (782)	\$(2,412)	\$(41,984)
Increase/(Decrease) in cash .....	\$(3,159)	\$ 0	\$ 3,159	\$(3,475)	\$ 647
	As at June 30		As at December 31		
	2004	2003	2003	2002	2001
	(unaudited)		(thousands of dollars)		
Cash and cash equivalents .....	\$ 0	\$ 0	\$ 3,159	\$ 0	\$ 3,475
Bank indebtedness .....	\$ 1,734	\$ 1,014	\$ 0	\$ 481	\$ 0
Long-term debt .....	\$28,180	\$32,167	\$30,150	\$34,418	\$ 36,886
Convertible Debentures .....	\$ 2,163	\$ 2,000	\$ 2,087	\$ 0	\$ 0

Net cash inflows related to operations increased by \$5.8 million in fiscal 2003 over 2002. This significant increase in operating cash flows was driven by the incurrence of numerous one time charges during fiscal 2002 relating to the restructuring of the business and improved financial performance in fiscal 2003 relative to 2002.

Cash outflows related to financing were, in each of fiscal 2003 and 2002, largely attributable to repayment of outstanding indebtedness under Farley's various debt facilities. In fiscal 2003, Farley's debt repayment escalated from \$2.5 million in fiscal 2002 to \$4.5 million. This was partially offset by the completion of a \$2.0 million investment by Farley's controlling shareholders in the form of a convertible debenture.

The decrease in cash outflows relating to investments in fiscal 2003 was largely attributable to lower capital expenditures, as the majority of Farley's capital expenditures to build its enterprise resource planning system were completed in fiscal 2002.

The following table provides an overview of Farley's contractual obligations as at December 31, 2003.

	<b>Payments Due by Period</b>				
	<u>Total</u>	<u>&lt;1 Year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>&gt;5 years</u>
	(thousands of dollars)				
Operating leases . . . . .	\$ 814	\$ 215	\$ 615	\$126	\$73
Other long term obligations . . . . .	<u>\$31,461</u>	<u>\$4,918</u>	<u>\$31,305</u>	<u>\$156</u>	<u>\$ 0</u>
Total contractual obligations . . . . .	<u>\$32,275</u>	<u>\$5,133</u>	<u>\$31,920</u>	<u>\$282</u>	<u>\$73</u>

Operating leases are entered into for fleet vehicles used in the delivery of product to customers. The fleet leases are provided for by a third party leasing company. Other long term obligations principally represent long term debt put in place by Farley's current owners to support the acquisition of Farley from the Farley family in fiscal 2001.

Farley does not expect to undertake any major capital expenditures in the near future as it has recently made a significant investment in upgrading and modernizing its plant. Farley expects its cash flows from operations will be sufficient to continue to maintain its plant and equipment for the foreseeable future.

### **Critical Accounting Estimates**

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

The accounting policies that are critical to Farley's business relate to (i) Farley's use of estimates regarding the collectibility of accounts receivable, (ii) the valuation of inventories, (iii) the translation of financial statements into Canadian dollars for reporting purposes given that approximately one-half of Farley's sales occurs in the United States, and (iv) the capitalization, amortization and depreciation policies in respect of capital assets, goodwill and financing costs.

#### *Accounts Receivable*

Due to the nature of Farley's business and the credit terms Farley provides to its customers in Canada and the United States, estimates and judgments are inherent in the ongoing assessment of the recoverability of accounts receivable.

#### *Inventories*

Assessments and judgments are inherent in the determination of the net realizable value of inventories. Raw materials are stated at the lower of cost (first-in, first-out method) and replacement cost. Finished goods and work-in-process inventory are stated at the lower of cost (first-in, first-out method) and net realizable value. While Farley's management applies judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

### *Capital Assets*

Capital assets are recorded at cost. Amortization is provided using the declining balance method over the estimated useful lives of the following assets:

Buildings and land improvements . . . . .	4% to 5%
Machinery, equipment and dies . . . . .	20%
Furniture, fixtures and computer hardware . . . . .	20% to 30%
Vehicles . . . . .	30%

Amortization is provided using the straight-line method over the estimated useful lives of the following assets:

Vehicles under capital leases . . . . .	over the lease term
Computer software . . . . .	over one to three years

The carrying value of capital assets is evaluated whenever significant circumstances indicate impairment in value, based upon a comparison of the carrying value of the net recoverable amount.

### *Goodwill*

Farley assesses goodwill for impairment on an annual basis and any resulting impairment is charged to earnings in the period impairment is identified.

### *Financing Costs*

Financing costs are deferred and amortized on a straight-line basis over the term of the loan to which the costs relate. As at June 30, 2004, Farley had deferred financing costs in the amount of \$0.4 million.

### **Changes in Accounting Policies including Initial Adoption**

#### *Derivative Financial Instruments*

Effective January 1, 2004, Farley adopted prospectively the new recommendations with respect to accounting for derivative financial instruments not designated as a hedge.

Derivative financial instruments that are held for trading or speculative purposes or that do not qualify as a hedge should be recognized in the balance sheet and measured at fair value.

#### *Goodwill*

Effective January 1, 2002, Farley has adopted prospectively the new recommendations with respect to accounting for goodwill.

Goodwill is no longer amortized but is tested for possible impairment. Previously, goodwill was amortized on a straight-line basis over 10 years. Had goodwill continued to be amortized, net earnings for the year ended December 31, 2002 would have decreased by \$4.0 million.

### **Financial Instruments and Other Instruments**

Farley is exposed to risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. Farley has put in place an interest rates swap to fix the pricing of its term debt as well as foreign exchange forward contracts to reduce its exposure to fluctuations in the value of the U.S. dollar.

The majority of Farley's sales are funded through credit terms, which Farley provides to its customers.

#### *Interest Rate Risk*

Farley is exposed to interest rate risk on its revolving credit facility. Farley has swapped its floating rate term debt into a fixed rate facility.

#### *Currency Risk*

Farley periodically enters into forward contracts to minimize Farley's exposure to exchange rate fluctuations. During the 2004 Interim Period, Farley implemented a multi-pronged hedging strategy to manage its projected net U.S. dollar exposure of approximately \$15.5 million. This included actively converting a greater number of suppliers to U.S. dollar pricing. As of December 31, 2003, Farley had positions totaling U.S. \$7.7 million at an average exchange

rate of \$1.354 to U.S. \$1.00, with these contracts expiring between January 2, 2004 and October 14, 2004. As of June 30, 2004, Farley had positions totaling U.S. \$6.3 million at an average exchange rate of \$1.336 to U.S. \$1.00, with these contracts expiring between July 2, 2004 and December 31, 2004. Farley intends to continue to enter into forward contracts in the future to minimize its exposure to exchange rate fluctuations, having regard for the volatility in the rate of exchange between the Canadian dollar and the U.S. dollar at that time.

## TRUSTEES, DIRECTORS AND OFFICERS

### Trustees

On Closing, the Trustees of the Fund will be David W. Munro, ●, ●, ● and ●. A profile of each Trustee is provided below under “Biographies”. Trustees will hold office until the next annual meeting of Unitholders or until their successors are duly elected or appointed.

The following table sets out, for each Trustee, the person’s name, municipality of residence, and principal occupation.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
David W. Munro <sup>(1)</sup> .....	Chief Executive Officer, Gienow Group
Calgary, Alberta	
● .....	●
● .....	●
● .....	●
● .....	●
● .....	●
● .....	●
● .....	●

**Note:**

(1) Mr. Munro is one of the two appointees of Gienow to the board of directors of ManagementCo under the Investor Rights Agreement. See “Retained Interest — Investor Rights Agreement”.

The sole trustee of Holdings Trust is ManagementCo. See “Description of Holdings Trust”.

### Directors and Officers

The board of directors of ManagementCo will be comprised of the Trustees plus Dennis Zentner and Brian Leroy. A profile of each Director is provided below under “Biographies”.

On completion of the purchase by Holdings Trust of the Farley Shares, each of the Directors will be appointed to the board of directors of Farley.

Under the terms of the Investor Rights Agreement, Gienow has the right to appoint two Directors to the board of directors of ManagementCo so long as it holds at least 20% of the Units, or one Director so long as it holds at least 10% of the Units.

The following table sets out, for each of the Directors and senior officers of ManagementCo and the Gienow Group who are not also Trustees, the person’s name, municipality of residence, positions with ManagementCo or the Gienow Group, as applicable, and principal occupation.

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
<i>Directors</i>		
Dennis R. Zentner <sup>(1)</sup> . . . . . Calgary, Alberta	Executive Vice President, Sales and Marketing; and Director	Executive Vice President, Sales and Marketing, Gienow Group
Brian E. Leroy, Q.C. . . . . Calgary, Alberta	Director	Partner, Wilson Laycraft, Barristers and Solicitors
● . . . . .	Director	●
● . . . . .	Director	●
● . . . . .	Director	●
● . . . . .	Director	●
<i>Officers</i>		
Richard L. Boyer, C.A. . . . . Calgary, Alberta	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer, Gienow Group
Dominique Van Voorhis . . . . . St. Lazare, Québec	President, Farley	President, Farley
Harvey Dunand . . . . . Calgary, Alberta	Vice President, Manufacturing	Vice President, Manufacturing, Gienow Group
L. Scott Keelan . . . . . Calgary, Alberta	Director, Marketing	Director, Marketing, Gienow Group

**Note:**

(1) Mr. Zentner is one of the two appointees of Gienow to the board of directors of ManagementCo under the Investor Rights Agreement. See “Retained Interest — Investor Rights Agreement”.

Each of the Trustees of the Fund, Directors and senior officers of the Gienow Group have been engaged for more than five years in their current principal occupation or in other capacities with the company or organization in which the person currently holds their principal occupation except as described below under “Biographies of Trustees, Directors and Officers”.

On Closing, the Trustees, Directors and senior officers of the Fund, ManagementCo and the Gienow Group, respectively, will beneficially own, as a group, directly or indirectly, ● Units representing approximately ● % of the Units outstanding as at such date assuming no exercise of the Over-Allotment Option (approximately ● % if the Over-Allotment Option is exercised in full).

**Biographies of Trustees, Directors and Officers**

The following are brief profiles of the Trustees of the Fund, the Directors of ManagementCo and the senior officers of the Gienow Group.

*David W. Munro, Chairman and Chief Executive Officer, Trustee and Director, 59.* Mr. Munro is one of the original members of the group that purchased Gienow in 1983. Mr. Munro achieved his Certified Management Accountant designation in 1970. Prior to the acquisition of Gienow, Mr. Munro held ownership and management positions in several other companies, including RGO Office Furniture. He is also the President and sole shareholder of Theologian Management Ltd., a property management company in Calgary and one of the Gienow Shareholders, and has a diverse background related to property and land management and manufacturing.

*Dennis R. Zentner, Executive Vice President, Sales and Marketing and Director, 58.* Mr. Zentner is one of the original members of the group that purchased Gienow in 1983. Mr. Zentner has over 27 years’ experience in the

windows industry and was previously General Sales Manager for Alcan Building Products, Prairie Region, in Calgary and British Columbia. In 1979 Mr. Zentner established a new business in the installed siding industry, which he operated with his partners until the acquisition of Gienow in 1983. A private holding company of which Mr. Zentner is President and a shareholder is one of the Gienow Shareholders.

*Richard L. Boyer, C.A., Vice President, Finance and Chief Financial Officer, 43.* Mr. Boyer spent six years with KPMG LLP from 1984 to 1990, including a two-year posting in Luxembourg. Following that he spent 10 years with Quebecor Inc.'s media holdings in Winnipeg, finishing as Divisional Vice President and Publisher of the Winnipeg Sun. In 1999, Mr. Boyer moved to Calgary to join Gienow as Vice President, Finance and Chief Financial Officer. He oversees all accounting, banking and finance, taxation and administrative matters for the Gienow Group. Mr. Boyer holds a Bachelor of Commerce (Honours) degree from the University of Manitoba and was admitted as a member of the Institute of Chartered Accountants of Manitoba in 1987 (Alberta — 2000).

*Dominique Van Voorhis, President, Farley, 38.* Mr. Van Voorhis joined Farley in October 2002 as a consultant and became its President in May 2003. Mr. Van Voorhis is responsible for overseeing the operations of Farley. Prior to joining Farley, Mr. Van Voorhis worked for Grocery Gateway Inc. from 2000 to 2002 as Vice President of Information Systems and Engineering, where he was responsible for designing and building that company's business process and supporting information technology. Prior to that, he worked as an Operational and Systems consultant with Deloitte Consulting. Mr. Van Voorhis has a Bachelor of Applied Science in Mechanical Engineering from the University of Toronto and a Masters in Business Administration from the University of Western Ontario.

*Harvey Dunand, Vice President, Manufacturing, 53.* Mr. Dunand has been employed by the Gienow Group for more than 30 years. Mr. Dunand started as a Lead Hand in the mobile home bay and bow window department. In 1978, he joined the sales group, which he managed from 1980 until 1983. From 1983 through 1999, Mr. Dunand was in charge of manufacturing. In 1999, the responsibility for Award was added to his duties. Mr. Dunand was also responsible between 1998 and 2001 for the integration and the move to the new Calgary head office premises. Since 2001, as Vice-President of Manufacturing, Mr. Dunand has overseen all areas of manufacturing and purchasing, product development, quality, manufacturing and delivery.

*L. Scott Keelan, Director, Marketing, 54.* Mr. Keelan joined Gienow in 1983 after being employed in the window and siding industry for eight years by Alcan Building Products in Calgary, Alberta. Since joining Gienow, Mr. Keelan has managed various sales departments. Mr. Keelan currently directs the Gienow Group's marketing department and oversees the international sales group. Mr. Keelan holds a Bachelor of Arts degree with a major in economics from the University of Alberta.

*Brian E. Leroy, Q.C., Director, 47.* Mr. Leroy is a partner at the Calgary law firm of Wilson Laycraft, where he has a diverse practice with particular emphasis on product liability litigation, wrongful dismissal and workplace safety matters. Mr. Leroy received his law degree from the University of Calgary in 1982 and holds undergraduate degrees in Economics and Business Administration. Mr. Leroy was appointed Queen's Counsel in 2001.

## **Governance of the Fund**

The Trustees will be responsible for the governance of the Fund. The Trustees will establish an Audit Committee consisting of the four Trustees who are "independent" for the purposes of applicable Canadian securities legislation. The Audit Committee will be responsible for the oversight and supervision of: (i) the accounting and financial reporting practices and procedures of the Fund; (ii) the adequacy of the Fund's internal accounting controls and procedures; and (iii) the quality and integrity of the Fund's financial statements. The Trustees will not establish a governance committee but will retain direct responsibility for developing the Fund's approach to governance issues, filling vacancies among the Trustees and periodically reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees.

## **Governance of ManagementCo**

The Directors will be responsible for the governance of ManagementCo. The Directors will establish a Compensation, Nominating and Governance Committee. The members of the Compensation, Nominating and Governance Committee will be Directors who are "unrelated" within the meaning of the policies of the TSX. The Compensation, Nominating and Governance Committee will be responsible for: (a) annually reviewing the goals and objectives of the Chief Executive Officer for the upcoming year and the performance of management generally; (b) developing ManagementCo's approach to corporate governance issues and compliance with applicable laws,

regulations and policies relating thereto; (c) advising the board in filling vacancies among the Directors; (d) periodically reviewing the composition and effectiveness of the board and the contributions of individual Directors; (e) reviewing and recommending to the board the compensation of management; and (f) administering and making recommendations regarding the operation of the LTIP and other incentive plans.

### **Disclosure Policy**

The Trustees will 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 and their respective trustees, directors, officers and employees with respect to confidential information;
- identify spokespersons of the Fund and the Gienow Group who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by senior executives of the Gienow Group 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.

### **Remuneration of Trustees and Directors**

#### *Trustees*

The Trustees shall be paid such reasonable remuneration for their services as the Trustees may from time to time determine. A Trustee who is a director, officer or employee of the Partnership, ManagementCo or Farley shall not receive any remuneration for acting as a Trustee or attending meetings of the Trustees. Trustees will be reimbursed for out-of-pocket expenses for attending board or committee meetings of Trustees and will participate in the insurance and indemnification arrangements described below.

#### *Directors*

Initial compensation for Directors who are not officers or employees of any subsidiary of the Fund will be \$22,500 per Director per year plus \$1,000 per Director for each board or committee meeting of Directors attended in person or \$500 for each meeting attended by telephone. The chair of the board of directors of ManagementCo will be paid an additional \$5,000 per year and the chairs of each of the Compensation, Nominating and Governance Committee and the Audit Committee will be paid an additional \$5,000 per year.

Directors will also be reimbursed by ManagementCo for out-of-pocket expenses for attending board or committee meetings of Directors, and will participate in the insurance and indemnification arrangements described below.

Directors of Farley will not receive any remuneration for acting in that capacity, but will be reimbursed for out-of-pocket expenses for attending board meetings and will participate in the insurance and indemnification arrangements described below.

### **Liability of Trustees**

The Fund Deed 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 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 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 ManagementCo or any person to perform the duties delegated to it under the Fund Deed of Trust); or any failure by Holdings Trust, the Partnership or Farley to pay monies owed to the Fund, unless, in each case, such liability arises out of a breach of the standard of care, diligence and skill or breach of the restrictions on the Trustees' powers as set out in the Fund Deed 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 Deed 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 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 Deed 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 the Fund and Related Entities and Indemnification**

The Fund will obtain or cause to be obtained a policy of insurance for the Trustees and for the trustees, directors and officers of the Fund's subsidiaries. The initial aggregate limit of liability applicable to the insured trustees, directors and officers under the policy will be \$ ● million. Under the policy, each entity will have reimbursement coverage to the extent that it has indemnified the trustees, directors and officers. The policy will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund, Holdings Trust, the Partnership, ManagementCo and Farley and any of their respective subsidiaries. The total limit of liability will be shared among the Fund, Holdings Trust, the Partnership, ManagementCo and Farley and any of 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 by-laws of each of ManagementCo and Farley 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 Deed of Trust and the Trust Deed of Trust also provide for the indemnification of the Trustees and officers of the Fund and the trustee and officers of Holdings 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.

### **ADMINISTRATION AGREEMENT**

On Closing, the Fund, Holdings Trust, the Partnership and Farley will enter into the Administration Agreement with ManagementCo, ServiceCo and Gienow pursuant to which ManagementCo, a wholly owned subsidiary of the Fund and one of the general partners of the Partnership, will agree to provide or arrange for the provision of services required in the administration of the Fund and Holdings Trust.

ManagementCo will be responsible for overseeing and managing the business and affairs of the Gienow Group. ManagementCo's duties with respect to the administration of the Fund under the Administration Agreement will include: (i) ensuring compliance by the Fund, its affiliates and subsidiaries with all continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements; (ii) providing investor relations services; (iii) providing or causing to be provided to Unitholders all information which Unitholders are entitled to receive under the Fund Deed of Trust, including relevant information with respect to income taxes; (iv) convening meetings of Unitholders and distributing required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) providing for the computation and making of distributions to Unitholders; (vi) attending to all administrative and other matters arising in connection with any redemptions of Units or Trust Units; (vii) monitoring the residency status of beneficial owners of Units; (viii) providing assistance in negotiating the terms of any offering of Units or other securities of the Fund; and (ix) generally providing all other services as may be necessary, or as requested by the Trustees, for the administration of the Fund and which are not otherwise expressly delegated to ManagementCo under the terms of the Fund Deed of Trust. ManagementCo will also provide similar services to Holdings Trust.

The Administration Agreement also establishes the division of responsibilities between ServiceCo and ManagementCo as general partners of the Partnership. ServiceCo will at all times remain subject to the supervision of ManagementCo and its Directors with certain actions by ServiceCo requiring the approval of the independent Directors of ManagementCo. ServiceCo's responsibilities as a general partner will include: (i) developing, recommending and monitoring strategic plans for the Partnership and implementing all corresponding annual operating plans, capital plans and other initiatives approved by the Directors; (ii) monitoring the development of the business of the Partnership and assisting ManagementCo in overseeing and managing the day to day business and affairs of the Partnership; (iii) assisting ManagementCo in directing and monitoring the activities of the Partnership in a manner that ensures that the assets of the Partnership are safeguarded and optimized in the best interests of the partners; (iv) developing and

monitoring internal policies and controls for the Partnership; (v) providing technical and evaluation services in respect of equipment, processes and techniques related to the operations of the Partnership; and (vi) generally participating with ManagementCo in the making of decisions that are of importance to the success of the Partnership.

Each of ServiceCo, ManagementCo and the Partnership will employ Messrs. Munro, Zentner, Dunand and Keelan. ServiceCo will be responsible for the payment of the salary of Mr. Munro and a portion of the salary of Mr. Zentner. The partnership interests of each of ServiceCo and ManagementCo, and their resultant share of the income of the Partnership, will be adjusted annually to reflect the fair market value of the services provided by each of ServiceCo and ManagementCo, in each fiscal year, and is expected to approximate the cost of the employee salaries plus applicable overhead of each of ServiceCo and ManagementCo in each fiscal year. Unless otherwise agreed to by the independent Directors of ManagementCo, the share of the Partnership's income allocable to ServiceCo in any fiscal year will not exceed \$500,000 (pro rated in any partial fiscal year). The determination of the partnership interest of ServiceCo in each year will require the approval of the independent Directors of ManagementCo. The amount of ServiceCo's employee salaries and overhead from Closing to December 31, 2004 will be approximately \$150,000, resulting in ServiceCo retaining an approximately 2% interest in the Partnership at Closing.

The Administration Agreement is for an initial term of five years, and ManagementCo may terminate ServiceCo's rights and privileges under the Administration Agreement upon the occurrence of certain specified events. Upon such termination ServiceCo will be required to surrender its general partner interest in the Partnership at a price equal to its capital account in the Partnership at that time, with no termination payments whatsoever. ServiceCo's capital account will be \$150,000 at Closing. In addition, in the event of a change in control of the Fund, ManagementCo may require Gienow, the shareholder of ServiceCo, to provide it with the right to vote the shares of ServiceCo in respect of the election of directors of ServiceCo.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table provides a summary of the compensation earned in respect of the 2003 fiscal year by the chief executive officer of each of Gienow and Farley, the Chief Financial Officer of the Gienow Group and each of the three next most highly compensated executive officers (the "Named Executive Officers") of the Gienow Group (based upon the compensation earned by such individuals in their capacities as officers of Gienow or Farley, as applicable, during such fiscal year).

Name and Principal Position with Gienow/Farley	Fiscal Year	Annual Compensation			Long Term Compensation		
		Salary (\$)	Bonus \$	Other Annual Compensation \$	Other Compensation \$	Number of Options Granted	All Other Compensation \$
DAVID W. MUNRO President and Chief Executive Officer, Gienow . . . . .	2003	150,000	45,000	—	—	—	—
DOMINIQUE VAN VOORHIS <sup>(1)</sup> President, Farley . . . . .	2003	133,333	64,375	6,400	—	175,000	—
RICHARD L. BOYER Chief Financial Officer, Gienow	2003	135,000	108,750	8,554	—	—	—
DENNIS R. ZENTNER Vice President, Sales and Marketing, Gienow . . . . .	2003	150,000	37,500	—	—	—	—
HARVEY DUNAND Vice President, Manufacturing, Gienow . . . . .	2003	150,000	232,500	17,930	—	—	—
SCOTT KEELAN Director, Marketing, Gienow . . . .	2003	150,000	30,000	7,028	—	—	—

**Note:**

(1) Mr. Van Voorhis joined Farley in May 2003. Accordingly, his compensation for the year ended December 31, 2003 of Farley is in respect of eight months.

## **Employment Agreements**

On Closing, each of David W. Munro, Dennis R. Zentner, Richard L. Boyer, Harvey Dunand and L. Scott Keelan will enter into executive employment agreements with ManagementCo, the Partnership and, except in the case of Mr. Boyer, ServiceCo. The agreements will provide, among other things, that such executive officers devote substantially all of their time to these entities. Mr. Munro will receive all of his salary and benefits from ServiceCo and Mr. Zentner is expected to receive a portion of his salary and benefits from ServiceCo. The balance of Mr. Zentner's and all or the other executive officers' compensation will be paid by the Gienow Group. Each agreement is for a term of three years commencing on October 1, 2004, except in the case of Mr. Munro, whose agreement is for a term of two years commencing on October 1, 2004. The employee shall perform the duties and responsibilities consistent with the office to which he has been appointed. Each employee receives a base salary which is subject to an annual review, and is eligible to participate in benefit plans and receive other perquisites.

Each employment agreement may be terminated by the Partnership (on behalf of itself, ManagementCo and ServiceCo, as applicable) at any time on written notice and subject to the payment to the employee of specified amounts; upon the disability of the employee subject to the payment to the disabled employee of a specified amount; and at any time, without notice or payment in lieu of notice for just cause. The employee may terminate the agreement within three months of the occurrence of certain specified events including the assignment of duties materially inconsistent with the employee's position, duties, responsibilities and status; a reduction in base salary not consented to by the employee; relocation; or a change of control of the Fund, which results in any of the aforementioned circumstances arising which triggers the employee's right to terminate and, in addition, results in a material breach of any agreement between the Partnership and the employee. If the employee terminates his employment agreement in any of the circumstances described above, he shall be entitled to the severance specified in the agreement. The employee may voluntarily terminate his employment for reasons other than described above on 180 days' prior written notice, in which case such employee will be entitled only to his salary until the date of termination.

The employment agreements also contain customary non-disclosure, non-solicitation and non-competition provisions, which non-competition provisions survive for 24 months following termination.

Mr. Van Voorhis has entered into an employment agreement with Farley effective May 1, 2003 to act as President of Farley from May 1, 2003 to December 31, 2005, subject to early termination. The agreement provides for an annual salary plus an annual bonus of up to 50% of base salary (subject to a minimum bonus of \$40,000) on the achievement of certain targets. If the agreement is terminated during the course of any fiscal year of Farley, Mr. Van Voorhis is entitled to receive a pro-rated bonus for the portion of the year he was employed, except in the case of termination for cause or his voluntary resignation.

The employment agreement with Mr. Van Voorhis may be terminated (i) by Farley on nine months' notice or an equivalent amount in pay, (ii) by Farley for cause, (iii) on the death, disability or retirement of Mr. Van Voorhis, (iv) by Mr. Van Voorhis on six months' written notice.

The employment agreement also contains a non-competition covenant in favour of Farley which precludes Mr. Van Voorhis's involvement in a competing business in a province of Canada or state of the United States where Farley sells products or services for a period of one year following the termination of his employment agreement.

