This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. 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 U.S. persons except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities laws or pursuant to an exemption therefrom. Accordingly, the securities will only be offered or sold within the United States pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See ''Plan of Distribution''. Certain terms are defined in the Glossary of Terms.

PROSPECTUS

Initial Public Offering January 31, 2002

LIVINGSTON

Advancing Cross-Border Trade

LIVINGSTON INTERNATIONAL INCOME FUND

$151,026,000

15,102,600 Units

This prospectus qualifies the distribution of 15,102,600 units (the ''Units'') of Livingston International Income Fund (the ''Fund''). The Fund is a limited purpose trust established under the laws of the Province of Ontario on January 4, 2002. It has been created to hold, directly or indirectly, the securities of Livingston International Inc. (''Livingston''). The Fund will use the net proceeds of the Offering to acquire, directly or indirectly, the securities of Livingston. See ''Funding and Acquisition'' and ''Use of Proceeds''.

There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under the prospectus. An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. Cash distributions will be based entirely on the ability of Livingston to meet its interest obligations on the Livingston Notes and the ability of Livingston to pay dividends or make other distributions on its Common Shares, which ability will in turn be based upon the business of Livingston, which is susceptible to a number of risks. See ''Risk Factors''.

The Toronto Stock Exchange (the ''TSE'') has conditionally approved the listing of the Units under the symbol ''LIV''. Listing is subject to the Fund fulfilling all of the requirements of the TSE on or before April 25, 2002.

PRICE $10.00 PER UNIT

	Price to the Public (1)	Underwriters' Fee	Net Proceeds to the Fund (2)
Per Unit	$10.00	$0.575	$9.425
Total Offering	$151,026,000	$8,683,995	$142,342,005

Notes:

(1) The price of the Units has been determined by negotiation among the Fund, the LII Securityholders and the Underwriters.

(2) Before deducting expenses of the Offering, the Acquisition and the New Credit Facility, estimated at $4.3 million.

In connection with this offering, the Fund may be considered a ''connected issuer'' of Scotia Capital Inc. and CIBC World Markets Inc. under applicable securities laws. The parent companies of those Underwriters are lenders under a credit facility provided to Livingston. See ''Relationship Between the Fund and Certain of the Underwriters''.

Scotia Capital Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Capital Markets, National Bank Financial Inc. and TD Securities Inc. as principals, conditionally offer the Units, subject to prior sale, if, as and when issued, sold and delivered by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under ''Plan of Distribution'' and subject to the approval of certain legal matters on behalf of Livingston, certain of the LII Securityholders and the Fund by Stikeman Elliott, and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. A book-entry only certificate representing the Units will be issued in registered form to The Canadian Depository for Securities Limited (''CDS'') or its nominee and will be deposited with CDS on the date of the closing, which is expected to occur on or about February 11, 2002, or such later date as the Fund and the Underwriters may agree, but in any event no later than March 11, 2002. A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased.

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ELIGIBILITY FOR INVESTMENT

Subject to compliance with the prudent investor standards and the general provisions and restrictions of the following statutes (and the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, standards, procedures or goals and, in certain cases, subject to the filing of such policies, standards, procedures or goals, the purchase of the Units offered hereunder would not, if the date hereof was the date of the closing of the Offering, be precluded as investments under the following statutes:

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

In the opinion of Stikeman Elliott, counsel for the Fund, Livingston and certain of the LII Securityholders, and Fasken Martineau DuMoulin LLP, counsel for the Underwriters, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, ''Plans'') provided the Fund is a mutual fund trust under the Tax Act. In the opinion of such counsel, based in part on a certificate of Livingston as to factual matters, the Units, if issued on the date hereof, would not constitute ''foreign property'' for the purposes of the tax imposed under Part XI of the Tax Act on Plans (other than registered education savings plans), registered investments and other tax exempt entities, including most registered pension funds or plans, and would not constitute foreign property immediately following the completion of the Acquisition and related transactions if they were completed on the date hereof. Registered education savings plans are not subject to the foreign property rules.

FORWARD LOOKING STATEMENTS

Certain statements in this prospectus are ''forward looking statements'' which reflect management's expectations regarding Livingston's future growth, results of operations, performance and business prospects and opportunities. Such forward looking statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with dependence on cross-border trade, vulnerability to economic conditions, competition, regulatory change, foreign exchange, interest earnings, reliance on key personnel, risks associated with acquisitions, uninsured and underinsured losses, restrictions on potential growth, refinancing and credit and collection. Although the forward looking statements contained in this prospectus are based upon what management believes to be reasonable assumptions, Livingston cannot 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 Livingston assumes no obligation to update or revise them to reflect new events or circumstances.

Livingston's web-site is located at www.livingstonintl.com. The contents thereof are expressly not incorporated by reference in this prospectus.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. For an explanation of certain terms and abbreviations used in this prospectus and not otherwise defined, reference is made to the Glossary of Terms. Unless the context otherwise requires, the term ''Livingston'' where used herein shall include Livingston and its subsidiaries.

In this prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, references to ''$'' are to Canadian dollars and references to ''US$'' are to US dollars.

The disclosure contained in this prospectus assumes that the steps outlined under the heading ''Funding and Acquisition'' have been completed and the Common Shares and Livingston Notes are owned by the Fund.

LIVINGSTON INTERNATIONAL INCOME FUND

The Fund is a limited purpose trust established under the laws of the Province of Ontario on January 4, 2002. It has been created to hold, directly or indirectly, the securities of Livingston. See ''Livingston International Income Fund''.

LIVINGSTON INTERNATIONAL INC.

General

Livingston is Canada's leading customs brokerage company and trade-related services provider facilitating two-way trade between the United States and Canada, the busiest trade lane in the world representing a daily flow of goods across the border valued at approximately $1.6 billion. Livingston offers services and solutions that combine the expertise of highly specialized professionals with the advances of technology and electronic information networks. Livingston provides importers and exporters with the complete spectrum of customs clearance and trade-related services, including brokerage, regulatory compliance, customs and tax consulting, specialized customs and transportation for the trade show industry, outsourcing business services and international and domestic transportation arrangements.

Globalization and liberalization of international trade agreements have led to tremendous growth in trade. With the Free Trade Agreement (''FTA'') signed by Canada and the United States in 1989, and the North American Free Trade Agreement (''NAFTA'') signed by Canada, Mexico and the United States effective in 1994, the Canadian and United States economies have become more tightly linked, with trade volumes between the two countries increasing significantly year after year. As trade has increased, so too has its complexity, despite (and as a result of) the trade agreements. While many duties have been eliminated, the cost and effort to comply with governmental, regulatory and information reporting requirements and to prove eligibility under NAFTA are onerous. As a result of the complexities of the regulatory environment and the information technology requirements necessary to transact directly with governments, customs processing is one of the most frequently outsourced functions in the supply chain.

With over 55 years' experience and approximately 1,650 employees in over 70 offices located at key border points and other strategic locations across Canada and the United States, Livingston facilitates the international movement of goods for its clients, which include numerous Fortune 500 companies such as DaimlerChrysler, Ford, Hewlett-Packard, Freightliner, General Electric, Dupont, Weyerhaeuser, Alcan Aluminum, Inglis, Kellogg, Abbott Laboratories, Shell Chemicals and Avon. From this client base, and as a result of the general increase in trade activity, Livingston has been able to significantly grow its business, clearing an average of 11,000 shipments per day in 2000 compared with 5,000 shipments per day in 1996. Livingston has also consistently increased EBITDA over this period through acquisition activity, increased efficiencies, cost controls and new initiatives.

Over the past four years, Livingston has significantly reinvested in its business incurring capital expenditures totalling approximately $21.5 million. These include the implementation of new information systems, upgrades to its existing technology platforms and various improvements to facilities. Livingston plans to invest a further $10 million over the next two years in order to continue to upgrade its technology and improve its Internet capabilities. See ''Business of Livingston — Capital Expenditures''.

Recognized as one of Canada's *50 Best Managed Companies* in 2000 and again in 2001, Livingston has a proven and profitable business model with skilled and experienced management. It has demonstrated an ability to grow its revenues and profits, successfully integrate acquisitions and manage technological and regulatory change. Livingston believes that it is well positioned to take advantage of the increasing cross-border trade flows that are expected to occur in the future.

Market Leadership Strategy

Livingston's objective is to build upon its leadership position in the industry, and it has adopted the following four-pronged strategy to do so:

Maintain and enhance technological leadership position. Livingston believes that it is a leader in trade-related technology. Maintaining and strengthening Livingston's leadership position will be critical to its continued success as governments continue to automate the customs clearance process. Livingston's management has invested substantial time, effort and financial resources in the development of its information systems and believes that this investment strengthens its competitive edge in the industry.

Expand services to current client base and acquire new clients. Livingston believes that it has the scale, diverse product offerings, client-specific knowledge and advanced technology to retain its existing clients and cross-sell more services to them. Livingston's strategy is focused on becoming a single service supplier of trade-related services, selling the full range of trade-related services to its current client base. Livingston continues to expand its business and will continue to actively pursue opportunities to obtain new clients.

Expand transportation services. Transportation services are a natural extension of Livingston's customs brokerage services, given the strength of the relationship it enjoys with its client base. Livingston has been offering North American transportation services since 1997 and international freight forwarding since 1999 (when it acquired this capability). Although currently representing a small portion of its business, these offerings present an excellent opportunity for growth, and Livingston is aggressively marketing these services.

Strategic acquisitions. Opportunities exist to consolidate smaller customs brokers and offer more integrated solutions to their clients. Livingston is experienced in acquiring and successfully integrating customs brokerage businesses and believes that it is in a strong position to continue to capitalize on the trend of industry consolidation, thereby enhancing its leadership position.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF L.I.I. HOLDINGS CORP.

The following summaries contain financial information of LII Holdings that is derived from, and should be read in conjunction with, the historical financial statements of LII Holdings and the notes thereto that are included elsewhere in this prospectus.

	Eleven months ended November 30	Nine months ended September 30		Years ended December 31		
	2001	2001	2000	2000	1999	1998
	(Unaudited)	(Unaudited)				
	(In thousands of dollars)					
	$	$	$	$	$	$
Income statement data:						
Revenues and interest income	125,940	100,794	94,837	128,197	97,341	87,606
Cost of services	75,771	61,707	56,386	78,467	58,893	53,665
Contribution margin	50,169	39,087	38,451	49,730	38,448	33,941
As a % of revenue and interest income	39.8%	38.8%	40.5%	38.8%	39.5%	38.7%
Selling, general and administrative	26,978	22,320	22,003	29,248	26,464	24,413
Earnings before interest expense, income taxes, other expense (income), depreciation and amortization (EBITDA) (1)	23,191	16,767	16,448	20,482	11,984	9,528
As a % of revenue and interest income	18.4%	16.6%	17.3%	16.0%	12.3%	10.9%

(1) EBITDA is not a recognized measure under Canadian generally acceptable accounting principles (GAAP). Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of Livingston's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Livingston's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies.

SUMMARY OF DISTRIBUTABLE CASH FLOWS OF LIVINGSTON INTERNATIONAL INCOME FUND

Management believes that, upon completion of the transactions described under ''Funding and Acquisition'', Livingston will incur additional administrative and management costs and interest expenses and will require Maintenance Capital Expenditures that are not reflected in the pro forma consolidated statements of income that are included in this prospectus. Although management does not have firm commitments for all of those expenses and, accordingly, the complete financial effects of all of those additional expenses and expenditures are not objectively determinable, management has, based on past experience, estimated that:

- the additional annual administrative and management costs would total approximately $0.3 million;
- ongoing interest expense on the $60 million revolving credit facility along with other ongoing interest obligations would total $0.7 million for the 11 months ended November 30, 2001. The expected annual interest obligation on the $20 million and $10 million term facilities (assuming that they are fully drawn) as described under ''Principal Agreements — Credit Facilities'' would be approximately $1.9 million;
- approximately $0.4 million annually, representing ongoing cash obligations with respect to deferred lease obligations, would be deducted in arriving at distributable cash flow; and
- estimated annual Maintenance Capital Expenditures would total approximately $2.5 million.

Based on the foregoing, management believes that the distributable cash of the Fund for the 11 months ended November 30, 2001 would have been approximately $17.8 million. This figure does not take into account approximately $0.9 million of estimated annual recurring taxes and other items. Over the past three years, an average of 96.0% of the earnings of Livingston before depreciation and amortization was earned during the 11 months ended November 30. There can be no assurance that this was true in 2001. Other than EBITDA, the cash flow items described above would be incurred evenly throughout the year.

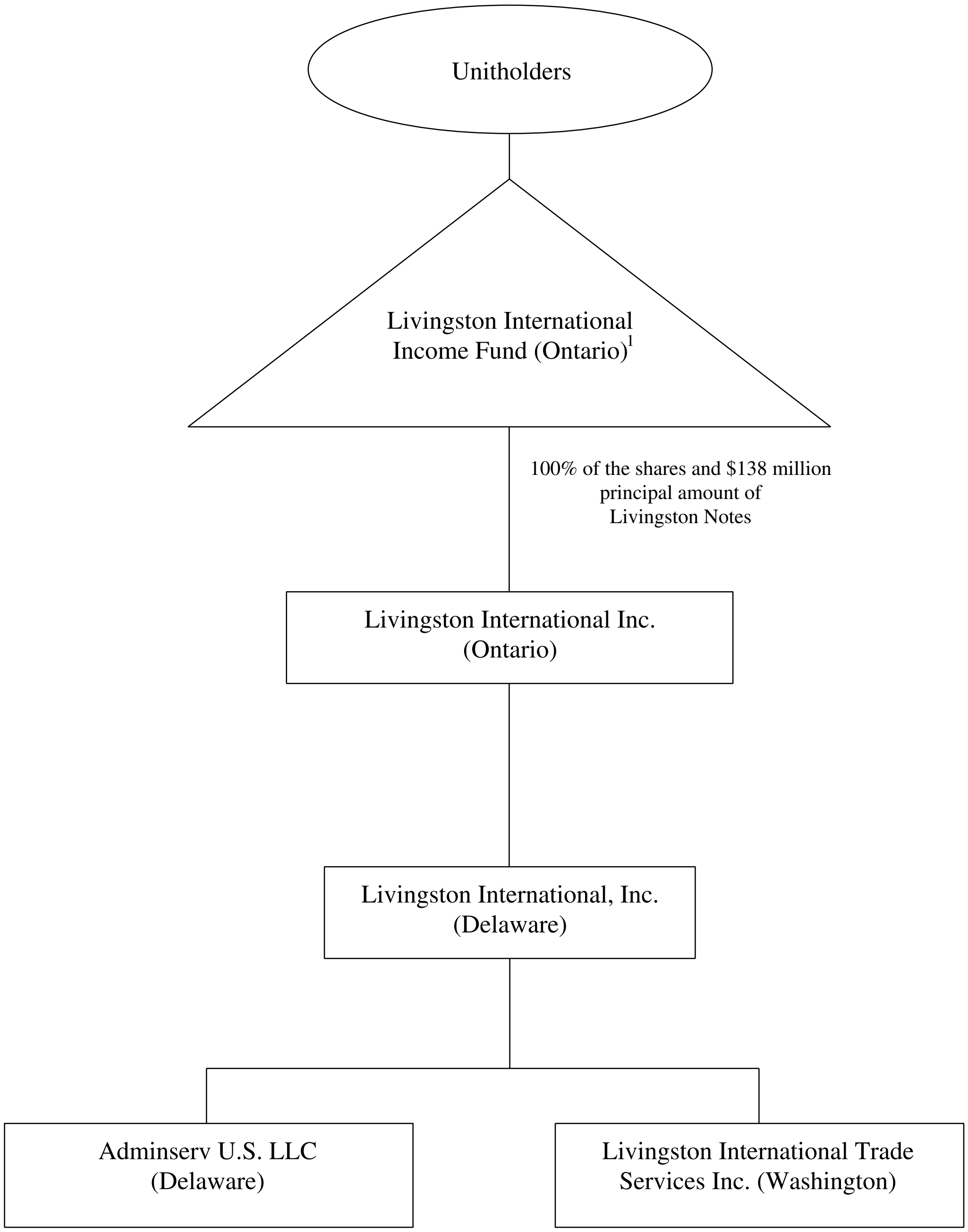
THE OFFERING

Offering:	15,102,600 Units of the Fund.
Amount:	$151,026,000
Price:	$10.00 per Unit payable on closing of the Offering.
Units:	Each Unit represents an equal undivided beneficial interest in the Fund and in any distributions from the Fund. Each Unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to additional payments on account of the subscription price, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of Unitholders. See ''Description of the Fund''.
Use of Proceeds:	The net proceeds of approximately $138.0 million from the issuance of the Units, after deducting expenses of the Offering, the Acquisition and the New Credit Facility, estimated at $4.3 million, will be used by the Fund to pay the purchase price for the Livingston Securities. Following the Acquisition of the Livingston Securities by the Fund, such securities will be transferred to a subsidiary of the Fund, which will, in turn, amalgamate with Livingston, LII Holdings and certain of its affiliates, to form Livingston. Following such amalgamation, the Fund will own all of the Common Shares of Livingston and all of the Livingston Notes. See ''Funding and Acquisition'' and ''Principal Agreements — Credit Facilities''.
Distribution Policy of the Fund:	The Fund intends to make distributions of its available cash to the Unitholders to the maximum extent possible. The Fund intends to make monthly cash distributions of its net monthly cash receipts, less estimated amounts required for the payment of expenses and cash redemptions of Units during the month. The initial cash distribution for the period from the closing of the Offering to March 31, 2002 is expected to be paid on or about April 30, 2002 to Unitholders of record as of a date to be determined. Substantially all of such amount will be considered to be income of the Unitholder for Canadian tax purposes. Holders of Units who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding consequences of investing in the Units. See ''Certain Canadian Federal Income Tax Considerations''.
Distribution Policy of Livingston:	The board of directors of Livingston will, prior to the closing of the Offering, adopt a policy to distribute all of its available cash, subject to applicable law and compliance with its contractual obligations, by way of monthly dividends or other distributions on its Common Shares, after: (i) satisfaction of its debt service obligations, if any; (ii) satisfaction of its interest (including interest on the Livingston Notes) and other expense obligations; (iii) making any principal repayments in respect of the Livingston Notes considered advisable by the board of directors of Livingston, with the consent of the Fund and the holders of the Livingston Notes by Extraordinary Resolution; (iv) capital expenditures as considered appropriate by the board of directors of Livingston from time to time; and (v) Livingston retaining such reasonable working capital, capital expenditure and other reserves as may be considered appropriate by the board of directors of Livingston. It is the intention of Livingston to pay even monthly distributions and it has $3.5 million available to help smooth monthly fluctuations in cash from operations. See ''Share and Loan Capital of Livingston — Distribution Policy''. Except for certain one-time information technology requirements estimated at $10 million, for Maintenance Capital Expenditures of approximately

	$2.5 million annually, or for acquisitions, Livingston does not at this time anticipate that significant capital expenditures will be required in connection with the business. Capital expenditures or other expenditures may be financed with borrowings of Livingston or the Fund or additional issuances of Units by the Fund or securities of its subsidiaries, from the working capital of Livingston and/or from the reserves and/or cash flow of Livingston. See ''Principal Agreements — Credit Facilities''.
Risk Factors:	Investment in the Units is subject to a number of risk factors. Cash distributions to Unitholders depend upon the ability of Livingston to pay its interest obligations under the Livingston Notes and the ability of Livingston to pay dividends or make other distributions on the Common Shares, which may be restricted under its credit facilities. Livingston's income will be earned from its operation of the business, which is susceptible to a number of risks. These risks, and other risks associated with an investment in the Units, include those related to dependence on cross-border trade, vulnerability to economic conditions, competition, regulatory change, foreign exchange, interest earnings, reliance on key personnel, risks associated with acquisitions, uninsured and underinsured losses, restrictions on potential growth, refinancing and credit and collection. In addition, the amount of cash distributions is not guaranteed and will fluctuate with Livingston's performance. See ''Risk Factors''.