Each executive will also be eligible to participate in the LTIP to be established by the Gienow Group. See "— Long-term Incentive Plan".

## **Long-term Incentive Plan**

Management and certain employees of the Gienow Group will be eligible to participate in the Gienow Group's long-term incentive plan (the "LTIP"). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the Gienow Group's ability to attract, retain and motivate key personnel and reward management and certain employees for significant performance and associated per Unit cash flow growth of the Fund. Pursuant to the LTIP, the Gienow Group will set aside a pool of funds based upon the amount, if any, by which the Fund's per Unit distributions exceed certain defined per Unit distributable cash threshold amounts. A trustee under the LTIP may then purchase Units in the market with such pool of funds and will hold such Units until such time as ownership vests to each participant.

The LTIP will be administered by the Directors or the Compensation, Nominating and Governance Committee, which will have the power to, among other things, determine: (i) those individuals who will participate in the LTIP;

(ii) the level of participation of each participant; and (iii) the time or times when ownership of Units will vest for each participant.

For a period of three years following the closing of the Offering, the base per Unit distribution for the purposes of the LTIP will be \$ ● per Unit per fiscal year (the “Base Distribution”), which will be pro rated for 2004. To the extent that the gross distributions per Unit (including reserves held back to fund distributions under the LTIP) (“Gross Distributions per Unit”) in any of these three years exceeds the Base Distribution, the following amounts will be used to fund the LTIP:

Percentage by which Gross Distributions per Unit Exceed Base Distribution Threshold <sup>(1)</sup>	Proportion of Aggregate Gross Distributions per Unit in excess of the Base Distribution Available for LTIP Payments
5% or less .....	10%
over 5% to 10% .....	15% of any excess over 5% to 10%
greater than 10% .....	20% of any excess over 10%

**Note:**

(1) Annualized for fiscal periods of less than 12 months.

The LTIP may not be amended or terminated for a period of three years following the closing of the Offering, except amendments made with the consent of the affected participants, technical or administrative amendments or in certain other limited circumstances.

**FUNDING, INVESTMENTS AND RELATED TRANSACTIONS**

**Transactions to be Completed Prior to the Closing Date**

On the day before the Closing Date, Farley will purchase for cancellation all of its outstanding stock options in consideration for demand promissory notes issued by Farley (the “Option Notes”) in a principal amount equal to the fair market value of the stock options, which is, for each option, the difference between the exercise price of that stock option and the purchase price of a Farley Share (\$ ● in the aggregate).

**Transactions to be Completed on the Closing Date**

Immediately following Closing, the Fund will use the proceeds of the Offering and the sale of ● Units to Gienow at a price of \$10.00 per Unit, net of a portion of estimated costs and expenses incurred by the Fund of \$ ● (the “Subscription Proceeds”), to capitalize Holdings Trust by subscribing for and purchasing Trust Notes (\$ ● ) and Trust Units (\$ ● ). The following steps will occur thereafter on the Closing Date:

- Holdings Trust will draw down approximately \$57 million under the term loan portion of the New Credit Facilities.
- Holdings Trust will acquire the outstanding shares of Farley AcquisitionCo for nominal consideration.
- Holdings Trust will use approximately \$ ● of the Subscription Proceeds and \$ ● of the amount drawn under the New Credit Facilities to make a contribution of capital to the Partnership in consideration for the LP Interest.
- ManagementCo will make a contribution of capital to the Partnership in consideration for a nominal interest therein.
- The Partnership will use the funds invested in it by Holdings Trust to repay the Gienow Note owing to ServiceCo (\$ ● ), retire the limited partnership interest of Gienow in the Partnership (\$10.00), and pay expenses payable by the Partnership.
- Holdings Trust will use approximately \$ ● of the Subscription Proceeds and \$ ● of the amount drawn under the term loan portion of the New Credit Facilities to: (i) purchase the Farley Shares; and (ii) capitalize Farley in an aggregate amount of \$ ● .
- Farley will use the funds it receives from Holdings Trust to (i) repay its outstanding debt to parties other than Holdings Trust (including the Option Notes) (\$ ● ), (ii) purchase for cancellation its convertible debentures at their fair market value, which is, for each convertible debenture, the number of Farley Shares into which the debentures are convertible multiplied by the purchase price payable for each Farley Share (\$ ● in the aggregate), (iii) purchase for cancellation its outstanding warrants at their fair market value,

which is, for each warrant, the difference between the exercise price of the warrant and the purchase price of a Farley Share (\$ ● in the aggregate), (iv) establish the Capital Tax Reserve (\$ ● ), (v) establish a working capital reserve (\$3.0 million), and (vi) pay expenses payable by Farley.

- Holdings Trust will transfer all of the then outstanding Farley Shares to Farley AcquisitionCo in consideration for additional shares of Farley AcquisitionCo (\$ ● ) and Farley Notes (\$ ● ).

#### **Transactions to be Completed After the Closing Date**

On the day after the Closing Date, Farley AcquisitionCo and Farley will amalgamate and continue under the name “Farley Windows Inc.”. Holdings Trust will thereupon become the sole shareholder of Farley and the sole holder of the outstanding Farley Notes. See “Description of Farley”.

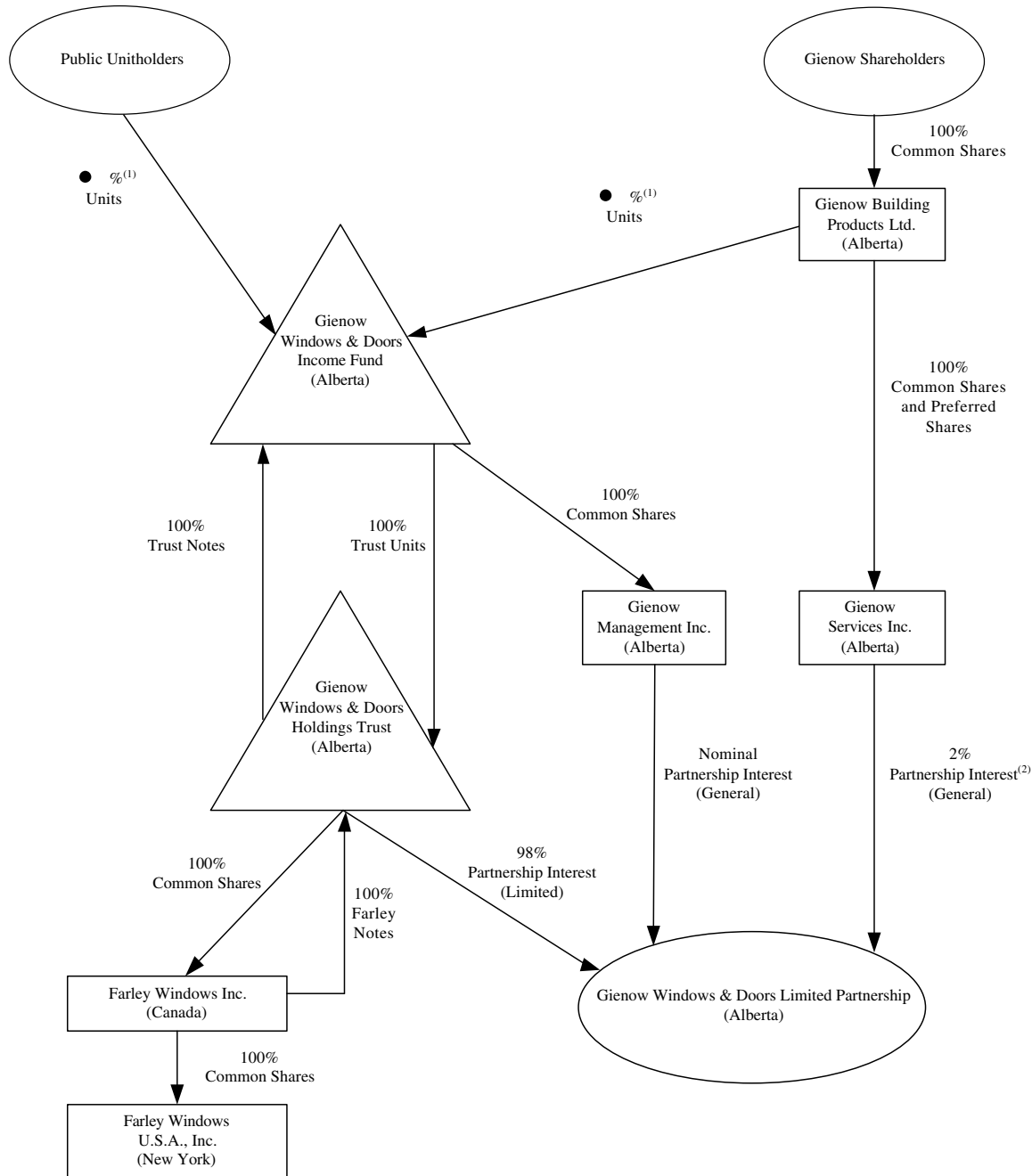
The completion of the investment by Holdings Trust in the Partnership in consideration for the LP Interest and the purchase by Holdings Trust of the Farley Shares will be conditional upon, among other things, the completion of the Offering, the receipt of certain third party consents, and funds being made available under the New Credit Facilities.

The investment by Holdings Trust in the Partnership will be made pursuant to the terms and conditions of the Investment Agreement, and the purchase by Holdings Trust of the Farley Shares (and the repurchase by Farley of its outstanding warrants and convertible debentures) will be made pursuant to the terms and conditions of the Acquisition Agreement. See “Investment and Acquisition Agreements”.

If the investment is not completed as provided by the Investment Agreement or the purchase is not completed as provided by the 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 and its subsidiaries (including jurisdiction of establishment or incorporation of the various entities) following completion of this Offering, the indirect investment by the Fund in the Partnership, the indirect acquisition by the Fund of Farley Shares and certain related transactions (as described in more detail under “Funding, Investments and Related Transactions” and “Retained Interest”).



**Notes:**

- (1) Assuming that the Over-Allotment Option has not been exercised. If the Over-Allotment Option is exercised in full, the public Unitholders will hold approximately ● % of the outstanding Units and Gienow will hold approximately ● % of the outstanding Units. On Closing, Units representing approximately ● % of the outstanding Units will be transferred by Gienow to a trust established for the benefit of certain employees of the Gienow Group.
- (2) Gienow Services Inc. will be responsible for the payment of the salary of the Chief Executive Officer of the Gienow Group and a portion of the salary of the Executive Vice President, Sales and Marketing of the Gienow Group. These executive officers are also employees of ManagementCo and the Partnership. See “Administration Agreement”.

## RETAINED INTEREST

### Purchase of Units by Gienow

Concurrently with the Closing, Gienow will subscribe for and purchase ● Units directly from the Fund at a price of \$10.00 per Unit for gross proceeds to the Fund of \$ ● . The Units to be purchased by Gienow will represent a direct ● % interest in the Fund. On Closing, Units representing ● % of the outstanding Units will be transferred by Gienow to a trust established by Gienow for the benefit of certain employees of the Gienow Group. If the Over-Allotment Option is exercised in full, Gienow will hold ● Units representing ● % of the outstanding Units. See “Principal Unitholders” and “Use of Proceeds”.

### Investor Rights Agreement

Pursuant to the Investor Rights Agreement, Gienow will have the right to appoint two Directors to the board of directors of ManagementCo as long as it holds at least 20% of the Units, or one Director so long as it holds at least 10% of the Units.

The Investor Rights Agreement also grants to Gienow “piggy-back” rights, which, subject to certain restrictions, will enable Gienow to require the Fund to include in any prospectus filed by the Fund the Units acquired by Gienow on Closing so that such Units may be qualified for distribution and otherwise assist Gienow with a public offering of the Units it acquires on Closing. In the event of a “piggy-back” offering, the Fund’s financing requirements will take priority.

## INVESTMENT AND ACQUISITION AGREEMENTS

The investment by Holdings Trust in the Partnership will be made pursuant to the Investment Agreement, and the purchase by Holdings Trust of the Farley Shares and the repurchase by Farley of its outstanding warrants and convertible debentures will be made pursuant to the Acquisition Agreement.

The following is a summary of the material attributes and characteristics of the Investment Agreement and the Acquisition Agreement. This summary is qualified in its entirety by reference to the provisions of those agreements, which contain a complete statement of those attributes and characteristics. See “Material Contracts”.

### *Investment Agreement*

The Investment Agreement will contain customary representations and warranties from Gienow and the Partnership. ServiceCo and the Gienow Shareholders will represent and warrant to the Fund and Holdings Trust that the representations and warranties of Gienow and the Partnership are true and correct in all material respects. Each of Gienow, the Partnership, ServiceCo and the Gienow Shareholders will represent to the Fund and Holdings Trust that this prospectus contains full, true and plain disclosure of all material facts relating to Gienow and does not contain a misrepresentation in respect of Gienow, subject to an exception for portions of the prospectus purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert. Certain representations and warranties will survive Closing for a period of 18 months, except for certain limited representations and warranties, which will survive without limitation of time, the “no misrepresentation” representation, which will survive for a period of three years from the Closing Date, and tax-related representations and warranties which will survive until the expiry of the applicable assessment period.

The maximum liability of Gienow, ServiceCo and the Gienow Shareholders under all representations, warranties and indemnities under the Investment Agreement and the Underwriting Agreement will be limited, without duplication, to 100% of the proceeds of the Offering received by Gienow. Gienow, ServiceCo and the Gienow Shareholders severally have agreed to indemnify Holdings Trust and the Fund in respect of the Investment Agreement and the Underwriting Agreement. Claims must, in the aggregate, be for an amount of at least \$550,200 before they may be made against Gienow, ServiceCo or the Gienow Shareholders.

### *Acquisition Agreement*

The Acquisition Agreement contains customary representations and warranties from Farley. The Farley Securityholders have represented and warranted to the Fund and Holdings Trust that the representations and warranties of Farley are true and correct in all material respects and that this prospectus contains full, true and plain disclosure of all material facts relating to Farley and does not contain a misrepresentation in respect of Farley, subject to an exception for portions of the prospectus purporting to be made on the authority of an expert or purporting to be a copy

of or an extract from a report, opinion or statement of an expert. Certain representations and warranties will survive Closing for a period of 18 months, except for certain limited representations and warranties, which will survive without limitation of time, the “no misrepresentation” representation, which will survive for a period of three years from the Closing Date, and tax-related representations and warranties which will survive until the expiry of the applicable assessment period.

The maximum liability of the Farley Securityholders under all representations, warranties and indemnities under the Acquisition Agreement and the Underwriting Agreement will be limited, without duplication, to 100% of the proceeds of the Offering received by the Farley Securityholders. The Farley Securityholders severally have agreed to indemnify Holdings Trust and the Fund in respect of the Acquisition Agreement and the Underwriting Agreement. Claims must, in the aggregate, be for an amount of at least \$199,800 before they may be made against the Farley Securityholders.

**Purchasers under this prospectus will not have a direct statutory right of action against any of Gienow, the Partnership, ServiceCo, the Gienow Shareholders or the Farley Securityholders. A purchaser’s sole remedy against any such party will be Holdings Trust exercising its rights under the Investment Agreement or Acquisition Agreement, as applicable, to claim indemnification in respect of a breach of the representations and warranties in such agreement by such party or, in certain circumstances, pursuant to an indemnity regarding taxes, subject to the limitations discussed in the preceding paragraphs. Any recourse against Gienow, the Partnership, ServiceCo, the Gienow Shareholders or the Farley Securityholders must be pursued individually. As a result, there can be no assurance of recovery by the Fund or Holdings Trust from any or all of Gienow, ServiceCo, the Gienow Shareholders or the Farley Securityholders for any breach of their respective representations and warranties under the Investment Agreement or the Acquisition Agreement.**

## DEBT FINANCING

### General

The Fund and the Gienow Group intend to implement a financing strategy that (i) incorporates long-term secured and, possibly, unsecured debt, and (ii) maintains maximum flexibility to manage the short-term cash needs of the Fund and the Gienow Group.

### Existing Long-Term Debt

As of June 30, 2004, the Partnership and Farley had outstanding long-term third party debt of \$6.7 million and \$28.2 million, respectively. The aggregate amount of the Farley debt, less capital lease obligations, will be repaid or repurchased by Farley in connection with the Closing. See “Funding, Investments and Related Transactions” and “Use of Proceeds”. The Partnership’s long-term debt consists of a first mortgage on the land and buildings comprising its head office and primary manufacturing facility in Calgary, Alberta, which will remain in place after Closing. The first mortgage is in the principal amount of \$6,565,000, bears interest at a rate of 6.6% per annum, matures on July 29, 2009 and has a 25-year amortization period. As of June 30, 2004, the Partnership also had outstanding capital lease obligations totalling \$138,000.

### New Credit Facilities

Holdings Trust has received commitments from three Canadian chartered banks to establish two credit facilities (collectively, the “New Credit Facilities”). The following is a brief summary of certain provisions of the New Credit Facilities, but does not purport to be a complete description of the New Credit Facilities and is qualified in its entirety by reference to the full text of the credit agreement relating to the New Credit Facilities. See “Material Contracts”.

The New Credit Facilities will be senior secured credit facilities comprised of a non-revolving term loan in the amount of \$57 million and a revolving operating facility of up to \$8 million. Holdings Trust will draw down on the term loan in its entirety at Closing and use the funds borrowed thereunder to fund a portion of its investment in the Partnership and acquisition of the Farley Shares. See “Funding, Investments and Related Transactions” and “Use of Proceeds”. The operating facility will be available to each of Holdings Trust, the Partnership and Farley for their general working capital and maintenance capital expenditure requirements.

The term loan will mature three years from Closing, with no scheduled repayments required prior to maturity. The operating facility also has a three-year term, subject to extension by mutual agreement. Amounts advanced under either the term loan or the operating facility are repayable without any prepayment penalties.

Advances under the New Credit Facilities will bear interest at a floating rate based on the Canadian dollar prime rate or banker's acceptance rates, for Canadian dollar advances, or the U.S. dollar base rate or the London Inter-Bank Offered Rate (LIBOR), for U.S. dollar advances.

Any amounts borrowed under the New Credit Facilities will be guaranteed by the Partnership and Farley and any of their respective current or future subsidiaries or affiliates, whether direct or indirect, and will be secured by a first charge over all of the present and after-acquired assets of Holdings Trust, the Partnership and Farley and their respective subsidiaries (except the land and buildings comprising the head office and primary manufacturing facility of the Partnership, over which the lenders will have a second mortgage).

The New Credit Facilities will be subject to customary terms and conditions for borrowings of this nature, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of the lenders and maintenance of certain interest coverage and leverage ratios. The New Credit Facilities may in certain circumstances restrict the ability of the Partnership or Farley to make distributions to its partners or shareholders, as applicable, 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 \$57 million is expected to be drawn down at Closing.

The Underwriters are wholly-owned subsidiaries of two of the Canadian chartered banks that are lenders under the New Credit Facilities. See "Relationship between the Fund and the Underwriters".

## DESCRIPTION OF THE FUND

### General

The Fund is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta pursuant to the Fund Deed of Trust. It is intended that the Fund will qualify as a mutual fund trust for the purposes of the Tax Act. The following is a summary only of the material attributes and characteristics of the Units and certain provisions of the Fund Deed of Trust, and is qualified in its entirety by the complete provisions of the Fund Deed of Trust. A copy of the Fund Deed of Trust will be available via the internet at [www.sedar.com](http://www.sedar.com). See "Material Contracts".

### Activities of the Fund

The Fund Deed of Trust provides that the Fund's operations and activities are restricted to:

- (i) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with, directly or indirectly, any securities issued by Holdings Trust, the Partnership, ManagementCo and Farley, including investing in securities of the subsidiaries and affiliates of each of the Partnership and Farley and the Trust Notes, and borrowing funds for that purpose;
- (ii) investing in any other securities of any other persons engaged, directly or indirectly, in, and assets used in connection with, the window and door manufacturing, distribution and sales business, as well as activities ancillary or incidental thereto, and borrowing funds for that purpose; provided that such investments do not at the time of investment result in the Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans;
- (iii) temporarily holding cash in certain interest-bearing bank accounts, short-term government debt or short-term investment grade corporate debt to the extent that such funds are not to be immediately used by the Trustees for the purpose of making distributions;
- (iv) issuing Units, convertible securities or securities exchangeable for Units for the purpose of obtaining funds to conduct any of the activities of the Fund, completing any acquisition of securities or any other assets for the benefit of the Fund; implementing Unitholder rights plans, distribution reinvestment plans, Unit purchase plans, incentive option plans or other compensation plans, if any, established by the Trustees for the benefit of the Fund; and making non-cash distributions to Unitholders as contemplated by the Fund Deed of Trust, including pursuant to distribution reinvestment plans or distribution reinvestment and Unit purchase plans, if any, established by the Fund;

- (v) issuing debt securities, provided that recourse shall be limited to the assets of the Fund (including debt securities convertible into, or exchangeable for, Units or other securities of the Fund) or otherwise borrowing, mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of the assets of the Fund as security;
- (vi) guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of Holdings Trust, the Partnership, ManagementCo, Farley or any subsidiary, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the assets of the Fund, including securities issued by Holdings Trust, the Partnership, ManagementCo, Farley or any subsidiary, as security for that guarantee, and subordinating its rights under the Trust Notes to other indebtedness;
- (vii) disposing of any part of the assets of the Fund;
- (viii) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by the Fund;
- (ix) repurchasing, redeeming or otherwise acquiring securities of the Fund, including Units, pursuant to any issuer bid made by the Fund;
- (x) satisfying the obligations, liabilities or indebtedness of the Fund;
- (xi) performing all acts necessary, incidental, ancillary or related to any of the foregoing; and
- (xii) undertaking such other activities or taking such other actions to conduct the business of the Fund as shall be approved by the Trustees from time to time,

provided the Fund will not undertake any activity, take any action, or make or retain any investment which would result (or fail to take any action where that failure would result) in the Fund not being considered a “unit trust” or a “mutual fund trust” for the purposes of the Tax Act, or in the Units constituting “foreign property” for the purposes of Part XI of the Tax Act.

### **Units**

An unlimited number of Units may be issued under the Fund Deed of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund 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 Unitholders or in respect of any written resolution of 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 Trustees may at any time and in their sole discretion, reclassify the outstanding Units into Class A units and Class B units. The Class A units and the Class B units would carry the same voting and participation rights, but ownership of the Class B units would be restricted to Canadian residents while Class A units would not be subject to any restriction on ownership. If the Trustees were to proceed with a reclassification, the Fund Deed of Trust would be amended to provide that the number of outstanding Class B units must at all times exceed the number of outstanding Class A units. A reclassification of Units into Class A units and Class B units would assist the Fund in managing the level of non-resident ownership of Units with a view to maintaining its status as a mutual fund trust under the Tax Act. See “— Limitation on Non-Resident Ownership”.

### **Issuance of Units**

The Fund Deed of Trust provides that the Units or rights to acquire Units may be issued by the Fund at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. At the option of the Trustees, Units may be issued in satisfaction of any 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 distribution. The Fund Deed 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 distribution, the number of outstanding Units will be automatically consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the distribution of additional Units, 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 distribution of additional Units is deemed to represent the same number of Units after the distribution of additional Units and the consolidation. Where tax is required to be withheld from a Unitholder's share of the distribution, the consolidation will not result in such Unitholder holding the same number of Units, and the Unitholder will be required to surrender the certificates, if any, representing their original Units in exchange for a certificate representing their post-consolidation Units.

## Trustees

The Fund will have a minimum of three and a maximum of 10 Trustees, the majority of whom must be residents of Canada (as defined under the Tax Act). The Fund Deed of Trust also requires that a majority of the Trustees be independent of management of the Fund and its affiliates. On Closing, the Trustees will be David W. Munro, ●, ●, ● and ●. The Trustees are to supervise the activities and manage the affairs of the Fund.

The Fund Deed of Trust provides that, subject to its terms and conditions, the Trustees will have full, absolute and exclusive power, control and authority over the assets and affairs of the Fund to the same extent as if the Trustees were the sole and absolute beneficial owners of the assets of the Fund, to do all acts and things as in their sole and absolute discretion are necessary or incidental to, or desirable for, carrying out the trust created under the Fund Deed of Trust. Subject only to the express limitations contained in the Fund Deed of Trust, the Trustees have the power and authority to, among other things:

- possess and exercise all the rights, powers and privileges pertaining to the ownership (including voting privileges) of any securities comprising the assets of the Fund;
- act for, vote on behalf of and represent the Fund as a holder of Trust Notes or Trust Units, or the shares of ManagementCo, and other securities of Holdings Trust or ManagementCo;
- maintain records and provide reports to Unitholders;
- supervise the activities and manage the investments and affairs of the Fund;
- effect payments of distributions from the Fund to Unitholders;
- cause Units to be issued for any consideration that the Trustees, in their sole discretion, may deem appropriate; and
- approve the adoption of a Unitholder rights plan if the Trustees determine in good faith that such action is appropriate.

Any one or more of the Trustees may resign on written notice to the other Trustees, provided that if such resignation would cause the number of remaining Trustees to be less than the number necessary to constitute a quorum for a meeting of Trustees (being a majority of the Trustees then holding office) or result in less than a majority of Trustees being residents of Canada (as defined under the Tax Act), the resignation is not effective until the resigning Trustee's successor is duly appointed as a Trustee. A Trustee may be removed by an Ordinary Resolution and the vacancy created by the removal may be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees to be elected by the Unitholders.

Trustees will be appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting. A quorum of Trustees may fill a vacancy among the Trustees, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the required number of Trustees. If there is not a quorum of Trustees, or if there has been a failure of the Unitholders to elect the minimum number of Trustees required to be elected by the Unitholders, the Trustees then in office will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are no Trustees then in office, any Unitholder may call the meeting. Except as otherwise provided in the Fund Deed of Trust, the Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the close of the next annual meeting of Unitholders, but the number of additional Trustees shall not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders. The Trustees in office must also appoint such number of Trustees as may be necessary to ensure that a majority of the Trustees are at all times residents of Canada (as defined under the Tax Act).

The Fund Deed of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trustees shall be deemed to have satisfied

this standard of care to the extent that they have contracted or delegated the performance of certain duties and activities to ManagementCo. See “Administration Agreement”. Each Trustee is entitled to be indemnified and reimbursed out of the assets of the Fund in respect of any and all taxes (other than taxes on compensation), penalties or interest in respect of unpaid taxes or other governmental charges imposed upon the Trustee, as a consequence of performing their duties under the Fund Deed of Trust, and any and all costs, charges and expenses reasonably incurred by the Trustee in respect of any civil, criminal or administrative action or proceeding to which the Trustee is made a party or against whom such claim, action or proceeding is commenced or proposed by reason of being or having been a Trustee, provided that the Trustee shall not be indemnified if he or she failed to act honestly and in good faith with a view to the best interests of the Unitholders and in accordance with the foregoing standard of care.

## **Distributions**

The Fund intends to make monthly distributions of its available cash to Unitholders to the maximum extent possible. The Trustees are required under the Fund Deed of Trust, on or before each distribution record date, to declare payable to the Unitholders of record on that date, all of the Fund’s Distributable Cash Flow for the distribution period (being the preceding calendar month). “Distributable Cash Flow” is defined in the Fund Deed of Trust to mean, for or in respect of a distribution period, the Cash Flow of the Fund less any amount the Trustees may reasonably consider to be necessary to:

- (i) provide for the payment of any costs, expenses, liabilities or obligations which are reasonably expected to be incurred by the Fund;
- (ii) any amount that the Trustees determine is appropriate to retain for a reserve to stabilize distributions; and
- (iii) provide for the payment of any income tax liability of the Fund.

“Cash Flow of the Fund” is in turn determined under the Fund Deed of Trust, for or in respect of any distribution period, as being:

- (i) all cash amounts which are received by the Fund for, and in respect of, the period, including, without limitation, interest on the Trust Notes, distributions on the Trust Units, other interest, dividends or distributions, proceeds from the disposition of securities, returns of capital and repayments of indebtedness, and all amounts received by the Fund in any prior distribution period to the extent those amounts were not included in the calculation of Cash Flow of the Fund in that prior period and were not previously distributed; less
- (ii) all costs, expenses, liabilities, obligations or amounts which, in the opinion of the Trustees, may reasonably be considered to have accrued and become owing by the Fund in respect of, or which relate to, such distribution period or a prior distribution period if not accrued or deducted in determining the Cash Flow of the Fund in that prior period; less
- (iii) all amounts which relate to the redemption or purchase of Units or other securities of the Fund by the Fund and which have been paid or became payable in cash by the Fund in such distribution period; less
- (iv) in respect of the first distribution period, the net proceeds of the Offering and, in respect of any future distribution periods, the net proceeds of any other issuance of Units or securities of the Fund in such distribution period after any associated expenses.

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

Any income of the Fund that is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have a net income tax liability, be distributed to Unitholders in the form of additional Units. Those additional Units are expected to be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund intends to make monthly cash distributions on or before the 15th day of each calendar month to Unitholders of record on the last business day of the preceding month. The initial cash distribution for the period from the Closing Date to ● , 2004 is expected to be paid on or before ● , 2004 and is estimated to be \$ ● per Unit (assuming that the Closing occurs on ● , 2004). The distribution 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 taxes under Part I of the Tax Act in such year.

Unitholders who are non-residents of Canada will be subject to withholding taxes in respect of any distributions of income by the Fund, whether in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

### **Redemption 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, the Unitholder shall thereafter cease to have any rights with respect to the Units tendered for redemption other than to receive a redemption price per Unit (the "Redemption Price") equal to the lesser of:

- (i) 95% of the "market price" of a Unit on the principal exchange or market on which the Units are quoted for trading during the 10 consecutive trading day period ending on the trading day immediately prior to the date on which the Units were tendered for redemption and the Trustees and CDS have received the notice of redemption, a certificate or certificates representing the Units, if any, and other documents or evidence required by them (the "Redemption Date"); and
- (ii) 100% of the "closing market price" on the principal market or exchange on which the Units are quoted for trading, on the Redemption Date.

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

- (i) an amount equal to the simple average of the closing price of the Units on the principal exchange or market on which the Units are listed and posted for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the market price shall be an amount equal to the weighted average of the highest and lowest trading prices of the Units for each of the trading days on which there was a trade;
- (ii) 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 trading days: the average of the last bid and last ask 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 weighted average of the highest and lowest prices of the Units for each day that there was trading, if the exchange or market provides only the highest and lowest prices of Units traded on a particular day; or
- (iii) if, in the opinion of the Trustees, the trading activity of the Units for the relevant period does not result in a trading price that represents the fair market value of a Unit, an amount determined by the Trustees in good faith in their sole discretion (which determination by the Trustees shall be conclusive and binding).

The "closing market price" of a Unit for the purpose of the foregoing calculations, as at any date, shall be:

- (i) an amount equal to the closing price of a Unit on the principal exchange or market, if there was a trade on that date and the applicable exchange or market provides a closing price;
- (ii) 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 and the applicable exchange or market provides only the highest and lowest trading prices of a Unit traded on a particular day; or
- (iii) the simple average of the last bid and last ask prices of a Unit, if there was no trading on the specified date.

The cash redemption price payable by the Fund in respect of 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 calendar month following

the month in which the Redemption Date falls, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations:

- (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 or quoted on any stock exchange or 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 for trading (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 consecutive trading day period ending on the trading day immediately prior to the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of one or more of the foregoing limitations, then the Units tendered for redemption will be redeemed in part by cash and in part by way of a distribution in specie of Trust Notes. No Trust Notes in a principal amount of less than \$10 will be distributed and, where the principal amount of Trust Notes to be received by a Unitholder would otherwise include a principal amount of Trust Notes less than a multiple of \$10, that number shall be rounded to the next lowest multiple of \$10, with the balance to be paid in cash. The Fund shall be entitled to all interest paid or accrued and unpaid to and including the transfer date for the distribution in specie. Where the Fund makes a distribution *in specie* of Trust Notes held by the Fund on the redemption of Units of a Unitholder, the Fund currently intends to designate to that Unitholder any capital gain realized by the Fund as a result of the distribution of such securities 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. 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 Trust Notes. The Trust Notes may also be subject to resale restrictions under applicable securities laws. 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 may, from time to time, 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 be conducted in accordance with the applicable requirements of applicable Canadian securities legislation.

### **Meetings of Unitholders**

The Fund Deed of Trust provides that meetings of Unitholders will be called and held annually for the election of Trustees and the appointment of auditors of the Fund for the ensuing year, the presentation of the consolidated financial statements of the Fund for the immediately preceding fiscal year, and the transaction of such other business as Unitholders may be entitled to vote upon or as the Trustees may determine or as may be properly brought before the meeting. The Unitholders will be entitled to pass resolutions that will bind the Trustees or the Fund only with respect to:

- the election or removal of one or more Trustees;
- 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 consent to amendments to the Fund Deed of Trust proposed by the Trustees as provided under “Amendments to the Fund Deed 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 held by the Fund (see “— Exercise of Certain Voting Rights Attached to Securities of Holdings Trust, the Partnership, Farley and ManagementCo”);
- 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 Deed of Trust requiring Unitholder approval under applicable laws;
- the dissolution or winding-up 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 Unitholders for their approval.

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

A resolution electing or removing nominees of the Fund to serve as Directors of ManagementCo (except filling casual vacancies) or with respect to the exercise of certain voting rights attached to the securities held by the Fund, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Unitholders and a resolution appointing or removing the Trustees or the auditors of the Fund or an inspector, must be passed by an Ordinary Resolution. The balance of the foregoing matters must be passed by a Special Resolution.

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

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

The Fund Deed of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

### **Limitation on Non-Resident Ownership**

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Fund Deed of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the Units. This 49% limitation will be applied with respect to the issued and outstanding Units of the Fund on both (i) a non-diluted basis and (ii) a fully-diluted basis. The Trustees, in their sole discretion, may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of at least 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustees, in their sole discretion, determine that 49% or more of the Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 60 days. 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 within such period, the Trustees may, on behalf of such persons, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale. The Fund may direct the transfer agent for the Units to do any of the foregoing.

### **Amendments to the Fund Deed of Trust**

Except where specifically provided otherwise the Fund Deed of Trust may only be amended by the Trustees with the consent of the Unitholders by a Special Resolution.

The Trustees may, however, at any time and from time to time, without the consent, approval or ratification of the Unitholders, make certain amendments to the Fund Deed of Trust, including amendments:

- (i) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or the Fund;
- (ii) that, in the opinion of the Trustees, provide additional protection or added benefits for the Unitholders;
- (iii) removing any conflicts or inconsistencies in the Fund Deed of Trust or making minor changes or corrections that, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;
- (iv) that, in the opinion of the Trustees, are necessary or desirable and in the interests of the Unitholders as a result of changes in taxation laws or policies of any governmental authority having jurisdictions over the Trustees or the Fund;
- (v) that, in the opinion of the Trustees, are necessary or desirable and in the best interests of the Unitholders for any purpose, except if a vote by Unitholders is specifically required; and
- (vi) providing for the electronic delivery by the Fund to the Unitholders of documents relating to the Fund (including annual and quarterly reports and financial statements and proxy-related materials) in accordance with applicable laws from time to time,

provided, however, that the Trustees may not make any such amendment if it would result in (a) the Fund failing to qualify as a “mutual fund trust” under the Tax Act or (b) the Units constituting “foreign property” for the purposes of the Tax Act.

#### **Term of the Fund**

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on September 9, 2004. For the purposes of terminating the Fund by such date, the Trustees are required to commence, not more than two years prior to the expiry of the term of the Fund, to wind-up the affairs of the Fund. At any time prior to the expiry of the term of the Fund, the Unitholders may by Special Resolution require the Trustees to commence to wind-up the affairs of the Fund.

Upon being required to commence to wind-up the affairs of the Fund, the Trustees will give notice thereof to the 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 on which the Trustees are required to commence to wind-up the affairs of the Fund, the Trustees shall proceed to do so 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 Unitholders, sell and convert into money the securities held by it and all other assets of the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall, subject to applicable laws and obtaining all necessary regulatory approvals, distribute the remaining part of the proceeds of the sale of the securities and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata share. If the Trustees are unable to sell all or any of the securities 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 share, subject to applicable laws and obtaining all necessary regulatory approvals.

#### **Take-over Bids**

The Fund Deed 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 (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms on which the offeror acquired Units from Unitholders who accepted the take-over bid.

## **Exercise of Certain Voting Rights Attached to Securities of Holdings Trust, the Partnership, ManagementCo and Farley**

The Fund Deed of Trust provides that the Trustees may not authorize or vote any securities held by the Fund to authorize, among other things:

- any amalgamation, arrangement or other merger of Holdings Trust, the Partnership, ManagementCo or Farley with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the Trust Note Indenture;
- the winding-up or dissolution of Holdings Trust, the Partnership, ManagementCo or Farley prior to the end of the term of the Fund, except in conjunction with an internal reorganization;
- any material amendment to the Trust Deed of Trust, the Partnership Agreement or the constating documents of ManagementCo or Farley in any manner that may be prejudicial to the Fund or the Unitholders;
- any sale, lease or exchange of all or substantially all of the assets of Holdings Trust, the Partnership, ManagementCo or Farley, except in limited circumstances; or
- any sale or disposition of all or substantially all securities held by the Fund or any other sale lease or exchange of all or substantially all of the assets of the Fund, the Partnership or Farley, except in conjunction with an internal reorganization,

in each case without the approval of the Unitholders by a Special Resolution at a meeting of Unitholders called for that purpose.

## **Information and Reports**

The Fund will furnish to Unitholders, in accordance with applicable securities laws, such consolidated 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 Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

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

ManagementCo 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 of the Offering and for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- issue a press release and deliver to the Fund for filing a material change report in respect of any material change in the business, operations or capital of the Gienow Group on a consolidated basis;
- provide to the Fund the information that would be required to be included in an annual information form or any other report required to be filed with the Alberta Securities Commission as if ManagementCo were a reporting issuer under Alberta securities laws; and
- to the extent that the Fund does not prepare financial statements including its results of operations, deliver to the Fund quarterly unaudited and annual audited financial statements together with corresponding management discussion and analysis for those periods for filing with the securities commissions or other securities regulatory authorities in each of the provinces or territories of Canada and delivery to the Fund's registered and beneficial 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 Partnership or Farley, as applicable, would be required to file with the Alberta Securities Commission as if it were a reporting issuer under Alberta securities laws.

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

- in complying with its reporting issuer obligations, treat each of the Partnership and Farley as a subsidiary of the Fund; and

- obtain a commitment from each of the Partnership and Farley to comply with the applicable securities laws relating to “related party transactions”, as if the Partnership or Farley, as applicable, were a reporting issuer and the Unitholders held directly the securities of the Partnership and Farley that are held directly or indirectly by the Fund.

Trustees of the Fund and directors and senior officers of the Gienow Group 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 of the Fund.

In addition, the Partnership and Farley have 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 the closing of the Offering and for so long as the Fund is a reporting issuer under applicable securities laws, it will require each of its existing directors, as applicable, and senior officers and, promptly upon their assumption of office, each of its future directors and senior officers, to provide securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada with an undertaking agreeing that they will file in respect of the Fund pursuant to applicable insider reporting requirements as if they were an insider of the Fund, reporting transactions in Units of the Fund.

### **Book-Entry Only System**

Registration of interests in and transfers of the Units will be made through the Book-Entry System. On the Closing Date, the Trustee will deliver to CDS one or more certificates evidencing the aggregate number of Units subscribed for under the Offering. Units may be purchased, transferred and surrendered for redemption through 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 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. The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry 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 Provisions**

The Fund Deed of Trust contains “conflict of interest” provisions that serve to protect Unitholders without creating undue limitations on the Fund. The Fund Deed of Trust contains provisions, similar to those contained in the *Business Corporations Act* (Alberta), that require each Trustee who is a party to, or is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction with the Fund must disclose the nature and extent of such interest to the other Trustees, and cannot vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his or her remuneration as a Trustee; (ii) indemnity or insurance in respect of him or her; or (iii) a contract or transaction with Holdings Trust, the Partnership, ManagementCo, Farley or any other subsidiary of the Fund.

## **DESCRIPTION OF HOLDINGS TRUST**

The Trust Deed of Trust contains provisions substantially similar to those of the Fund Deed of Trust relating to the Fund. The trustee of Holdings Trust is ManagementCo, a wholly-owned subsidiary of the Fund.

The principal differences between the Trust Deed of Trust and the Fund Deed of Trust are those described below. The description below is a summary only and is qualified in its entirety by the complete provisions of the Trust Deed of Trust and the Fund Deed of Trust, as applicable. Copies of the Trust Deed of Trust and the Fund Deed of Trust will be available via the internet at [www.sedar.com](http://www.sedar.com). See “Material Contracts”.

## General

Holdings Trust is an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta pursuant to the Trust Deed of Trust. It is a limited purpose trust and its activities are restricted to, among other things:

- (i) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with, directly or indirectly, any of securities issued by the Partnership, Farley and Farley AcquisitionCo, including investing in securities of their respective subsidiaries and affiliates and borrowing funds for that purpose;
- (ii) investing in any other securities of any other Persons engaged, directly or indirectly, in and assets used in connection with, the business of the manufacturing, distribution and sale of windows, doors and related products, as well as activities ancillary or incidental thereto and borrowing funds for that purpose;
- (iii) temporarily holding cash in interest bearing accounts and short-term investments for the purposes of making investments, paying the expenses and the liabilities of the Trust and making distributions to holders of Trust Units;
- (iv) issuing Trust Units or securities convertible into or exchangeable for Trust Units for the purpose of obtaining funds to conduct any of the activities of Holdings Trust, completing any acquisition of securities or any other assets for the benefit of Holdings Trust;
- (v) issuing debt securities, including the Trust Notes, provided recourse shall be limited to the assets of Holdings Trust (including debt securities convertible into or exchangeable for Trust Units or other securities of Holdings Trust) or otherwise borrowing, mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of the assets of Holdings Trust as security;
- (vi) guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of the Partnership, Farley or Farley AcquisitionCo, or any of their respective subsidiaries, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the assets of Holdings Trust, including securities issued by the Partnership, Farley or any subsidiary, as security for that guarantee;
- (vii) disposing of any part of the assets of Holdings Trust;
- (viii) repurchasing, redeeming or otherwise acquiring securities of Holdings Trust, including Trust Units and Trust Notes or pursuant to any issuer bid made by Holdings Trust;
- (ix) satisfying the obligations, liabilities or indebtedness of Holdings Trust;
- (x) performing all acts necessary, incidental, ancillary or related to any of the foregoing; and
- (xi) undertaking such other activities or taking such other actions to conduct the business of Holdings Trust as shall be approved by the trustee of Holdings Trust from time to time.

As at the date of this prospectus, Holdings Trust does not intend to hold securities of any entities other than the Partnership, Farley and Farley AcquisitionCo, except in connection with its short-term cash management.

## Restrictions on the Powers of the Trustee of Holdings Trust

The Trust Deed of Trust states that the trustee of Holdings Trust may not, without approval by special resolution of the holders of Trust Units:

- (i) authorize the amalgamation, arrangement or other merger of the Partnership, Farley or Farley AcquisitionCo with any other person, except with one or more direct or indirect wholly-owned subsidiaries or in conjunction with an internal reorganization;
- (ii) authorize the winding-up or dissolution of the Partnership, Farley or Farley AcquisitionCo prior to the end of the term of Holdings Trust, except in conjunction with an internal reorganization;
- (iii) amend the Trust Deed of Trust or authorize a material amendment to the Partnership Agreement or the constating documents of Farley or Farley AcquisitionCo except in certain limited circumstances similar to those under which the Fund Deed of Trust may be amended without consent of Unitholders;
- (iv) make any material amendment to the Trust Note Indenture;

- (v) sell, lease or exchange all or substantially all of the property of Holdings Trust other than in conjunction with an internal reorganization; or
- (vi) authorize any sale, lease or exchange of all or substantially all of the property of the Partnership, Farley or Farley AcquisitionCo, 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 Holdings Trust of a duly completed and properly executed notice requiring Holdings Trust to redeem the Trust Units, in a form reasonably acceptable to the trustee of Holdings Trust, together with the certificates for the Trust Units 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:

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

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 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) as of the close of business on the date the Trust Units were so tendered for redemption by a Trust unitholder; and
- D = 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 trustee of Holdings Trust will also be entitled to call for redemption, 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 trustee approved the redemption of Trust Units.

The aggregate redemption price payable by Holdings 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 trustee of Holdings Trust: (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 Trust Notes as is equal to the aggregate redemption price payable to such holder of Trust Units rounded down to the nearest \$10, with the balance of any such aggregate redemption price not paid in Trust Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Trust Notes as the trustee shall determine in its sole 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 Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest \$10.

**Distributions**

Holdings Trust intends to make monthly cash distributions to the Fund of its net monthly cash receipts, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for costs, expenses, liabilities and other obligations of Holdings Trust, any cash redemptions or repurchases of Trust Units or Trust Notes, amounts retained to comply with limits or restrictions contained in loan agreements, allowances for contingencies or for working capital, investments or acquisitions, and income tax liability. Such distributions will be paid on or before the 15th day of the month following the end of the distribution period and are intended to be received by the Fund prior to its related cash distribution to Unitholders.

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 Holdings Trust for such year as is necessary to ensure that Holdings Trust will not be liable for taxes under Part I of the Tax Act in such year.

If the trustee of Holdings Trust determines that Holdings Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Trust Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the trustee, to be available for the payment of such distribution. The value of each Trust Unit so issued will be the redemption price thereof.

Any Trust Units transferred to Unitholders pursuant to a distribution in specie may be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable securities law.

### **Trust Notes**

Trust Notes will be issuable in Canadian currency. Trust Notes are issuable in denominations of \$10 and integral multiples of \$10. No Trust Notes in integral multiples of less than \$10 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 multiple of \$10.00, as the case may be, with the balance to be paid in cash. On Closing, the Trust will issue approximately \$ ● million principal amount of Trust Notes to the Fund.

#### *Interest and Maturity*

The Trust Notes to be issued at Closing will be payable on demand, will mature on the 10th anniversary of the date of issuance and will bear interest at a rate of 6% per annum, payable no later than 15 days following the end of each calendar month that such Trust Notes are outstanding.

#### *Payment upon Maturity*

On maturity, Holdings 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, which 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 but unpaid interest, payable in cash) at the option of Holdings 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, obligations and liabilities of Holdings 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 Holdings Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to Holdings 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 the repayment of the principal amount of the Trust Notes when the same becomes due;
- (ii) default in payment of any interest due on any Trust Notes and continuation of such default for a period of 30 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 60 days after notice in writing has been given to the trustee of Holdings Trust specifying such default and requiring Holdings Trust to rectify the same; and
- (iv) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to Holdings 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.

**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 trustee of Holdings Trust may determine or as may properly be brought before the meeting.

**DESCRIPTION OF THE PARTNERSHIP**

The following is a summary only of the material attributes and characteristics of the Partnership and the Partnership Agreement, and is qualified in its entirety by the complete provisions of the Partnership Agreement. See “Material Contracts”.

**General**

The Partnership is a limited partnership formed under the laws of the Province of Alberta on June 30, 2004 to acquire, at the close of business on that date, substantially all of the operating assets and related window and door manufacture, distribution and sales businesses of Gienow, Award and AWD. On ●, 2004, Award and AWD amalgamated to form ServiceCo. On ●, 2004, ServiceCo sold the land and buildings comprising the Calgary head office to the Partnership in exchange for the Partnership assuming the mortgage relating to such lands and the issuance of the Gienow Note.

**Partners**

After giving effect to the investment by Holdings Trust in the Partnership described under “Funding, Investments and Related Transactions”, ManagementCo and ServiceCo will be the general partners of the Partnership, and Holdings Trust will be the only limited partner of the Partnership.

**Partnership Interests**

The partnership interest of each partner is determined according to the relative capital contributions made to the Partnership by each partner and is adjusted each time any partner makes a capital contribution or receives an extraordinary distribution. The partnership interest of each general partner is also adjusted annually to account for the fair market value of the services provided, or otherwise contributed, by a general partner to the Partnership during such period. The general partners shall agree on the partnership interest of each general partner, based on the expected fair market value of the services to be provided or contributed for the ensuing fiscal period, within 90 days of the commencement of such fiscal year. The general partners may establish a maximum partnership interest or value of services to be provided in any period. Unless otherwise agreed by the general partners, services provided as aforesaid will not constitute a capital contribution to the Partnership.

After giving effect to the investment by Holdings Trust in the Partnership and the retirement of Gienow’s partnership interest described under “Funding, Investments and Related Transactions”, the respective initial partnership interests of each of the partners will be approximately as follows:

Holdings Trust .....	98%	(limited partner)
ServiceCo .....	2%	(general partner)
ManagementCo.....	nominal	(general partner)

**Distributions**

The Partnership Agreement provides that the general partners shall from time to time, and not less than annually, determine the amount, if any, by which, the liquid assets of the Partnership exceed the amount, which, in the opinion of the general partners, is required for the business, liabilities and operations of the Partnership. The general partners shall convert such liquid assets to cash and shall distribute such cash, if any, within 30 days of the date of determination, to

the partners of record on the date of determination, pro rata in accordance with their respective partnership interests. The Partnership intends to make monthly cash distributions to the partners on or before the 15th day of each calendar month so that they are received by Holdings Trust prior to its related cash distribution to holders of Trust Units. The Partnership may make distributions at any other time that the general partners determine.

Distributable Cash of the Partnership for a monthly period will consist, in general, of the EBITDA of the Partnership for the particular monthly period less any estimated cash amounts required for debt service obligations, if any, other expense obligations, maintenance capital expenditures, taxes, reserves (including amounts on account of capital expenditures), and such other amounts as may be considered appropriate by the Partnership.

#### **Allocation of Net Income and Losses**

Allocations of income, loss and other allocable items for income and capital tax purposes shall be made to partners (including persons who were partners at any time during the relevant fiscal year but were not partners at the end of the fiscal year) at the end of the fiscal year pro rata according to their respective partnership interests. The amount of income allocated to a partner may exceed or be less than the amount of cash actually distributed by the Partnership to that partner.

Income and loss of the Partnership 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 Partnership is December 31.

Holdings Trust and ManagementCo will not be allocated any income, loss or other allocable items for income and capital tax purposes for the period prior to Closing.

#### **Limited Liability**

The Partnership will operate in a manner so as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may, however, lose their limited liability in certain circumstances.

#### **Transfer of Partnership Interest**

The partnership interest of a limited partner cannot be transferred without the unanimous consent of the other limited partners (if any), unless the transfer or assignment is to a person that is related to the transferring limited partner and is resident in Canada (as both expressions are defined in the Tax Act).

#### **Amendment**

The Partnership Agreement may be amended only if the same has been approved by all of the partners, general and limited.

### **DESCRIPTIONS OF MANAGEMENTCO AND SERVICECO**

#### **Gienow Management Inc. (ManagementCo)**

ManagementCo is a corporation incorporated under the laws of the Province of Alberta and a direct wholly-owned subsidiary of the Fund. ManagementCo acts as the sole trustee of Holdings Trust and provides administrative and managerial services to each of the Fund, Holdings Trust, the Partnership and Farley pursuant to the Administration Agreement. See "Administration Agreement". ManagementCo is one of the two general partners of the Partnership (the other being ServiceCo).

#### **Gienow Services Inc. (ServiceCo)**

ServiceCo is the corporation continuing from the amalgamation of Award and AWD under the laws of the Province of Alberta on September 1, 2004. ServiceCo is a wholly-owned subsidiary of Gienow and is therefore controlled by the Gienow Shareholders. ServiceCo is one of the two general partners of the Partnership (the other being ManagementCo).

ServiceCo is the holder of the Gienow Note, the principal amount of which will be repaid by the Partnership with the funds received on the investment in the Partnership by Holdings Trust. See "Funding, Investments and Related Transactions". The directors and officers of ServiceCo are David Munro (President and a director) and Dennis Zentner (Secretary and a director).

## DESCRIPTION OF FARLEY

Farley is a corporation organized and existing under the laws of Canada. Following the completion of the transactions described under ‘‘Funding, Investments and Related Transactions’’, Farley will be a wholly-owned subsidiary of Holdings Trust. Farley intends to declare and make monthly distributions by way of cash dividends or otherwise of its distributable cash for that month, which will consist generally of its EBITDA less any estimated cash amounts required for debt service obligations (including interest payments on the notes issued to Holdings Trust), other expense obligations, maintenance capital expenditures, taxes, reserves (including amounts on account of capital expenditures) and such other amounts as may be considered appropriate by Farley. Dividends will be paid on or before the 15th day of each calendar month and are intended to be received by Holdings Trust prior to its related interest payment to holders of Trust Notes and Trust Units. Farley may, in addition, declare and pay a dividend at any other time.

Following completion of the transactions described under ‘‘Funding, Investments and Related Transactions’’, Farley will be indebted to Holdings Trust pursuant to the Farley Notes, which notes will have an interest rate of 13% per annum.