FUNDING AND ACQUISITION

The structure of the Fund following completion of the Offering, the Acquisition and related transactions, will be as set out below:



(1) Only principal subsidiaries are shown. All subsidiaries are 100% directly or indirectly held.

INDUSTRY OVERVIEW

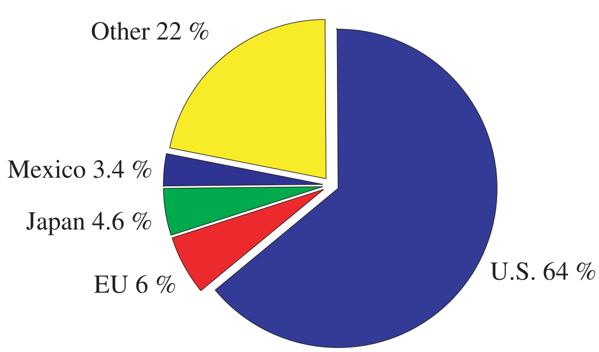
Introduction

Globalization and liberalization of international trade agreements have led to tremendous growth in trade. With the Free Trade Agreement (''FTA'') signed by Canada and the United States in 1989, and the North American Free Trade Agreement (''NAFTA'') signed by Canada, Mexico and the United States effective in 1994, the Canadian and United States economies have become more tightly linked, with trade volumes between the two countries increasing significantly year after year. As trade has increased, so too has its complexity, despite (and as a result of) the trade agreements. While many duties have been eliminated, the cost and effort to comply with governmental, regulatory and information reporting requirements and to prove eligibility under NAFTA are onerous. As a result of the complexities of the regulatory environment and the information technology requirements necessary to transact directly with governments, customs processing is one of the most frequently outsourced functions in the supply chain.

Trade

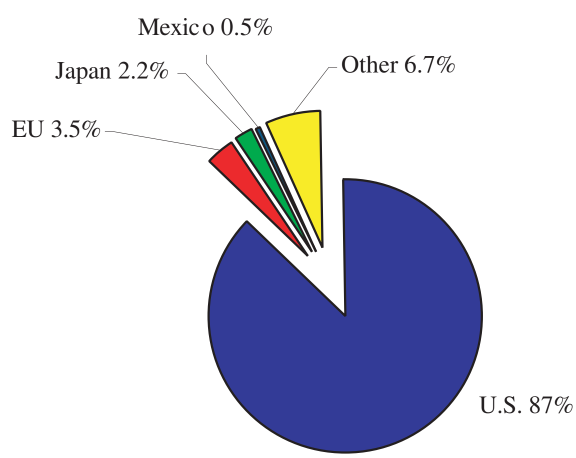
Governments worldwide have instituted policies and initiatives to facilitate international trade. In this global arena, Canada and the United States enjoy by far the largest trading relationship in the world, with daily trade volume of $1.6 billion between the two countries according to Canada's Department of Foreign Affairs and International Trade. In 2000, 87% of Canada's exports were destined for the United States, representing 19% of all United States' imports. Similarly, 23% of the United States' exports were sent to Canada, representing 64% of all of Canada's imports.

Canadian Imports from Select Economies in 2000



64% of Canada's imports are from the U.S.

Canadian Exports to Select Economies in 2000



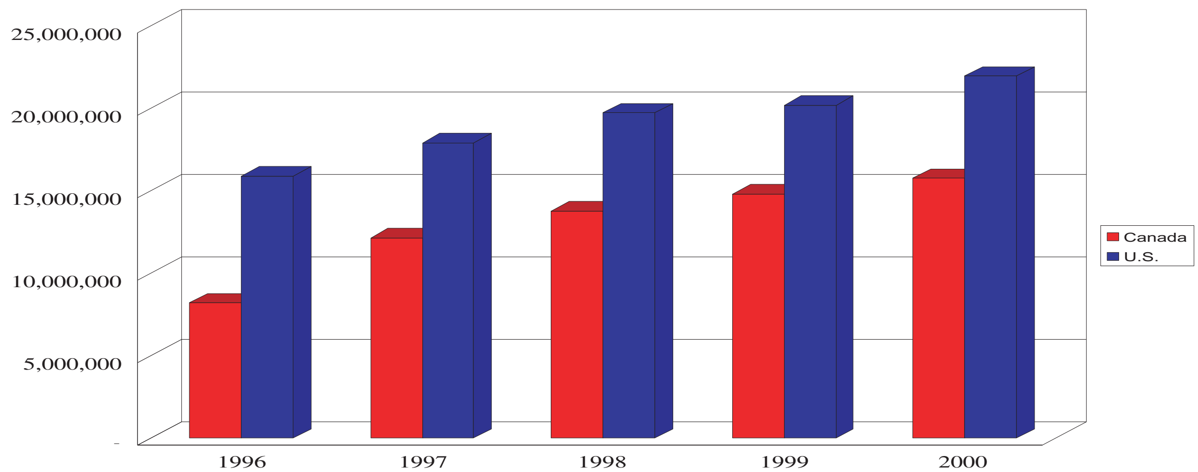
87% of Canada's exports go to the U.S.

Source: Statistics Canada

The advent of increasingly liberal trade agreements since 1989 has provided the impetus for major changes in the supply chains of Canadian businesses. According to Industry Canada, many Canadian firms began changing their strategic focus from a domestic, east-west strategy to one that increasingly involved a north-south flow of goods. Since the FTA was signed in 1989, Canada-United States trade grew from $198 billion to $589 billion in 2000.

In 2000, the Canada Customs and Revenue Agency (the ''CCRA'') processed a total of 15.7 million import transaction entries, compared with 8.2 million import transaction entries in 1996, representing an approximate 91% increase in import transactions during that period and an 18% compounded annual growth rate. The U.S. Customs Service processed 21.9 million import transaction entries in 2000, compared with approximately 15.9 million import transaction entries in 1996, representing an approximate 38% increase in import transactions over that period and an 8% compounded annual growth rate.

Canadian and U.S. Import Transactions
1996-2000



Government Regulation

At the time NAFTA came into force, many North American firms believed that it would create a duty-free trade zone, where goods would move freely across the borders of Canada, Mexico and the United States. However, this has not been the case. While NAFTA has eliminated many duties, the cost and effort necessary to comply with regulations and to prove that goods are eligible for duty-free or reduced duty treatment under NAFTA are onerous. In order to benefit from the privileges afforded under NAFTA, importers must meet very stringent conditions, comply with strict rules of origin and fully document the qualification process used for each component of each product. The complexity and ensuing costs are, as a result, high. While importers are paying less duty, they are now more reliant than ever before on their customs broker to help establish bona fide audit trails, report trade activity and collect supporting documentation in order to substantiate their claim to duty-free or reduced-duty privileges.

In addition to the complexities created by NAFTA, importers and exporters must comply with a wide range of government regulations regarding international trade. The vast majority of goods moving across the United States-Canada border must be reported to customs authorities and accounted for, import and export quotas must be adhered to, special permits are often required, security measures must be taken, duties calculated and collected, goods and services taxes in Canada (''GST'') must be calculated and collected, and compliance with applicable laws must be ensured. In addition, statistical information for each cross-border shipment must be collected and submitted to various government agencies. Governments all have their own technological specifications that govern the way in which importers and exporters and their brokers must communicate this information.

Complicating trade even further is the fact that every product crossing the border must be classified according to the Harmonized Commodity Description and Coding System (the ''Harmonized System''), an official global coding system for goods. In the United States and Canada, the Harmonized System involves over 7,000 and 8,000 different product classifications, respectively.

Compliance Requirements and Initiatives

With the substantial increase in trade volumes during the 1990s, as well as government reductions in funding, customs authorities in both Canada and the United States have had to find new ways to carry out their mandate, which is to maintain border security, ensure that all shipments comply with applicable legal requirements, collect duties and taxes, and report trade activity for statistical purposes. Their response, as outlined in the United States' 1993 *Customs Modernization Act* and Canada's 1999 *Customs Action Plan 2000-2004*, has been to move from transactional monitoring of shipments at the border to a post-entry audit environment, under which importers' compliance is monitored through audits after the goods have entered the country. Customs administrators have redeployed many staff and retrained them to become post-entry compliance auditors rather than reviewers at the border.

These new initiatives have effectively downloaded much of the responsibility for customs compliance from the federal agencies onto the importer of record. Importers must exercise ''informed compliance'' and ensure that they have the required record keeping systems in place to support a customs audit. In addition, they must keep abreast of, and comply with, regulatory changes. Failure to comply with the new requirements can result in the loss of preferential trading privileges, such as those granted under NAFTA, seizure of shipments or the imposition of substantial monetary fines.

One of the major changes continuing to impact the customs brokerage industry is NAFTA. NAFTA has shifted attention from where a shipment originated to where the goods themselves originated. In other words, NAFTA focuses on the composition of the material within a shipment rather than exclusively on the country of origin of the shipment. Products exported from a NAFTA-member country are eligible for preferential tariff treatment if the goods can be proven to have originated in a member country. In order for preferential tariffs to be applied, a *Certificate of Origin* must be provided to customs authorities at the time of entry. Both Canadian and U.S. Customs authorities are continuing to increase their scrutiny of companies claiming NAFTA preferential treatment.

In addition to NAFTA origin issues for importation purposes, the U.S. Customs Service and, to an increasing degree, the CCRA are focusing on audits of companies that export goods under NAFTA and that execute certificates of origin for NAFTA preferential treatment. The purpose of these enforcement actions is to ensure compliance with trade laws and to promote further cooperation with the customs authorities of the other NAFTA-member countries.

Clearing Goods Across the Border

Importing into Canada

The CCRA requires that the vast majority of goods imported into Canada be reported whether or not customs duties are payable. Typically, shipments are reported to the CCRA when they arrive at the international border entry point. All commercial goods imported into Canada must be reported on an approved cargo control document (unless granted special privileges) or, in the case of rail and marine shipments, by electronically transmitting the cargo information using electronic data interchange (''EDI'') before arriving at the Canadian border. The importer is required to submit a final accounting package for shipments imported into Canada no later than five business days after the CCRA releases the goods.

In most cases, a complete accounting package consists of: two copies of the cargo control document; two copies of the invoice; two copies of a *Canada Customs Coding Form*; any import permits, health certificates, or forms that other federal government departments require; and a *Certificate of Origin* (when necessary). The *Canada Customs Coding Form* requires the importer to provide the following information: a description of the goods; the direct shipment date; the tariff treatment; the country of origin; the tariff classification; the value for duty; the appropriate duty or tax rates; and the calculation of duties owing.

Payment of Duties and Requirement to Remit GST — Generally, duties on goods imported into Canada will be levied by the CCRA. ''Duties'' include any duties or taxes levied under the *Customs Tariff*, the *Excise Tax Act*, the *Excise Act* or the *Special Import Measures Act*. ''Customs duties'' generally refer only to the duties prescribed under the *Customs Tariff*. Unless exempt, all commercial goods entering Canada are subject to customs duties. The CCRA ensures that appropriate tariffs are assessed and paid on a timely basis. The tariffs are generally in accordance with the General Agreement on Tariffs and Trade (''GATT'') rules and are based on the Harmonized System for import tariff classification. Each year a new tariff schedule is released that lists the tariff classifications and the corresponding rates of duty applicable.

GST (at a rate of 7%) and similar provincial goods and services taxes must be paid on almost all import shipments. Resident as well as non-resident importers must account regularly to the CCRA for all of their GST transactions. Typically, customs brokers collect the GST from their clients and remit it on their behalf to the Canadian government.

Technology Infrastructure in Canada — Canada's customs clearance system is one of the most progressive in the world and, in many respects, ahead of the United States' system in customs automation. In the early 1990s, the Canadian government developed the infrastructure necessary to efficiently handle the increased traffic generated as a result of the free trade agreements. With EDI capabilities and other electronic systems for filing entries and processing border release, over 95% of all entries are now filed with the government electronically. Under a recently developed CCRA electronic system known as ACROSS (Accelerated Commercial Release Operations Support System), releases and accounting for a shipment can be initiated electronically from any location in Canada in a single step. Based on an importer's profile and risk rating (developed and assigned by the CCRA) and the type of goods being imported, the CCRA will decide to either inspect the shipment or release it. This technology has made it possible for the CCRA to focus on safety and security at the border and to shift from shipment-by-shipment inspections to post-entry audits. Currently, about 60% of all commercial imports cleared by a broker are processed electronically through ACROSS.

Importing into the United States

The U.S. Customs Service requires that almost all goods imported into the United States be reported to the port director at the designated location within ten days of the arrival of the shipment. The required documents consist of an entry manifest or other form required by the port director, evidence of the right of the goods to enter the country, commercial or pro forma invoices, packing lists and any other documents necessary to determine admissibility. Additionally, appropriate documents must be filed to enable the U.S. Customs Service to assess duties payable on the goods and the entry documentation must be accompanied by proof that a bond has been posted with the U.S. Customs Service to cover the potential duties, taxes and other charges that may accrue. All such documentation can be filed electronically through the Automated Broker Interface (ABI) program of the U.S. Customs Service Automated Commercial System.

Payment of Duties — Within ten working days of the release of goods in the United States, the entry summary must be filed with the estimated duties attached. The amount of duty payable is based on the classification of the goods under the Harmonized System. Trade agreements, such as NAFTA or the Generalized System of Preferences, eliminate tariffs on those goods that qualify and meet specified requirements. In most cases, the payment of duties is processed electronically through an automated clearing house.

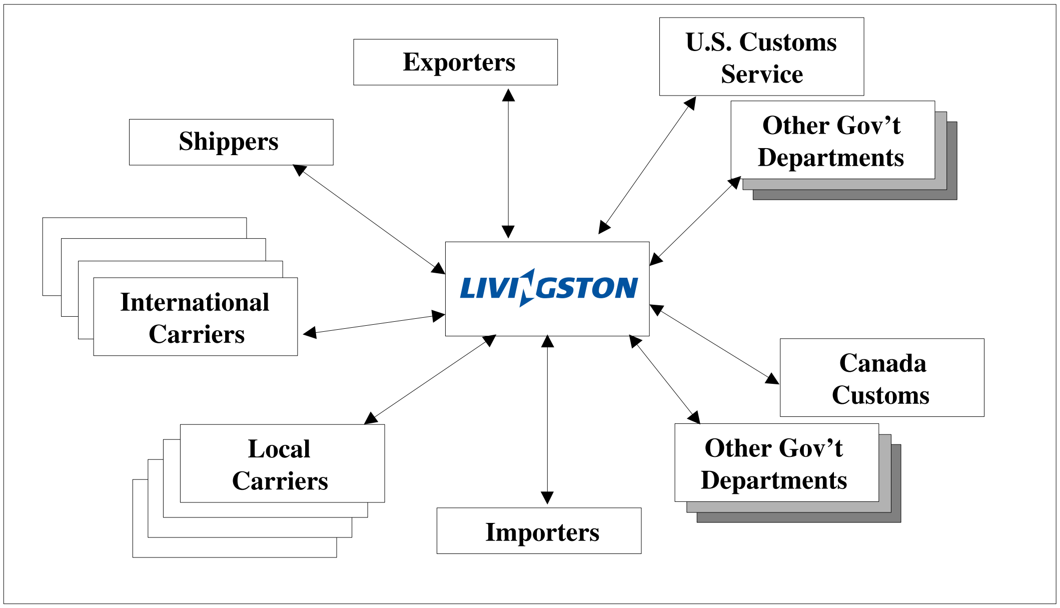
Under current regulations, the duties accruing on an entry must be determined within one year of the date of entry unless extended or suspended. Entries for which final duties have not been assessed within one year are deemed to be subject to the rate of duty, value, quantity and amount of duties asserted by the importer at the time the entry summary was filed.

Technology Infrastructure — The U.S. Customs Service's information systems are well-developed and handle tremendous volumes of transactions daily. They are, however, aging and need to be upgraded to deal with the vast quantities of information processed by the U.S. Customs Service. A program known as ACE (Automated Customs Environment) is expected to make dramatic improvements to these systems. ACE has not yet been implemented and is expected to take approximately five years to complete. ACE is required to fully facilitate several major improvements aimed at reviewing and enforcing compliance and speeding border clearances. Remote entry filing will eliminate the current requirement to file a customs entry at the entry port through which goods enter the United States. This will result in higher levels of automation and centralization of customs brokerage work currently performed at ports of entry. ACE will also include improvements that will enable more goods to be released upon presentation of electronic information. ACE is expected to allow U.S. Customs Service officials to focus on enforcement and compliance rather than on entry clearance. In the past, the United States Congress had been slow to appropriate the substantial necessary funds for ACE. Only recently has there been more impetus for accelerated funding, and new funds were appropriated last year. The U.S. Customs Service has already implemented a number of prototype systems that will accelerate the design of ACE.

Customs Brokerage Business

Customs brokers facilitate the movement of goods across borders through the customs process, acting as agents on behalf of their clients. They make it easier for companies to comply with complex, constantly changing trade regulations emanating from virtually every government department (e.g. the Food and Drug Administration and the Department of Transport in the United States, or Environment Canada and the Department of Foreign Affairs and International Trade in Canada). These regulations are implemented by governments through a myriad of automated and semi-automated processes. Brokers review all the documentation required for a shipment, prepare the documentation to be delivered to customs authorities, arrange for customs bonds, assist in the classification of the goods and remit the duties and taxes required by the government.

Role of the Customs Broker:
Managing the Flow of Goods and Information



To facilitate the movement of goods across the border, customs brokers manage the flow of information related to those goods from the key participants involved in the supply chain: the shipper, exporter, carrier(s), importer, customs administration(s) and other government departments. According to a 2001 industry survey, customs processing is the supply chain function that is most suitable for outsourcing. The vast majority of businesses do, in fact, outsource their customs brokerage function to a customs broker, which acts as an intermediary between the importer and the applicable government agency for approximately 80% of imports into Canada according to Industry Canada estimates. Generally, companies prefer to deal with a single customs broker for all of their import activity, as this facilitates both the physical movement of their goods as well as their regulatory compliance. Furthermore, it is usually the customs broker who maintains their tariff databases containing the appropriate classifications of their goods. As a result, it can be a disruptive, risky and costly process to switch brokers and relationships with clients tend to be long-term.

According to Livingston estimates, transaction fees generated by the Canadian customs brokerage industry amounted to approximately $500 million in 2000. Transaction fees generated by the U.S. customs brokerage industry are estimated to have amounted to over US$1 billion for the same period. The customs brokerage industry has experienced steady growth, which is expected to continue over the medium to long term due to expected increases in international trade, particularly between the United States and Canada.

Industry Trends

Expansion of Trade Generally

The globalization of markets and the lowering of tariff and non-tariff barriers by governments worldwide have stimulated international trade. In Canada, the value of total imports grew by 53% from $233 billion in 1996 to $357 billion in 2000. In the United States, the value of total imports grew by 67% over the same period from $1,084 billion to $1,807 billion. Furthermore, the value of goods exchanged exclusively between Canada and the United States has also grown steadily, from $198 billion in 1989 to $589 billion in 2000, representing a 10% compounded annual growth rate.

Increasing Complexity, Reporting Requirements and Enforcement

While international trade has grown, trade regulations among countries have complicated the movement of goods and increased the requirements to file trade-related information. Industry experts estimate that successful cross-border transactions require participation by an average of 27 parties. Every country has a unique set of tariffs, duties, classification codes and restrictions associated with cross-border shipments. Both the United States and Canadian governments have been shifting resources to compliance audits and have had strong audit programs in place since 1997. In Canada, and even more so in the United States, customs legislation, increased reporting requirements and the shift to post-entry compliance audits, with financial penalties potentially applying to current and prior shipments, have increased both the complexity of trade and the associated risks to importers.

Need for Speed and Automation

Both the Canadian and United States governments have automated much of the customs clearance process. The introduction of EDI has enabled customs authorities to redirect resources towards audit and enforcement rather than processing customs paperwork at border crossings. This reduces the risk of shipments being delayed at the border, but increases clients' risk of penalties arising from non-compliance.

Pre-arrival customs reviews of documentation before the goods arrive at the border is also increasing in popularity. This requires the coordination of information from all players in the supply chain (importers, exporters, shippers, carriers and government departments) before electronic presentation of documents to the CCRA or the U.S. Customs Service.

As the global marketplace increases reliance on ''just-in-time'' inventory management, importers and exporters become more and more dependent on reliable, efficient and timely clearing of their goods. Increasing demands by clients for on-line information also require customs brokers to provide instant access to the status of shipments.

State-of-the-art information systems are likely to be the key success factor for customs brokers in the future. Brokers who are not sufficiently automated will not be cost competitive and will not be able to provide the service levels required in this global, fast-paced, increasingly complex trade arena. The substantial investment needed to acquire or update such information systems is likely to act as a barrier to entry and reduce the number of existing brokers who have the capacity to acquire or develop and maintain such systems.

Consolidation in the Industry

Historically, the customs brokerage industry was dominated by small, local or regional, family-owned businesses. Over the past several years, the number of Canadian customs brokers has declined dramatically, as the industry undergoes a consolidation phase. According to management estimates, approximately 280 firms offered customs brokerage and related services in Canada in 2000, down from about 335 in 1993 and from over 510 in 1982. The cost of the requisite technology infrastructure, the need for regulatory expertise and the financial resources required to facilitate GST remittances on behalf of clients have accelerated the consolidation of the industry.

In the last decade, there have been few if any significant new entrants in the industry. Client relationships tend to be long-term and difficult to change, and new entrants require a substantial number of years to build up a client base. Existing and anticipated government regulations coupled with clients' demand for broad geographic coverage and faster access to more detailed information, require a substantial capital investment in sophisticated automated systems, software, hardware and telecommunications equipment.

LIVINGSTON INTERNATIONAL INCOME FUND

The Fund is a limited purpose trust established on January 4, 2002 under the laws of the Province of Ontario by the Declaration of Trust. See ''Description of the Fund''. The principal and head office of the Fund is located at 405 The West Mall, Toronto, Ontario M9C 5K7.

The Fund has been established to hold, directly or indirectly, the shares of Livingston and the Livingston Notes. To the maximum extent possible, the Fund intends to make cash distributions to Unitholders of amounts received as interest income earned from the Livingston Notes, dividends and other distributions on the Common Shares, less estimated amounts required for the payment of expenses and cash redemptions of Units. See ''Description of the Fund — Cash Distributions''.

BUSINESS OF LIVINGSTON

Company Overview

Livingston is Canada's leading customs brokerage company and trade-related services provider facilitating two-way trade between the United States and Canada, the busiest trade lane in the world representing a daily flow of goods across the border valued at approximately $1.6 billion. Livingston offers services and solutions that combine the expertise of highly specialized professionals with the advances of technology and electronic information networks. Livingston provides importers and exporters with the complete spectrum of customs clearance and trade-related services, including brokerage, regulatory compliance, customs and tax consulting, specialized customs and transportation for the trade show industry, outsourcing business services and international and domestic transportation arrangements.

Globalization and liberalization of international trade agreements have led to tremendous growth in trade. With the FTA signed by Canada and the United States in 1989, and NAFTA signed by Canada, Mexico and the United States effective in 1994, the Canadian and United States economies have become more tightly linked, with trade volumes between the two countries increasing significantly year after year. As trade has increased, so too has its complexity, despite (and as a result of) the trade agreements. While many duties have been eliminated, the cost and effort to comply with governmental, regulatory and information reporting requirements and to prove eligibility under NAFTA are onerous. As a result of the complexities of the regulatory environment and the information technology requirements necessary to transact directly with governments, customs processing is one of the most frequently outsourced functions in the supply chain.

With over 55 years' experience and approximately 1,650 employees in over 70 offices located at key border points and other strategic locations across Canada and the United States, Livingston facilitates the international movement of goods for its clients, which include numerous Fortune 500 companies such as DaimlerChrysler, Ford, Hewlett-Packard, Freightliner, General Electric, Dupont, Weyerhaeuser, Alcan Aluminum, Inglis, Kellogg, Abbott Laboratories, Shell Chemicals and Avon. From this client base, and as a result of the general increase in trade activity, Livingston has been able to significantly grow its business, clearing an average of 11,000 shipments per day in 2000 compared with 5,000 shipments per day in 1996. Livingston has also consistently increased EBITDA over this period through acquisition activity, increased efficiencies, cost controls and new initiatives.

Over the past four years, Livingston has significantly reinvested in its business incurring capital expenditures totalling approximately $21.5 million. These include the implementation of new information systems, upgrades to its existing technology platforms and various improvements to facilities. Livingston plans to invest a further $10 million over the next two years in order to continue to upgrade its technology and improve its Internet capabilities. See ''Business of Livingston — Capital Expenditures''.

Recognized as one of Canada's *50 Best Managed Companies* in 2000 and again in 2001, Livingston has a proven and profitable business model with skilled and experienced management. It has demonstrated an ability to grow its revenues and profits, successfully integrate acquisitions and manage technological and regulatory change. Livingston believes that it is well positioned to take advantage of the increasing cross-border trade flows that are expected to occur in the future.

Products and Services

Livingston operates three business lines: (i) Canadian customs brokerage services; (ii) U.S. customs brokerage services; and (iii) other services, including trade consulting services, specialized services for the trade show industry, trade-related outsourcing services and transportation services.

Customs Brokerage Generally

As a customs broker, Livingston is engaged by its clients to effect the release of merchandise for entry into Canada or the United States in accordance with customs and other applicable regulations. Livingston coordinates all events in the clearance process and communicates the status of a shipment to its client from the time of the shipment's arrival at the border through customs clearance.

In order to effect the clearance of merchandise, Livingston receives commercial and transportation documentation, reviews it for completeness and accuracy, prepares and files documents necessary for the goods to clear customs, assists the importer in obtaining the appropriate commodity classification for the goods, arranges for payment of freight charges if required, and remits duties and taxes to the appropriate government authority on behalf of the client. These services are provided by Livingston's licensed customs brokers and support staff, who have substantial knowledge of and experience in the complex tariff system and government regulations applicable to customs duty payments and other fees, commodity classifications and valuation and import restrictions on both sides of the border. In addition to being regulatory experts, Livingston's employees have developed substantial customs brokerage expertise within particular industries such as the automotive, chemical and high-tech industries.

Livingston also uses an extensive technological infrastructure to provide these services. Livingston's customs brokerage business is a leading user of EDI, processing more than 3.3 million electronic documents by EDI each year. In addition to Livingston's on-line customs brokerage system, Livingston has developed a series of proprietary information technology-based tools specifically for clients, some of which are Internet-enabled applications. These tools, which include Insight®, ClearLinx® Export to Canada, ClearLinx® USA, CustomsInfo© and Partner™, have been developed based on open standards, universal reach and a powerful browser interface. Accessible 24 hours a day, clients use these systems to see into their supply chain and access customs release notification, carrier data, shipment details, CCRA accounting information, on-line images of documents for storage purposes, and CCRA and U.S. Customs Service audit requirements. The systems provide real-time financial and strategic information, which can result in cost-savings through better decision-making regarding supply chain matters involving product sourcing, transportation options, tariff and duty reductions, customs compliance and risk management. See ''Information Technology''.

Clients typically use Livingston for all their customs brokerage needs. Importers generally prefer to deal with a single customs broker for all of their import activity, as this increases the speed with which their goods are released for entry and can simplify the process of regulatory compliance. It can be a disruptive, risky and costly process to switch customs brokers given the high set-up costs involved in the business and since the customs broker maintains the tariff databases containing the appropriate classifications of their goods. In order to ensure that high quality services are provided, Livingston's employees become familiar with each client's shipping patterns, industry, carriers and business rules for dealing with special situations. Livingston accomplishes this by forming client service teams to seek to foster long-term relationships.

With respect to new clients, Livingston carefully plans and executes new client implementations. In addition to the start-up costs involved when a client switches brokers, there is also a steep learning curve on the part of the new broker that can affect service levels. With its breadth of experience and infrastructure, Livingston is able to integrate new clients with a minimum of difficulty.

For providing such services, Livingston charges a transaction fee to its clients for each of their commercial shipments imported into Canada or the United States. Accordingly, revenue growth in this business line is driven by the number and complexity of shipments crossing the border as opposed to the dollar value of such shipments. Livingston's fees vary with: (i) the complexity of the work required to file the proper information with the CCRA or the U.S. Customs Service, as the case may be, and other government departments and agencies; (ii) the extent to which the importer's shippers can provide information electronically rather than on paper; and (iii) specific client requirements in terms of reporting and special shipment handling. Generally speaking, customs brokerage fees represent approximately 1/10th of 1% of the value of the goods imported on an overall basis.

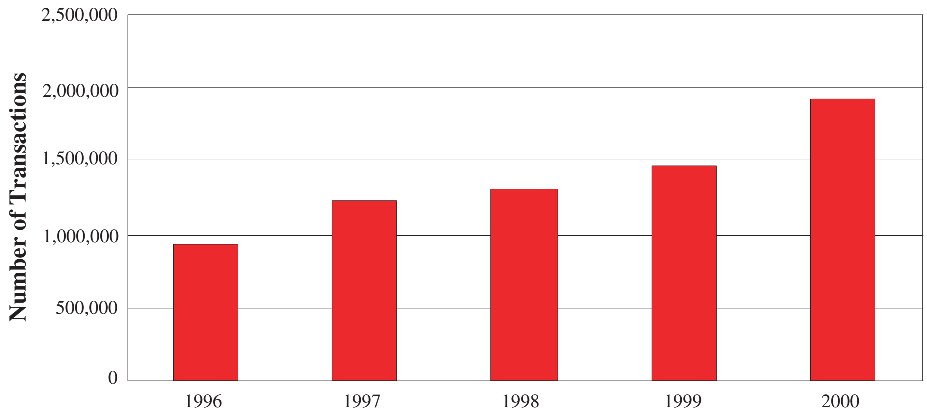
Canadian Customs Brokerage Services

The Canadian customs brokerage operations are the historical mainstay of Livingston. Livingston processes air, sea, rail, and truck shipments into Canada for any type of goods imported into Canada from anywhere in the world to seek to ensure that the requirements of the CCRA as well as many other Canadian government departments are met.

These brokerage services are provided to over 9,500 clients consisting primarily of Canadian companies importing goods from the United States, but also including Canadian companies importing from around the world and a growing number of non-resident importers located mostly in the United States. The services are delivered by approximately 800 people located at 38 release ports with the use of an extensive on-line computer network and proprietary system.

The number of import transactions that Livingston clears has grown steadily from approximately 0.9 million in 1996 to 1.9 million in 2000, representing a 21% compounded annual growth rate.

Livingston's Import Transactions into Canada



The basic customs brokerage transaction service includes the maintenance of client databases for frequently imported goods, the collection and maintenance of certificates of origin, the release function (which allows goods to enter Canada), the classification of goods to assign Harmonized System codes, determining taxes and duties, the filing of entries with the CCRA, some post-entry analysis, the filing of duty draw backs, claims processing, and payment of duties and taxes on behalf of clients.

Through Livingston's on-line network, clients and their vendors can connect via EDI through computer terminals connected to the Livingston system or through personal computers in their offices connected via public networks to real-time systems at Livingston. The network is also connected to the CCRA for the transmission of entries and adjustments.

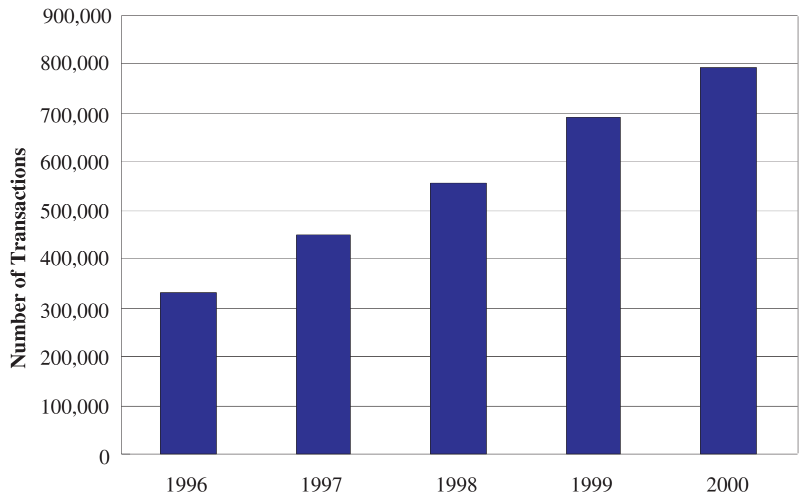
In Canada, GST is charged on the value of almost all goods imported. Typically, Livingston collects the GST from its clients and remits it on their behalf to the Canadian government. Depending on the time of shipment, Livingston may submit the GST payment on behalf of its client, invoice the client and collect these amounts from them. In some instances, clients, particularly larger ones, remit GST directly to the CCRA. To mitigate the risk associated with large GST payments, Livingston obtains CCRA-approved GST undertaking letters from select clients allowing Livingston to withhold GST payments from the government should those clients fail to pay Livingston. Government remittances are made monthly by the customs broker on the last day of every month. Livingston collects and remits approximately $3.4 billion in GST each year on behalf of Canadian importers.

U.S. Customs Brokerage Services

Livingston's U.S. customs brokerage business line is substantially similar to Livingston's Canadian brokerage services. Livingston's primary function is to ensure that the requirements of the U.S. Customs Service and other government agencies are met with respect to its clients' shipments into the United States. Current United States brokerage services are sold primarily to Canadian exporters. In order to sell its products in the United States, a Canadian supplier generally must ship its goods to its client in the United States as seamlessly as if it were an American supplier. In fact, whether a United States company is importing from Canada or a Canadian company is exporting to the United States, it is usually the Canadian company that has to make arrangements for the goods to cross the border. Accordingly, Livingston started offering its U.S. customs brokerage service to existing clients in 1993. Over half of Livingston's more than 3,500 U.S. brokerage clients are also Canadian brokerage clients. The advantage to Livingston is its ability to cross-sell additional services to existing clients and use the same credit, billing and accounts receivable processes.

The number of U.S. import transactions cleared by Livingston has grown steadily from 330,000 in 1996 to 790,000 in 2000, a 24% compounded annual growth rate.

Livingston's Import Transactions into the United States



Livingston's United States service offerings involve the same processes and ancillary services as their Canadian counterparts. The key difference is that the information requirements of the U.S. Customs Service and other U.S. government departments are somewhat different, as are their automated systems. Consequently, the computer systems and the technical trade and customs expertise required are unique to the United States. Services are delivered by approximately 200 employees located at 26 release ports and a main service centre/classification hub located in Buffalo, New York. This structure is well-positioned to take advantage of the United States Customs Remote Filing initiative, which is similar to the Canadian system described above. Livingston's United States operations are also EDI capable.

Other Business Lines

Trade Consulting Services

The increased complexity of trade resulting from NAFTA and other free trade arrangements poses serious compliance challenges to importers. Generally, most importers and exporters lack the expertise to effectively manage the onerous filing and reporting requirements mandated by both Canadian and U.S. governments. Some of the greatest challenges facing companies engaged in cross-border trade include: incomplete or inaccurate documentation supplied by the exporter of goods; poor record management; valuation and commodity tax discrepancies; improper application of Harmonized System commodity classification codes; and inaccurate reporting of the quantity and value of imports.

Livingston's consulting revenues have almost tripled since 1997, from approximately $3 million to $8.4 million in 2000. As the complexity of trade regulations increases, so does the opportunity to provide consulting services. Livingston's client relationships and market presence in this field have facilitated the cross-selling of trade consulting services to its existing customs brokerage clients.

In this line of business, Livingston provides senior management level consulting relating to international trade. Livingston's trade consulting services have been developed specifically to improve Canadian and United States-based importers' and exporters' trade management processes and practices in seven key areas:

Data Management — To qualify for preferential duty-free or reduced-duty treatment under NAFTA, importers must prove the products they are importing do in fact qualify. For large importers, obtaining the necessary supporting documentation (certificates of origin and other information) from their many vendors and then reviewing this information for completeness and accuracy is tremendously burdensome, albeit necessary to prove eligibility for such preferential status. Some larger importers outsource this activity to Livingston.

Compliance Reviews — Livingston helps clients prepare for customs audits. Livingston will review a client's processes and audit trails and then provide an assessment report indicating that client's likelihood of passing a trade compliance verification audit by either Canadian or U.S. customs authorities. Livingston will then suggest remedial procedures, if necessary, and assist in their implementation.

Duty Recovery — Livingston identifies opportunities for reducing duties that have been overlooked and helps clients recover overpayments to customs authorities made in error.

Rules of Origin — Livingston helps clients take advantage of the preferential tariff treatment for which a client may qualify by determining whether that client's products qualify for special free trade status and by developing the necessary audit trail. Livingston also assists these clients in obtaining origin certificates from their suppliers, as required by NAFTA.

Customs Valuation — Livingston conducts a strategic analysis of how clients calculate the value of their imports for duty-calculation purposes (''value for duty''), to ensure that the appropriate duty is paid. The value for duty is the amount that serves as the basis for the calculation of customs duties and other applicable taxes.