## 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, and after giving effect to the purchase by Gienow of ● Units and the transfer by Gienow of ● Units to the trust established for the benefit of the employees of the Gienow Group, 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.

<u>Name</u>	<u>Number of Units of the Fund Owned<sup>(1)</sup></u>	<u>Number of Units of the Fund to be Owned<sup>(2)</sup></u>	<u>Type of Ownership</u>	<u>Percentage Owned and to be Owned</u>
Gienow Building Products Ltd. <sup>(3)</sup> .....	●	●	●	● % ( ● %)

**Notes:**

- (1) Assuming no exercise of the Over-Allotment Option.
- (2) Assuming exercise of the Over-Allotment Option.
- (3) Gienow is owned, directly and indirectly, by the Gienow Shareholders.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Fund has agreed to sell ● Units and the Underwriters have agreed to purchase, as principal, 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 \$ ● per Unit purchased by the public in consideration for services performed in connection with the Offering.

There is currently no market through which the Units may be sold. Accordingly, the terms of the Offering were established through negotiation between the Fund, Holdings Trust, the Partnership, ManagementCo, Gienow, Farley 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.

Each of the Fund, Holdings Trust, the Partnership, ManagementCo, Gienow, Farley and the Farley, the Gienow Shareholders and the Farley Securityholders 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, or to contribute to any payments the Underwriters may be required to

make in respect thereof, subject to the same limitations and thresholds in respect of Gienow, the Gienow Shareholders and the Farley Securityholders as are contained in the Investment Agreement and the Acquisition Agreement, 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.

The Fund has granted to the Underwriters, for a period of 30 days following the Closing, the Over-Allotment Option to purchase up to ● additional Units at the price of \$10.00 per Unit payable in cash against delivery of such additional Units, to cover over-allotments and for market stabilization purposes, if any. If the Over-Allotment Option is exercised, the Underwriters will receive a fee of \$ ● per additional Unit purchased pursuant to such option. This prospectus also qualifies the distribution of the Units issuable upon exercise of the Over-Allotment Option and subsequent transfer of the Units issuable upon exercise of that option. If the Over-Allotment Option is exercised, the additional net proceeds will be used by the Fund to repurchase Units from Gienow.

During a period ending 180 days from the Closing Date, the Fund and Gienow have agreed not to sell or issue for sale or resale any Units (other than pursuant to the exercise of the Over-Allotment Option or the transfer of Units by Gienow to a trust established for the benefit of certain employees of the Gienow Group) 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 the Underwriters, which consent may not be unreasonably withheld.

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, its territories, its possessions or other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. Person, except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. In addition, until 40 days after the commencement of this Offering, an offer or sale of Units within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Pursuant to policy statements of the Autorité des marchés financiers du Québec and the Ontario Securities Commission, 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 by any member of the TSX where such bid or purchase is 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.

The Closing is expected to take place on ● , 2004 or on any other date which may be agreed upon, but no later than ● , 2004.

#### **RELATIONSHIP BETWEEN THE FUND AND THE UNDERWRITERS**

The Underwriters are affiliates of Canadian chartered banks that have agreed, subject to the satisfaction of certain conditions precedent, to provide the New Credit Facilities upon closing of the Offering. Consequently, the Fund may be considered to be a “connected issuer” of each of the Underwriters under Canadian securities laws.

The decision to distribute the Units offered by this prospectus and the terms of the Offering were determined solely by negotiation between the Fund, Holdings Trust, the Partnership, ManagementCo, Gienow, Farley and the Underwriters. Each of the Underwriters participated in the due diligence process.

#### **PRIOR ISSUANCES**

On September 9, 2004, the Fund issued one Unit to the settlor of the Fund for a total subscription price of \$10. This Unit will be purchased by the Fund on Closing for its issue price and cancelled.

## USE OF PROCEEDS

Assuming no exercise of the Over-Allotment Option, the aggregate gross proceeds of the Offering and the concurrent sale of ● Units to Gienow at a price of \$10.00 per Unit will be \$ ● .

The net proceeds of the Offering and the sale of Units to Gienow, after deducting \$ ● representing, in the aggregate the Underwriters' fee and a portion of the estimated expenses of the Offering and the transactions described under "Funding, Investments and Related Transactions" payable by the Fund and its subsidiaries, will be used by the Fund to capitalize Holdings Trust by subscribing for Trust Notes (\$ ● ) and Trust Units (\$ ● ). Holdings Trust will, in turn, use these funds, together with \$ ● drawn under the term portion of the New Credit Facilities immediately following Closing, to: (i) invest in the Partnership in consideration for the LP Interest (\$ ● ); (ii) purchase the Farley Shares (\$ ● ); (iii) capitalize Farley so as to enable Farley to repay its debt (including the Option Notes) (\$ ● ), repurchase its outstanding warrants and convertible debentures (\$ ● ), establish the Capital Tax Reserve (\$ ● ), establish a working capital reserve (\$3.0 million) and pay expenses payable by Farley; and (iv) pay expenses payable by Holdings Trust. The Partnership will use the funds invested in it by Holdings Trust (\$ ● ) to repay the Gienow Note (\$ ● ), retire the limited partnership interest of Gienow in the Partnership (\$10.00), and pay expenses payable by the Partnership. See "Funding, Investments and Related Transactions".

If the Over-Allotment Option is exercised, the additional net proceeds received will be used by the Fund to repurchase Units from Gienow.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the Fund, and Davies Ward Phillips & Vineberg 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 the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund and holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Unitholder that is a financial institution (as defined in the Tax Act for the purposes of the mark-to-market rules), a Unitholder that is a "specified financial institution" or a Unitholder an interest in which is a "tax shelter investment" (all as defined in the Tax Act).

This summary is based upon the 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 practices of the CRA and a certificate from the Fund 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, 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.

### *Qualified Investment*

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 Plans.

Trust Notes received as a result of a redemption of Units will not be qualified investments 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.

### *Foreign Property*

Based in part on a certificate from the Fund as to certain factual matters, and provided that the Fund restricts its holdings of foreign property within the limits provided under the Tax Act and the regulations under the Tax Act, the Units, if issued on the date of this prospectus, would not constitute foreign property for Plans (other than registered education savings plans) and other persons subject to tax under Part XI of the Tax Act. Trusts governed by registered education savings plans are not subject to the foreign property rules. If the Fund ceases to qualify as a mutual fund trust, the Units may become foreign property.

## **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 their fair market value. The Fund’s proceeds of disposition of Trust Notes will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included in the Fund’s income in the year of disposition to the extent that it was not included in the Fund’s income in a previous year. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses, if any, incurred by it for the purpose of earning income.

Under the Fund Deed of Trust, an amount equal to all of the income (including 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 gain 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, the Fund Deed of Trust provides that 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 Deed 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 Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and thus 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 net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

### **Taxation of Holdings Trust, the Partnership and Farley**

Holdings 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 Partnership for its fiscal period ending on or before the year end of Holdings Trust, except to the extent such income is paid or payable in such year to the Fund and is deducted by Holdings Trust in computing its income for tax purposes. Holdings 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 Deed of Trust, all of the income of Holdings 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 Holdings Trust in the year, will generally be payable in the year to the Fund and will generally be deductible by Holdings Trust in computing its taxable income. Counsel has been advised by the Fund that the Fund does not expect Holdings Trust to be liable for any material amount of tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

The Partnership is not subject to tax under the Tax Act. Each partner of the Partnership, including Holdings Trust, 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 Partnership, 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 Partnership will be computed for each fiscal year as if such partnership was a separate person resident in Canada. The net income or loss of the Partnership for a fiscal year will be allocated to the partners of such partnership, in the manner set out in the relevant partnership agreement, subject to the detailed rules in the Tax Act in that regard.

Farley will be subject to tax on its taxable income determined under the Tax Act for each taxation year.

### **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, 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 Holdings 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 Holdings Trust, if any, will effectively retain its character and be treated as such in the hands of the Unitholder for the 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, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations or certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals and the deduction in computing taxable income will be available to Unitholders that are corporations.

Income (including income designated as taxable capital gains but excluding any portion designated as a taxable dividend) received or receivable by a Unitholder from the Fund will be investment income for the purposes of the additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% payable by “Canadian-controlled private corporations” (as defined in the Tax Act) on certain investment income.

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, but will reduce the adjusted cost base of the Units to the Unitholder. 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.

#### *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 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 the Unitholder as capital property immediately before that acquisition.

Where Units are redeemed and the redemption price is paid by the delivery of 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 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 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 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 Trust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of those 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 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 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 occurs 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.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends 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 trust that is designated as taxable dividends or capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

#### **Budget Proposals**

On March 23, 2004, the Minister of Finance (Canada) proposed amendments to the Tax Act to restrict direct and indirect holdings in certain "business income trusts" (as defined in the proposals) by certain tax-exempt investors including trusts governed by registered pension plans and pension corporations (the "Budget Proposals").

Under the Budget Proposals, a "designated taxpayer" will be subject to a penalty tax in respect of each month ending after 2004 where, at the end of that month, the designated taxpayer holds "restricted investment property" and, in general terms, the cost amount to the designated taxpayer of all such property exceeds 1% of the cost amount of all of the designated taxpayer's properties. The monthly tax will be 1% of such excess. For this purpose, restricted investment property includes units and debt of a "business income trust" (other than an "exempt trust") and interests in (or debts of) partnerships, trusts, mutual fund corporations, investment corporations or mortgage investment corporations (each as defined in the Tax Act) where the cost amount to such entity of all of its restricted investment property exceeds 1% of the cost amount of all of the entity's properties.

The Budget Proposals also propose to subject a designated taxpayer to a penalty tax in respect of each month ending after 2004 where, in general terms, at the end of that month the designated taxpayer, and entities with which it does not deal at arm's length, hold units of any class of a business income trust with a fair market value in excess of 5% of the fair market value of all units of such class. The monthly tax payable by a particular designated taxpayer will be 1% of its share (as determined under the Budget Proposals) of the excess holding of units by the designated taxpayer and such non-arm's length entities.

For the purposes of the Budget Proposals, a "designated taxpayer" includes trusts governed by registered pension plans and pension corporations (but does not include trusts governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan or a registered education savings plan).

The Fund will be a "business income trust" other than an "exempt trust" and Units will constitute "restricted investment property" as described in the Budget Proposals.

On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals will be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. Following such consultations, the Minister of Finance (Canada) has indicated the Government will issue legislative proposals. Prospective purchasers of Units who are "designated taxpayers", or an entity an interest in which (or debt of which) may become "restricted investment property" as a result of holding

Units, should consult their own tax advisors regarding the potential application of the Budget Proposals as a result of an acquisition of Units.

## **RISK FACTORS**

The following are certain factors relating to the business and structure of the Fund and the Gienow Group and the industry within which they operate, which prospective investors should carefully consider before deciding whether to purchase Units. The following information is a summary only 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 Gienow Group and the Fund. Additional risks and uncertainties not presently known to the Gienow Group or the Fund, or that the Gienow Group or the Fund currently deem immaterial, may also impair the operations of the Gienow Group or the Fund. If any such risks actually occur, the business, financial condition, liquidity and results of operations of the Gienow Group and the Fund could be materially adversely affected and the ability of the Fund to make distributions on the Units could be adversely affected.

### **Risks Related to the Business and the Industry**

#### ***Sensitivity to General Economic Conditions***

The window and door manufacturing and sales business has historically been subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. Sales are impacted by the health of the Canadian and U.S. economy as a whole and in the regional markets where the Gienow Group operates. As such, the Gienow Group's financial results are sensitive to fluctuations in interest rates, gross domestic product growth, the level of consumer confidence, and the level of unemployment, among other factors. A deterioration in economic conditions could materially adversely affect the overall demand for windows and doors and as such would impact the Gienow Group and result in a decrease in sales and earnings.

#### ***Reliance on Residential Construction Industry***

More than 98% of the Gienow Group's fiscal 2003 revenues were attributable to sales of residential window and door products. Demand in the residential window and door manufacturing industry is influenced by the levels of residential construction and renovation activity. Trends in each of these sectors directly impact the financial performance of the Gienow Group. Accordingly, the strength of the Canadian and U.S. economy, the age of existing homes, job growth, the level of consumer confidence, availability of consumer credit, fluctuations in interest rates, demographics and migration of population have a direct impact on the Gienow Group's results of operations. Any decline in new residential housing starts and/or demand for residential renovation products could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

#### ***Dependence on Major Customers***

The Gienow Group's 10 largest customers accounted for 28.3% of its fiscal 2003 revenues. The Gienow Group's largest customer accounted for 10.3% of the Gienow Group's revenues in such period. As is customary in the industry, the Gienow Group does not have long-term contracts with any of its customers. A significant reduction of purchases by any of the Gienow Group's largest customers could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

#### ***Risks Relating to the Integration of the Partnership and Farley***

The operations of the Partnership and Farley have been conducted as separate and distinct businesses, each with its own management team, sales force and operations. While management believes, based on Gienow's history with prior acquisitions, that the operations of the Partnership and Farley can be successfully integrated, there can be no assurance that this will be the case. The Gienow Group has developed a detailed integration plan, which includes the consolidation of certain purchasing, production, administrative, sales and management functions. The cost savings anticipated by management reflect numerous assumptions as to purchasing and other efficiencies. The Gienow Group could face regulatory, contractual and other restrictions on its ability to implement these cost reductions. There can be no assurance that the Gienow Group will be successful in reducing its overhead and other costs or that realization of such cost reductions will not be delayed. In addition, there can be no assurance that unforeseen costs and expenses or other factors will not offset, in whole or in part, the expected cost savings or other components of the Gienow Group's operating plan. Further, the integration may require substantial attention from, and place substantial demands upon,

senior management of the Gienow Group, as well as require the cooperation of employees. Failure to successfully integrate the operations of the Partnership and Farley could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations. There can be no assurance that the Gienow Group will be able to realize expected operating and economic efficiencies from the integration of the businesses of the Partnership and Farley or that the Gienow Group will achieve and maintain this level of profitability in the future.

### ***Inability to Sustain and Manage Growth***

A principal component of the Gienow Group's strategy is to continue its internal growth. The Gienow Group may not be successful in growing its business or in managing its growth. The Gienow Group's growth depends on its ability to accomplish a number of things, including:

- successfully introducing new products;
- identifying and developing new geographic markets;
- developing new products and market acceptance for them;
- establishing and maintaining favourable relationships with customers in new markets and market segments and maintaining these relationships in existing markets; and
- successfully managing expansion and obtaining the required financing.

Any growth the Gienow Group achieves may require additional employees and increase the scope of both its operating and financial systems and the geographic area of its operations. This will increase its operating complexity and the level of responsibility of existing and new management personnel. The Gienow Group may be unable to attract and retain qualified management and employees, and its existing operating and financial systems and controls may not be adequate to support any growth. The Gienow Group's ability to improve its systems and controls may be limited by increased costs, technological challenges, or lack of qualified employees. The past results of the Partnership and Farley may not be indicative of the Gienow Group's prospects or its ability to penetrate new markets, many of which may have different competitive conditions and demographic characteristics than the Gienow Group's current markets.

### ***Future Acquisition and Integration Risks***

To grow by acquisition, the Gienow Group must identify and acquire suitable acquisition candidates at attractive prices and successfully integrate any acquired businesses with its existing operations. If the expected synergies from acquisitions do not materialize or the Gienow Group fails to successfully integrate any new businesses into its existing business, the Gienow Group's financial performance could be significantly impacted. To the extent that businesses acquired by the Gienow Group or their prior owners failed to comply with or otherwise violated applicable laws, the Gienow Group, as a successor owner, may be financially responsible for these violations.

In connection with the acquisition of the Gienow Group by the Fund, or future acquisitions by the Gienow Group, there may be liabilities that the Fund or the Gienow Group, as the case may be, failed or was unable to discover in its due diligence prior to the consummation of the acquisition. The discovery of any material liabilities could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations or future prospects.

### ***Inability to Sustain Sales or EBITDA Margins***

The Gienow Group's income depends upon its ability to generate sales to customers and to sustain its EBITDA margins. These margins are dependent upon the Gienow Group's ability to continue to profitably sell windows and doors and to continue to provide products and services that make it the supplier of choice to its customers. If the Gienow Group's costs of goods or operating costs increase, or other distributors of windows and doors could compete more favourably with it, the Gienow Group may not be able to sustain its level of sales or EBITDA margins. In this case, amounts of cash available for distribution to Unitholders could be reduced.

### ***Exchange Rate Fluctuations***

A portion of the Gienow Group's revenues and expenses, principally related to its U.S. operations and to the purchase of raw materials, will be denominated in U.S. dollars. Furthermore, although certain raw materials may be purchased in Canadian dollars, they may have inputs that are denominated in foreign currencies. The Gienow Group also sources some of its materials directly from suppliers in foreign countries in transactions that are denominated in

foreign currencies. Any changes in the exchange rate between the Canadian dollar and these foreign currencies could have a material effect on the results of the Gienow Group. The Fund's distributions to Unitholders will be denominated in Canadian dollars.

As a result, the Fund's distributions will be exposed to currency exchange rate risk. For the purposes of financial reporting by the Fund, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange loss or gain on the translation of any U.S. dollar monetary assets and liabilities. Further, the Fund's reported earnings could fluctuate materially as a result of revenues and expenses denominated in U.S. dollars under Canadian GAAP. There can be no assurance that changes in the currency exchange rate will not have a material adverse effect on the Fund or on its ability to maintain a consistent level of distributions in Canadian dollars.

### ***Raw Material Price Volatility***

Various raw materials are used in the products manufactured by the Gienow Group, and such raw materials may be subject to economic or seasonal cyclicity and wide price variation. Certain raw materials used by the Gienow Group in its manufacturing processes are made from commodities that are vulnerable to significant fluctuations in price. In particular, the price of glass and vinyl inputs used by the Gienow Group fluctuate with natural gas and oil prices. In addition, wood products are becoming increasingly difficult for a number of manufacturers to source because of increased demand for wood as well as shipping difficulties from overseas sources and repercussions of international trade disputes. Sudden increases in the price or a reduction in the availability of raw materials or commodities used to make raw materials used in the manufacture of windows and doors could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations. The Gienow Group may not be able to pass on the increased costs to customers.

### ***Reliance on Manufacturing Facilities***

The Gienow Group manufactures substantially all of its windows and doors at its facilities. The Gienow Group expects to continue to expand its manufacturing capabilities by adding production lines and additional acquisitions, either of which could result in disruptions to its manufacturing operations. The Gienow Group's manufacturing operations use certain custom designed equipment which, if damaged or otherwise rendered inoperable or unavailable, could result in the disruption of its manufacturing operations. Further, the Gienow Group does not generally maintain an inventory of finished products due, in part, to the customized nature of its product line and its "just in time" approach to manufacturing. Consequently, any interruption of operations at any of its manufacturing facilities or at any facility of a supplier to the Gienow Group or at which the Gienow Group outsources production could have a material adverse effect on Gienow Group's business, financial condition, liquidity and results of operations.

### ***Competition***

Some of the Gienow Group's competitors have longer operating histories, greater name recognition, larger customer bases and greater financial, technical and marketing resources than the Gienow Group. These resources may allow them to respond more quickly than the Gienow Group can to new or emerging technologies and to changes in customer requirements. It may also allow them to devote greater resources than the Gienow Group can to the development, promotion and sale of their products. The Gienow Group's competitors may also engage in more extensive research and development, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies. The market for the Gienow Group's products is highly competitive and it is very fragmented at both the manufacturing and retail levels. The Gienow Group expects competition to continue to increase because its markets pose no substantial barriers to entry. To the extent one of the Gienow Group's competitors undertakes a consolidation program, the Gienow Group's competition would increase further. In addition, imports of products from the United States or overseas may weaken demand for the Gienow Group's products.

### ***Dependence on Key Personnel***

The Gienow Group's future performance and development will depend to a significant extent on the efforts and abilities of its executive officers and key management personnel. The loss of the services of one or more of its individuals or other senior managers could harm the Gienow Group. The Gienow Group maintains key man insurance on the lives of its Chief Executive Officer and Executive Vice President, Sales and Marketing, but not on the lives of

any other of its employees. The Gienow Group's success will depend largely on the Gienow Group's continuing ability to attract, develop and retain skilled employees in all areas of its business.

### ***Dependence on Key Products***

Vinyl windows accounted for 71.3% of the Gienow Group's fiscal 2003 revenues. The Gienow Group's financial results and condition are substantially dependent on the continued success and growth in sales of this product and the profitability of such sales. Competitive efforts by other manufacturers of similar or substitute products, shifts in consumer preferences or the introduction and acceptance of alternative product offerings could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Dependence on Management Information Systems***

The Gienow Group depends on its management information systems in each stage of the sale of its products, including entering the customer's order, determining availability of product, feeding production schedules to the plant, downloading manufacturing instructions to computerized equipment, arranging the optimal delivery times to customers and providing after-sales service. These management information systems also form the basis of its financial reporting. Irreparable damage to its information systems and databases or loss of the information contained therein could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Income and Other Taxes***

The Gienow Group is expected to be subject to capital taxes and to Canadian and U.S. federal, provincial, state, and withholding taxes. As taxing regimes change their tax basis and rates or initiate reviews of prior tax returns, the Gienow Group could be exposed to increased costs of taxation, which would reduce the amount of funds available to distribute to Unitholders.

### ***Litigation***

The Gienow Group is threatened from time to time with, or is named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. Management has seen a growing trend across North America in construction litigation and mould litigation. A significant judgment against the Gienow Group, or the imposition of a significant fine or penalty, as a result of a finding that the Gienow Group failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Lack of Long-term Customer and Supplier Agreements***

Historically, the Gienow Group has not entered into long-term agreements with its customers or suppliers. Generally, customers or suppliers may terminate their relationship with the Gienow Group on short notice. In addition, even if customers or suppliers should decide to continue their relationship with the Gienow Group, there can be no guarantee that customers will purchase or suppliers will supply the same amount of product as in the past, or that purchase or supply, as the case may be, will be on similar terms. Any loss of a significant customer or a significant supplier, or a change in the terms of the relationship with a significant customer or a significant supplier could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Product Liability***

The Gienow Group, like other manufacturers and sellers of windows and doors, is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, performance, reliability or delivery delays. A major product liability claim could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations because of the costs of defending against lawsuits, diversion of key employees' time and attention from the business and potential damage to its reputation.

### ***Labour Disruptions***

Approximately 300 of the Gienow Group's employees, all of whom are employed by Farley at the Alexandria, Ontario facility, are subject to a collective bargaining agreement which expires in January 2005. While management believes that Farley is generally on good terms with its employees, there are no assurances that a strike or other

disruption by its unionized employees will not occur. A work disruption at this facility would likely have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

#### ***Dependence on Sole or Limited Sources of Supply***

Certain raw materials used in connection with the manufacture of the Gienow Group's products and packaging materials are obtained from a sole or a limited group of suppliers. The Gienow Group's reliance on a sole supplier or limited groups of suppliers involves several risks, including increased risk of inability to obtain adequate supplies, reduced control over pricing and timely delivery, and in the case of vinyl, the long lead times required to fabricate the equipment necessary to extrude profiles specific to the Gienow Group's specifications. Although the timeliness, quality and pricing of deliveries from the Gienow Group's suppliers have been acceptable to date and the Gienow Group believes that additional resources of supplies will be available on an acceptable basis, there are no assurances that this dependence on a limited group of suppliers will not have an adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations. In addition, were it necessary for the Gienow Group to source its vinyl needs from another supplier, disruption to the Gienow Group's business would occur during the period in which the Gienow Group sourced another supplier and was able to receive supplies based on its particular specifications.

#### ***Operating Hazards***

The Gienow Group's revenues are dependent on the continued operation of its facilities. The operation of facilities involves some risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The Gienow Group may also have exposure to future claims with respect to workplace exposure, workers' compensation and other matters, arising from events both prior to and after any of its acquisitions. There can be no assurance as to the actual amount or the timing of these liabilities. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

#### ***Environment, Health and Safety Requirements and Related Considerations***

The operations of the Gienow Group are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals, including those relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), storage, handling, disposal and clean-up of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in the United States and Canada (the "Environment, Health and Safety Requirements"). As a result of the Gienow Group's operations, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Future proceedings or inquiries could have a material adverse effect on the Gienow Group's business, financial condition and results of operations.

Changes to existing Environment, Health and Safety Requirements and to the enforcement thereof or the adoption of new Environment, Health and Safety Requirements in the future might, individually or in the aggregate, have a material adverse effect on the Gienow Group's financial condition or operating results. As well, laws such as the *Waste Diversion Act, 2002* may impose costs on manufacturers and importers with respect to the collection of disposed packaging materials, the costs of which could be material to the Gienow Group. In addition, the discovery of unknown environmental or workers' health and safety issues at facilities owned, operated or used by the Gienow Group, including the responsibility to remediate hazardous substances whether or not the contamination was caused by the Gienow Group, could require expenditures which might materially affect the Gienow Group's business, financial condition and results of operations.

#### ***Absence of Operating History as a Public Company***

Although management has substantial experience in the manufacturing and sale of windows and doors, it has limited experience operating as a public company. To operate effectively, the Gienow Group will be required to continue to implement changes in certain aspects of its business, improve its information systems and develop, manage and train management level and other employees to comply with ongoing public company requirements. Failure to take such actions, or delay in the implementation thereof, could adversely affect the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Weather***

Inclement weather generally reduces building activity, particularly in the new construction market, causing the Gienow Group to experience a decrease in sales during periods of unusually cold, hot, or wet weather.

### ***Losses Relating to Credit Provided to its Customers***

The Gienow Group provides credit to its customers in the normal course of business. The Gienow Group performs credit evaluations of its customers and maintains reserves for potential credit losses which, when realized, have been within the range of management's expectations. The Gienow Group does not generally require collateral. Despite the diversity of the Gienow Group's customer base, a significant number of customers are small to medium-sized businesses that may be or may become undercapitalized, go bankrupt or close causing the Gienow Group to lose the account. Accordingly, the loss of accounts and the credit risk in accounts receivable and future sales could have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Goodwill***

The Fund has a significant amount of goodwill, the impairment of which in later years may have a significant adverse effect on future earnings. As a result of indirect acquisitions of the LP Interest and the Farley Shares, goodwill accounted for approximately ● % of the total consolidated assets of the Fund calculated on a pro forma basis as at June 30, 2004. Goodwill represents the excess of the aggregate purchase price paid for the acquisition of companies accounted for as purchases over the fair value of the net tangible assets of the acquired entities. In later years, the Gienow Group's earnings could be significantly adversely affected if management determined then that any of the remaining balance of goodwill was impaired.

### ***More Stringent Government Regulations***

The Gienow Group is subject to various federal, provincial, state and local laws and regulations. There are laws that regulate its transporting products, importing and exporting products and employment. Furthermore, there are regulations in respect of building codes which stipulate the kinds of materials that can and cannot be used in construction, including some requirements to test products in the field. Such laws, regulations and related rules and policies are administered by various federal, provincial, state and local agencies and other governmental authorities. New laws governing its business could be enacted and changes to any existing laws could have a significant impact on business. Failure by the Gienow Group to comply with applicable laws and regulations may subject it to civil or regulatory proceedings which may have a material adverse effect on the Gienow Group's business, financial condition, liquidity and results of operations.

### ***Insufficient Insurance Coverage***

The Gienow Group maintains property, general liability and business interruption insurance and directors and officers liability insurance on such terms as it deems appropriate. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of the Gienow Group's lost investment. This insurance may not remain available to it at commercially reasonable rates. Recent significant increases in the cost of property and liability insurance, have made some insurance coverage available only on unfavourable terms or not at all and have resulted in significant increases in the deductible amount for liability insurance. Future increases in insurance costs, coupled with the increase in deductibles, will result in higher operating costs and increased risk. Not all risks faced by the Gienow Group are insured.

### ***Additional Capital Requirements***

The Gienow Group believes that its operating income will be sufficient to fund operations and planned capital expenditures in the near term. However, the Fund or the Gienow Group may be required to raise additional capital in the future if it decides to make additional acquisitions. The availability of future borrowings and access to capital markets for financing depends on prevailing market conditions and the acceptability of financing terms offered to it. There can be no assurance that future borrowings or equity financing will be available to it, or available on acceptable terms, in an amount sufficient to fund its needs.

### ***Interest Rates***

The Gienow Group will have certain floating rate loans and may be negatively impacted by increases in interest rates, the effects of which would be to reduce the amount of cash available for distributions to the Unitholders.

## **Risks Related to the Structure of the Fund and the Offering**

### ***Dependence on Holdings Trust and the Gienow Group***

The Fund is an unincorporated open-ended, limited purpose trust which will be entirely dependent on the operations and assets of the Partnership and Farley through Holdings Trust's ownership of the LP Interest, Farley Shares and Farley Notes. Cash distributions to Unitholders will be dependent on, among other things, the ability of Holdings 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 each of the Partnership making cash distributions and Farley paying interest on its Farley Notes and paying dividends or making other distributions. The ability of the Partnership, Farley or Holdings Trust 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.

### ***Cash Distributions Are Not Guaranteed and Will Fluctuate with 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 Gienow Group's business 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 Gienow Group, and will be subject to various factors including the Gienow Group's financial performance, its obligations under applicable credit facilities, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements. 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***

Securities like the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business of the Gienow Group and should not be viewed by investors as direct securities of Holdings Trust, the Partnership, Farley or any of their respective subsidiaries. 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 Notes and Trust Units and the shares of ManagementCo. The price per Unit is 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, the Partnership, ManagementCo, Gienow, Farley and the Underwriters based on several factors and may bear no relationship to the price at which the Units will trade in the public market subsequent to the Offering. See "Plan of Distribution".

### ***Distribution of Securities on Redemption or Termination of the Fund***

Upon 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 or Trust Units. In addition, Trust Notes and Trust Units are not freely tradeable 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.

### ***Dilution of Existing Unitholders***

The Fund Deed 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.

### ***Leverage and Restrictive Covenants***

The ability of Holdings Trust and the Gienow Group 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 Gienow Group is leveraged could have important consequences to the Unitholders including: the Gienow Group's ability to obtain additional financing for working capital, capital expenditures or acquisitions may be limited; a significant portion of the Gienow Group'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 of the Gienow Group's borrowings will be at variable rates of interests, which exposes the Gienow Group to the risk of increased interest rates; and the Gienow Group 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 Gienow Group's management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Gienow Group 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 Gienow Group to meet certain financial ratios and financial condition tests. A failure 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 the Gienow Group and permit acceleration of the relevant indebtedness. If the indebtedness under the New Credit Facilities were to be accelerated, there can be no assurance that the assets of the Gienow Group would be sufficient to repay in full that indebtedness. In addition, the New Credit Facilities will mature no later than the third anniversary thereof. There can be no assurance that future borrowings or equity financing will be available to the Gienow Group, or available on acceptable terms, in an amount sufficient to fund the Gienow Group's needs. See "Debt Financing".

### ***Future Sales of Units by Gienow***

Upon the Closing, Gienow will hold ● % of the outstanding Units. Gienow has also been granted certain "piggy-back" rights by the Fund. See "Retained Interest". The market price of the Units could fall if Gienow sells substantial amounts of Units in the public market. The perception among the public that these sales will occur could also produce such effect.

Following the completion of the Offering and the sale of ● Units to Gienow, the Fund will have a total of ● Units outstanding. The Units sold to the public pursuant to the Offering will generally be immediately available for resale in the public market. However, the ● Units sold to Gienow on Closing will be subject to a four month hold period under applicable Canadian securities legislation and will also be subject to a 180-day lock-up agreement in favour of the Underwriters (other than pursuant to the exercise of the Over-Allotment Option or the transfer of Units by Gienow to a trust established for the benefit of certain employees of the Gienow Group). In accordance with applicable Canadian securities legislation and after giving effect to such lock-up agreements, certain Units outstanding after the completion of the Offering may be available for sale in the public market beginning 180 days after the date of this prospectus. In addition, RBC Dominion Securities Inc., on behalf of the Underwriters, may release Gienow from its lock-up agreement with the Underwriters at any time and without notice, which would allow for earlier sale of Units in the public market.

### ***Investment Eligibility and Foreign Property***

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans or that the Units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments and on excess holdings of foreign property. In particular, the Units may become foreign property if the Fund ceases to be a mutual fund trust.

## *Income Tax Matters*

### *Canada*

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 that 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. There can be no assurance that taxation authorities will accept other tax positions adopted by the Fund or its subsidiaries, including their determinations of the amounts of federal and provincial income and capital taxes and the reasonableness of intercompany transfer prices, which could materially adversely affect Distributable Cash.

Interest on the Trust Notes accrues at the Fund level for Canadian federal income tax purposes, whether or not actually paid. The Fund Deed of Trust provides that a sufficient amount of the Fund’s net income and net realized capital gains will be distributed each year to Unitholders in order to eliminate the Fund’s liability for tax under Part I 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 income, in circumstances when they do not directly receive a cash distribution.

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Farley, a wholly-owned subsidiary of Holdings Trust, it could materially adversely affect the amount of Distributable Cash available. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the debt owed by Farley to Holdings Trust. On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. Management believes that the interest expense is supportable and reasonable in the circumstances.

The Department of Finance has indicated that it will continue to monitor and evaluate the development of the business income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals will be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. The Minister of Finance (Canada) has indicated that, following such consultations, the Government will introduce legislative proposals, which may or may not differ from the Budget Proposals. In making this announcement, the Minister reiterated that the Government will continue to monitor the development of the business income trust market. Any legislative changes in this area could result in the federal income tax considerations described under the heading “Certain Canadian Federal Income Tax Consequences” being materially different in certain respects.

### *United States*

Transfer pricing rules under U.S. federal income tax laws may limit the ability of Farley Windows U.S.A., Inc. to deduct the full amount of non-recurring management fees to be paid by it to Farley or the cost of products acquired by it from Farley. The Internal Revenue Service (“IRS”) may disallow a deduction for that portion of the amount that exceeds the arm’s length amount that would normally be charged for such services or products. While there can be no assurance that the IRS will not take a contrary position, the Gienow Group believes its position should prevail in such circumstances. A limitation on the ability of Farley Windows U.S.A., Inc. to claim deductions for the full amount paid to Farley for services or products could increase the U.S. federal income tax liability of Farley Windows U.S.A., Inc., which could reduce the amount of distributions that Farley would otherwise receive and thereby could have an adverse effect on the cash flow of the Fund available for distribution to Unitholders.

### ***Enforcement of Indemnities***

Certain Directors and members of management are Gienow Shareholders and Farley Securityholders. Some of the proceeds of this Offering will be used to acquire interests in the Partnership and Farley, which are owned, directly or indirectly, by these parties. In light of the fact that the Gienow Shareholders and Farley Securityholders, as applicable, represent separate financial interests in the Partnership and Farley, as the case may be, the obligations of these parties are several and not joint and several. Accordingly, any recourse of the Fund against the Gienow Shareholders or the Farley Securityholders, as the case may be, would need to be taken against each such party individually.

### ***Restrictions on Potential Growth***

The payout by the Gienow Group 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 Gienow Group and its cash flow.

### ***Restrictions on Certain Unitholders and Liquidity of Units***

The Fund Deed of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49% of Units (on a non-diluted and a fully-diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including non-residents of Canada and U.S. persons, to acquire Units, to exercise their rights as Unitholders or 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 materially adversely affect the liquidity and market value of the Units held by the public.

## **MATERIAL CONTRACTS**

The only material contracts entered into by the Fund or any of its subsidiaries during the past two years or to which the Fund or any of its subsidiaries will become a party on or prior to the Closing, other than in the ordinary course of business, are as follows:

- the Fund Deed of Trust described under “Description of the Fund”;
- the Trust Deed of Trust described under “Description of Holdings Trust”;
- the Trust Note Indenture described under “Description of Holdings Trust”;
- the Partnership Agreement described under “Description of the Partnership”;
- the Administration Agreement described under “Administration Agreement”;
- the Investment Agreement described under “Investment and Acquisition Agreements”;
- the Acquisition Agreement described under “Investment and Acquisition Agreements”;
- the Investor Rights Agreement described under “Retained Interest — Investor Rights Agreement”;
- the credit agreement creating the New Credit Facilities described under “Debt Financing”; and
- the Underwriting Agreement described under “Plan of Distribution”.

Copies of the foregoing documents, following their execution where not yet executed, may be examined during normal business hours at the office of the Fund located at 7140 — 40th Street S.E., Calgary, Alberta T2C 2B6 during the course of distribution of the Units to the public.

## **EXPERTS**

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon on behalf of the Fund by Bennett Jones LLP and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP. As of ● , 2004, the partners and associates of Bennett Jones LLP and Davies Ward Phillips & Vineberg LLP, respectively, in each case as a group, did not beneficially own, directly or indirectly, more than 1% of the Units or securities of the Gienow Group.

## **LEGAL PROCEEDINGS**

Management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund, Holdings Trust, the Partnership, ManagementCo or Farley that would be material to a purchaser of Units.

## **INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS**

ServiceCo is a wholly-owned subsidiary of Gienow, which is in turn owned by the Gienow Shareholders. ServiceCo is a general partner of the Partnership. See “Description of the Partnership — Partners” and “— Partnership Interests” and “Administration Agreement”. Prior to Closing, ServiceCo will sell the land and buildings in Calgary to the Partnership. See “Funding, Investments and Related Transactions”.

David W. Munro and Dennis R. Zentner are shareholders of private holding companies that are Gienow Shareholders, and are directors and officers of ManagementCo and the Gienow Group, respectively. Mr. Munro is also a Trustee.

Other than as disclosed above and elsewhere in this prospectus and the notes to the historical financial statements of either Gienow or Farley contained herein, there are no material interests, direct or indirect, of directors of the Gienow Group or Trustees of the Fund or any Unitholder that beneficially owns more than 10% of the Units or any known associate or affiliate of the same in any transaction known to the Fund within the last three years or in any proposed transaction that has materially affected or would materially affect the Fund.

## **PROMOTER**

Gienow has taken the initiative in organizing the business and affairs of the Fund and may therefore be considered to be a promoter of the Fund within the meaning of applicable securities legislation in certain Canadian provinces and territories.

## **AUDITORS**

The auditors of the Fund are KPMG LLP, Chartered Accountants, Calgary, Alberta. The auditors of the historical consolidated financial statements of Gienow are Meyers Norris Penny LLP, Chartered Accountants, Calgary, Alberta. The auditors of the historical consolidated financial statements of Farley are RSM Richter LLP, Chartered Accountants, Toronto, Ontario.

## **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent for the Units is Valiant Trust Company at its principal office in Calgary, Alberta and at its sub-agency office in Toronto, Ontario. The Units will initially be issued in the form one or more global certificates registered with CDS, and transfer of ownership will be effected through the records of CDS or the applicable CDS Participant. See “Description of the Fund — Book-Entry Only System”.

## **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 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

“**Administration Agreement**” means the administration agreement to be entered into between the Fund, Holdings Trust, the Partnership, ManagementCo, ServiceCo, Farley and Gienow on ● , 2004 described under “Administration Agreement”.

“**Acquisition Agreement**” means the acquisition agreement between the Fund, Holdings Trust, Farley and the Farley Securityholders entered into on September 10, 2004 pursuant to which Holdings Trust will purchase the Farley Shares on the Closing Date;

“**Audit Committee**” means the audit committee of the board of trustees of the Fund;

“**Base Distribution**” has the meaning ascribed thereto under “Executive Compensation — Long-term Incentive Plan”;

“**Book-Entry System**” means a book-based system administered by CDS;

“**Budget Proposals**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations — Budget Proposals”;

“**CAGR**” means compound annual growth rate;

“**CRA**” means the Canada Revenue Agency;

“**CDS**” means The Canadian Depository for Securities Limited;

“**CDS Participants**” means a participant in the CDS depository service;

“**Capital Gains Refund**” shall have the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations — Taxation of the Fund”;

“**Capital Tax Reserve**” means a reserve of cash established by Farley in an amount equal to the present value, as of the Closing Date, of Farley’s liabilities for Ontario capital tax and federal large corporation tax;

“**Closing**” means the closing of the Offering;

“**Closing Date**” means ● , 2004 or any other date agreed upon between the Fund and the Underwriters, but not later than ● , 2004;

“**Compensation, Nominating and Governance Committee**” means the Compensation, Nominating and Governance Committee of the board of directors of ManagementCo;

“**Director**” means a director of ManagementCo;

“**Distributable Cash**” means the estimated cash available for distribution by the Fund;

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization;

“**Farley**” means, prior to the amalgamation described under “Funding, Investments and Related Transactions”, Farley Windows Inc. — Les Fenêtres Farley Inc. and, subsequent thereto, the corporation resulting from the amalgamation of Farley Windows Inc. — Les Fenêtres Farley Inc. and Farley AcquisitionCo;

“**Farley AcquisitionCo**” means 6063900 Canada Inc., a corporation incorporated under the laws of Canada;

“**Farley Notes**” means the notes to be issued (i) by Farley to Holdings Trust and (ii) by Farley AcquisitionCo to Holdings Trust, in connection with the transactions described under “Funding, Investments and Related Transactions”;

“**Farley Securityholders**” means the persons who are the holders of outstanding securities of Farley immediately prior to the purchase by Holdings Trust of Farley Shares pursuant to the Acquisition Agreement;

“**Farley Shares**” means all of the outstanding shares in the capital of Farley;

“**Fund**” means Gienow Windows & Doors Income Fund, an unincorporated, open-ended, limited purpose trust established under and governed by the laws of the Province of Alberta pursuant to the Fund Deed of Trust;

“**Fund Deed of Trust**” means the deed of trust dated September 9, 2004 pursuant to which the Fund is established, as the same may be amended, supplemented or restated from time to time;

“**GAAP**” means generally accepted accounting principles in Canada;

“**Gienow**” means Gienow Building Products Ltd.;

“**Gienow Group**” means the Partnership and Farley, and their respective subsidiaries and includes, for the periods prior to June 30, 2004, the window and door manufacturing, distribution and sales businesses of Gienow, Award and AWD acquired by the Partnership on June 30, 2004;

“**Gienow Note**” means the secured promissory note in the principal amount of \$ ● issued by the Partnership and payable to ServiceCo;

“**Gienow Shareholders**” means the persons who are the shareholders of Gienow at the time of Closing;

“**Gross Distributions per Unit**” has the meaning ascribed thereto under “Executive Compensation — Long-term Incentive Plan”;

“**Holdings Trust**” means Gienow Windows & Doors Holdings Trust an unincorporated, open-ended limited purpose trust established under and governed by the laws of the Province of Alberta, pursuant to the Trust Deed of Trust;

“**Investment Agreement**” means the investment agreement to be entered into between the Fund, Holdings Trust, the Partnership, ServiceCo, Gienow and the Gienow Shareholders on ●, 2004 pursuant to which Holdings Trust will invest in the Partnership for the LP Interest on the Closing Date;

“**Investor Rights Agreement**” means the agreement to be entered into between the Fund, ManagementCo and Gienow on the Closing Date pursuant to which Gienow will be granted “piggy-back” rights and the right to appoint up to two Directors to the board of directors of ManagementCo, subject to certain conditions;

“**LP Interest**” means the limited partnership interest in the Partnership to be obtained by Holdings Trust pursuant to the Investment Agreement, representing an initial 98% interest in the Partnership as at the date thereof and subject to annual adjustment thereafter in accordance with the terms of the Partnership Agreement;

“**LTIP**” means the Gienow Group’s long-term incentive plan described under “Executive Compensation — Long-term Incentive Plan”;

“**ManagementCo**” means Gienow Management Inc., a corporation incorporated under the laws of the Province of Alberta;

“**New Credit Facilities**” means the new credit facilities, to be comprised of a revolving operating credit facility in the amount of up to \$8 million and a non-revolving term credit facility in the amount of \$57 million, for which Holdings Trust has received commitments from three Canadian chartered banks including affiliates of each of the Underwriters, as described under “Debt Financing”.

“**Normalized EBITDA**” has the meaning ascribed thereto under “General Matters — Non-GAAP Measures”;

“**Offering**” means the offering of ● Units to be issued and sold by the Fund pursuant to this prospectus;

“**Option Notes**” has the meaning ascribed thereto under “Funding, Investments and Related Transactions”;

“**Ordinary Resolution**” means a resolution passed by a majority of the votes cast at a meeting of the Unitholders;

“**Over-Allotment Option**” means the option granted by the Fund to the Underwriters to purchase up to ● additional Units, exercisable for a period of 30 days from the Closing;

“**Partnership Agreement**” means the limited partnership agreement dated as of June 30, 2004 among Gienow (as both a general and limited partner), Award and AWD pursuant to which the Partnership was formed, as amended and restated as of ●, 2004 as the same may be further amended, supplemented or restated from time to time;

“**Partnership**” means Gienow Windows & Doors Limited Partnership, a limited partnership established under the laws of the Province of Alberta pursuant to the Partnership Agreement;

“**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”;

“**ServiceCo**” means Gienow Services Inc., the corporation continuing from the amalgamation of Award and AWD under the laws of the Province of Alberta;

“**Special Resolution**” means a resolution passed by the affirmative vote of the holders of not less than 66<sup>2</sup>/<sub>3</sub>% of the 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 66<sup>2</sup>/<sub>3</sub>% of the Units entitled to vote on such resolution;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder;

“**Trust Deed of Trust**” means the deed of trust dated September 9, 2004 pursuant to which Holdings Trust is established, as the same may be amended, supplemented or restated from time to time;

“**Trustee**” means a trustee of the Fund;

“**Trust Note Indenture**” means the note indenture to be entered into between Holdings Trust and Valiant Trust Company dated the Closing Date governing the Trust Notes;

“**Trust Notes**” means the notes of Holdings Trust issued under the Trust Note Indenture;

“**Trust Units**” means units of Holdings Trust;

“**TSX**” means the Toronto Stock Exchange;

“**Underwriters**” means RBC Dominion Securities Inc. and BMO Nesbitt Burns Inc.;

“**Underwriting Agreement**” means the underwriting agreement dated ● , 2004 among the Fund, Holdings Trust, the Partnership, ManagementCo, ServiceCo, Gienow, Farley, the Gienow Shareholders, the Farley Securityholders and the Underwriters;

“**Unitholders**” means the holders of Units;

“**Units**” means units of the Fund; and

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended.

## FINANCIAL STATEMENTS

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## AUDITORS' CONSENTS

### Consent of Meyers Norris Penny LLP

To the Trustees of Gienow Windows & Doors Income Fund:

We have read the prospectus of Gienow Windows & Doors Income Fund (the "Fund") dated September ●, 2004 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 our report to the directors of Gienow Building Products Ltd. (the "Corporation") on the consolidated balance sheets of the Corporation as at February 1, 2004 and 2003, and the consolidated statements of income (loss), retained earnings and cash flows for each of the years in the three year period ended February 1, 2004. Our report is dated March 21, 2004 (except for note 18, which is as of ●, 2004).

Calgary, Alberta  
●, 2004

●  
Chartered Accountants

### Consent of RSM Richter LLP

To the Trustees of Gienow Windows & Doors Income Fund:

We have read the prospectus of Gienow Windows & Doors Income Fund (the "Fund") dated September ●, 2004 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 our report to the directors of Farley Windows Inc. — Les Fenêtres Farley Inc. (the "Company") on the consolidated balance sheets of the Company as at December 31, 2003 and 2002, and the consolidated statements of earnings (loss), retained earnings (deficit) and cash flows for each of the years in the two-year period ended December 31, 2003 and the combined statements of earnings (loss), retained earnings (deficit) and cash flows for the year ended December 31, 2001. Our report is dated February 6, 2004 (except for note 21, which is as of ●, 2004).

Toronto, Ontario  
●, 2004

●  
Chartered Accountants

### Consent of KPMG LLP

To the Trustees of Gienow Windows & Doors Income Fund:

We have read the prospectus dated September ●, 2004 relating to the sale and issue of units of the Gienow Windows & Doors Income Fund (the "Fund"). We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustees of the Fund on the consolidated balance sheet of the Fund as at September 10, 2004. Our report is dated September 10, 2004 (except as to note 3 which is as of ●, 2004).

Calgary, Canada  
●, 2004

●  
Chartered Accountants

## AUDITORS' REPORT

To the Trustees of  
GIENOW WINDOWS & DOORS INCOME FUND

We have audited the consolidated balance sheet of Gienow Windows & Doors Income Fund as at September 10, 2004. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, the consolidated balance sheet presents fairly, in all material respects, the financial position of the Fund as at September 10, 2004 in accordance with Canadian generally accepted accounting principles.

Calgary, Canada

● , 2004  
(except as to note 3, which  
is as of ● , 2004)

●  
Chartered Accountants

**GIENOW WINDOWS & DOORS INCOME FUND**

**CONSOLIDATED BALANCE SHEET**

As at September 10, 2004

**ASSETS**

Cash ..... \$1,010

**UNITHOLDERS' EQUITY**

Unitholders' equity ..... \$1,010

See accompanying notes to balance sheet.

On behalf of the Trustees:

●  
Trustee

## GIENOW WINDOWS & DOORS INCOME FUND

### NOTES TO CONSOLIDATED BALANCE SHEET

As at September 10, 2004

**1. Basis of presentation:**

The consolidated balance sheet of Gienow Windows & Doors 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 and governed by the laws of the Province of Alberta.

**3. Subsequent event:**

On ●, 2004, the Fund filed a prospectus for the sale and issue of ● units (the "Offering") for net proceeds of \$ ● after deducting estimated expenses of the Offering and underwriting fees of \$ ●. Concurrently with the closing of the Offering, the Fund will sell ● units on a private placement basis to Gienow Building Products Ltd. for gross proceeds of \$ ●.

Upon closing, the Fund will use the net proceeds of the Offering and the private placement, if completed, together with amounts drawn under a syndicated credit facility by a subsidiary entity, to indirectly invest in Gienow Windows & Doors Limited Partnership (the "Partnership") for a limited partnership interest representing an initial 98% interest therein, purchase all of the outstanding shares of Farley Windows Inc. ("Farley"), and provide funds to Farley so as to enable Farley to repay its debt and repurchase its outstanding warrants and convertible debentures. Gienow Management Inc., which will be a wholly-owned subsidiary of the Fund, will also own a nominal general partnership interest in the Partnership through which it will manage the business of the Partnership.