Commodity Tax — Livingston consultants have a thorough understanding of tax relief and all available government programs applicable to various businesses. They work with clients to identify ways to avoid paying unnecessary duties, including duty drawbacks, duty remission programs, temporary import provisions and other duty relief programs applicable to the client.

Disputes — Livingston has a staff of experienced international trade legal experts, chartered accountants and former senior government officials who are able to represent clients in trade actions and other disputes.

Specialized Services for the Trade Show Industry

Mendelssohn is the trade name through which Livingston provides specialized customs and transportation services to the trade show and exhibition industry. Trade show and special exhibition events are characterized by unique customs brokerage needs that begin well in advance of the trade show event. Mendelssohn helps exhibitors make all the necessary arrangements from transportation to obtaining special permits. Exhibitors import many items temporarily (the duration of the trade show), then export them immediately after the show. It is critical that the goods arrive on time and are cleared promptly. Mendelssohn provides special client services, including immediate response to customs clearance and shipment transportation and tracing needs. Goods often arrive at the destination city the night prior to a show or an exhibition and must be cleared immediately to allow sufficient time for the booth and trade exhibits (ranging from vehicles to computer equipment to boats) to be set up. Due to the brief duration of a trade show or exhibition, goods are cleared at the show site. Mendelssohn also facilitates the payment of duties and taxes to be paid on those goods that have been imported temporarily and end up remaining in the country permanently.

To meet the unique requirements of this industry, Mendelssohn's staff work at the actual show site. Mendelssohn's client focus, responsiveness and technical expertise, combined with the scale of Livingston's operations coast to coast, make Mendelssohn the dominant customs broker in this unique industry. Mendelssohn is the official recognized broker for four of the most important convention centres in Canada: Metro Toronto Convention Centre, Sheraton Centre (Toronto), National Trade Centre in Toronto and Quebec Convention Centre. Mendelssohn is also the preferred vendor of the majority of trade shows held in Canada. In 2000, it serviced 855 of the 1,023 total events held in Canada, representing a market share of over 80%. It increased its market share even further in 2001 to over 90%, servicing 1,034 of the 1,103 trade shows. This ''preferred status'' assures exhibitors that they are dealing with a customs broker who has the expertise, scale of operation and, most importantly, a physical presence at the show to ensure a successful exhibition.

Livingston charges foreign trade show participants (exhibitors) fees for temporarily clearing the goods to allow their trade show materials and samples to enter Canada. These fees are based upon the complexity and timing of the work required. If Livingston is also arranging for the transportation of the goods to and from the show, the exhibitor may be charged a markup on the freight charges incurred.

Mendelssohn is identified in the marketplace as a Livingston company. The majority of Mendelssohn's clients are U.S.-based companies, while others are large international firms. Most or all are selling products into the Canadian marketplace. Often, these companies also have Canadian subsidiaries. This provides another opportunity for Livingston to be identified as a trade services provider offering a breadth of expertise, capabilities and services. Mendelssohn participates actively to promote Canada as a destination for trade shows, working closely with Canadian and local governments and industry and tourism associations.

Trade-Related Outsourcing Services

Adminserv is a division of Livingston providing business outsourcing services, which are generally trade-related. These include data management services, regulatory filing, call-centre management and compliance administration. These services are characterized by the specific expertise required to manage highly variable workloads with stringent quality assurance requirements, across a broad geographic area in Canada. The model developed to drive and operate this service is based on a variable cost structure, whereby the labour force fluctuates based on the amount of work to be performed. This model keeps labour costs directly in line with performance output and can be readily adapted to similar contractual outsourcing opportunities.

Adminserv provides Canada Post Corporation with data management services at international parcel clearance centres as part of the overall parcel handling and clearance process for packages that arrive from foreign countries to be delivered by the Canadian postal service. These packages must be labelled and bar-coded, inspected by CCRA officials if deemed necessary, and cleared for delivery by Canada Post. Adminserv is ISO 9002 certified and uses innovative labour practices to manage a variable workload.

Livingston also acts as the Registrar of Imported Vehicles (''RIV''). Operated under contract with Transport Canada, RIV is Canada's used-vehicle importation program with data management services. This program was established by Transport Canada to ensure that used motor vehicles being imported into Canada, predominantly from the United States, comply with regulatory filing requirements and meet Canadian vehicle safety and environmental regulations and standards.

North American Transportation

In 1997, Livingston commenced operating a cross-border transportation service, which is being marketed and sold primarily to its existing client base. The service operates both northbound into Canada and southbound into the United States. This service provides seamless customer service from the point of origin of a shipment through to final delivery at the client's destination. Livingston arranges for local pick-up of goods in the exporting country, arranges for the border crossing using its transport facilities that include a number of contracted air and truck carriers, and arranges for local delivery in the importing country. In the case of less-than-truck-load (''LTL'') shipments, Livingston has them delivered to its cross-dock operations in the exporting country, ensures the shipment will meet the requirements for quick border clearance, then consolidates a load to cross the border. Cross-dock and border crossing operations are now in place in the Buffalo-Toronto, Vermont-Montreal, Detroit-Windsor and Blaine, Washington-Vancouver corridors.

This service also covers full truck load and air shipment requirements. This is a largely non-asset based business model, as Livingston generally subcontracts the actual transportation out to carriers.

Livingston's transportation service is appealing to clients for several reasons. First, it resolves the potential problem clients currently have if their LTL cargo is held up at a border crossing due to other companies' shipments on the truck (handled by other brokers) failing to meet customs requirements. Second, national/regional transportation rates in both countries (rather than international rates) and Livingston's ability to use its volume purchasing capabilities make the transport costs very attractive. In addition, there is the appeal of dealing with one party, Livingston, rather than several vendors, for the entire import transaction. This simplifies matters for the client and makes the delivery of its goods more predictable.

Livingston earns its revenues on a per-shipment-handled basis. A few larger clients also pay Livingston a monthly fee for handling their transportation requirements on an outsourced basis.

International Freight Forwarding

Freight forwarding is an additional service that Livingston believes adds value to its existing clients who are currently using other forwarders, while using Livingston as their single customs broker. Livingston began offering an international freight forwarding capability in 1999. In 2001, Livingston began to invest in improving the capability and capacity of the information technology used in this business to allow for expansion.

International freight forwarding is a non-asset-based business. As it does in the North American transportation industry, Livingston arranges for the pick-up and shipment of goods to the importer. Generally, Livingston accomplishes this through agency agreements with transportation providers in Europe and the Far East who will pick up or deliver the goods on behalf of Livingston's Canadian clients. Livingston uses volume-buying capabilities in its arrangements with the actual transportation providers and charges a margin to customers.

Customs brokerage and international freight forwarding are often provided by the same service provider, resulting in many natural synergies. With this additional transportation offering, Livingston is better able to compete for customs brokerage business. In addition, it has access to a new revenue source from its existing client base.

Livingston believes it is well placed to sell international freight forwarding services to its existing clients, representing a significant growth opportunity. Particularly interesting is Livingston's ability to leverage existing client relationships to generate additional revenues with few capital requirements. Livingston acts as the freight broker, using third party air and ocean carriers, following a non-asset based business model.

Bonding Arrangements

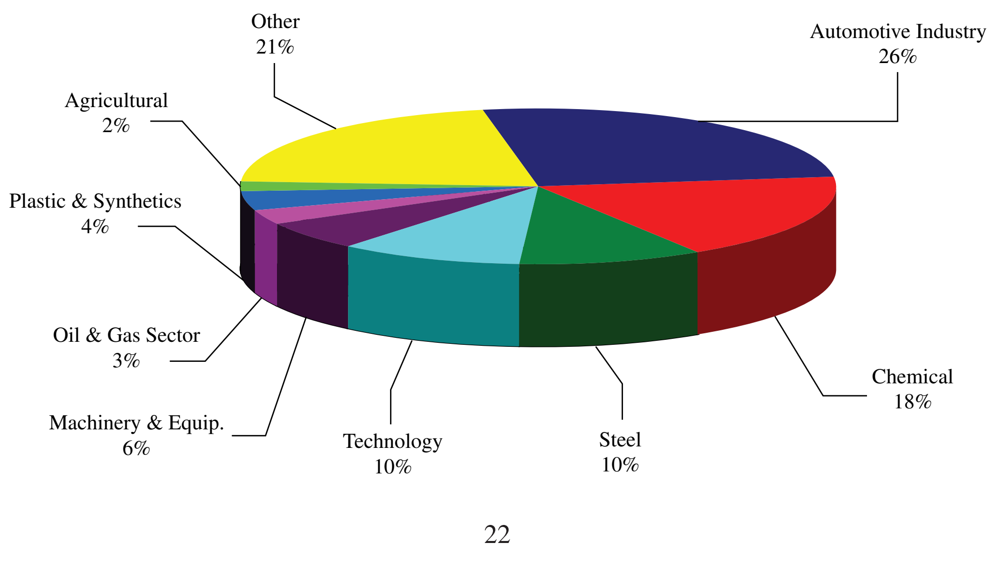
Livingston has several bonds filed with the CCRA and the U.S. Treasury Department to facilitate its customs brokerage, specialized trade show and international freight forwarding operations. The bonds, which range in value from $20,000 to $10 million, serve four primary functions. First, certain bonds guarantee payment of duties and taxes on imported goods, thus allowing Livingston to arrange for the release of clients' goods prior to the payment of such duties and taxes. Second, bonds have been filed with the CCRA in support of Livingston's specialized services for the trade show industry to facilitate the temporary clearing of goods into Canada by guaranteeing the payment of duties and taxes on the imported goods in the event that they are not exported within one year. Third, certain bonds allow Livingston's freight forwarding, North American transportation, trade show and customs brokerage operations to move goods in bond from the customs port of entry at the border to an inland customs port for clearance. For Livingston's freight forwarding operations, the bond allows for the movement of goods from one bonded warehouse to another during the customs clearance or export process. The trade show operation requires this bond in order to move goods from the customs port of entry to the trade show site for customs processing. Finally, certain bonds are required as a condition of the licence pursuant to which Livingston is authorized to operate customs brokerage offices.

Clients

With over 13,000 clients ranging from large automotive manufacturers such as Ford and DaimlerChrysler to small, regional distributors of electronic components, Livingston's client base is very diversified. In 2000, no single customer accounted for more than 5% of annual revenues. Its top ten clients represented 7.3% of total revenues in 2000, while the top 100 clients accounted for only 23%. Approximately 80% of clients have Canadian addresses, with the remainder being located primarily in the United States. As the leading customs broker in Canada, Livingston's geographic and industry coverage are both very diversified. In terms of geography, Livingston has clients in every province in Canada, including Ontario, where approximately 45% of its clients are located.

The following chart depicts the percentage of revenues by industry sector of Livingston's top 100 clients in 2000. The automotive, chemical, steel and technology companies are, for the most part, large companies that represent significant components in the largest parts of the Canadian economy. Livingston also provides services to many other large, medium and smaller importers.

Industry Breakdown of Top 100 Clients



In providing customs brokerage services, Livingston has access to detailed information regarding the movement of clients' goods, their value and the mode of transportation. This information is very valuable to the client and provides Livingston with a significant means to identify other opportunities to cross-sell additional services to its existing client base, to improve customer service or to expand its service offerings.

Most importers find the complexities of the regulatory environment and the necessary information technology infrastructure to transact directly with government departments to be very onerous and in a constant state of change. Consequently, customs processing is one of the most frequently outsourced functions in their supply chains. Livingston has the scale and technology to provide the services that clients rely heavily upon.

In 1997, Livingston introduced an improved way of providing services to its core Canadian customs brokerage clients. Prior to that time, Livingston, like most other customs brokers, performed work for clients at the geographic location closest to where the client's goods crossed the border. For large clients particularly, this caused complex communications and training issues between Livingston and those clients. As a result of its investment in technology, Livingston has been able to centralize most of the work done for a particular client in one specific client service team, located close to the client's business. This client service team handles all aspects of the client's customs brokerage needs, regardless of location, thereby reducing complexities for both Livingston and its clients. Management believes that this has resulted in improved service levels and created a significant competitive advantage.

Livingston has also added a number of new services, particularly in the transportation arrangement area. These new services are sold to the existing customs brokerage client base. As clients increase the number of integrated Livingston services they use, their costs to switch to a competitor also increase, resulting in a deeper and broader relationship with Livingston.

Information Technology

One of the underpinnings of Livingston's business strategy is its use of information technology to serve clients and to drive competitive advantage. Information technology is used extensively in all aspects of the business. It is used internally to facilitate the processing of approximately 11,000 customs entries per day. It is also used to provide clients with the tools that they need to facilitate their trade. Where necessary, information technology is used for customized services developed to meet specific client requirements. In addition to paying for ongoing customs brokerage services, clients are charged for the tools they want to use and for any customized development undertaken at their request.

Livingston uses a wide variety of information technology products and services to suit particular needs. From a hardware perspective, mainframe computers, client server computers, personal computers and local area networks, as well as Internet technology, are all in use. From a systems software perspective, Livingston makes extensive use of relational databases, query languages, and mainframe and client server operating systems. Livingston has a large frame relay-based telecommunications network that connects all of its employees to its systems. All of Livingston's employees use information technology in their daily activities and have access to the network. Telecommunication links are also in place with the CCRA, the U.S. Customs Service, and some of Livingston's larger clients. For internal company information, staff have access to an intranet. Clients have access to information on their import activity through the Internet. Electronic information can be received from shippers, carriers or clients in formal EDI transaction sets or in the electronic format of their choice.

The data collected by Livingston not only benefits the importer, but Livingston as well, representing a powerful database of information that is invaluable in its business development targeting efforts. For example, using sophisticated data mining tools, Livingston's sales force is able to target those importers and exporters who present the greatest opportunity to sell other value-added services, such as North American transportation, trade consulting, software products, or international freight forwarding.

In-house capabilities

Livingston has an in-house information technology and e-services function staffed by approximately 75 employees. These employees manage the in-house data center, the telecommunications networks, office-computing platforms, systems software and applications systems. Livingston also maintains a 24-hour-per-day, 7-day-per-week help desk to provide support for software used internally and by clients. Livingston staff develops new software in many of the different technical environments used. Livingston's ability to develop custom solutions quickly under tight deadlines has been instrumental in gaining business from new and existing clients. Its data centres in Toronto, Ontario and Buffalo, New York have adequate uninterrupted power supply capability, including a diesel generator in Toronto.

Livingston maintains a disaster recovery plan and has backup arrangements in place with a third party specializing in these services.

In order to maintain its technology leadership position and continue to provide the high level of service its clients demand, Livingston has made a significant investment in technology and currently anticipates a further expenditure of approximately $10 million to complete the upgrade to its information technology platform. See ''Business of Livingston — Capital Expenditures''.

Information technology-based tools available to clients

Livingston offers various software tools to clients for a fee, including the following:

Insight® — As Livingston files its clients' customs entries, it has a wealth of information its clients can use. This includes tariff, duty and tax information, data on the carrier, commodity type, weight, origin and destination of the shipment, shipment release status and invoice information for all entries filed. Livingston provides its clients with access to this information network via the Internet.

Partner™ — This software product allows Canadian clients who choose to in-source part of their Canadian customs process to do so, providing, among other things, the ability to generate customs entries and to transmit them to the CCRA. The software can be installed on clients' local area networks.

ClearLinx® USA — Clients who export to the United States must often arrange to get the goods to their final United States destination. This software product allows shippers to prepare commercial invoices and other documents in a format suitable for submission to a customs broker, typically Livingston. This software can be installed on personal computers.

ClearLinx® Export to Canada — Shippers to Canada must provide information to allow their goods to obtain entry into Canada. This software facilitates the creation of the necessary documentation. In the event that the documentation is to be forwarded to Livingston, this can be done electronically. This software can be installed on personal computers.

Emerging e-commerce capabilities

EzNet™ — Livingston invested in this new system in 2001. It is expected to be rolled out in 2002 and 2003. Most shippers have not invested in EDI, but do use computer systems. Livingston has developed the facility to allow shippers to transmit information in any electronic format and to accept and translate that information into data that can be directly interfaced with Livingston's systems. This improves speed and accuracy for the benefit of Livingston's clients.

Sales and Marketing

An important part of Livingston's business strategy is its client-oriented marketing approach. Livingston believes that in most customs brokerage companies, the marketing function is not well-developed, if it exists at all. Management believes its marketing approach and the resources committed to marketing constitute a clear competitive advantage. It has clearly defined market research, product management and marketing support services modelled after approaches, processes and organizational structures of highly professional, world-class marketing organizations.

One of Livingston's key business strategies is to sell additional services to its existing client base, where it has strong long-term relationships. This strategy provides for cost-effective selling, as the relationship with the client already exists. In connection with Livingston's emphasis on developing and maintaining long-term relationships with such clients, Livingston has developed several strategic sales programs, including:

Data mining — As a customs broker, Livingston captures a wealth of information about the cross-border movement of goods. While this information is gathered for government purposes, it is extremely valuable for identifying opportunities to sell additional services to the client base. The market analysis group feeds this information regularly to Livingston's sales force to help them target their sales activities efficiently and cross-sell additional services to existing clients.

Seminar-based selling — This approach is modelled after the financial services approach to seminar-based selling. Livingston's seminars add efficiency to the sales process by identifying prospective clients interested in using Livingston as a potential provider of service to improve their cross-border supply chain. It also serves to educate existing clients on new trends and opportunities and expedites the sales cycle by creating a more knowledgeable decision-maker.

Cross-functional team selling — Through the introduction of client action plans, Livingston's sales representatives are teamed with client service representatives to develop specific measurable annual plans aimed at growing the revenue and profitability of a targeted segment of their account base.

National account program — Livingston has developed a separate program to develop processes and services especially for its largest clients.

Employees

As of October 31, 2001, Livingston had approximately 1,650 employees located throughout Canada and the United States. Livingston considers its relationship with its employees to be good. In Windsor, Ontario, 51 employees are represented by the Canadian Autoworkers Union. These employees have been unionized since 1990. The current collective agreement was entered into on January 1, 2001 and is scheduled to expire on December 31, 2003. Livingston's relationship with these employees has always been good, and there have been no strikes or material work-to-rule situations or work stoppages.

Customs brokerage is a service industry, operating in a highly regulated environment. Services are provided through well-defined processes, information technology infrastructure, and, most importantly, Livingston's employees. The qualifications, knowledge and experience of employees are important factors in providing a high level of service and maintaining good client relationships. Livingston provides direct assistance to its employees to allow them to obtain accreditation under customs and other government departments' regulations. Livingston provides financial assistance, in-house training sessions, the time to study and write exams, and on the job training from a large number of qualified supervisors and management. Livingston has approximately 41 individual licensed customs brokers in Canada and a further 282 qualified customs brokerage staff who have completed the Canadian Society of Customs Brokers' two-year qualification program. Livingston has approximately 40 licensed customs brokers in the United States.