## AUDITORS' REPORT

To the Directors of  
GIENOW BUILDING PRODUCTS LTD.:

We have audited the consolidated balance sheets of Gienow Building Products Ltd. as at February 1, 2004, and 2003 and the consolidated statements of income (loss), retained earnings and cash flows for each of the years in the three year period ended February 1, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 1, 2004, and 2003, and the results of its operations and its cash flows for each of the years in the three year period ended February 1, 2004 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta

March 21, 2004  
(except for Note 18 which  
is as of ● , 2004)

●  
Chartered Accountants

**GIENOW BUILDING PRODUCTS LTD.**

**CONSOLIDATED BALANCE SHEETS**

(\$000's)

	<u>As at June 30, 2004</u> <small>(unaudited)</small>	<u>As at February 1, 2004</u>	<u>2003</u>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents .....	\$ 3,052	\$ 2,612	\$ 4,158
Accounts receivable .....	16,313	12,225	11,936
Current portion of due from related parties <i>(Note 4)</i> .....	2,218	5,523	2,162
Inventories <i>(Note 5)</i> .....	4,602	4,333	4,687
Prepaid expenses .....	309	629	813
Future income taxes <i>(Note 11)</i> .....	<u>—</u>	<u>—</u>	<u>256</u>
	26,494	25,322	24,012
<b>Due from related parties <i>(Note 4)</i></b> .....	1,339	1,439	—
<b>Investments <i>(Note 6)</i></b> .....	2,830	2,238	718
<b>Property, plant and equipment <i>(Note 7)</i></b> .....	20,776	20,671	22,937
<b>Goodwill</b> .....	<u>196</u>	<u>196</u>	<u>196</u>
	<u>\$51,635</u>	<u>\$49,866</u>	<u>\$47,863</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities .....	\$ 9,472	\$ 7,668	\$ 9,699
Bonuses payable .....	1,770	5,641	6,055
Income taxes payable .....	1,363	1,968	1,183
Current portion of long-term debt <i>(Note 9)</i> .....	472	418	1,410
Current portion of obligations under capital leases <i>(Note 10)</i> .....	22	—	529
Future income taxes <i>(Note 11)</i> .....	<u>107</u>	<u>88</u>	<u>—</u>
	13,206	15,783	18,876
<b>Obligations under capital leases <i>(Note 10)</i></b> .....	136	—	—
<b>Long-term debt <i>(Note 9)</i></b> .....	7,284	7,498	9,807
<b>Future income taxes <i>(Note 11)</i></b> .....	<u>1,447</u>	<u>1,537</u>	<u>1,749</u>
	<u>22,073</u>	<u>24,818</u>	<u>30,432</u>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital <i>(Note 12)</i></b> .....	1	1	1
<b>Retained earnings</b> .....	<u>29,561</u>	<u>25,047</u>	<u>17,430</u>
	<u>29,562</u>	<u>25,048</u>	<u>17,431</u>
	<u>\$51,635</u>	<u>\$49,866</u>	<u>\$47,863</u>

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

Approved on behalf of the Board of Directors:

●  
Director

●  
Director

**GIENOW BUILDING PRODUCTS LTD.**

**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

(\$000's)

	For the five months ended June 30,		For the years ended February 1,		
	2004	2003	2004	2003	2002
	(unaudited)				
<b>Sales</b> .....	\$48,664	\$41,112	\$104,227	\$100,172	\$78,157
<b>Cost of sales</b> .....	32,732	29,444	70,150	70,134	60,371
	15,932	11,668	34,077	30,038	17,786
<b>Selling, general and administrative expenses</b> ....	7,213	6,309	16,731	16,130	14,654
<b>Income before the undernoted</b> .....	8,719	5,359	17,346	13,908	3,132
<b>Finance charges</b> .....	216	243	560	702	866
<b>Depreciation and amortization</b> .....	813	939	2,175	2,253	2,290
<b>Other expenses (income) (Note 16)</b> .....	(337)	481	1,924	5,240	1,678
	692	1,663	4,659	8,195	4,834
<b>Income (loss) before income taxes</b> .....	8,027	3,696	12,687	5,713	(1,702)
<b>Income taxes (recovery)</b>					
Current .....	3,584	1,504	4,483	1,792	(164)
Future .....	(71)	(167)	132	(329)	(383)
	3,513	1,337	4,615	1,463	(547)
<b>Net income (loss) for the period</b> .....	4,514	2,359	8,072	4,250	(1,155)

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

**GIENOW BUILDING PRODUCTS LTD.**

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

(\$000's)

	For the five months ended June 30,		For the years ended February 1,		
	2004	2003	2004	2003	2002
	(unaudited)				
<b>Retained earnings, beginning of period</b> .....	\$25,047	\$17,430	\$17,430	\$13,180	\$14,790
<b>Net income (loss) for the period</b> .....	4,514	2,359	8,072	4,250	(1,155)
<b>Premium on share repurchase</b> <i>(Note 12)</i> .....	—	(455)	(455)	—	(455)
<b>Retained earnings, end of period</b> .....	\$29,561	\$19,334	\$25,047	\$17,430	\$13,180

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

**GIENOW BUILDING PRODUCTS LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$000's)

	For the five months ended June 30,		For the years ended February 1,		
	2004	2003	2004	2003	2002
	(unaudited)				
<b>Cash provided by (used for) the following activities</b>					
<b>Operating</b>					
Net income (loss) for the period . . . . .	\$ 4,514	\$ 2,359	\$ 8,072	\$ 4,250	\$(1,155)
Add items not involving a current cash outlay					
Depreciation and amortization . . . . .	813	939	2,175	2,253	2,290
(Gain) loss on disposal of property, plant and equipment . . . . .	(4)	—	12	12	(7)
Gain on disposal of investments . . . . .	—	—	—	—	(409)
Future income taxes . . . . .	(71)	(167)	132	(329)	(383)
(Income) loss from equity investments . . . . .	128	(27)	63	(188)	—
Non-controlling interest (net of tax) . . . . .	—	—	—	—	22
	5,380	3,104	10,454	5,998	358
Changes in non-cash working capital balances . . . . .	(6,709)	(2,209)	(1,411)	6,216	(780)
	(1,329)	895	9,043	12,214	(422)
<b>Financing</b>					
Repayment of obligations under capital leases . . . . .	(2)	(346)	(529)	(752)	(571)
Proceeds of capital lease . . . . .	160	—	—	20	118
Repayment of long-term debt . . . . .	(153)	(141)	(348)	(471)	(407)
Repayment of notes payable . . . . .	—	—	(91)	(91)	—
Advances (to) from related parties . . . . .	4,123	114	(4,800)	(1,716)	—
Advances (to) from shareholders . . . . .	(725)	(1,710)	(2,862)	585	(2,074)
Repurchase of share capital . . . . .	—	(455)	(455)	—	—
	3,403	(2,538)	(9,085)	(2,425)	(2,934)
<b>Investing</b>					
Purchase of property, plant and equipment . . . . .	(928)	(253)	(651)	(1,299)	(1,987)
Proceeds from sale of property, plant and equipment . . . . .	14	700	730	22	209
Proceeds from sale of investments . . . . .	—	—	—	—	709
Increase in long term investments . . . . .	(720)	(100)	(1,583)	(530)	(446)
Proceeds on mortgage receivable . . . . .	—	—	—	—	1,558
	(1,634)	347	(1,504)	(1,807)	43
<b>Increase (decrease) in cash and cash equivalents . . . . .</b>	<b>440</b>	<b>(1,296)</b>	<b>(1,546)</b>	<b>7,982</b>	<b>(3,313)</b>
<b>Cash and cash equivalents (bank indebtedness), beginning of period . . . . .</b>	<b>2,612</b>	<b>4,158</b>	<b>4,158</b>	<b>(3,824)</b>	<b>(511)</b>
<b>Cash and cash equivalents (bank indebtedness), end of period . . . . .</b>	<b>\$ 3,052</b>	<b>\$ 2,862</b>	<b>\$ 2,612</b>	<b>\$ 4,158</b>	<b>\$(3,824)</b>
<b>Supplemental information</b>					
Interest received (paid) . . . . .	396	(180)	70	(660)	(604)
Income and capital taxes (paid) received . . . . .	\$(4,189)	\$(2,581)	\$(3,649)	\$ 16	\$ (696)

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

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
**(\$000's)**

**1. Incorporation and nature of operations**

Gienow Building Products Ltd. ("the Company") was incorporated under the Business Corporations Act of Alberta on November 12, 1981. The Company and its subsidiaries manufacture windows and doors in a variety of shapes and sizes for all styles of architecture.

**2. Significant accounting policies**

***Basis of consolidation***

These financial statements include the operations of the Company and its wholly-owned subsidiaries, Award Windows Inc. ("Award") and Architectural Windows & Doors Inc. ("Architectural"). On consolidation, all inter-company balances and transactions have been eliminated.

***Cash and cash equivalents***

Cash and cash equivalents include balances with banks and short-term investments with original maturities of three months or less.

***Inventories***

Inventories of raw materials are valued at the lower of cost and replacement cost on a first-in-first-out basis. Inventories of finished goods and work-in-progress are stated at the lower of cost and net realizable value on a first-in-first-out basis.

***Investments***

The Company's investments in significantly influenced entities are accounted for by the equity method. Accordingly, the investments are recorded at acquisition cost and are increased for the proportionate share of post acquisition income and decreased by post acquisition losses and dividends received.

Other investments are recorded at cost less any provision for other than temporary impairment.

***Impairment of long-lived assets***

Long-lived assets consist of property, plant and equipment. Long-lived assets held for use are measured and depreciated as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in income for the period.

***Property, plant and equipment***

Property, plant and equipment are recorded at cost. Depreciation is based on their estimated useful lives and is recorded on a straight-line basis at the following annual rates:

Buildings and land improvements .....	3% - 10%
Machinery, equipment and dies .....	10% - 20%
Vehicles .....	10% - 20%
Furniture, fixtures and computer equipment .....	10% - 20%

Leasehold improvements are depreciated over the lease terms.

***Goodwill***

The Company has adopted the Canadian Institute of Chartered Accountants' (CICA) new guidance for "Goodwill and Other Intangible Assets". The new standards require that goodwill no longer be amortized but instead be tested for impairment at least annually. The standards also require that specified intangible assets be recognized and reported apart from goodwill. The Company has adopted these new standards effective February 2, 2003 and has discontinued amortization of all existing goodwill.

In connection with CICA 3062 transitional goodwill impairment evaluation, the Company is required to assess whether goodwill is impaired as of February 2, 2003. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit including goodwill is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired, and the second step is considered unnecessary.

In the event that the fair value of the reporting unit, including goodwill, is less than the carrying value, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment

## GIENOW BUILDING PRODUCTS LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited) (\$000's)

loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations and retained earnings.

#### *Future income taxes*

The Company follows the asset and liability method to account for income taxes. The asset and liability method requires that income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of income and expenses are expected to be realized.

#### *Revenue recognition*

Revenue for goods and services are recognized when goods are shipped to customers or in the period that the services are provided.

#### *Foreign currency translation*

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates in effect at the balance sheet date. Translation gains and losses are included in current income.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires estimates and assumptions that affect the recorded values of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the periods in which they become known.

### **3. Change in accounting policies**

#### **Impairment of long lived assets**

Effective February 2, 2004 the Company adopted the CICA recommendations for Impairment of Long-Lived Assets. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, the Company measured impairment as the excess of carrying value over the net recoverable amount based on undiscounted estimated future net cash flows. Under the new recommendations, long-lived assets held for use are recorded at the lower of their carrying amount and fair value as described in Note 2, Significant accounting policies.

The adoption of the new recommendation had no material effect on the consolidated financial statements.

#### **Goodwill**

Effective February 2, 2003, the Company adopted the CICA recommendations for Goodwill. Pursuant to these recommendations, the change was not applied retroactively, and prior periods have not been restated.

Previously the Company recorded goodwill at acquisition cost, and amortized this cost on a straight line basis over 20 years. Under the new recommendations, goodwill is no longer amortized but is tested for impairment as described in note 2, significant accounting policies. Had goodwill continued to be amortized, the net income for the year ended February 1, 2004 and for the five months ended June 30, 2004 would have been reduced by \$12 and \$5 respectively.

Included in depreciation and amortization expense for each of the years ended February 1, 2003 and 2002 is amortization of goodwill of \$12.

#### **Derivative financial instruments**

Effective February 2, 2004 the Company adopted prospectively, the new recommendations of the CICA with respect to accounting for derivative financial instruments not designated as a hedge.

Under the new recommendations, derivative financial instruments that are held for trading or speculative purposes or that do not qualify as a hedge should be recognized in the balance sheet and measured at fair value.

Previously, the Company designated derivative financial instruments as a hedge and the results thereof, were included in cost of sales. The effect of the change in accounting policy had no material effect on the financial results.

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
(\$000's)

**4. Due from related parties**

Amounts due from related parties are summarized as follows:

	<u>As at June 30, 2004</u>	<u>As at February 1, 2004      2003</u>	
Loan to related party bearing interest of 18% per annum, interest payable monthly. Loan matures October 29, 2008.....	\$ 2,500	\$ 6,500	\$ —
Non-interest bearing unsecured receivable from related party due 30th of the following month .....	—	24	—
Non-interest bearing advance to related party with no terms of repayment .....	339	438	2,162
Due from shareholders unsecured, bearing interest at prime and repayable on demand .....	<u>718</u>	<u>—</u>	<u>—</u>
	3,557	6,962	2,162
Less current portion receivable .....	<u>(2,218)</u>	<u>(5,523)</u>	<u>(2,162)</u>
	<u>\$ 1,339</u>	<u>\$ 1,439</u>	<u>\$ —</u>

As of June 30, 2004, it is management's intention to liquidate \$1,500 of the \$2,500 unsecured loan within the next year. Consequently, this \$1,500 plus the current portion of the other amounts have been classified as current assets.

**5. Inventories**

	<u>As at June 30, 2004</u>	<u>As at February 1, 2004      2003</u>	
Raw materials .....	\$ 4,023	\$ 3,754	\$ 4,195
Work-in-progress .....	148	148	187
Finished products .....	<u>431</u>	<u>431</u>	<u>305</u>
	<u>\$ 4,602</u>	<u>\$ 4,333</u>	<u>\$ 4,687</u>

**6. Investments**

	<u>As at June 30, 2004</u>	<u>As at February 1, 2004      2003</u>	
Investments in companies subject to significant influence .....	\$ 2,010	\$ 2,138	\$ 718
Investments in companies recorded at cost .....	720	—	—
Unsecured promissory note due and payable February 1, 2005. Note bears interest of 10% per annum payable upon maturity .....	<u>100</u>	<u>100</u>	<u>—</u>
	<u>\$ 2,830</u>	<u>\$ 2,238</u>	<u>\$ 718</u>

**7. Property, plant and equipment**

	<u>As at June 30, 2004</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land .....	\$ 2,049	\$ —	\$ 2,049
Buildings and land improvements .....	15,604	2,705	12,899
Machinery, equipment and dies .....	10,766	6,693	4,073
Vehicles .....	732	612	120
Furniture, fixtures and computer equipment .....	7,076	5,605	1,471
Leasehold improvements .....	<u>388</u>	<u>224</u>	<u>164</u>
	<u>\$36,615</u>	<u>\$15,839</u>	<u>\$20,776</u>

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
(\$000's)

	As at February 1, 2004		
	Cost	Accumulated Depreciation	Net Book Value
Land .....	\$ 2,049	\$ —	\$ 2,049
Buildings and improvements .....	15,597	2,499	13,098
Machinery, equipment and dies .....	9,936	6,426	3,510
Vehicles .....	758	623	135
Furniture, fixtures and computer equipment .....	6,997	5,306	1,691
Leasehold improvements .....	388	200	188
	\$35,725	\$15,054	\$20,671

	As at February 1, 2003		
	Cost	Accumulated Depreciation	Net Book Value
Land .....	\$ 2,049	\$ —	\$ 2,049
Buildings and improvements .....	15,582	2,006	13,576
Machinery, equipment and dies .....	10,400	5,777	4,623
Vehicles .....	847	640	207
Furniture, fixtures and computer equipment .....	6,814	4,398	2,416
Leasehold improvements .....	228	162	66
	\$35,920	\$12,983	\$22,937

During the year ended February 1, 2004, depreciation of assets under capital leases amounted to \$185 (2003 — \$369) prior to these assets being reclassified to assets owned.

As at June 30, 2004, the Company had assets under a capital lease included in machinery, equipment and dies with a net book value of \$160 (February 1, 2004 — \$nil, February 1, 2003 — \$308) and assets included in furniture, fixtures and computer equipment under capital leases with a net book value of \$nil (February 1, 2004 — \$nil, February 1, 2003 — \$794).

**8. Bank indebtedness**

The Company's banking agreement provides for a consolidated operating and capital facility for the Company and its subsidiaries. A maximum of \$8,000 can be drawn down on the operating facility by the Company and its subsidiaries. The facility bears interest at prime and is secured by a general security agreement and guarantees by the Company for its subsidiaries. At February 1, 2004, the Company and its subsidiaries had not drawn on the credit facility.

**9. Long-term debt**

	As at June 30, 2004	As at February 1, 2004	2003
Mortgages			
First mortgages are payable in monthly instalments of \$71 including interest at rates of 5.75% and 6.6% maturing July 29, 2004 and June 1, 2008. The mortgages are secured by land and buildings .....	\$7,483	\$7,636	\$ 7,984
Amounts due to shareholders are secured by non-interest bearing promissory notes due August 1, 2024 .....	—	7	2,869
Note payable is due in annual instalments of \$91 (plus interest at prime plus 1%) ending December 2006 .....	273	273	364
	7,756	7,916	11,217
Less current portion .....	(472)	(418)	(1,410)
	\$7,284	\$7,498	\$ 9,807

For the year ended February 1, 2004, interest on long-term debt amounted to \$528 (2003 — \$556).

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
(\$000's)

Effective April 2, 2004, the Company finalized negotiation of a new mortgage for \$1,500 maturing July 29, 2009 to replace the \$972 mortgage that matures July 29, 2004. The new mortgage is payable in monthly instalments of \$10, bears interest at 5.93% and has a 25 year amortization. Consequently, the new repayment terms have been factored into principal repayments required over the next five years as indicated below.

To February 1, 2005 .....	\$ 433
To February 1, 2006 .....	429
To February 1, 2007 .....	452
To February 1, 2008 .....	385
To February 1, 2009 .....	5,411

**10. Obligations under capital leases**

	<u>As at June 30, 2004</u>	<u>As at February 1,</u>	
		<u>2004</u>	<u>2003</u>
Capital lease payable in monthly instalments of \$3 including interest at 6.39% maturing May 2009 and secured by equipment leased .....	\$158	\$ —	\$ —
Capital leases payable in monthly instalments of \$49 including interest at rates varying from 7.25% to 10.41% per annum .....	—	—	529
Less current portion .....	<u>(22)</u>	<u>—</u>	<u>(529)</u>
	<u>\$136</u>	<u>\$ —</u>	<u>\$ —</u>

Repayment terms as indicated below:

To June 30, 2005 .....	\$ 32
To June 30, 2006 .....	32
To June 30, 2007 .....	32
To June 30, 2008 .....	32
To June 30, 2009 .....	<u>60</u>
	188
Less: Imputed interest .....	<u>(30)</u>
To June 30, 2009 .....	<u>\$158</u>

**11. Income taxes**

The income tax expense differs from the amount that would be expected by applying the current tax rates for the following reasons:

	<u>For the five months ended June 30,</u>		<u>For the years ended February 1,</u>		
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income (loss) before taxes .....	\$8,027	\$3,696	\$12,687	\$5,713	\$(1,702)
Income tax rate .....	34.59%	36.59%	36.52%	39.02%	41.76%
Expected tax expense .....	2,776	1,352	4,633	2,229	(702)
(Income) loss from investments subject to significant influence .....	44	(9)	23	(73)	—
Non-deductible expenses .....	35	26	87	67	70
Non-taxable portion of capital gain .....	—	—	—	—	(85)
Manufacturing and processing tax credit .....	—	(53)	(164)	(124)	—
Income tax effect of multi-jurisdiction reporting .....	8	6	14	2	(1)
Large corporations tax .....	—	—	—	—	46
Change in estimate due to income tax reassessment .....	619	—	—	(545)	—
Other .....	31	15	22	(93)	125
Income tax expense (recovery) .....	<u>\$3,513</u>	<u>\$1,337</u>	<u>\$ 4,615</u>	<u>\$1,463</u>	<u>\$ (547)</u>

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
(\$000's)

Significant components of future income tax assets and liabilities are as follows:

	As at June 30, 2004	As at February 1,	
		2004	2003
Current future income tax asset of non-capital losses .....	\$ —	\$ —	\$ 256
Current future income tax liability of holdbacks .....	107	88	—
Long term future income tax liability from property, plant and equipment .....	1,447	1,537	1,749

**12. Share capital**

The content of this note is not rounded to thousands, but is stated in full dollars.

Authorized

Unlimited number of:

Class A voting, no par value, common shares

Class B voting, no par value, non-cumulative preferred shares

Class C, D and E non-voting, no par value, redeemable, non-cumulative, 8% preferred shares

Issued

	Number	\$
Balance as at February 1, 2001 .....	200	22
Redeemed during the period .....	(10)	(1)
Balance as at February 1, 2002 and 2003 .....	190	21
Redeemed during the period .....	(10)	(1)
Balance as at February 1, 2004 and June 30, 2004 .....	<u>180</u>	<u>20</u>

During the years ended February 1, 2002 and 2004, the Company repurchased and cancelled 10 Class A shares for consideration of \$455,000 in each year. The \$454,999 excess of the purchase price over the stated capital has been charged to retained earnings.

**13. Related party transactions**

During the periods shown, in the normal course of operations, the Company had the following transactions with companies related by virtue of common shareholders. The transactions are recorded at their exchange amount which is the amount established and agreed to by the related parties.

	For the five months ended June 30,		For the years ended February 1,		
	2004	2003	2004	2003	2002
Interest income from advances to related parties .....	\$424	\$ 3	\$391	\$ —	\$ —
Consulting fees to companies owned by the shareholders .....	195	164	394	449	522

**14. Commitments**

As of February 1, 2004, the Company has entered into leases requiring annual payments in each of the next five years as follows:

	Vehicles & Equipment	Premises
To February 1, 2005 .....	\$ 608	\$ 826
To February 1, 2006 .....	598	724
To February 1, 2007 .....	569	520
To February 1, 2008 .....	463	488
To February 1, 2009 .....	474	367
	<u>\$2,712</u>	<u>\$2,925</u>

As of February 1, 2004, the Company had entered into an agreement to purchase equipment for approximately \$255. Of this amount, \$78 had been prepaid and the remaining \$176 was paid subsequent to year-end.

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
(\$000's)

As of June 30, 2004, the Company has entered into an agreement to purchase equipment for approximately \$455. Of this amount, \$137 has been prepaid.

**15. Financial instruments**

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest risks arising from these financial instruments.

*Credit risk*

The Company is exposed to normal credit risks from certain financial instruments to the extent of non-performance by third parties. Given the diversity and reputation of its client base, management believes the Company is not exposed to any significant credit risk.

*Currency risk*

The Company enters into sales and purchase transactions denominated in United States currency for which the related revenues, cost of sales, accounts receivable and accounts payable are subject to exchange rate fluctuations. The transactions and balances have been stated in Canadian dollars in accordance with the Company's foreign currency translation policy (Note 2).

In the normal course of business, the Company enters into arrangements in order to reduce exposure to fluctuating foreign exchange rates. At February 1, 2004, the Company had USD \$3,600 of USD forward contracts at exchange rates ranging from 1.2870 to 1.3857 and expiring between February 2 and November 1, 2004. At June 30, 2004, the Company had USD \$1,650 of these contracts remaining.

*Fair value disclosures*

The fair values of cash and cash equivalents, accounts receivable, current portion of due from related parties, accounts payable and accruals, and bonuses payable approximate their carrying values due to the short-term nature of these items.

The fair value of the Company's long-term debt approximates its carrying values because interest rates under the terms of the debts approximate current interest rates for similar term loans.

It is not practical to calculate the fair value of the Company's financial instruments with related parties because these instruments are not traded in an organized financial market or have no defined repayment terms.

**16. Other expenses (income)**

	<b>For the five months ended June 30,</b>		<b>For the years ended February 1,</b>		
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Management bonuses .....	\$ —	\$ —	\$ 3,442	\$3,985	\$1,183
B.C. Sales tax (recovery) expense .....	—	252	(1,469)	1,469	—
Interest income .....	(406)	—	(278)	—	(54)
(Income) loss from investments subject to significant influence .....	128	(27)	63	(188)	—
Income on disposal of investments .....	—	—	—	—	(409)
Severance costs .....	—	274	274	—	187
Rental income .....	(55)	(76)	(183)	(188)	(175)
Start-up costs .....	—	57	61	—	841
Consulting fees .....	—	—	32	150	110
Non-controlling interest (net of tax) .....	—	—	—	—	22
Other .....	(4)	1	(18)	12	(27)
	<u>\$(337)</u>	<u>\$481</u>	<u>\$ 1,924</u>	<u>\$5,240</u>	<u>\$1,678</u>

**GIENOW BUILDING PRODUCTS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the five months ended June 30, 2004 and 2003 is unaudited)**  
(\$000's)

**17. Segmented information**

The Company's operations consist mainly of two geographic segments in the manufacture and distribution of windows and doors as follows:

	<b>For the five months ended June 30,</b>		<b>For the years ended February 1,</b>		
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Sales</b>					
Canada .....	\$41,604	\$35,428	\$ 92,554	\$ 88,473	\$68,637
United States and International .....	<u>7,060</u>	<u>5,684</u>	<u>11,673</u>	<u>11,699</u>	<u>9,520</u>
	<u>\$48,664</u>	<u>\$41,112</u>	<u>\$104,227</u>	<u>\$100,172</u>	<u>\$78,157</u>
<b>Property, plant and equipment and Goodwill</b>					
Canada .....	\$20,972		\$ 20,867	\$ 23,133	
United States and International .....	<u>—</u>		<u>—</u>	<u>—</u>	
	<u>\$20,776</u>		<u>\$ 20,867</u>	<u>\$ 23,133</u>	

**18. Subsequent event**

Subsequent to the close of business on June 30, 2004, the Company, Award and Architectural transferred substantially all of their respective operating assets to Gienow Window & Doors Limited Partnership (the "Partnership") for general and limited partnership interests representing a 100% interest therein.

On ●, 2004, Gienow Windows & Doors Income Fund ("the Fund") filed a prospectus relating to the initial public offering of ● units of the Fund. Concurrently with the closing of the Offering, the Fund will issue and sell ● units on a private placement basis to Gienow Building Products Ltd. for gross proceeds of \$ ●. The Fund will use a portion of the net proceeds of the Offering and the private placement, if completed, together with amounts drawn under a syndicated credit facility by a subsidiary entity, to indirectly invest in the Partnership for a limited partnership interest representing an initial 98% interest therein. The Partnership will use a portion of the funds received to retire the Company's limited partnership interest.

## AUDITORS' REPORT

To the Directors of

FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.

We have audited the consolidated balance sheets of Farley Windows Inc. — Les Fenêtres Farley Inc. as at December 31, 2003 and 2002 and the consolidated statements of earnings (loss), retained earnings (deficit) and cash flows for each of the years in the two-year period ended December 31, 2003 and the combined statements of earnings (loss), retained earnings (deficit) and cash flows for the year ended December 31, 2001. 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2003 and the results of the combined operations and combined cash flows for the year ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario

February 6, 2004  
(except for note 21, which  
is as of ● , 2004)

●  
Chartered Accountants

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**CONSOLIDATED BALANCE SHEETS**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

	As at June 30, 2004 <small>(unaudited)</small>	As at December 31,	
		2003	2002
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash .....	\$ —	\$ 3,159	\$ —
Accounts receivable .....	7,157	4,318	4,664
Inventories (note 5) .....	1,928	1,521	2,399
Prepaid expenses and sundry assets .....	1,446	956	995
Income taxes recoverable .....	290	—	705
<b>Total current assets</b> .....	<b>10,821</b>	<b>9,954</b>	<b>8,763</b>
Future income taxes (note 16) .....	—	—	92
Property, plant and equipment (note 6) .....	7,812	8,552	8,789
Deferred financing fees (note 7) .....	448	557	776
Goodwill .....	38,388	38,388	38,388
	<b>\$57,469</b>	<b>\$57,451</b>	<b>\$56,808</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Bank indebtedness (note 8) .....	1,734	—	481
Accounts payable and accrued liabilities .....	4,778	2,992	4,237
Income taxes payable .....	—	1,417	—
Current portion of long-term debt (note 9) .....	5,366	4,872	4,639
<b>Total current liabilities</b> .....	<b>11,878</b>	<b>9,281</b>	<b>9,357</b>
Long-term debt (note 9) .....	22,814	25,278	29,779
Convertible debenture (note 10) .....	1,157	1,081	—
Future income taxes (note 16) .....	530	479	—
<b>Total liabilities</b> .....	<b>36,379</b>	<b>36,119</b>	<b>39,136</b>
Commitments (note 11)			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (note 12) .....	15,455	15,515	15,510
Contributed surplus .....	153	126	7
Equity component of convertible debenture (note 10) .....	1,006	1,006	—
Warrant (note 13) .....	2,248	2,248	2,248
Retained earnings (deficit) .....	2,228	2,437	(93)
<b>Total shareholders' equity</b> .....	<b>21,090</b>	<b>21,332</b>	<b>17,672</b>
	<b>\$57,469</b>	<b>\$57,451</b>	<b>\$56,808</b>

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

On behalf of the Board of Directors:

●  
Directors

●  
Directors

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**CONSOLIDATED AND COMBINED STATEMENTS OF EARNINGS (LOSS)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

	For the six months ended June 30,		For the year ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
<b>Sales</b> .....	\$22,666	\$22,023	\$54,000	\$55,017	\$46,252
Cost of sales .....	14,265	14,449	32,940	33,552	26,719
	8,401	7,574	21,060	21,465	19,533
Selling, general and administrative expenses .....	5,258	4,988	10,276	11,685	8,475
Earnings before undernoted items and income taxes ..	3,143	2,586	10,784	9,780	11,058
Depreciation .....	768	551	1,183	1,322	1,225
Amortization of goodwill .....	—	—	—	—	1,828
Foreign exchange (gain) loss .....	(18)	47	171	(35)	130
Financing charges (note 14) .....	2,179	2,332	4,741	4,702	2,637
Other expenses (note 15) .....	258	103	65	4,249	3,978
	3,187	3,033	6,160	10,238	9,798
Earnings (loss) before income taxes .....	(44)	(447)	4,624	(458)	1,260
Provision for income taxes (note 16)					
Current .....	114	151	1,523	386	1,168
Future .....	51	(105)	571	(452)	(134)
	165	46	2,094	(66)	1,034
<b>Net earnings (loss) for the period</b> .....	<b>\$ (209)</b>	<b>\$ (493)</b>	<b>\$ 2,530</b>	<b>\$ (392)</b>	<b>\$ 226</b>

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

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**CONSOLIDATED AND COMBINED STATEMENTS OF RETAINED EARNINGS (DEFICIT)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

	For the six months ended June 30,		For the year ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
Retained earnings (deficit), beginning of period . . . . .	\$2,437	\$ (93)	\$ (93)	\$299	\$2,787
Net earnings (loss) for the period . . . . .	(209)	(493)	2,530	(392)	226
	<u>2,228</u>	<u>(586)</u>	<u>2,437</u>	<u>(93)</u>	<u>3,013</u>
Pre-acquisition earnings adjustment (note 2) . . . . .	—	—	—	—	2,660
Dividends . . . . .	—	—	—	—	54
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,714</u>
<b>Retained earnings (deficit), end of period . . . . .</b>	<b><u>\$2,228</u></b>	<b><u>\$(586)</u></b>	<b><u>\$2,437</u></b>	<b><u>\$(93)</u></b>	<b><u>\$ 299</u></b>

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

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

	For the six months ended June 30,		For the year ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
<b>Operating Activities</b>					
Net earnings (loss) for the period	\$ (209)	\$ (493)	\$2,530	\$ (392)	\$ 226
Depreciation	768	551	1,183	1,322	1,225
Non-cash financing charges	406	295	677	531	397
Amortization of goodwill	—	—	—	—	1,828
(Gain)/loss on disposal of capital assets	—	—	(9)	227	6
Stock based compensation expense	27	59	119	8	—
Loss on unrealized forward exchange contracts	26	—	—	—	—
Advances to former shareholder written off (recovered)	—	—	(155)	377	—
Future income taxes	51	(105)	571	(452)	(134)
	1,069	307	4,916	1,621	3,548
Changes in non-cash operating elements of working capital	(3,684)	93	2,140	(385)	(10,856)
<b>Cash provided by (used in) operating activities</b>	<b>(2,615)</b>	<b>400</b>	<b>7,056</b>	<b>1,236</b>	<b>(7,308)</b>
<b>Investing Activities</b>					
Purchase of property, plant and equipment	(32)	(505)	(987)	(2,332)	(1,737)
Proceeds on disposal of capital assets	5	13	50	3	9
Acquisition	—	—	—	—	(40,203)
Advances to former shareholder	—	—	—	(96)	(60)
Repayment of advances to former shareholder	—	—	155	13	7
<b>Cash provided by (used in) investing activities</b>	<b>(27)</b>	<b>(492)</b>	<b>(782)</b>	<b>(2,412)</b>	<b>(41,984)</b>
<b>Financing Activities</b>					
Bank indebtedness, net	1,734	533	(481)	481	—
Proceeds from long-term debt	—	—	—	—	39,000
Repayment of long-term debt	(2,125)	(2,344)	(4,469)	(2,531)	(1,173)
Repayment of obligations under capital leases	(66)	(92)	(170)	(249)	(1,649)
Convertible debenture issued	—	2,000	2,000	—	—
Capital stock issuance	—	—	50	—	14,910
Capital stock repurchased	(60)	(5)	(45)	—	—
Payment of financing fees	—	—	—	—	(1,095)
Dividends paid	—	—	—	—	(54)
<b>Cash provided by (used in) financing activities</b>	<b>(517)</b>	<b>92</b>	<b>(3,115)</b>	<b>(2,299)</b>	<b>49,939</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,159)</b>	<b>—</b>	<b>3,159</b>	<b>(3,475)</b>	<b>647</b>
Cash, beginning of period	3,159	—	—	3,475	2,828
<b>Cash, end of period</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$3,159</b>	<b>\$ —</b>	<b>\$ 3,475</b>
<b>Additional Cash Flows Information:</b>					
Interest paid	\$ 1,564	\$ 1,863	\$3,554	\$ 4,542	\$ 2,538
Income taxes paid (recovered)	1,844	(196)	38	1,278	159
Vehicles acquired under capital leases	—	—	—	—	204

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

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS**

**(Information as at June 30, 2004 and for the six months ended**

**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**1. Description of Business**

Farley Windows Inc. — Les Fenêtres Farley Inc. manufactures custom windows for renovation and new construction in Eastern Ontario for sale in Canada and the Eastern United States.

**2. Acquisition and Amalgamation**

On July 20, 2001, 3913414 Canada Inc., a company incorporated on June 21, 2001, acquired all the outstanding share capital of 3941744 Canada Inc. and 3938158 Canada Inc. for \$43,151, which includes acquisition costs of \$2,411. The consideration consisted of cash consideration of \$42,551 and 229,420 common shares with a fair value of \$600.

As a result of this acquisition, 3913414 Canada Inc. became the ultimate parent company of Farley Windows Inc. — Les Fenêtres Farley Inc. and Farley Windows U.S.A., Inc., which were subsidiaries of the acquired companies.

The acquisition has been accounted for by the purchase method of accounting for acquisitions. The consideration paid has been allocated to the assets acquired based on their fair values and the excess of the purchase price over the value of the assets acquired has been recorded as goodwill and was being amortized over ten years until amortization ceased to be recorded (see note 4(iii)). The transaction can be summarized as follows:

<b>Assets</b>	
Current assets .....	\$ 9,906
Property, plant and equipment .....	7,628
Other assets .....	771
Goodwill .....	<u>40,203</u>
	<u>58,508</u>
<b>Liabilities</b>	
Current liabilities .....	10,632
Obligations under capital leases .....	1,079
Other liabilities .....	2,947
Future income taxes .....	<u>699</u>
	<u>15,357</u>
	<u>\$43,151</u>

On October 1, 2001, an amalgamation was effected between Farley Windows Inc. — Les Fenêtres Farley Inc., 3938158 Canada Inc., 3941744 Canada Inc. and its ultimate parent company 3913414 Canada Inc. On amalgamation, the issued share capital of Farley Windows Inc. — Les Fenêtres Farley Inc., 3938158 Canada Inc. and 3941744 Canada Inc. were cancelled. The 8,131,872 shares of issued share capital of 3913414 Canada Inc. were converted into 8,131,872 common shares of the amalgamated entity.

For presentation purposes, the results of operations and cash flows of the predecessor companies, Farley Windows Inc. — Les Fenêtres Farley Inc. and Farley Windows U.S.A., Inc., for the period of January 1, 2001 to July 20, 2001, date of acquisition, have been combined with the consolidated results of operations and cash flows of the successor company, Farley Windows Inc. — Les Fenêtres Farley Inc., for the period of July 21, 2001 to December 31, 2001. As a result of this combination, the results of operations and cash flows are presented for the year ended December 31, 2001.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**2. Acquisition and Amalgamation (Continued)**

The combined results were obtained as follows:

	<b>January 1 – July 20, 2001</b>	<b>July 21 – December 31, 2001</b>	<b>January 1 – December 31, 2001</b>
Sales .....	\$22,569	\$23,683	\$46,252
Cost of sales .....	12,924	13,795	26,719
	9,645	9,888	19,533
Selling, general and administrative expenses .....	5,146	3,329	8,475
Earnings before undernoted items and income taxes .....	4,499	6,559	11,058
Depreciation .....	665	560	1,225
Amortization of goodwill .....	—	1,828	1,828
Foreign exchange loss .....	18	112	130
Financing charges .....	(42)	2,679	2,637
Other expenses .....	3,632	346	3,978
	4,273	5,525	9,798
Earnings before income taxes .....	226	1,034	1,260
Provision for income taxes			
Current .....	94	1,074	1,168
Future .....	205	(339)	(134)
	299	735	1,034
<b>Net earnings (loss) for the period .....</b>	<b>\$ (73)</b>	<b>\$ 299</b>	<b>\$ 226</b>

As previously noted, the acquisition was accounted for by the purchase method. Under this method, earnings prior to the date of acquisition do not accrue to the acquirer. Accordingly, retained earnings has been reduced by \$2,660 representing undistributed earnings prior to the acquisition date of July 20, 2001.

**3. Summary of Significant Accounting Policies**

***Principles of Consolidation***

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, Farley Windows U.S.A., Inc. On consolidation, all inter-company balances and transactions have been eliminated.

***Revenue Recognition***

Revenue is recognized when persuasive evidence of an arrangement exists, significant risks and benefits of ownership are transferred, the sales price to the customer is fixed or is determined and collection of the resulting receivable is reasonably assured. The significant risks and benefits of ownership are normally transferred in accordance with the shipping terms agreed to with the customer.

***Inventories***

Raw materials are stated at the lower of cost (first-in, first-out method) and replacement cost.

Finished goods and work-in-process are stated at the lower of cost (first-in, first-out method) and net realizable value.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**3. Summary of Significant Accounting Policies (Continued)**

***Depreciation***

On the declining balance method —	
Building and land improvements .....	4%-5%
Machinery, equipment and dies .....	20%
Furniture, fixtures and computer hardware .....	20%-30%
Vehicles .....	30%
On the straight-line method —	
Vehicles under capital leases .....	over the lease term
Computer software .....	over one to three years

***Deferred financing fees***

The cost of obtaining long-term debt is deferred and amortized on a straight-line basis over the term to which they relate.

***Discount on long-term debt***

The discount on long-term debt is amortized as interest expense over the term of the debt to achieve a constant rate of interest.

***Goodwill***

Goodwill is recorded at the excess of the purchase price of an acquired business over the fair value of the net assets acquired.

Effective January 1, 2002, goodwill is no longer amortized. On an annual basis, management reviews the carrying amount of goodwill for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, the second step is conducted whereby the fair value of goodwill is determined on the same basis as a business combination. If fair value of goodwill is less than the carrying value of goodwill, goodwill is written down to its estimated fair value.

In 2001, goodwill was amortized on a straight-line basis over 10 years. Management reviewed on a regular basis the carrying amount of goodwill for possible permanent impairment by evaluating undiscounted expected cash flows. Goodwill would have been written down to its estimated fair value when a permanent decline was identified.

***Long-lived Assets***

Long-lived assets comprise property, plant and equipment subject to depreciation. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted future net cash flows of the asset. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset and recognized by way of an additional current period depreciation charge.

***Future Income Taxes***

The company follows the liability method with respect to accounting for income taxes. Future tax assets and liabilities are determined based on differences between the carrying amount and the tax basis of assets and liabilities (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect when these differences are expected to reverse. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

***Employee Future Benefits***

The company maintains a defined contribution pension plan for its employees.

The company's contribution to a defined contribution plan for the six months ended June 30, 2004 amounted to \$45 (2003 — \$169).

The company's contribution to a defined contribution plan during the year ended December 31, 2003 amounted to \$299 (2002 — \$92, 2001 — \$79).

***Stock-based Compensation Plan***

The company has a stock-based compensation plan for certain full-time employees, officers and directors of the company and consultants. Stock options granted under the plan are settled in stock.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**3. Summary of Significant Accounting Policies (Continued)**

Effective January 1, 2002, the company adopted prospectively, The Canadian Institute of Chartered Accountants recommendations on stock-based compensation. The company uses the fair value method to value and expense stock-based compensation. This method consists of recording compensation cost to earnings over the vesting period of options granted. When stock options are exercised, any consideration paid by the grantee and the related compensation expense recorded as Contributed Surplus in Shareholders' Equity are credited to share capital.

In 2001, the company followed the intrinsic value method. No compensation expense was recorded in the financial statements for stock options granted as the options had no intrinsic value at the date of grant.

***Foreign Currency Translation***

Accounts in foreign currency and the accounts of the integrated subsidiary have been translated into Canadian dollars as follows:

Monetary items — at exchange rates in effect at the balance sheet date;

Non-monetary items — at exchange rates in effect on the dates of the transactions;

Revenue and expenses — at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in income.

***Use of Estimates***

The preparation of the financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses recognized for the period reported. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results may differ from these estimates.

**4. Change in Accounting Policies**

**(i) *Derivative Financial Instruments***

Effective January 1, 2004, the company adopted prospectively the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for derivative financial instruments not designated as a hedge.

Under the new recommendations, derivative financial instruments that are held for trading or speculative purposes or that do not qualify as a hedge are recognized in the balance sheet at fair value and changes in fair value are charged to earnings.

The company previously designated forward exchange contracts as a hedge and the results thereof, were included in sales. The effect of the change in accounting policy resulted in an increase in foreign exchange gain (loss), a decrease in net earnings and retained earnings and an increase in liabilities in the amount of \$26 for the six months ended June 30, 2004.

The company previously designated interest rate swaps as a hedge. Under the previous recommendations, the company did not record the fair value of the interest rate swaps. The effect of the change in accounting policy resulted in an immaterial change to the financial statements for the six months ended June 30, 2004.

**(ii) *Impairment of Long-lived Assets***

Effective January 1, 2004, the company adopted prospectively the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for impairment of long-lived assets.

The new recommendations are described in note 3, Significant Accounting Policies. Previously, the company measured impairment, if any, as the difference that carrying value exceeded net recoverable amount (undiscounted cash flows). There is no material impact on the financial statements from this change in accounting policy.

**(iii) *Goodwill***

Effective January 1, 2002, the company has adopted prospectively the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for goodwill.

Under the new recommendations, goodwill is no longer amortized but is tested for possible impairment as described in note 3, Significant Accounting Policies. Previously, goodwill was amortized on a straight-line basis over 10 years. Had goodwill continued to be amortized, net income for the year ended December 31, 2002 would have decreased by \$4,020.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**4. Change in Accounting Policies (Continued)**

Adjusted net earnings before goodwill amortization for the year ended December 31, 2001 is presented below:

Reported net earnings .....	\$ 226
Goodwill amortization .....	1,828
Adjusted net earnings .....	2,054

**5. Inventories**

	As at June 30, 2004	As at December 31,	
	(unaudited)	2003	2002
Raw materials .....	\$1,564	\$1,242	\$1,609
Work-in-process .....	108	109	399
Finished goods .....	256	170	391
	<u>\$1,928</u>	<u>\$1,521</u>	<u>\$2,399</u>

**6. Property, Plant and Equipment**

	June 30, 2004			December 31, 2003			December 31, 2002		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
	(unaudited)								
Land .....	\$ 59	\$ —	\$ 59	\$ 59	\$ —	\$ 59	\$ 59	\$ —	\$ 59
Building and land improvements .....	5,129	1,715	3,414	5,113	1,627	3,486	4,952	1,451	3,501
Machinery, equipment and dies .....	7,069	5,095	1,974	7,067	4,875	2,192	7,024	4,336	2,688
Furniture, fixtures and computer hardware .....	1,303	947	356	1,291	887	404	1,323	727	596
Vehicles .....	454	415	39	484	432	52	524	412	112
Vehicles under capital leases .....	1,703	1,309	394	1,703	1,246	457	1,703	1,105	598
Computer software .....	2,157	581	1,576	2,154	252	1,902	1,392	157	1,235
	<u>\$17,874</u>	<u>\$10,062</u>	<u>\$7,812</u>	<u>\$17,871</u>	<u>\$9,319</u>	<u>\$8,552</u>	<u>\$16,977</u>	<u>\$8,188</u>	<u>\$8,789</u>

As at December 31, 2002, an amount of \$1,173 included in computer software was not being amortized as it was not yet in use.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
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(Expressed in Thousands of Dollars Except for Per Share Amounts)

**7. Deferred Financing Fees**

	<b>As at June 30, 2004</b>	<b>As at December 31,</b>	
		<b>2003</b>	<b>2002</b>
	(unaudited)		
Cost .....	\$1,095	\$1,095	\$1,095
Accumulated amortization .....	647	538	319
	<u>\$ 448</u>	<u>\$ 557</u>	<u>\$ 776</u>

**8. Bank Indebtedness**

The company has a banking facility with the following credit facilities:

- (a) Demand operating loan up to \$5,000;
- (b) Five year committed reducing long-term loan up to \$24,000; and
- (c) Interest rate swap facility to hedge interest rate exposure on a notional principal amount of up to \$24,000 for up to five years.

Borrowing under these credit facilities bears interest at fixed and floating rates based on Canadian and U.S. prime bank rates, depending on the source of financing. Under the terms and conditions of the facility agreement, the company is required to maintain certain bank covenants.

The credit facility is secured by a general security agreement over all the assets of the company, assignment of EDC accounts receivable insurance, and unlimited guarantee of advances from its wholly-owned subsidiary Farley Windows U.S.A., Inc. All securities are shared between GE Capital and TD Bank on a pari passu basis and governed by an inter-creditor agreement.

**9. Long-term Debt**

	<b>As at June 30, 2004</b>	<b>As at December 31,</b>	
		<b>2003</b>	<b>2002</b>
	(unaudited)		
GE Capital and TD Bank term loans, bearing interest at banker's acceptance rate plus 3.6% and 3.5% stamping fee respectively and maturing on July 20, 2006, repayable quarterly instalments ranging from \$562 to \$1,375. The company has entered into an interest rate swap agreement to fix the interest rate at 9.15% .....	\$13,750	\$15,875	\$20,344
Subordinated term loan with an entity whose general partner is the general partner of the controlling shareholder, bearing interest at 13.50%, maturing on July 21, 2006. Principal is repayable at maturity date. This term loan is secured by all of the company's personal and real property .....	13,955	13,734	13,363
Obligations under capital leases expiring between 2004 and 2009, imputed interest rate of 9% .....	475	541	711
	28,180	30,150	34,418
Less: current portion .....	5,366	4,872	4,639
	<u>\$22,814</u>	<u>\$25,278</u>	<u>\$29,779</u>

The GE Capital and TD Bank term loans are secured by assets as described in note 8. The company has the right to prepay the loans, without penalty, in whole or in part, at any time. The effective interest rate for 2004 was 9.15% (2003 — 9.15%, 2002 — 9.15%).

The subordinated term loan is recorded at its discounted present value using a discount rate similar to the interest rate available to the company under similar terms and conditions at the time that the loan was received. The difference between the present value and the loan's face value is amortized to interest expense on a basis that produces a constant yield to maturity. The effective interest rate for 2004 was 18% (2003 — 18%, 2002 — 18%).

Under the terms of the GE Capital and TD Bank loans' agreement and the subordinated term loan agreement, the company is required, amongst other conditions, to meet certain covenants. In 2002, the company was not in conformity with the covenants under both agreements. In 2004 and 2003, the company was in conformity with the covenants under both agreements.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**9. Long-term Debt (Continued)**

Principal repayments on long-term debt due in each of the next five years for the years ending December 31 are as follows:

2004 .....	\$4,918
2005 .....	5,522
2006 .....	20,865
2007 .....	84
2008 .....	72

**10. Convertible Debenture**

On May 30, 2003, the company issued a non-interest bearing convertible debenture with a face value of \$2,000, due on or before May 30, 2008, to an entity whose general partner is the general partner of the controlling shareholder. The debenture is convertible, at any time, in whole or in part, at the option of the holder, into common shares of the company at the rate of one common share for each \$2.004 of principal outstanding. The conversion rate is subject to an automatic adjustment of 8% reduction per annum. The debenture is secured by a continuing interest in all of the company's present and future property.

As a compound financial instrument consisting of debt and equity components, these separate attributes are subject to measurement on a fair value basis. The company has measured the fair value of the debt component at the date of issuance of the convertible debt based on discounting the future cash flows due under the debenture to its maturity date. The discount rate utilized was similar to the interest rate available to the company at the date of issuing the debenture on a loan without the conversion privilege. The debenture will be accreted to its face value at maturity over the term of the debt by way of a charge to interest expense that results in a constant yield. The effective interest rate for 2004 was 18% (2003 — 18%).

The difference between the face amount and the amount attributed to the debt component in the amount of \$1,006 has been attributed to the equity component. Upon conversion, this amount will be added to capital stock together with the balance of the liability outstanding at that date. If the convertible debenture is not converted into common shares, the equity component will be transferred to contributed surplus.

**11. Commitments**

(i) At June 30, 2004, the company is committed to the sale of foreign currencies under outstanding forward exchange contracts as follows:

U.S. dollar contracts totalling US\$6,300. These range from US\$300 to US\$1,000, due dates from July 2004 to December 2004 and rates from 1.3015 to 1.3623.

(ii) Future minimum lease payments required under operating leases which expire between 2004 and 2009 are as follows:

	<b>December 31,</b> <b>2003</b>
2004 .....	\$215
2005 .....	212
2006 .....	188
2007 .....	98
2008 .....	28
2009 .....	73

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**12. Share Capital and Stock Options**

*(a) Share Capital*

Authorized —

Unlimited number of common shares

Issued —

	<b>Number of Common Shares</b>	<b>Value</b>
Balance, December 31, 2001 and December 31, 2002 .....	8,141,872	\$15,510
Issued for cash .....	24,950	50
Purchased for cash .....	(22,500)	(45)
Balance, December 31, 2003 .....	8,144,322	15,515
Purchased for cash .....	(30,000)	(60)
Balance, June 30, 2004 .....	8,114,322	\$15,455

*(b) Stock Options*

The company's stock option plan provides for granting a maximum of 1,365,000 options to directors, officers, employees and consultants. Options granted under the plan expire 10 years after the date that the option is granted. Options vest equally over a five-year period commencing on the first anniversary date of the grant. The exercise price of each option granted is initially issued at a price set by the Board of Directors. Each month, the exercise price escalates by 1.175% per month that the option is outstanding. The Board of Directors has the right to amend the terms set out in this plan.

The following table summarizes the information relating to the stock options outstanding at December 31, 2003 and 2002:

	<b>2003</b>		<b>2002</b>	
	<b>Stock Options</b>	<b>Weighted Average Exercise Price</b>	<b>Stock Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding — beginning of year .....	725,000	\$2.38	620,000	\$2.12
Granted .....	175,000	2.00	105,000	2.00
Outstanding — end of year .....	900,000	2.59	725,000	2.38
Exercisable — end of year .....	349,000	2.58	124,000	2.44
Options available for future grants pursuant to the company's stock option plan .....	465,000		640,000	

During the years ended December 31, 2003 and 2002, no stock options were exercised, forfeited or expired.

Compensation expense recognized during the six months ended June 30, 2004 was \$27 (2003 — \$59).

Compensation expense recognized during the year ended December 31, 2003 was \$119 (2002 — \$8).

The fair value of the options is estimated as at the date of grant using the Binomial option-pricing model with the following weighted average assumptions:

	<b>December 31,</b>	
	<b>2003</b>	<b>2002</b>
Risk-free interest rate .....	5.0%	5.2%
Expected dividend yield .....	Nil	Nil
Expected life of options .....	10 years	10 years
Expected volatility .....	35.6%	35.9%

The weighted average fair value at grant date of the options granted during the year ended December 31, 2003 year is \$0.91 (2002 — \$0.90).

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**

**(Information as at June 30, 2004 and for the six months ended  
June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**13. Warrant**

On July 21, 2001, the company issued one warrant to an entity whose general partner is the general partner of the controlling shareholder, as part consideration on a term loan of \$15,000. The warrant entitles the holder to purchase the aggregate of 765,000 common shares plus that number of common shares equal to 9% of the number of fully participating shares issued pursuant to stock options.

The warrant may be exercised at any time until June 30, 2007. The aggregate exercise price for all common shares issuable upon exercise of the warrant is \$1.

The value of the warrant was determined as the difference between the present value of the term loan at the time of issue of the warrant in the amount of \$12,752 and the face value at that date in the amount of \$15,000, using a discount rate equivalent for a term loan with similar terms and conditions without an attached warrant. The difference in the amount of \$2,248 has been recorded as a separate item in shareholders' equity.