In addition to training, experience in the industry and experience with Livingston's processes and technology allow Livingston employees to provide quality service. Due to Livingston's size, reputation as an employer and service provider, and geographic scope, Livingston generally attracts well-qualified people. Livingston works at retaining these people. In Canada, Livingston employs over 1,350 employees. The average length of service of all Canadian staff is seven and a half years. For senior management, the average length of service is eleven years. In the United States, where Livingston has been growing rapidly since it began operations there in 1993, approximately 300 staff are employed, with an average length of service of three years.

See also ''Management of Livingston — Management Arrangements''.

Operations and Facilities

As of October 31, 2001, Livingston operated from over 70 offices, including its head office located at 405 The West Mall, Toronto, Ontario M9C 5K7. Office facilities are leased, generally on a long-term basis, for larger urban locations and on shorter terms for smaller border locations.

The following table sets out certain information regarding Livingston's material leased premises:

Location	Purpose	Square Footage	Lease Expiry
The West Mall, Toronto	Head Office	40,340 sq. ft	April 28, 2008
Airport Road, Mississauga (Toronto)	Service Centre	48,788 sq. ft	August 31, 2013
Vancouver	Service Centre	16,969 sq. ft	May 31, 2010
Cote de Liesse, Saint Laurent (Montreal)	Service Centre	18,062 sq. ft	March 31, 2004
Buffalo	Service Centre	25,500 sq. ft	Monthly
Detroit	U.S. Brokerage/Consulting	14,400 sq. ft	March 31, 2003
Explorer Drive, Mississauga (Toronto)	Consulting	17,281 sq. ft	December 31, 2005

Capital Expenditures

Livingston has made substantial investments in its business in order to improve its technology systems and facilities, thereby improving its operating margins. Livingston made capital expenditure cash payments totalling $20.1 million between January 1998 and November 2001, of which Livingston considers approximately $9.4 million to be Maintenance Capital Expenditures. The remainder of the total capital expenditures of approximately $10.7 million were primarily expended to grow each of the business lines. Of this amount, there were various non-recurring items including approximately $1.7 million of computer upgrades as a result of the year 2000 date rollover, approximately $2.2 million to upgrade systems of an acquired company and approximately $2.6 million in technology and systems to support specific clients. The remaining $4.2 million was invested in various projects to improve the technology used by the Canadian and U.S. brokerage as well as the transportation services and other operations. In addition, Livingston acquired $1.4 million of assets through a capital lease agreement.

In 2001, the focus of Livingston's capital expenditures was to enhance its leadership position in the use of information technology to support its business. Management made capital expenditure cash payments of approximately $7.2 million in 2001. Of this amount, $4.2 million was invested in various projects to support the growth of each of the business lines. The remaining $3.0 million was used to improve office facilities and equipment and to replace personal computers.

Management expects that, for the foreseeable future, the level of Maintenance Capital Expenditures will continue to be approximately $2.5 million annually. In addition, management has made a provision for certain planned non-recurring capital expenditures in the amount of $10 million primarily to upgrade its information technology platform used in its core Canadian customs brokerage business line, as well as in support of consulting and administrative systems. These $10 million capital expenditures are expected to be funded using funds available under the New Credit Facility. See ''Principal Agreements — Credit Facilities''.

Competition

The customs brokerage business in North America is very competitive, with pressures on pricing, demands for more or different services in light of regulatory and other changes in clients' industries, changes in supply chain management, and industry consolidation. Livingston believes that quality of service, including information systems capability, reliability, responsiveness, expertise, convenience, scope of operations and customized program designs, as well as price, are important competitive factors in its industry. Livingston has identified a number of competitors for its services. The key ones are:

Other Canadian and U.S. customs brokers — These companies are typically privately-owned, smaller businesses that are frequently limited in their geographic presence. These companies appeal to clients by offering local, personalized client services. Livingston has several competitive differences from these competitors, namely: (i) geographic coverage; (ii) a wider range of service offerings; (iii) greater financial strength; (iv) more software based tools to assist importers; and (v) the scale to deal quickly and effectively with regulatory and other change.

International freight forwarders with customs brokerage capabilities — These are typically large publicly-traded European, Asian and American companies with worldwide presence. Some have strengthened their Canadian position by acquiring small Canadian customs brokerage companies. These companies appeal to clients by offering one-stop shopping for worldwide transportation and customs brokerage services. Livingston has several competitive responses to these competitors, namely: (i) in-depth North American expertise and capabilities; (ii) a focus on compliance with regulations rather than a focus on transportation; and (iii) long-term client relationships.

Courier companies with customs brokerage capabilities — Global courier companies such as UPS and FedEx have traditionally offered customs brokerage services bundled together with their transportation service offering for courier and small packages. More recently, as these companies try to expand into additional supply chain services, many have acquired customs brokerage capabilities. Livingston has several competitive responses to these companies, namely: (i) a primary focus on helping clients with regulatory compliance issues in North America; (ii) more in-depth focus on Canadian customs brokerage requirements; and (iii) the ability to provide North American and international freight forwarding services.

Software suppliers facilitating international trade — Recently, several software companies have started to offer shippers software to assist them with international trade documentation. This new software typically is interfaced with major Enterprise Resource Planning (''ERP'') systems used by many large companies. Some of these companies have come to understand the need for customs brokerage services and are exploring ways to acquire these capabilities or to partner with existing customs brokerage companies. Livingston is currently working with some of these companies to allow them to offer customs clearance and compliance services through Livingston. This is a new and potentially significant form of competition. Livingston believes that it is well-placed to compete, however, as it has well-developed software solutions of its own.

Market Leadership Strategy

Livingston's objective is to build upon its leadership position in the industry, and it has adopted the following four-pronged strategy to do so:

Maintain and enhance technological leadership position — Livingston believes that it is a leader in trade-related technology. Maintaining and strengthening Livingston's leadership position will be critical to its continued success as governments continue to automate the customs clearance process. Livingston's management has invested substantial time, effort and financial resources in the development of its information systems and believes that this investment strengthens its competitive edge in the industry.

Expand services to current client base and acquire new clients — Livingston believes that it has the scale, diverse product offerings, client-specific knowledge and advanced technology to retain its existing clients and cross-sell more services to them. Livingston's strategy is focused on becoming a single service supplier of trade-related services, selling the full range of trade-related services to its current client base. Livingston continues to expand its business and will continue to actively pursue opportunities to obtain new clients.

Expand transportation services — Transportation services are a natural extension of Livingston's customs brokerage services, given the strength of the relationship it enjoys with its client base. Livingston has been offering North American transportation services since 1997 and international freight forwarding since 1999 (when it acquired this capability). Although currently representing a small portion of its business, these offerings present an excellent opportunity for growth, and Livingston is aggressively marketing these services.

Strategic acquisitions — Opportunities exist to consolidate smaller customs brokers and offer more integrated solutions to their clients. Livingston is experienced in acquiring and successfully integrating customs brokerage businesses and believes that it is in a strong position to continue to capitalize on the trend of industry consolidation, thereby enhancing its leadership position.

Governmental Regulation

Customs Brokers

Canadian Requirements

Customs brokers operating in Canada are regulated by the *Customs Act* and the regulations under it, which are administered by the CCRA. The legislation prohibits anyone from transacting or attempting to transact business as a customs broker or from holding itself out as a customs broker unless it is either (i) licensed under the *Customs Act*, or (ii) qualified under the regulations and authorized by a licence holder. In order to be licensed as a customs broker, a corporation must be incorporated in Canada, be of good reputation, and have sufficient financial resources to conduct its business in a responsible manner. Further, all of the directors of the corporation must be of good character and a majority of them must be citizens or permanent residents of Canada. At least one officer of the corporation must have sufficient knowledge of laws and procedures relating to importations and exportations. This knowledge requirement is met by attaining a minimum standing on customs brokers examinations administered by the CCRA. Livingston has approximately 41 individual licensed customs brokers and approximately 282 qualified customs brokerage staff.

Before a licence is issued or renewed, the customs broker must deposit security in the amount of $50,000 in a prescribed form to protect the government against loss while the licence is in effect.

Ongoing requirements of licensed customs brokers include reporting changes in the ownership and officers and directors of the corporation and in the officers meeting the knowledge requirements under the *Customs Act*. There are also requirements regarding the keeping of books and records in respect of the customs broker's business.

In addition, customs brokers wishing to have goods released prior to payment of duties or pay duties and taxes by uncertified cheque must post security under the *Customs Act* and the Accounting for Imported Goods and Payment of Duties Regulations. The broker must deposit security in an amount equal to its average monthly outstanding duties and taxes from the previous 12-month period, to a maximum of $10 million. This security can be filed with individual customs offices for the release of goods prior to payment from those offices only, or may be filed with the Brokers Licensing and Account Security Programs of the CCRA for the same privilege at all customs offices in Canada. A minimum of $5,000 is required for a single office, and a minimum of $25,000 is required for national privileges.

The CCRA does not regulate fees charged by customs brokers.

United States Requirements

Customs brokers operating in the United States are licensed by the United States Treasury Department and regulated by the U.S. Customs Service. Fees for customs brokerage services are not regulated. Instead, customs brokerage fees are based on the complexity of the transaction and the type of services required but are generally not related to the value of the customer's goods.

Customs brokers may hold one or more continuous customs bonds in the United States. These bonds allow the broker to act as importer of record in lieu of its customers on various entries and obtaining bonds in the name of the customer. The broker need not post security with U.S. Customs for such bonds. Customs bonds in the United States are issued by private sureties approved by the U.S. Treasury Department.

Livingston has approximately 40 licensed customs brokers in the United States.

Transportation and Freight Forwarding Services

Livingston's transportation services are also regulated. In Canada, the business of arranging for the transportation of another person's goods by a third party carrier is governed by provincial legislation. In Quebec, those engaged in this business are called ''transport service intermediaries'' and must be registered with the Commission des transports du Québec. Similarly, in Ontario, ''load brokers'' who provide such services are required to file a surety bond and to keep separate trust accounts and records.

The operation of vehicles for the transportation of goods is governed by provincial legislation. The legislation in the provinces in which Livingston currently provides cross-border transportation services, namely, Ontario, Quebec and British Columbia, requires that operators be licensed and/or registered through the relevant provincial authority. Extra-provincial trucking undertakings are governed by the *Motor Vehicles Transport Act* (Canada), which requires that any such undertakings be licensed by the provincial authority responsible for licensing intra-provincial trucking. The regulations set out minimum requirements for insurance coverage and knowledge of certain federal laws governing transportation that must be met for such a licence to be issued.

Freight forwarding is regulated by the CCRA under the *Customs Act* and its regulations. Posting of a bond and security is required to act as a freight forwarder in Canada.

Bonded and Sufferance Warehouses

Livingston's bonded and sufferance warehouse operations in Canada are approved and regulated by the CCRA. In Canada, the operation of bonded and sufferance warehouses is governed by the *Customs Act*, the *Customs Tariff* and the regulations under them. The regulations require licensees to pay a licence fee and provide security in varying amounts depending on the type of sufferance warehouse operated. Livingston operates two sufferance warehouses, one in Halifax (Dartmouth) and one in Thunder Bay, and is subject to requirements regarding the facilities, personnel, equipment and operation of sufferance warehouses to seek to ensure goods are properly received, stored and made available to customs officers for examination.

MANAGEMENT OF LIVINGSTON

Directors and Senior Officers of Livingston

The following table sets out, for each of the directors and senior officers of Livingston, the person's name, municipality of residence, positions with Livingston and principal occupation. In addition, two directors are expected to be added to Livingston's board of directors prior to the completion of the Offering, including Ben Wong (Senior Vice-President and Chief Financial Officer of Livingston) and one additional independent individual. Each director will hold office until the next annual general meeting of shareholders of Livingston or, subject to Livingston's by-laws and to applicable laws, until such office is earlier vacated.

Directors and Officers

Name and Municipality of Residence	Position	Principal Occupation
JACQUES LANDREVILLE, Boucherville, Quebec (1)	Director	President and Chief Executive Officer, Uni-Sélect Inc.
PETER LUIT, Toronto	Director, President and Chief Executive Officer	President and Chief Executive Officer, Livingston
JOSEPH NATALE Etobicoke	Director	Senior Vice-President, Consumer and Industrial Markets, KPMG Consulting
PETER RESTLER, Brooklyn, New York	Chairman and Director	Principal, CAI Capital Group
DAWNEEN MACKENZIE, Mississauga	Vice-President, Public Affairs	Vice-President, Public Affairs, Livingston
TOM RUTH, Mississauga	Senior Vice-President, Brokerage and Logistics	Senior Vice-President, Brokerage and Logistics, Livingston
MY-TIEN VAN, Toronto	Chief Information Officer	Chief Information Officer, Livingston
BEN WONG, Markham	Senior Vice-President and Chief Financial Officer	Senior Vice-President and Chief Financial Officer, Livingston
DAVID ZAVITZ, Oakville	Vice-President, Sales and Marketing	Vice-President, Sales and Marketing, Livingston

(1) Chairman of Audit Committee and Compensation and Corporate Governance Committee

(2) A current director, David Culver, is expected to retire prior to closing.

Jacques Landreville has been President and Chief Executive Officer of Quebec-based Uni-Sélect Inc. since 1991. From 1987 to 1990 he held various positions ranging from general manager to president of different divisions of Culinar in Montreal, and between 1985 and 1987, he served as executive vice-president and general manager of Lassonde Industries Inc. Mr. Landreville has been serving on Livingston's board of directors since 1998. He also sits on the board of Uni-Sélect Inc., ADF Group, Ro-Na and Fonds Maestral Québec.

Peter Luit was named President and Chief Executive Officer of Livingston in November 1997, following the acquisition of the company by CAI Capital Corporation (''CAI'') and other investors. His belief in the importance of fostering lasting relationships with clients and employees has enabled him to build a strong management team and to aggressively drive the business forward. Mr. Luit joined Livingston in 1995 as Vice-President, Business Transformation. In September 1996, he was appointed Acting President and General Manager. Prior to joining Livingston, Mr. Luit spent three years with CIBC as Senior Vice-President in Banking Operations and Information Technology. He has an extensive background in organizational change and information technology. Mr. Luit holds an M.B.A. from Montreal's McGill University and a Bachelor of Science degree from the University of Manitoba.

Joseph Natale has been a Senior Vice-President of KPMG Consulting since 2001. He is responsible for the group's Canadian and worldwide automotive and transportation practice and plays an active role in helping clients improve their supply chain capabilities. Mr. Natale has been with KPMG since 1997, holding increasingly senior positions, ranging from partner of business transformation services to managing partner of consumer, industrial and financial markets. Prior to joining KPMG, Mr. Natale headed up Piller Natale and Oh, a management consulting firm he created in 1990. He successfully negotiated the sale of his consulting firm to KPMG Canada in 1997.

Peter Restler, based in New York, was a founding partner of CAI in 1989. He was previously a special advisor to Vancouver-based Inland Natural Gas in connection with its successful acquisition of the $741 million gas division of B.C. Hydro, a provincially-owned utility. Prior to 1988, Mr. Restler was Senior Vice President — Canada of Shearson Lehman Brothers, where he was responsible for the firm's Canadian operations. Prior to joining Shearson, Mr. Restler was a Vice-President and Director of Wood Gundy Incorporated. From 1993 until 1998, Mr. Restler served as the U.S. Chairman of the North American Committee, whose members are leading executives of many of North America's largest companies. He is a director of MacDonald, Dettwiler and Associates Ltd. and is a former director of Zenith Laboratories, Inc.

Dawneen MacKenzie was named Vice-President, Public Affairs of Livingston in November 2001. She is responsible for investor relations, media relations and communication strategies, planning and tactics in support of business objectives and major initiatives. Ms. MacKenzie joined Livingston in 1991, moving into positions of increasing responsibility in the communication and change management areas. She was appointed Director of Corporate Communication in November 1997. Prior to joining Livingston, Ms. MacKenzie worked in Europe for 12 years as a free-lance translator and copywriter for international organizations, multinational corporations and advertising agencies. Ms. MacKenzie holds a B.A. (Honours) from Queen's University of Kingston, Ontario.

Tom Ruth was appointed Senior Vice-President, Brokerage and Logistics of Livingston in April 2001. He is responsible for overseeing all Livingston brokerage operations, as well as its North American transportation and international freight forwarding services. Mr. Ruth joined Livingston in 1994 as Vice-President and General Manager, U.S. Customs Brokerage Operations. In September 1995, he was appointed Vice-President of Sales, North America, and, in November 1997, he became Vice-President, Client Services, overseeing all client service activities and brokerage operations in both Canada and the U.S. Mr. Ruth has over 18 years' experience in international logistics management in North America, Europe and Asia. Prior to joining Livingston, he spent ten years with Northwest Airlines, most recently as General Manager, Eastern USA, for the cargo department. A graduate of the United States Naval Academy, Mr. Ruth served as a U.S. naval officer for five years.

My-Tien Van was appointed Chief Information Officer of Livingston in November 1997. She is responsible for Livingston's information technology services and infrastructure to support business growth. Ms. Van joined Livingston in May 1996 as Director, Software Factory. In March 1997, she was named Vice-President of that group, responsible for overseeing the development, distribution and servicing of Livingston's commercial software solutions, telecommunications and other information technology services. Ms. Van has a background in the management of information technology to meet business needs. She has held increasingly senior positions in large and well-known Canadian companies such as CIBC, TD Bank and Gulf Canada. She holds an M.B.A. from McGill University in Montreal.

Ben Wong, Senior Vice-President and Chief Financial Officer of Livingston since November 1997, oversees all finance, legal, treasury and taxation, human resources, credit and accounts receivable activities. Responsible for all of Livingston's financial relationships with shareholders and banks, Mr. Wong is also ultimately in charge of three related operations: Adminserv Canada, Livingston International Consulting Group and Mendelssohn. Mr. Wong joined Livingston in 1990. Prior to joining Livingston, Mr. Wong was Vice-President, Finance, of a general insurance company, with responsibilities in finance and systems. He earned his Bachelor of Science degree from the University of North Dakota, his M.B.A. degree from the University of Toronto and his Certified Management Accountant designation from the Ontario Society of Management Accountants.

David Zavitz is Vice-President, Sales and Marketing of Livingston and is responsible for business development through the sales force in Canada and the U.S. He also directs Livingston's business-to-business marketing strategies on a North American scale. Mr. Zavitz was instrumental in developing and implementing Livingston's client education program and innovative seminar-based selling approach. Prior to joining Livingston in 1995, Mr. Zavitz spent nine years with Pitney Bowes of Canada in both sales and corporate marketing roles.

Each of the directors and senior officers of Livingston has been engaged for more than five years in his or her present principal occupation or in other capacities with the company or organization in which the person currently holds his or her principal occupation or related entities.

Committees of the Board of Directors

The board of directors of Livingston will establish the following committees:

Audit Committee: This committee will be responsible for monitoring Livingston's financial reporting, accounting systems and internal controls and liaising with external auditors.

Compensation and Corporate Governance Committee: This committee will be responsible for assisting the board in determining compensation of senior management as well as reviewing the adequacy and form of directors' compensation. The committee is expected to annually review the Chief Executive Officer's goals and objectives for the upcoming year and each year to perform an appraisal of the Chief Executive Officer's performance. This committee will also administer and make recommendations regarding the operation of the Long Term Incentive Plan and other incentive plans. The committee will also be responsible for developing Livingston's approach to corporate governance issues, advising the board in filling vacancies on the board and periodically reviewing the composition and effectiveness of the board and the contribution of individual directors.

Remuneration of Directors and Trustees

The directors of Livingston are anticipated to be the same persons who will act as Trustees of the Fund. The compensation paid to individuals other than members of management for acting as both director and Trustee is expected to be $10,000 per director/Trustee per year and $750 per director/Trustee for attending joint board of directors'/Trustees' meetings and/or committee meetings. Directors and Trustees will also be eligible to participate in the Long Term Incentive Plan, subject to an overall cap of 20% of total participation rights awarded (which will not apply to management). Directors will also be reimbursed for their reasonable expenses and will participate in the insurance and indemnification arrangements described herein.

Livingston will seek to obtain a policy of insurance for its directors and officers and those of its subsidiaries. The aggregate annual limit of liability applicable to all insured directors and officers under the policy is expected to be $50 million inclusive of a maximum $1 million in defence costs. Under the policy, Livingston anticipates reimbursement coverage to the extent that it has indemnified the directors and officers in excess of a deductible of $250,000 for each loss. The policy of insurance will also apply to Trustees of the Fund and will provide reimbursement coverage to the Fund, in excess of a deductible of $250,000, to the extent that Trustees shall be entitled to indemnification by the Fund pursuant to the Declaration of Trust. It is to be noted, however, that the aggregate limit of liability will be shared among Livingston, the Fund and their respective directors, officers and Trustees such that the limit of liability will not be exclusive to Livingston, the Fund or their respective directors, officers and Trustees. The by-laws of Livingston also provide for the indemnification of Livingston's directors and officers from and against liabilities and cost in respect of any action or suit against them in connection with the execution of their duties of office, subject to the limitations contained in the OBCA.

Management Arrangements

The success of Livingston is significantly attributable to the leadership, dedication and significant experience of the senior management group in directing and managing the business.

Livingston has employment agreements with its key senior management personnel. In connection with the Offering, Livingston will enter into new employment arrangements with Peter Luit, Ben Wong and Tom Ruth that are expected to provide for, among other things, confidentiality, non-solicitation and non-competition covenants in favour of Livingston which will apply during the term of employment and for a specific period of time following the termination of their employment, as well as payments in the event of termination of employment in the event of a change of control.

Incentive Plans

Senior management (and other professional and managerial level employees) will participate in an incentive plan designed to motivate and reward the ongoing efforts and successes of Livingston's management and professional staff. The plan provides incentive payments based on: (i) level/position; (ii) the level of results achieved in relation to the individual's performance; and (iii) the financial performance of Livingston. Approximately $2.4 million was paid to approximately 240 employees in 2000 under this plan.

In addition to the Unit-based Long Term Incentive Plan described below, senior management will also be entitled to participate in an incentive plan that will provide for a bonus payment in the event that distributions per Unit paid by the Fund exceed certain distributable cash threshold amounts. This plan is expected to be administered by the Compensation and Corporate Governance Committee.

Long Term Incentive Plan

The directors, officers and key senior management of Livingston and its affiliates (including the Trustees) will be eligible to participate in Livingston'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 Livingston's ability to attract, retain and motivate key personnel, and reward directors, officers and key senior management for significant performance and associated per Unit cash flow growth of the Fund. Pursuant to the LTIP, Livingston will set aside a pool of funds based upon the amount by which the Fund's per Unit distributions exceed certain per Unit distributable cash threshold amounts. A trustee will 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 is also expected to be administered by the Compensation and Corporate Governance Committee. The board of directors of Livingston or the Compensation and Corporate Governance Committee will have the power to, among other things: (i) determine those individuals who will participate in the LTIP; and (ii) determine the level of participation of each participant. As noted above, directors' and Trustees' participation will be subject to an overall cap of 20% of total participation rights awarded in respect of any fiscal year (which will not apply to management).

The senior management bonus incentive plan and the Unit-based LTIP described above (but not the incentive plan for management and professional staff) are collectively currently expected to provide for aggregate maximum incentive payments based on the following thresholds, assuming that per Unit distributions exceed $1.15 per Unit per annum:

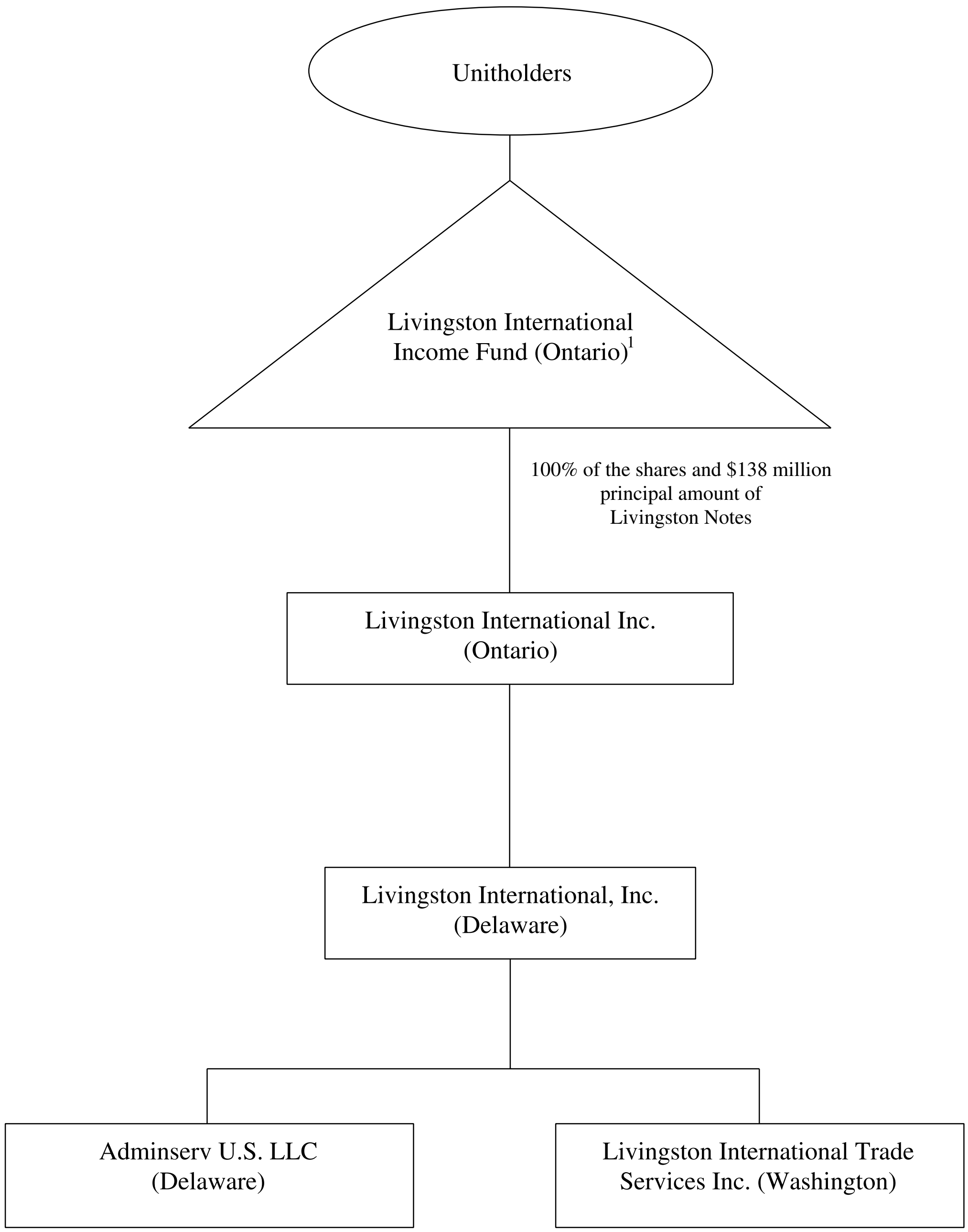
Amount of excess distributions per Unit over $1.15 per Unit per annum	Maximum proportion of excess distributions available for incentive payments
Up to 5 cents	10%
5 cents to 10 cents	15%
Over 10 cents	20%

In the case of the LTIP, these amounts will be used to purchase Units in the market that will be held subject to the vesting and other terms of the LTIP.

These figures are subject to adjustment by the Compensation and Corporate Governance Committee from time to time. However, in no event will the maximum proportion of excess distributions that will be available for incentive payments exceed 20%.

FUNDING AND ACQUISITION

Immediately following the closing of the Offering, the Fund will acquire from the LII Securityholders all of the Livingston Securities. Following the Acquisition of the Livingston Securities by the Fund, such securities will be transferred to a subsidiary of the Fund which will, in turn, amalgamate with Livingston, LII Holdings and certain of Livingston's affiliates, to form Livingston. Following such amalgamation, the Fund will own all of the Common Shares of Livingston and all of the Livingston Notes. As a result, the structure of the Fund following completion of the Offering, the Acquisition and related transactions, will be as set out below:



(1) Only principal subsidiaries are shown. All subsidiaries are 100% directly or indirectly held.

The Fund's commitment to acquire the Livingston Securities and the commitments of the LII Securityholders and Livingston to carry out the Acquisition and related transactions are subject to, among other things, the completion of the Offering by the Fund.

As noted above, immediately after the closing of the Offering, the closing of the Acquisition will take place; however, if the Acquisition does not close, the Fund or the Underwriters, as applicable, will refund the consideration paid in respect of the Units subscribed for, without interest or deduction.

Prior to or following the closing of the Offering, Livingston expects to replace the Current Credit Facility with the New Credit Facility. In addition, it was originally contemplated that, immediately prior to the closing of the Offering, LII Holdings would pay a $3.5 million dividend to the LII Securityholders. In lieu thereof, the LII Securityholders may receive additional consideration not expected to exceed $3.25 million if certain tax savings are achieved. See ''Principal Agreements — Acquisition Agreements'' and ''Principal Agreements — Credit Facilities''.

PRINCIPAL AGREEMENTS

Acquisition Agreements

Immediately following completion of the Offering, the Fund will complete the acquisition of all of the Livingston Securities pursuant to the terms and conditions of the Acquisition Agreements. The purchase price under the Acquisition Agreements is an aggregate amount equal to the net proceeds from the issuance of the Units less the fees and expenses associated with the Offering, the Acquisition and the New Credit Facility (estimated at $4.3 million), which will be payable in cash from the net proceeds of the Offering. The completion of the Acquisition is conditional upon, among other things, (i) the Offering having been completed; (ii) the Acquisition being completed by March 11, 2002; (iii) material consents having been obtained; and (iv) satisfactory arrangements relating to the New Credit Facility and relating to bonding being in place.

The Acquisition Agreements contain representations and warranties (in certain cases to the knowledge of the party giving the representation or warranty) and related indemnities regarding corporate matters, taxes, litigation, title to purchased securities and financial statements, among other things. Certain of the LII Securityholders have also represented (in certain cases to their knowledge) that this prospectus contains full, true and plain disclosure of all material facts relating to Livingston and does not contain any misrepresentation (as defined under applicable securities laws). Generally, these representations and warranties will survive for a period of two years, and any liability with respect to such representations and warranties is limited to the amount of the consideration received by the applicable LII Securityholder. The representation given by certain of the LII Securityholders relating to ''full, true and plain disclosure'' will survive for the applicable prospectus limitation period. Certain qualifications and limitations will apply, and there can be no assurance of recovery by the Fund from the LII Securityholders for breaches of such representations and warranties.

Bonding Arrangements

Livingston will also reconfirm its existing bonding arrangements or enter into new bonding arrangements prior to completion of the Offering so as to meet applicable governmental requirements. These bonding arrangements are expected to be guaranteed by the Fund, and will be subject to customary terms and conditions.

Credit Facilities

Livingston is currently the borrower under an $83.5 million syndicated credit facility with Canadian chartered banks affiliated with Scotia Capital Inc. and CIBC World Markets Inc. pursuant to an amended and restated credit agreement dated November 27, 1999 (the ''Current Credit Facility''). The Current Credit Facility provides for a revolving term credit facility and overdraft credit facility in the aggregate amount of $60 million bearing interest at floating rates of interest, and a non-revolving term credit facility in the amount of $23.5 million also bearing interest at floating rates of interest. The Current Credit Facility is fully secured by security interests granted over substantially all of the assets of Livingston, and is guaranteed and secured by each of Livingston's subsidiaries and its parent. The Current Credit Facility contains customary representations and warranties and covenants and other terms.

Prior to or following the closing of the Offering, Livingston will replace the Current Credit Facility with new senior secured credit facilities in the aggregate amount of $90 million (the ''New Credit Facility''), which is anticipated to provide Livingston with (i) approximately $10 million to pay for certain planned non-recurring capital expenditures as described under ''Business of Livingston — Capital Expenditures''; (ii) a $60 million revolving term credit facility for operating purposes; and (iii) a $20 million term facility. The New Credit Facility is expected to have a term of three years from closing, and is expected to be reduced by the net after-tax proceeds of asset sales, if any. The New Credit Facility will be supported by a guarantee by Livingston's subsidiaries and by a guarantee of the Fund, and will be secured by security interests over all or substantially all of the assets of Livingston and its subsidiaries. The New Credit Facility will rank senior to the Livingston Notes and will be subject to customary terms and conditions, including limits on additional indebtedness and security without the consent of the lenders. The terms of the New Credit Facility will be subject to change from time to time, including at the discretion of the lenders for syndication purposes. Canadian chartered banks affiliated with the Underwriters may participate in the New Credit Facility in whole or in part, and the Current Credit Facility will be repaid in full. The New Credit Facility is required to be in place on closing, and the $20 million term facility is expected to be fully drawn at closing.

See also ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources''.

SHARE AND LOAN CAPITAL OF LIVINGSTON

Share Capital of Livingston

The authorized share capital of Livingston after the Acquisition and related transactions will consist of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. Upon completion of the Acquisition and related transactions, all of the issued and outstanding Common Shares (and any other issued and outstanding shares) will be owned directly or indirectly by the Fund. The following is a description of the terms and conditions attached to such classes of shares.

Common Shares

Each Common Share entitles the holder thereof to receive notice of and to attend all meetings of shareholders of Livingston and to one vote per share at such meetings (other than meetings of another class of shares of Livingston). The Common Shares shall entitle the holders thereof to receive in any year dividends as and when declared by the board of directors on the Common Shares. In the event of the liquidation, dissolution or winding up of Livingston or other distribution of its assets among its shareholders, holders of the Common Shares, after payment of or other proper provision for all of the liabilities of Livingston, are entitled to share rateably in all remaining assets of Livingston subject to the prior rights of the Preferred Shares (if any).

Preferred Shares

The Preferred Shares rank senior to the Common Shares. The Preferred Shares may be issued in one or more series, without further approval of the shareholders, subject to the filing by Livingston of articles of amendment in prescribed form. The board of directors of Livingston may fix the number of shares that is to comprise each series and the designation, rights, privileges, restrictions, conditions and other provisions to be attached to the Preferred Shares of such series, including the rate, amount or method of calculation of dividends, the amount of the preferences over any shares of Livingston ranking junior to the Preferred Shares with respect to the payment of dividends and with respect to the distribution of assets of Livingston in the event of the liquidation, dissolution or winding up of Livingston, whether voluntary or involuntary, or in the event of any other distribution of assets of Livingston for the purpose of winding up its affairs (a ''Liquidation Distribution''), and the consideration for which the Preferred Shares of such series are to be issued. The Preferred Shares shall be entitled to preference over the Common Shares and any other shares of Livingston ranking junior to the Preferred Shares with respect to priority in the event of a Liquidation Distribution. The Preferred Shares of each series will rank on a parity with the Preferred Shares of every other series with respect to the payment of dividends, if and to the extent that they are cumulative, and with respect to the priority in the event of a Liquidation Distribution. With the exception of the right to vote on an amendment to the provisions attaching to the Preferred Shares as a class or the rights attached to the Preferred Shares of any series or as required by law, the holders of Preferred Shares will have no voting rights as a class. Upon completion of the Acquisition and related transactions, one non-voting, redeemable, retractable Series 1 Preferred Share, with a liquidation preference of $1.00 will be issued and outstanding and held directly or indirectly by the Fund.

Distribution Policy

Livingston will adopt a policy to distribute all of its available cash, subject to applicable law and compliance with its contractual obligations, by way of monthly dividends or other distributions on its Common Shares, after:

(i) satisfaction of its debt service obligations, if any; (ii) satisfaction of its interest (including interest on the Livingston Notes) and other expense obligations; (iii) making any principal repayments in respect of the Livingston Notes considered advisable by the board of directors of Livingston, with the consent of the Fund and the holders of the Livingston Notes by Extraordinary Resolution; (iv) capital expenditures as considered appropriate by the board of directors of Livingston from time to time; and (v) Livingston retaining such reasonable working capital, capital expenditure and other reserves as may be considered appropriate by the board of directors of Livingston. Cash payments to the Fund by Livingston on the Livingston Notes and/or the Common Shares may be limited by the terms of Livingston's contractual obligations, including the New Credit Facility. It is the intention of Livingston to pay even monthly distributions and it has $3.5 million available to help smooth monthly fluctuations in cash from operations.

Except for certain information technology requirements estimated at $10 million, for Maintenance Capital Expenditures of approximately $2.5 million annually, or for acquisitions, Livingston does not at this time anticipate that significant capital expenditures will be required in connection with the business. Capital expenditures and other expenditures may be financed with borrowings of Livingston or the Fund or additional issuances of Units by the Fund or securities of its subsidiaries, from the working capital of Livingston and/or from the reserves and/or cash flow of Livingston. See ''Business of Livingston — Capital Expenditures''.

Livingston Notes

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

The Livingston Notes authorized will be unlimited and will mature ten years after the closing of the Offering, subject to prepayment from time to time as considered advisable by the board of directors of Livingston, with the consent of the Fund and the holders of the Livingston Notes by Extraordinary Resolution, and subject to extension for an additional ten-year term with the consent of the holders of the Livingston Notes (currently solely the Fund) by Extraordinary Resolution. The Livingston Notes will bear interest at the rate of 12.675% per annum, calculated and payable monthly in arrears on or prior to the last business day of the following month. The interest and principal on the Livingston Notes will be payable in lawful money of Canada at any branch in Canada of the bank to be specified in the Livingston Note Indenture.

The Livingston Notes are issuable only as fully registered in minimum denominations of $100 or integral multiples thereof.

Payment upon Maturity

On maturity, Livingston is required to repay the indebtedness represented by the Livingston Notes by paying to the Livingston Note Trustee, on behalf of the holders, in lawful money of Canada an amount equal to the principal amount of the outstanding Livingston Notes, together with accrued and unpaid interest thereon.