**14. Financing Charges**

	<b>For the six months ended June 30,</b>		<b>For the year ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(unaudited)				
Interest expense on long-term debt .....	\$1,729	\$1,957	\$3,958	\$3,802	\$1,802
Amortization of subordinated debt discount .....	221	186	371	312	298
Amortization of convertible debenture discount .....	76	—	87	—	—
Amortization of deferred financing fees .....	109	109	219	219	99
Other financing charges .....	44	80	106	369	438
	<u>\$2,179</u>	<u>\$2,332</u>	<u>\$4,741</u>	<u>\$4,702</u>	<u>\$2,637</u>

**15. Other Expenses**

Other expenses consist of:

	<b>For the six months ended June 30,</b>		<b>For the year ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(unaudited)				
Former shareholder remuneration .....	\$ —	\$ —	\$ —	\$ —	\$3,932
Management fees .....	138	—	—	460	248
Consulting .....	84	5	71	815	—
Reversal of pension cost accrual .....	—	—	—	—	(300)
Severance costs .....	—	—	—	1,308	98
Bank fees .....	75	—	—	400	—
Aborted acquisition expense .....	—	—	—	401	—
Closure of US office .....	—	—	—	228	—
Write-off (recovery) of loan receivable .....	—	—	(155)	377	—
Start-up costs .....	(39)	98	149	260	—
	<u>\$258</u>	<u>\$103</u>	<u>\$ 65</u>	<u>\$4,249</u>	<u>\$3,978</u>

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**16. Income Taxes**

The company's effective income tax differs from the statutory combined Canadian income tax rate as follows:

	<b>For the six months ended June 30,</b>		<b>For the year ended December 31,</b>		
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(unaudited)				
Federal and provincial statutory tax rates .....	36.1%	36.6%	36.6%	38.6%	42.1%
Income taxes at statutory rate .....	\$ (16)	\$(164)	\$1,693	\$(177)	\$ 530
Non-deductible expenses .....	123	76	253	417	75
Amortization of goodwill .....	—	—	—	—	764
Manufacturing and processing tax credit .....	—	—	(117)	—	(16)
Under provision in prior year .....	26	—	58	—	—
Other .....	32	134	207	(306)	(319)
	<u>181</u>	<u>210</u>	<u>401</u>	<u>111</u>	<u>504</u>
<b>Income taxes</b> .....	<u>\$ 165</u>	<u>\$ 46</u>	<u>\$2,094</u>	<u>\$ (66)</u>	<u>\$1,034</u>

Significant components of future income tax assets and liabilities as at December 31, 2003 and 2002 are as follows:

	<u>June 30,</u>	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(unaudited)		
Future income tax assets:			
Equity placement fees .....	\$ 118	\$ 177	\$249
Reserves .....	—	—	145
	<u>118</u>	<u>177</u>	<u>394</u>
Future income tax liabilities:			
Property, plant and equipment .....	648	656	302
	<u>\$(530)</u>	<u>\$(479)</u>	<u>\$ 92</u>

**17. Sales to Major Customers**

For the six months ended June 30, 2004, sales to one customer amounted to approximately 31% (27% in 2003). Outstanding accounts receivable for this customer at June 30, 2004 amounted to approximately 40% of total accounts receivable.

For the year ended December 31, 2003, sales to one customer amounted to approximately 24% (20% in 2002, 25% in 2001). Outstanding accounts receivable for this customer as at December 31, 2003 amounted to approximately 30% (33% in 2002) of total accounts receivable.

**18. Related Party Transactions**

The company entered into the following related party transactions which were measured at the exchange amount:

	<b>For the six months ended June 30,</b>		<b>For the year ended December 31,</b>		
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(unaudited)				
Management fees incurred to the controlling shareholder .....	\$138	\$ —	\$ —	\$ 400	\$248
Management fees incurred to a non-controlling shareholder .....	—	—	—	60	—
Interest expense incurred to majority shareholder .....	838	838	2,025	2,025	910

The company is required to pay consulting fees of \$250 per annum, payable quarterly, to its shareholder until July 2004. For 2003, the controlling shareholder waived these fees.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**19. Segmented Information**

The company's operations consist of one reporting segment principally in the manufacturing and distribution of custom windows.

Geographic distribution of sales and capital assets and goodwill are as follows:

	For the six months ended June 30,		For the year ended December 31,		
	2004	2003	2003	2002	2001
	(unaudited)				
<b>Sales</b>					
Canada .....	\$12,381	\$10,057	\$28,171	\$24,759	\$19,702
U.S. ....	10,285	11,966	25,829	30,258	26,550
<b>Capital Assets and Goodwill</b>					
Canada .....	32,361	—	33,091	33,289	—
U.S. ....	13,839	—	13,849	13,888	—

**20. Financial Instruments**

*Fair Value*

	As At December 31,			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Term loans .....	\$15,875	\$13,677	\$20,344	\$16,739
Mezzanine loan .....	13,734	9,596	13,363	7,349
Obligations under capital leases .....	541	537	711	709
Convertible debenture .....	1,081	1,081	—	—

	As At December 31,					
	2003			2002		
	Notional Amount	Fair Value	Contracts Expire	Notional Amount	Fair Value	Contracts Expire
Forward exchange contracts .....	\$7,700 US	\$447	2004	\$ —	\$ —	\$ —
Interest rate swaps .....	15,876	(635)	2006	19,876	(959)	2006

Fair value for the above-noted items was determined using discounted cash flows.

Accounts receivable, accounts payable and accrued liabilities and bank indebtedness are all short-term in nature and as such, their carrying values approximate fair values.

*Interest Rate Risk*

The company is exposed to interest rate risk on its GE Capital and TD bank term loans since the interest rate changes with the general level of interest rates. The company has reduced its interest rate risk on the GE Capital and TD bank term loans by entering into interest rate swaps that effectively fix the interest rate on these loans.

*Credit Risk*

The company insures substantially all of its accounts receivable and as such, credit risk is minimized.

**FARLEY WINDOWS INC. — LES FENÊTRES FARLEY INC.**

**NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS — (Continued)**  
**(Information as at June 30, 2004 and for the six months ended**  
**June 30, 2004 and 2003 is unaudited)**

(Expressed in Thousands of Dollars Except for Per Share Amounts)

**21. Subsequent Events**

Subsequent to the year end, pursuant to the company's stock option plan, 40,000 options expired.

The company issued an option to a director and employee pursuant to an employment agreement dated April 15, 2004 to purchase 8,000,000 common shares at \$3.50 per share subject to a specified maximum of \$2,000,000.

On ●, 2004, the company and others entered into an agreement with respect to the sale of the outstanding shares of the company. Pursuant to that agreement, the company has agreed to purchase for cancellation on the day before closing its outstanding stock options in consideration for promissory notes issued by the company.

On ●, 2004, Gienow Windows & Doors Income Fund (the "Fund") filed a prospectus relating to the initial public offering of ● units of the Fund. Concurrently with the closing of the Offering, the Fund will issue and sell ● units to Gienow Building Products Ltd. ("Gienow") on a private placement basis for gross proceeds of \$ ●. The Fund will use a portion of the net proceeds of the Offering and the private placement, if completed, together with amounts drawn under a syndicated credit facility by a subsidiary entity, to indirectly purchase all of the shares of the company from the current shareholders, and provide funds to the company so as to enable the company to repay its debt, including the promissory notes to be issued in connection with the purchase of the stock options, and repurchase its outstanding warrants and convertible debentures.

## COMPILATION REPORT

To the Trustees of  
GIENOW WINDOWS & DOORS INCOME FUND

We have read the accompanying unaudited pro forma consolidated balance sheet of Gienow Windows & Doors Income Fund (the "Fund") as at June 30, 2004 and unaudited pro forma consolidated income statements for the six months then ended and for the year ended December 31, 2003, and have performed the following procedures:

1. Compared the figures in the columns captioned "The Fund Historicals" to the audited balance sheet of the Fund as at September 10, 2004 and found them to be in agreement.
2. Compared the figures in the column captioned "Gienow Historicals" in the unaudited pro forma consolidated balance sheet of the Fund to the unaudited consolidated balance sheet of Gienow Building Products Ltd. as at the close of business on June 30, 2004 and found them to be in agreement.
3. Reperformed the calculation of the column captioned "Gienow Historicals" in the unaudited pro forma consolidated statement of income, which contains the results of operations of Gienow Building Products Ltd. for the six months ended June 30, 2004. This column has been constructed by adding the unaudited consolidated statements of income of Gienow Building Products Ltd. for the month ended January 31, 2004, as disclosed in note 3, and for the five months ended at the close of business on June 30, 2004 and found the column to be arithmetically correct.
4. Compared the figures in the column captioned "Gienow Historicals" in the unaudited pro forma consolidated statement of income of the Fund for the year ended December 31, 2003 to the audited consolidated statement of income of Gienow Building Products Ltd. for the year ended February 1, 2004 and found them to be in agreement.
5. Compared the figures in the columns captioned "Farley Historicals" to the unaudited consolidated financial statements of Farley Windows Inc. as at June 30, 2004 and for the six months then ended, and the audited consolidated financial statements of Farley Windows Inc. for the year ended December 31, 2003, respectively, and found them to be in agreement.
6. Made enquiries of certain officials of the Fund who have responsibility for financial and accounting matters about:
  - (a) The basis for determination of the pro forma adjustments; and
  - (b) Whether the pro forma financial statements comply as to form in all material respects with Canadian securities legislation.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments, and
  - (b) stated that the pro forma financial statements comply as to form in all material respects with Canadian securities legislation.
7. Read the notes to the pro forma 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, in the column captioned "Pro forma Adjustments", to the aggregate of the amounts in the columns captioned "The Fund Historicals", "Gienow Historicals" and "Farley Historicals" as at June 30, 2004 and for the six months then ended, and for the year ended December 31, 2003, and found the amounts in the column captioned "The Fund Pro Forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing

procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Calgary, Canada

● , 2004

●  
Chartered Accountants

**GIENOW WINDOWS & DOORS INCOME FUND**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**  
**June 30, 2004 (unaudited)**  
(in thousands of dollars)

	<u>The Fund Historicals</u>	<u>Gienow Historicals</u>	<u>Farley Historicals</u>	<u>Pro forma Adjustments</u>	<u>Note 4</u>	<u>The Fund Pro Forma Consolidated</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents .....	\$ 1	\$ 3,052	\$ —	\$ ●	(a)	\$ ●
				●	(b)	
				(●)	(c)	
				(●)	(e)	
				(●)	(f)	
Current portion of Capital Tax Reserve Fund .....	—	—	—	●	(j)	●
Accounts receivable .....	—	16,313	7,157	(175)	(d)	23,295
Due from related parties .....	—	2,218	—	(2,218)	(d)	—
Inventories .....	—	4,602	1,928	—		6,530
Prepaid expenses .....	—	309	1,446	(18)	(d)	1,737
Income taxes recoverable .....	—	—	290	—		290
	—	26,494	10,821	●		●
Capital Tax Reserve Fund .....	—	—	—	●	(j)	●
Due from related parties .....	—	1,339	—	(1,339)	(d)	—
Investments .....	—	2,830	—	(2,830)	(d)	—
Property, plant and equipment .....	—	20,776	7,812	(1,602)	(d)	26,986
Deferred financing fees .....	—	—	448	●	(b)	●
Intangible assets .....	—	—	—	●	(c)	●
				●	(e)	
Goodwill .....	—	196	38,388	●	(c)	●
				●	(e)	
	<u>\$ 1</u>	<u>\$51,635</u>	<u>\$57,469</u>	<u>\$ ●</u>		<u>\$ ●</u>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities:						
Bank indebtedness .....	\$—	\$ —	\$ 1,734	\$ ●	(b)	\$ ●
Accounts payable and accrued liabilities .....	—	9,472	4,778	●	(b)	●
				(395)	(d)	
Bonuses payable .....	—	1,770	—	(1,770)	(d)	—
Income taxes payable .....	—	1,363	—	(1,363)	(d)	—
Current portion of long-term debt .....	—	472	5,366	(174)	(d)	—
Current portion of obligations under capital leases .....	—	22	—	—		22
Future income taxes .....	—	107	—	(107)	(c)	—
	—	13,206	11,878	●		●
Obligations under capital leases .....	—	136	—	—		136
Long-term debt .....	—	7,284	22,814	●	(b)	●
				(1,037)	(d)	
				●	(e)	
				●	(f)	
				●	(j)	
Convertible debentures .....	—	—	1,157	(1,157)	(e),(f)	—
Future income taxes .....	—	1,447	530	(1,447)	(c)	●
				●	(e)	
Non-controlling interest .....	—	—	—	●	(c),(d)	●
Equity:						
Fund units .....	1	—	—	●	(a)	●
				●	(c)	
Share capital .....	—	1	15,455	(15,456)	(c),(e)	—
Contributed surplus .....	—	—	153	(153)	(e)	—
Equity component of convertible debentures .....	—	—	1,006	(1,006)	(e),(f)	—
Warrants .....	—	—	2,248	(2,248)	(e),(f)	—
Retained earnings (deficit) .....	—	29,561	2,228	(31,789)	(c),(d),(e)	—
	<u>1</u>	<u>29,562</u>	<u>21,090</u>	<u>●</u>		<u>●</u>
	<u>\$ 1</u>	<u>\$51,635</u>	<u>\$57,469</u>	<u>\$ ●</u>		<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

**GIENOW WINDOWS & DOORS INCOME FUND**

**PRO FORMA CONSOLIDATED STATEMENT OF INCOME**

**Six months ended June 30, 2004 (unaudited)**

(in thousands of dollars, except per unit amounts)

	<u>The Fund Historicals</u>	<u>Gienow Historicals (Note 3)</u>	<u>Farley Historicals</u>	<u>Pro forma Adjustments</u>	<u>Note 4</u>	<u>The Fund Pro Forma Consolidated</u>
Sales .....	\$—	\$56,352	\$22,666	\$ —		\$79,018
Cost of sales .....	—	<u>38,108</u>	<u>14,265</u>	—		<u>52,373</u>
	—	18,244	8,401	—		26,645
Selling, general and administrative expense .....	—	<u>8,739</u>	<u>5,258</u>	—		<u>13,997</u>
	—	9,505	3,143	—		12,648
Expenses:						
Financing charges .....	—	260	2,179	●	(b)	●
				27	(d)	
				●	(g)	
Other expenses (income) .....	—	(446)	258	574	(d)	248
				(138)	(k)	
Foreign exchange gain .....	—	—	(18)	—		(18)
Depreciation and amortization .....	—	<u>972</u>	<u>768</u>	<u>(24)</u>	(d)	●
	—	786	3,187	●	(h)	●
Income (loss) before income taxes .....	—	8,719	(44)	●		●
Income taxes (reduction)						
Current .....	—	3,875	114	●	(i)	●
Future .....	—	<u>(60)</u>	<u>51</u>	●	(i)	●
	—	3,815	165	●		●
Income before non-controlling interest ...	—	4,904	(209)	●		●
Non-controlling interest .....	—	—	—	●		●
Net income (loss) .....	<u>\$—</u>	<u>\$ 4,904</u>	<u>\$ (209)</u>	<u>\$ ●</u>		<u>\$ ●</u>
Net income per Unit .....						<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

**GIENOW WINDOWS & DOORS INCOME FUND**

**PRO FORMA CONSOLIDATED STATEMENT OF INCOME**

**Year ended December 31, 2003 (unaudited)**

(in thousands of dollars, except per unit amounts)

	<u>The Fund Historicals</u>	<u>Gienow Historicals</u>	<u>Farley Historicals</u>	<u>Pro forma Adjustments</u>	<u>Note 4</u>	<u>The Fund Pro Forma Consolidated</u>
Sales .....	\$—	\$104,227	\$54,000	\$ —		\$158,227
Cost of sales .....	—	70,150	32,940	—		103,090
	—	34,077	21,060	—		55,137
Selling, general and administrative expense.....	—	16,731	10,276	—		27,007
	—	17,346	10,784	—		28,130
Expenses:						
Financing charges .....	—	560	4,741	●	(b)	●
				64	(d)	
				●	(g)	
Other expenses.....	—	1,924	65	461	(d)	●
Foreign exchange loss.....	—	—	171	—		171
Depreciation and amortization .....	—	2,175	1,183	(47)	(d)	●
	—	—	—	●	(h)	●
	—	4,659	6,160	●		●
Income before income taxes .....	—	12,687	4,624	●		●
Income taxes:						
Current .....	—	4,483	1,523	●		●
Future .....	—	132	571	●		●
	—	4,615	2,094	●		●
Income before non-controlling interest ..	—	8,072	2,530	●		●
Non-controlling interest.....	—	—	—	●		●
Net income.....	<u>\$—</u>	<u>\$ 8,072</u>	<u>\$ 2,530</u>	<u>\$ ●</u>		<u>\$ ●</u>
Net income per Unit .....						<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

## GIENOW WINDOWS & DOORS INCOME FUND

### NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS Six months ended June 30, 2004 and year ended December 31, 2004 (unaudited) (in thousands of dollars)

#### 1. The Fund:

Gienow Windows & Doors Income Fund (the "Fund") is an open-ended, limited purpose, trust established under and governed by the laws of the Province of Alberta.

The Fund, through an initial public offering and concurrent private placement, will issue units of the Fund and use the resulting proceeds to invest in units and unsecured notes of Gienow Windows & Doors Holding Trust (the "Trust").

After the close of business on June 30, 2004, Gienow Building Products Ltd. and its wholly-owned subsidiaries ("Gienow") formed Gienow Windows & Doors Limited Partnership (the "Partnership") and transferred all of their operating assets and related window and door manufacturing, distribution and sales businesses to the Partnership. The Fund, using the proceeds from the issue of units and amounts drawn by the Trust under the syndicated term loan from financial institutions, will, through the Trust, invest in the Partnership for an initial 98% limited partnership interest therein and purchase all of the shares of Farley Windows Inc. ("Farley"). Gienow will indirectly retain a 2% general partnership interest in the Partnership. Gienow Management Inc., a wholly-owned subsidiary of the Trust, will also own a nominal general partnership interest in the Partnership through which it will manage the business of the Partnership.

Unitholders may redeem their units at any time by delivering their unit certificates to the Trustee, together with a properly completed notice requesting redemption. The redemption amount per unit will be the lesser of 90 percent of the weighted average trading price of the units on the principal market on which they are traded for the 10 day period after the units have been validly tendered for redemption and the closing market price of the units. The redemption amount will be payable on the last day of the following calendar month. The closing market price will be the closing price of the units on the principal market on which they are traded on the date on which they were validly tendered for redemption, or, if there was no trade of the units on that date, the average of the last bid and ask prices of the units on that date.

#### 2. Basis of presentation:

The accompanying pro forma consolidated balance sheet as at June 30, 2004 and the pro forma consolidated statements of income for the six months ended June 30, 2004 and the year ended December 31, 2003 have been prepared by the management of the Fund in accordance with Canadian generally accepted accounting principles.

The pro forma consolidated balance sheet and the pro forma consolidated statements of income may not be indicative of the results that would have occurred if the Offering and business combination had been in effect on the dates indicated or of the financial results that may result in the future.

The pro forma consolidated balance sheet of the Fund as at June 30, 2004 and the pro forma consolidated statements of income for the six months ended June 30, 2004 have been prepared with information derived from the unaudited consolidated financial statements of Gienow, constructed by adding the unaudited consolidated statements of income for the month ended January 31, 2004, as disclosed in note 3, and for the five months ended at the close of business on June 30, 2004, and Farley and the adjustments and assumptions outlined below. The pro forma consolidated statement of income for the year ended December 31, 2003 has been prepared with information derived from the audited consolidated financial statements of Gienow for the year ended February 1, 2004 and the audited consolidated financial statements of Farley for the year period ended December 31, 2003 and the adjustments and assumptions outlined below. The accounting policies used in the preparation of the pro forma financial statements are those disclosed in the audited consolidated financial statements of Gienow.

The pro forma consolidated statements of income for the six months ended June 30, 2004 and the year ended December 31, 2003 both include the results of Gienow's operations for the month of January 2004.

The pro forma consolidated financial statements should be read in conjunction with the audited and unaudited consolidated statements of Gienow and Farley located elsewhere in this prospectus.

**GIENOW WINDOWS & DOORS INCOME FUND**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**Six months ended June 30, 2004 and year ended December 31, 2004 (unaudited)**  
(in thousands of dollars)

**3. Unaudited consolidated statement of income of Gienow for the six months ended June 30, 2004:**

The unaudited consolidated statement of income of Gienow for the six months ended June 30, 2004 has been constructed by adding the unaudited consolidated statements of income for the month ended January 31, 2004 and for the five months ended June 30, 2004:

	<b>Month ended January 31, 2004</b>	<b>Five months ended June 30, 2004</b>	<b>Six months ended June 30, 2004</b>
Sales .....	\$7,688	\$48,664	\$56,352
Cost of sales .....	5,376	32,732	38,108
	2,312	15,932	18,244
Selling general and administrative expense .....	1,526	7,213	8,739
	786	8,719	9,505
Expenses:			
Financing charges .....	44	216	260
Other income .....	(109)	(337)	(446)
Depreciation and amortization .....	159	813	972
	94	692	786
Income before income taxes .....	691	8,027	8,719
Income taxes (reduction):			
Current .....	291	3,584	3,875
Future .....	11	(71)	(60)
	302	3,513	3,815
Net income .....	\$ 388	\$ 4,514	\$ 4,904

**4. Pro forma consolidated balance sheet and pro forma consolidated statements of income of the Fund:**

The pro forma consolidated balance sheet of the Fund as at June 30, 2004 is based on the opening balance sheet of the Fund at its inception and has been prepared as if the proposed transactions had occurred on June 30, 2004.

The pro forma statements of income of the Fund for the six months ended June 30, 2004 and year ended December 31, 2003 are based on the initial financial statements of the Fund and giving effect to the following adjustments. The pro forma consolidated income statements have been prepared as if the proposed transactions had occurred on January 1, 2003.

- (a) The Fund will issue ● units pursuant to a public offering and concurrent private placement for net proceeds of \$ ● after deducting estimated expenses of the Offering and underwriting fees of \$ ● . The Fund will use the proceeds of the Offering to invest in units and unsecured notes of the Trust.
- (b) The Trust will obtain a syndicated credit facility from Canadian financial institutions comprising a term loan of \$ ● and an operating loan of \$ ● . An interest rate of ● % has been applied on the term loan in preparing the pro forma statements of income. The estimated cost of arranging the credit facility of \$ ● will be deferred and amortized over its term of ● years. The pro forma statement of income for the six months end June 30, 2004 reflect financing charges of \$ ● (year ended December 31, 2003 — \$ ● ) as a result of the term loan.
- (c) The Trust, using funds received from the Fund and the term credit facility, will directly invest in an initial 98% limited partnership interest in the Partnership and the Fund will indirectly invest in a nominal general partnership interest in the Partnership through its wholly-owned

**GIENOW WINDOWS & DOORS INCOME FUND**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**Six months ended June 30, 2004 and year ended December 31, 2004 (unaudited)**  
(in thousands of dollars)

**4. Pro forma consolidated balance sheet and pro forma consolidated statements of income of the Fund: (Continued)**

subsidiary, Gienow Management Inc. The Partnership investment will be accounted for using the purchase method with the purchase price being allocated to the fair value of the acquired assets and liabilities and non-controlling interest as follows:

Net assets acquired before non-controlling interest:

Net working capital .....	\$	●
Property, plant and equipment .....		●
Intangible assets .....		●
Goodwill .....		●
Long-term debt .....		●
		●

Non-controlling interest .....		●
		●
		●

Consideration:

Cash .....	\$	●
Units ( ● Fund units issued to Gienow) .....		●
		●
		●

(d) Gienow will retain certain assets and liabilities:

- (i) Net working capital deficiency of \$3,335, due from related party balances \$3,557, long-term investments of \$2,830, property, plant and equipment of \$1,602 and long-term debt of \$1,211 not related to the windows and doors business of Gienow. Accordingly, the pro forma statement of income for the six months end June 30, 2004 reflects decreases in interest expense of \$27 (year ended December 31, 2003 — \$ ● ), investment income of \$574 (year ended December 31, 2003 — \$461) and depreciation expense of \$24 (year ended December 31, 2003 — \$47).
- (ii) A 2% non-controlling interest in the general partnership units of the Partnership. As a result, the pro forma consolidated financial statements reflect the non-controlling interest.

(e) The Trust, using funds received from the Fund and the term credit facility, will acquire all of the shares of Farley. The acquisition will be accounted for using the purchase method with the purchase price being allocated to the fair value of the acquired assets and liabilities as follows:

Net assets acquired:

Net working capital .....	\$	●
Property, plant and equipment .....		●
Intangible assets .....		●
Goodwill .....		●
Convertible debenture settlement liability .....		●
Warrants settlement liability .....		●
Options settlement liability .....		●
Long-term debt .....		●
Future income taxes .....		●
		●

Cash consideration .....	\$	●
		●
		●

- (f) Immediately following the acquisition of Farley, the Trust will capitalize Farley in an amount sufficient to settle the following acquired liabilities: (1) convertible debenture settlement of \$ ● ; (2) warrants settlement of \$ ● ; (3) option notes settlement of \$ ● ; (4) long-term debt of \$ ● ; and (5) mark-to-market liabilities to settle the interest rate swaps of \$ ● .
- (g) The pro forma statement of income for the six months end June 30, 2004 reflects a decrease in financing charges of \$ ● (year ended December 31, 2003 — \$ ● ) relating to the amortization of the deferred financing on the long-term debt in Farley to be settled.
- (h) The pro forma statement of income for the six months end June 30, 2004 reflects amortization expense of \$ ● (year ended December 31, 2003 — \$ ● ) relating to customer relationships, and trade names and trademarks on a straight-line basis over ● years and ● years, respectively.

**GIENOW WINDOWS & DOORS INCOME FUND**

**NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**  
**Six months ended June 30, 2004 and year ended December 31, 2004 (unaudited)**  
(in thousands of dollars)

**4. Pro forma consolidated balance sheet and pro forma consolidated statements of income of the Fund: (Continued)**

- (i) The Fund intends to make sufficient cash distributions to minimize its income taxes. The Fund will be liable for Large Corporation Tax and U.S. income and withholding tax relating to Farley. Accordingly, income taxes in the pro forma statements of income reflect taxes relating to Farley.
- (j) The Trust, using its term loan, has established a Capital Tax Reserve Fund of \$ ● to fund future capital taxes of Farley.
- (k) The pro forma statement of income for the six months end June 30, 2004 reflects a decrease in other expenses of \$ ● (year ended December 31, 2003 — \$ ● ) relating to existing management fee agreements which will be terminated.

**5. Commitment:**

The Fund has indirectly entered into derivative financial instruments to hedge its exposure to change in interest rates. The effect of the cash flow hedge is to fix interest rates at ● % on \$ ● principal amount of the term loan.

**CERTIFICATE OF THE FUND AND THE PROMOTER**

Dated: September 10, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by 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 the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

**GIENOW WINDOWS & DOORS INCOME FUND,  
BY ITS ATTORNEY,  
GIENOW MANAGEMENT INC.**

By: (Signed) DAVID W. MUNRO  
Chief Executive Officer

By: (Signed) RICHARD L. BOYER  
Chief Financial Officer

On behalf of the Board of Directors

By: (Signed) DAVID W. MUNRO  
Director

By: (Signed) DENNIS R. ZENTNER  
Director

**GIENOW BUILDING PRODUCTS LTD.  
(as Promoter)**

By: (Signed) DAVID W. MUNRO  
Chief Executive Officer

By: (Signed) RICHARD L. BOYER  
Chief Financial Officer

## CERTIFICATE OF THE UNDERWRITERS

Dated: September 10, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by 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 the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

**RBC DOMINION SECURITIES INC.**

**BMO NESBITT BURNS INC.**

By: (Signed) STEPHEN A. MICHELL

By: (Signed) JEFFREY P. WATCHORN



GIENOW

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