Redemption

From time to time, the board of directors of Livingston will review the status of Livingston's and its subsidiaries' assets and the economic condition relating to their businesses and the industry within which they operate. If this review, in the opinion of the board of directors of Livingston, indicates that it is unlikely that the indebtedness of Livingston evidenced by the Livingston Notes could be refinanced on the same terms and conditions upon maturity of such notes, then Livingston may, subject to the consent of the Fund and the holders of the Livingston Notes by Extraordinary Resolution and the subordination provisions applicable to the Livingston Notes, commence principal repayments on the Livingston Notes such that, in the opinion of the board of directors of Livingston, the Livingston Notes are expected to be fully repaid on or before maturity. In that event, the available cash of Livingston will be utilized to the extent required to fund such repayments in lieu of or in addition to dividends on the Common Shares. In addition, if Livingston has available cash, but is prohibited from declaring or paying a dividend or reducing its stated capital under applicable corporate laws, the board of directors of Livingston may make principal repayments on the Livingston Notes to the extent of such available cash. Except as aforesaid, the Livingston Notes will not be redeemable at the option of Livingston or by the holders thereof prior to maturity.

Ranking

The Livingston Notes will be unsecured debt obligations of Livingston and be subordinate in right of payment to other indebtedness of Livingston (directly or by guarantee) for borrowed money, to Livingston's bonding arrangements from time to time, to personal property lease and other secured financings and to other obligations that Livingston may designate from time to time.

Default

The Livingston Note Indenture provides that any of the following shall constitute an Event of Default (as defined in the Livingston Note Indenture): (i) default in payment of the principal of the Livingston Notes when the same become due; (ii) the failure to pay the interest obligations of the Livingston Notes when the same become due, for a period of 90 days; (iii) default on any indebtedness exceeding $1,000,000, which continues after the applicable grace period; (iv) a judgment or order for the payment of money in excess of $1,000,000 is rendered against Livingston and either enforcement proceedings have been commenced or there is a period of 30 days during which a stay is not in effect; (v) certain events of winding up, liquidation, bankruptcy, insolvency or receivership; (vi) the seizing by a creditor of all or substantially all of the property of Livingston; (vii) default in the observance or performance of any other covenant or condition of the Livingston Note Indenture and the continuance of such default for a period of 60 days after notice in writing has been given by the Livingston Note Trustee to Livingston specifying such default and requiring Livingston to rectify the same; or (viii) Livingston and its subsidiaries ceasing to generally carry on business. In the event of a default, the Fund as the current holder of the Livingston Notes may waive such default without the consent of Unitholders if it considers it desirable to do so.

The Livingston Note Indenture also provides that the Livingston Note Trustee shall not take steps or actions with respect to an Event of Default without the prior consent of the Fund so long as the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding Livingston Notes. Certain other provisions under the Livingston Note Indenture require the prior consent or authorization of the Fund as long as the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding Livingston Notes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF L.I.I. HOLDINGS CORP.

The following summaries contain financial information of LII Holdings that is derived from, and should be read in conjunction with, the historical financial statements of LII Holdings and the notes thereto that are included elsewhere in this prospectus.

	Eleven months ended November 30	Nine months ended September 30		Years ended December 31		
	2001	2001	2000	2000	1999	1998
	(Unaudited)	(Unaudited)				
	(In thousands of dollars)					
	$	$	$	$	$	$
Income statement data:						
Revenues and interest income	125,940	100,794	94,837	128,197	97,341	87,606
Cost of services	75,771	61,707	56,386	78,467	58,893	53,665
Contribution margin	50,169	39,087	38,451	49,730	38,448	33,941
As a % of revenue and interest income	39.8%	38.8%	40.5%	38.8%	39.5%	38.7%
Selling, general and administrative	26,978	22,320	22,003	29,248	26,464	24,413
Earnings before interest expense, income taxes, other expense (income), depreciation and amortization (EBITDA) (1)	23,191	16,767	16,448	20,482	11,984	9,528
As a % of revenue and interest income	18.4%	16.6%	17.3%	16.0%	12.3%	10.9%
Amortization of deferred charges	239	239	359	479	1,079	2,382
Depreciation	5,220	4,178	3,187	4,403	2,824	1,820
Other expense (income)	(888)	(937)	(219)	450	749	(1,141)
Gain on employee benefit plan amendments			(2,468)	(2,468)		
Interest expense on long-term debt	1,334	1,166	1,522	2,053	1,173	1,216
Other interest expense	993	859	879	1,170	805	902
Income taxes	7,388	5,116	5,487	6,307	2,490	2,003
Income before goodwill charges	8,905	6,146	7,701	8,088	2,864	2,346
Goodwill charges	1,351	1,105	1,037	1,493	1,192	1,161
Net income	7,554	5,041	6,664	6,595	1,672	1,185
Cash Flow Data:						
Capital spending (including both expansion projects and Maintenance Capital Expenditures)	6,291	5,319	2,701	5,012	2,573	6,248

(1) EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). See page 6 for cautionary note.

SUMMARY OF DISTRIBUTABLE CASH FLOWS OF THE FUND

Management believes that, upon completion of the transactions described under ''Funding and Acquisition'', Livingston will incur additional administrative and management costs and interest expenses and will require Maintenance Capital Expenditures that are not reflected in the pro forma consolidated statements of income of the Fund that are included in this prospectus. Although management does not have firm commitments for all of those expenses and, accordingly, the complete financial effects of all of those additional expenses and expenditures are not objectively determinable, management has, based on past experience, estimated that:

- the additional annual administrative and management costs would total approximately $0.3 million;
- ongoing interest expense on the $60 million revolving credit facility along with other ongoing interest obligations would total $0.7 million for the 11 months ended November 30, 2001. The expected annual interest obligation on the $20 million and $10 million term facilities (assuming that they are fully drawn) as described under ''Principal Agreements — Credit Facilities'' would be approximately $1.9 million;

- approximately $0.4 million annually, representing ongoing cash obligations with respect to deferred lease obligations, would be deducted in arriving at distributable cash flow; and
- estimated annual Maintenance Capital Expenditures would total approximately $2.5 million.

Based on the foregoing, management believes that the distributable cash of the Fund for the eleven months ended November 30, 2001 would have been approximately $17.8 million. This figure does not take into account approximately $0.9 million of estimated annual recurring taxes and other items. Over the past three years, an average of 96% of the earnings of Livingston before depreciation and amortization was earned during the eleven months ended November 30. There can be no assurance that this was true in 2001. Other than EBITDA, the cash flow items described above would be incurred evenly throughout the year.

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

The Fund

The Fund will be entirely dependent on the operations and financial condition of Livingston. In turn, Livingston's earnings and cash flows will be affected by certain risks associated with its business and other risks described in this prospectus. See ''Risk Factors''.

Livingston

Livingston is Canada's leading customs brokerage company and trade-related services provider facilitating two-way trade between the United States and Canada. Livingston operates three business lines. These are Canadian customs brokerage services, United States customs brokerage services and other services, including trade consulting, specialized services for the trade show industry, trade-related outsourcing services and transportation.

Operating Results

Two Months Ended November 30, 2001

The events of September 11, 2001 created uncertainty over the economy. However, Livingston saw very little impact on its business. Revenues and interest income for the two months ended November 30, 2001 were $25.1 million, reflecting normal seasonality upswing prior to the holiday seasons, of which $0.4 million represented interest income.

Cost of services for the same period was $14.1 million, resulting in a contribution margin of $11.1 million. For the 11-month period ended November 30, 2001, contribution margin as a percentage of revenue was 39.8%.

Selling, general and administrative expenses (''SG&A'') for the two months were $4.7 million, resulting in an EBITDA(1) of $6.4 million. For the 11-month period ended November 30, 2001, EBITDA(1) was $23.2 million or 18.4% of revenue and interest income.

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

Revenues and interest income for the nine months ended September 30, 2001 increased to $100.8 million from $94.8 million for the same period in 2000, representing an increase of $6.0 million or 6.3%. Of these amounts, interest income was $3.0 million and $3.2 million for the nine months ended September 30, 2001 and 2000, respectively. The general slowdown in the economy impacted the volume of shipments crossing the border between Canada and the United States. As a result, revenues from brokerage activities remained flat while revenue growth for all other business lines continued.

Cost of services for the nine months ended September 30, 2001 was $61.7 million compared to $56.4 million for the same period in 2000, an increase of $5.3 million or 9.4%. The increase in cost corresponds to the increase in revenue set out above. The contribution margin as a percentage of revenue was 38.8% compared to 40.5% in the preceding period. The customs brokerage margin was impacted by a lower volume of activity, while a higher investment in the consulting services' infrastructure also contributed to the shortfall.

SG&A increased by $0.3 million, or 1.4%, to $22.3 million for the nine months ended September 30, 2001 from $22.0 million for the same period in 2000. This increase represents general inflationary increases.

The above resulted in EBITDA[1] of $16.8 million for the nine months ended September 30, 2001 compared to $16.4 million for the same period in 2000. EBITDA[1] declined as a percentage of revenue to 16.6% from 17.3%.

Amortization of deferred charges was $0.2 million for the nine months ended September 30, 2001 compared to $0.4 million for the same period in 2000.

Depreciation expense was $4.2 million for the nine months ended September 30, 2001 compared to $3.2 million for the nine months ended September 30, 2000. This increase reflects the additional depreciation on capital expenditures made in recent years to improve systems and facilities.

Other income for the nine months ended September 30, 2001 was $0.9 million compared to $0.2 million for the nine months ended September 30, 2000. The majority of the other income in 2001 came from the foreign currency translation gain of Livingston's U.S. subsidiary balance sheet. In 2000, Livingston also recognized a one-time gain on the settlement of the defined benefit pension plan and curtailment of a post-retirement benefit obligation of $2.5 million.

Interest expense on long-term debt was $1.2 million for the nine months ended September 30, 2001 compared to $1.5 million for the same period in 2000, primarily due to the impact of lower interest rates and debt repayments.

Other interest expense (primarily on the revolving line of credit for government remittance purposes) was steady at $0.9 million for each of the nine-month periods.

Included in interest expense for each of the nine-month periods was $0.3 million of non-cash interest expenses, primarily the amortization of deferred finance fees.

Income taxes were $5.1 million for the nine months ended September 30, 2001 compared to $5.5 million for the same period in 2000. The effective income tax rate was 45.4% compared to 41.6%. The primary reason for the increase in the effective income tax rate was the impact of the change in substantively enacted income tax rates in Ontario.

Goodwill charges for the nine months ended September 30, 2001 were $1.1 million compared to $1.0 million for the same period in 2000.

Net earnings were $5.0 million for the nine months ended September 30, 2001 compared to $6.7 million for the nine months ended September 30, 2000.

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

Revenues and interest income for the year ended December 31, 2000 increased to $123.9 million and $4.3 million respectively, from $94.9 million and $2.5 million in 1999, representing a total increase of $30.9 million or 32%. This increase reflected a full year's impact of the 1999 acquisition of Blaiklock Holdings Ltd. (''Blaiklock'') and continued internal growth.

Cost of services for the year ended December 31, 2000 increased to $78.5 million from $58.9 million in 1999, representing an increase of $19.6 million or 33.2%, as a result of increased costs directly related to the increases in revenues described above. The contribution margin as a percentage of sales was 38.8% for the year ended December 31, 2000 compared to 39.5% in 1999.

SG&A increased to $29.2 million for the year ended December 31, 2000 from $26.5 million in the same period in 1999, representing a 10.5% increase. This increase is primarily due to additional spending in sales and marketing to promote Livingston's transportation services as well as increased technology spending to bring about an integrated systems platform following the 1999 acquisition of Blaiklock.

The above resulted in EBITDA[1] of $20.5 million for the year ended December 31, 2000 compared to $12.0 million in 1999. EBITDA[1] as a percentage of revenue improved significantly from 12.3% in 1999 to 16.0% in 2000. The successful integration of Blaiklock and the realization of synergies resulting from the acquisition contributed to the increase.

Amortization of deferred charges for the year ended December 31, 2000 was $0.5 million compared to $1.1 million for the year ended December 31, 1999, reflecting the reduction of overall deferred charges.

Depreciation expense was $4.4 million for the year ended December 31, 2000 compared to $2.8 million for fiscal 1999. The increase reflects the increased capital expenditures made in recent years to upgrade technology and facilities as well as depreciation expense attributable to the acquired Blaiklock assets.

Other expense for the year ended December 31, 2000 was $0.5 million compared to other expenses of $0.7 million for the year ended December 31, 1999. Livingston also incurred $0.6 million of non-recurring integration expenses related to the acquisition of Blaiklock. For the year ended December 31, 1999, there was a foreign currency translation loss on the U.S. subsidiary balance sheet of $0.7 million. As described earlier, there was a one-time gain for the year ended December 31, 2000 on the settlement of the defined benefit pension plan and curtailment of the post-retirement benefit obligation of $2.5 million.

The interest expense on long-term debt was $2.1 million for the year ended December 31, 2000 compared to $1.2 million for the year ended December 31, 1999, mainly due to additional debt financing for the acquisition of Blaiklock.

Other interest expense (on the revolving line of credit for government remittance purposes) was $1.2 million for the year ended December 31, 2000 compared to $0.8 million for 1999, reflecting the combined company volume.

Income taxes for the year ended December 31, 2000 were $6.3 million compared to $2.5 million for the year ended December 31, 1999. The effective income tax rate for 2000 was 43.8% compared to 46.5% for 1999. Higher non-deductible expenses relative to pre-tax income contributed to the higher rate in 1999.

Goodwill charges for 2000 were $1.5 million compared to $1.2 million for 1999, reflecting the amortization on the additional goodwill recognized on the acquisition of Blaiklock.

Net earnings for 2000 were $6.6 million compared to $1.7 million for 1999.

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

Revenues and interest income for the year ended December 31, 1999 increased to $94.9 million and $2.5 million, respectively, from $85.3 million and $2.3 million in 1998, representing a total increase of $9.7 million or 11%. This increase reflected the steady organic growth of the company's various business lines plus five weeks of revenue from the acquired Blaiklock business.

Cost of services for the year ended December 31, 1999 increased to $58.9 million from $53.7 million in 1998, an increase of $5.2 million or 9.7%, as a result of increased costs directly related to the increases in revenue described above. The contribution margin as a percentage of sales was 39.5% for 1999 compared to 38.7% for 1998.

SG&A increased to $26.5 million for the year ended December 31, 1999 from $24.4 million in 1998, an increase of 8.6%. The introduction of a new accounts receivable collection system contributed to the increase, as did increased spending in technology to ensure operational efficiency was optimized.

The above resulted in EBITDA[(1)] of $12.0 million for the year ended December 31, 1999 compared to $9.5 million for the same period in 1998. As a percentage of revenue, EBITDA[(1)] grew from 10.9% in 1998 to 12.3% in 1999.

Amortization of deferred charges was $1.1 million for the year ended December 31, 1999 compared to $2.4 million for the same period in 1998. This reduction reflected the full amortization in 1998 of a component of deferred charges.

Depreciation expense for 1999 was $2.8 million compared to $1.8 million for 1998. The increase reflects the increased capital spending incurred in recent years to upgrade technology and facilities.

Other expense for 1999 was $0.7 million compared to other income of $1.1 million for fiscal 1998. There was a foreign currency translation loss (on the U.S. subsidiary balance sheet) of $0.7 million in 1999 and a translation gain of $0.6 million in 1998. There was also a gain in 1998 of $0.6 million on the sale of assets.

The interest expense on long-term debt was $1.2 million for each of the years.

Other interest expense (on the revolving line of credit for government remittance purposes) was $0.8 million for fiscal 1999 as compared to $0.9 million for fiscal 1998.

Income taxes for the year ended December 31, 1999 were $2.5 million compared to $2.0 million for the same period in 1998. The effective income tax rate for 1999 was 46.5% compared to 46.1% for 1998.

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(1) EBITDA is not a recognized measure under Canadian generally acceptable accounting principles (GAAP). Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of Livingston's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Livingston's method of calculating EBITDA may differ from other companies and accordingly, EBITDA may not be comparable to measures used by other companies.

Goodwill charges were $1.2 million for each of the 12-month periods. Net earnings for the year ended December 31, 1999 were $1.7 million compared to $1.2 million in 1998.

Liquidity and Capital Resources

Business Acquisitions

In November 1999, Livingston purchased Blaiklock for $9.8 million, including acquisition costs of $0.6 million. Blaiklock was one of the major customs brokers in Canada with a freight forwarding division. This transaction was part of Livingston's strategy to capitalize on the ongoing consolidation in the industry. Included in the purchase allocation was a restructuring provision of $2.0 million related to severance, lease terminations and other costs.

Cash Flow from Operations

During the nine months ended September 30, 2001, Livingston generated $10.2 million of cash flow from operations compared to $9.9 million for the same period in 2000. For the years ended December 31, 2000, 1999 and 1998, cash flow from operations was $11.7 million, $6.6 million and $5.7 million, respectively. The increase in cash flow from operations during the year ended December 31, 2000 was primarily due to higher earnings and the successful realization of synergies.

Capital Expenditures and Other Investing Activities

Capital expenditures are incurred for maintenance and business expansion purposes.

During the nine months ended September 30, 2001, Livingston spent $5.3 million on capital expenditures of which $2.1 million was for Maintenance Capital Expenditures. Development of e-commerce capability, capital spending to improve systems to accommodate a major account and the related upgrading of computer hardware were the major capital expenditure projects for the period.

Total cash expenditures for the year ended December 31, 2000 were $5.0 million of which $2.1 million was for Maintenance Capital Expenditures. The major spending for the year was on improvements to computer software and hardware of Blaiklock. Livingston also acquired computer equipment of $0.9 million under capital leases.

Cash expenditures in 1999 of $2.6 million included $1.0 million for Maintenance Capital Expenditures, completion of the new accounts receivable collection system, continued technology upgrades to accommodate year 2000 date rollover and software and hardware upgrades to the U.S. customs brokerage system. Livingston also acquired computer equipment under capital leases of $0.5 million.

In 1998, approximately $3.7 million of a total $6.3 million was for Maintenance Capital Expenditures. The balance included upgrades to its computer technology systems to accommodate year 2000 date rollover and design and development of software for its new accounts receivable collection system.

In the past, Livingston has received leasehold inducement payments from certain landlords in connection with entering into leases. During the years ended December 31, 1998 and December 31, 2000, Livingston received $1.2 million and $0.2 million, respectively, of cash inducements. For the nine months ended September 30, 2001, Livingston received $0.3 million of cash inducements.

These amounts are deferred and amortized over the life of the related leases and are recorded as other liabilities on the balance sheets. As at September 30, 2001, the unamortized amount was approximately $1.4 million. Each month, as rent is paid on these premises, a corresponding deduction is made to rent expenses, and other liabilities are reduced accordingly. The difference between rent expense and the cash payment is funded via borrowings under the operating facility as required.

Accounts Receivable

As a customs broker operating in Canada, Livingston collects and remits applicable duties and taxes to the federal government on behalf of clients. While money is collected daily, payment to the government is made on the last business day of the month. As a result, cash balances held by Livingston during the month are significant in anticipation of remitting such amounts. Livingston earns interest on these balances. The amount of duties and taxes billed to clients is a significant part of the account receivable shown on the balance sheet.

Financing Activities

Livingston has an operating facility used for government remittances that fluctuates depending on the timing of payments to the government at the end of the month and the cash receipts from clients. Livingston also has a term debt facility of $23.5 million which was amended in 1999 to increase the borrowing by $9.5 million to finance the purchase of Blaiklock. As of September 30, 2001, the balance outstanding on the term debt facility was $18.3 million reflecting scheduled principal repayments.

Risk and Uncertainties

Refer to ''Risk Factors'' of this prospectus for a discussion of the risks affecting the business.

Outlook

Prior to the completion of the offering, Livingston operated as a stand-alone operation. The establishment of Livingston as a subsidiary of the Fund will result in incremental expenses estimated to $300,000 annually (excluding interest charges on the Livingston Notes) in respect of administration and insurance costs. Future strategic initiatives may be financed with borrowings, the additional issuance of Units, from working capital or from the cash flow of the business.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is a limited purpose trust established on January 4, 2002 under the laws of the Province of Ontario pursuant to the Declaration 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 of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions. See ''Material Contracts''.

Activities of the Fund

The Declaration of Trust provides that the Fund is restricted to:

(a) investing in securities, including the Common Shares and the Livingston Notes and other securities issued by Livingston and its affiliates, and otherwise lending funds to Livingston and its affiliates;

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

(c) issuing Units (or rights, warrants, convertible securities or options to acquire Units) as contemplated by the Declaration of Trust;

(d) issuing debt securities or otherwise borrowing;

(e) guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of Livingston or any affiliate of the Fund or Livingston or the performance of any obligation of Livingston or any affiliate of the Fund or Livingston, and mortgaging, pledging, charging, granting a security in or otherwise encumbering all or any part of the Fund assets, including securities issued by Livingston or any affiliate of the Fund, as the case may be, as security for such guarantee;

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

(g) purchasing securities issued by the Fund;

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

(i) undertaking such other activities, or taking such actions (including investing in securities), as are related to or in connection with the foregoing or as are contemplated by the Declaration of Trust or as may be approved by the Trustees from time to time, provided that the Fund shall not undertake any activity, take any action, or make any investment that would (i) result in the Fund not being considered a ''mutual fund trust'' for purposes of the Tax Act or (ii) result in Units constituting foreign property for purposes of Part XI of the Tax Act.

As at the date of this prospectus, the Fund does not intend to hold securities of entities other than Livingston and its affiliates.

Units

An unlimited number of Units may be issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in the Fund, in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding up of the Fund. All Units are of the same class with equal rights and privileges. The Units issued pursuant to the Offering are not subject to additional payments on account of the subscription price and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under ''Redemption Right'' below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions as the Trustees may 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 distributions. The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any distribution of Units to all Unitholders in satisfaction of all or part of any such distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the distribution except where tax was required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate (if any) representing a number of Units prior to the distribution is deemed to represent the same number of Units after the distribution and the consolidation. Where amounts so distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing their post-consolidation Units.

Trustees

The Fund will have a minimum of three Trustees and a maximum of 10 Trustees. The Trustees are to supervise the activities and manage the affairs of the Fund.

The current Trustees of the Fund (who are also directors of Livingston) are Peter Restler, Peter Luit, Jacques Landreville and Joseph Natale. See ''Management of Livingston — Directors and Senior Officers of Livingston'' for the principal occupations of the Trustees. Trustees shall be appointed at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, subject to their earlier resignation or removal.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and affairs of the Fund. The Declaration of Trust requires a majority of the Trustees to be residents of Canada (as that term is defined in the Tax Act) and questions decided by the Trustees must be decided by a majority of resident Canadians. The Trustees are responsible for, among other things, (i) the Fund acting as a shareholder and noteholder of Livingston; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities of the Fund; (iv) payments of distributable cash from the Fund to Unitholders; and (v) the appointment or election of the Fund's nominees to serve as directors of Livingston.

The Trustees will have the right to 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 effective at the time a written resignation is received by the Fund and may be removed by a resolution passed by a majority of the Unitholders, and the vacancy created by such removal or resignation may be filled by the Unitholders or the Trustees in the circumstances described in the Declaration of Trust.

The directors of Livingston are anticipated to be the same persons who will act as Trustees of the Fund. The compensation paid to individuals other than members of management for acting as both director and Trustee is expected to be $10,000 per director/Trustee per year and $750 per director/Trustee for attending joint board of directors'/Trustees' meetings and/or committee meetings. The Fund will also reimburse the Trustees for out-of-pocket expenses for attending such meetings, and Trustees will participate in the insurance and indemnification arrangements described herein. See ''Management of Livingston — Remuneration of Directors and Trustees''.

A quorum of the Trustees, being the greater of two Trustees or a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees beyond the limit described below or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will forthwith call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call such meeting or if there are not Trustees then in office, any Unitholder may call the meeting. The Trustees in office shall also appoint such Trustees as may be necessary so that a majority of the Trustees are at all times resident Canadians.

The Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, but the number of additional Trustees will not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Unitholders.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Declaration of Trust provides that a Trustee shall individually be entitled to indemnification from the Fund in respect of the exercise of his or her powers and the discharge of his or her duties provided that he or she shall not be indemnified if he or she failed to act in good faith with a view to the best interests of the Fund. Additionally, in certain circumstances, limitations on indemnification similar to those applicable to a director under the *Canada Business Corporations Act* will apply.

Governance

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

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

- articulate the legal obligations of the Fund, its affiliates and their respective trustees, directors, officers and employees with respect to confidential corporate information;
- identify spokespersons of the Fund who are authorized to communicate with third parties such as analysts, the media and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by senior representatives of any disclosure of financial information to seek to ensure that the information is not material, and to seek to ensure that selective disclosure of material information does not occur, and that if it does occur, a news release is issued promptly; and
- establish ''black-out'' periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which the Fund, its affiliates, and their respective trustees, directors, officers and certain other persons may not purchase or sell Units of the Fund.

Audit Review

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

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

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

Cash Distributions

The amount of cash available for distribution to the Unitholders monthly shall be equal to the interest and principal repayments on the Livingston Notes, dividends and other distributions received by the Fund on the Common Shares, less: (i) administrative expenses and other obligations of the Fund; (ii) amounts which may be paid by the Fund in connection with any cash redemptions of Units; (iii) any other interest expense incurred by the Fund between distributions; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs that have been or are reasonably expected to be incurred by the Fund. Under the terms of the Livingston Notes, interest is accrued at the rate of 12.675% per annum, calculated and payable monthly in arrears on or prior to the last business day of the following month.

The Fund may make additional distributions in excess of the monthly distributions during the year, as it sees fit, in its sole discretion. Any amounts of net income and net realized capital gains of the Fund for a taxation year not otherwise distributed during such year shall be payable on December 31 of such year.

Any income of the Fund that is applied to 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. Such additional Units are expected to be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Monthly distributions are to be paid to Unitholders of record on dates to be specified and are to be paid on the last business day of the following month. The initial cash distribution for the period from the closing of this Offering to March 31, 2002, substantially all of which will be considered to be income of the Unitholder for Canadian tax purposes, is expected to be paid on or about April 30, 2002 to Unitholders of record on a date to be specified. See ''Certain Canadian Federal Income Tax Considerations''.

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

Redemption Right

Units are redeemable at any time on demand by the holders 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 CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the ''Redemption Price'') equal to the lesser of: (i) 90% of the ''market price'' on the principal market on which the Units are quoted for trading during the 10 trading day period commencing immediately following the date on which the Units were surrendered for redemption (the ''Redemption Date''); and (ii) 100% of the ''closing market price'' on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, ''market price'' will be the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; and provided that if there was trading on the applicable exchange or market for fewer than 5 of the trading days during the specified trading day period, the ''market price'' shall be the average of the following prices established for each of the trading days during the specified trading period: the average of the last bid and last asking prices of the Units for each day on which there was no trading and the weighted average trading prices of the Units for each day that there was trading. The ''closing market price'' shall be an amount equal to the closing price of the Units on the applicable market or exchange if there was a trade on the specified date and the applicable exchange or market provides a closing price; an amount equal to the average of the highest and lowest prices of the Units on the applicable market or exchange if there was trading on the specified date and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the average of the last bid and last asking prices of the Units if there was no trading on the specified date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such 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 such limitation in respect of all Units tendered for redemption in any calendar month; (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 trading day period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Units tendered for redemption shall, subject to any applicable regulatory approvals, be redeemed in part by cash and in part by way of a distribution in specie of a pro rata number of securities of Livingston held by the Fund. No fractional Common Shares or Livingston Notes in integral multiples of other than $100 will be distributed and, where the number of securities of Livingston to be received by a Unitholder includes a fraction or a multiple less than $100, such number shall be rounded to the next lowest whole number or integral of $100. The Fund shall be entitled to all interest paid on the Livingston Notes and the distributions paid on the Common Shares on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of a pro rata number of securities of Livingston on the redemption of Units of a Unitholder, the Fund currently intends to treat as payable to and designate to that Unitholder any capital gain realized by the Fund as a result of the distribution of such securities to the Unitholder. See ''Certain Canadian Federal Income Tax Considerations''.

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

Meetings of Unitholders

Meetings of Unitholders are required to be called and held annually for the election of Trustees and the appointment of auditors of the Fund. The Declaration of Trust provides that the Unitholders shall be entitled to pass resolutions that will bind the Fund only with respect to: the election or removal of Trustees of the Fund; the election or removal of nominees of the Fund to serve as directors of Livingston (except filling casual vacancies); the appointment or removal of the auditors of the Fund; the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund; the termination of the Fund; the approval of amendments to the Declaration of Trust (except as described under ''Amendments to the Declaration of Trust'' below); the sale of all or substantially all of the assets of the Fund; the exercise of certain voting rights attached to the securities of Livingston held by the Fund (see ''Exercise of Certain Voting Rights Attached to Securities of Livingston'' below); and the dissolution or winding up of the Fund prior to the end of its term.

A resolution electing or removing nominees of the Fund to serve as directors of Livingston and a resolution appointing or removing the Trustees or the auditors of the Fund or appointing an inspector must be passed by a majority of the votes cast by Unitholders. 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 proxy holder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 25% of the votes attached to all outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

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

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of a majority of the Units. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent or Trust shall 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 in form and content satisfactory to the Trustees that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustees determine that a majority of the Units are beneficially held by non-residents, the Trustees may send a notice to non-resident beneficial holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may in their discretion consider equitable or appropriate, requiring such non-resident owners of Units to sell the beneficial interest in their Units or a portion thereof to persons who are not non-residents within a specified period of not less than 60 days. If a beneficial owner of Units receiving such notice has not sold the specified number of Units or provided the Trustees with satisfactory evidence that the holder is not a non-resident within such period, the Trustees may, on behalf of such beneficial owner of Units, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected beneficial owner of Units shall cease to be the beneficial owner of such Units and his or her rights shall be limited to receiving the net proceeds of such sale. The Trustees shall have no liability for the amount received provided that they act in good faith.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by Special Resolution of the Unitholders.

The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund;

(b) which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders;

(c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor changes or corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;

(d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws; and

(e) to provide added benefits to Unitholders.

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 January 4, 2002. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by Special Resolution require the Trustees to commence to wind up the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence to wind up the affairs of the Fund, the Trustees will give notice thereof to the Unitholders, which notice shall designate the time or times at which Unitholders shall surrender their Units for cancellation and the date at which the register of Units will be closed. Following a resolution to terminate the Fund, the Trustees shall proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders, fulfil or discharge the contracts of the Fund, perform or cause the auditor to perform any final audit of the Fund assets, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining Fund assets, including the Common Shares and the Livingston Notes, to one or more persons in one transaction or a series of transactions at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining part of the proceeds of the sale of the Common Shares, Livingston Notes and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Common Shares or Livingston Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Common Shares and Livingston Notes or other assets in specie directly to the Unitholders in accordance with their pro rata interests, subject to obtaining all required regulatory approvals. The Trustees shall have no liability for the amount received provided that they act in good faith.

Take-over Bids

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

Exercise of Certain Voting Rights Attached to Securities of Livingston

The Declaration of Trust provides that the Fund shall not vote its Common Shares and Livingston Notes to authorize, among other things:

(a) any sale, lease or other disposition of all or substantially all of the assets of Livingston except in conjunction with an internal reorganization or a permitted charge, pledge or lien;

(b) any amalgamation, arrangement or other merger of Livingston with any other corporation, except in conjunction with an internal reorganization;

(c) any material amendment to the Livingston Note Indenture; or

(d) any material amendment to the articles of Livingston (other than setting the terms of series of preferred shares) to change the authorized share capital in a manner which may be prejudicial to the Fund;

without the authorization of the Unitholders by Special Resolution.

Information and Reports

The Fund will furnish, in accordance with and subject to applicable securities laws, to Unitholders such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) 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 the Unitholders (along with notice of such meeting) all such information as is required by applicable law and the Declaration of Trust to be provided to such holders.

Livingston has undertaken to provide the Fund with: (i) a report of any material change that occurs in the affairs of Livingston in form and content that it would file with the applicable regulatory authorities as if it were a reporting issuer; and (ii) all financial statements that it would be required to file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws. All such reports and statements are required to be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

Book-Entry Only System

Registration of interests in and transfers of the Units will be made only through a book-based system administered by The Canadian Depository for Securities Limited (''CDS'') (the ''Book-Entry Only System''). On or about the date of closing of this Offering, the Trustees will deliver to CDS certificates evidencing the aggregate number of Units subscribed for under this Offering. Units must be purchased, transferred and surrendered for redemption through a participant in the Book-Entry Only System (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 purchase of any Units, the Unitholders will receive only the customary 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 Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the ''Underwriting Agreement'') dated January 31, 2002 among the Fund, certain of the LII Securityholders and the Underwriters, the Fund has agreed to sell and the Underwriters have severally agreed to purchase, on February 11, 2002, or on such other date as may be agreed upon, but in any event no later than March 11, 2002, an aggregate of 15,102,600 Units at a purchase price of $10.00 per Unit, for an aggregate consideration of $151,026,000 payable to the Fund by the Underwriters against delivery of the Units. The Underwriters will receive a fee of $0.575 per Unit upon closing. See ''Funding and Acquisition'' and ''Use of Proceeds''.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of such Units are purchased under the Underwriting Agreement. The Fund has agreed to indemnify the Underwriters and certain of the LII Securityholders pursuant to the Underwriting Agreement.

The TSE has conditionally approved the listing of the Units under the symbol ''LIV''. Listing is subject to the Fund fulfilling all of the requirements of the TSE on or before April 25, 2002.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSE 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. Subject to the foregoing and applicable laws, the Underwriters may, in connection with this Offering, over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Units have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the ''U.S. Securities Act'') and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell these securities within the United States, except for sales in accordance with Rule 144A under the U.S. Securities Act. In addition, until 40 days after the closing date of this Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with Rule 144A or another exemption under the U.S. Securities Act.

Prior to this Offering there was no market through which the Units could be sold. Accordingly, the terms of the distribution, including the offering price of the Units, was determined by negotiation between the Fund, certain of the LII Securityholders and the Underwriters.

See also ''Relationship Between the Fund and Certain of the Underwriters''.

USE OF PROCEEDS

The net proceeds from the issuance of the Units (after deducting expenses of the Offering, the Acquisition and the New Credit Facility, estimated at $4.3 million) of approximately $138 million will be used by the Fund to pay the purchase price for the Livingston Securities. Following the Acquisition of the Livingston Securities by the Fund, such securities will be transferred to a subsidiary of the Fund which will, in turn, amalgamate with Livingston, LII Holdings and certain of its affiliates, to form Livingston. Following such amalgamation, the Fund will own all of the Common Shares of Livingston and all of the Livingston Notes. See ''Funding and Acquisition''.

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund as at January 31, 2002 both before and after giving effect to the Offering and the Acquisition.

Designation	Authorized	As at January 31, 2002	As at January 31, 2002, after giving effect to the Offering and the Acquisition
Term Debt under New Credit Facility (2)	N/A	—	$20,000,000
Units (1)	Unlimited	$10.00 (1 Unit)	$151,026,000 (15,102,600 Units)

Notes:

(1) The Fund was initially settled on January 4, 2002 with $10.

(2) Drawn portion. An additional $10 million term facility is expected to be available for certain one-time information technology requirements. See ''Principal Agreements — Credit Facilities''.

PRINCIPAL UNITHOLDERS

To the knowledge of the directors and officers of Livingston, no person will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the Units after the completion of the Offering.

RELATIONSHIP BETWEEN THE FUND AND CERTAIN OF THE UNDERWRITERS

In connection with this offering, the Fund may be considered a ''connected issuer'' to Scotia Capital Inc. and CIBC World Markets Inc. under applicable securities laws. Canadian chartered banks affiliated with those Underwriters are lenders under the Current Credit Facility provided by them to Livingston, which credit facility is secured by substantially all of the assets of Livingston. Under the terms of the Current Credit Facility, the consent of such lenders is a prerequisite to the completion of the Acquisition. As at January 30, 2002, a total of approximately $17.6 million was outstanding under the Current Credit Facility. As at the date of this prospectus, Livingston is in compliance with the terms and conditions of the Current Credit Facility provided by the lenders in all material respects. The Current Credit Facility is expected to be repaid and replaced by the New Credit Facility, in which lenders affiliated with the Underwriters are expected to participate, and of which $20 million in term facilities are expected to be drawn at closing. See ''Principal Agreements — Credit Facilities''.

The terms, structuring and pricing of the Offering were determined solely by negotiation between the Fund, certain of the LII Securityholders and the Underwriters. None of the lenders under the Current Credit Facility played any roles in those determinations or decisions. None of the proceeds of the Offering, except for that portion of the proceeds payable to the Underwriters or the lenders under the Current Credit Facility for their fees and expenses, is expected to be applied for the benefit of Scotia Capital Inc., CIBC World Markets Inc. and/or their affiliated bankers. Livingston's financial position has improved since incurring its indebtedness.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

This summary is based upon the provisions of the Tax Act and the regulations thereunder in force at the date hereof and counsel's understanding of the current published administrative and assessing practices of the Canada Customs and Revenue Agency and takes into account the Tax Proposals. There can be no assurance that the 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 herein.

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

The Fund qualifies as a ''unit trust'' as defined in the Tax Act. This summary assumes that the Fund will also qualify as a ''mutual fund trust'' as defined in the Tax Act on completion of the Offering, and will thereafter continuously qualify as a mutual fund trust. In order for the Fund to qualify as a mutual fund trust at a particular time, it must meet certain prescribed conditions (''minimum distribution requirement'') relating to the number of Unitholders, dispersal of ownership of Units and public trading of its Units at such time; its sole undertaking must be the investing of its funds in property (other than real property); and it must not be established or maintained primarily for the benefit of non-residents. In the opinion of counsel, the sole undertaking of the Fund as described in this prospectus is the investing of its funds in property (other than real property) and this summary assumes that this will continue to be the case at all relevant times. This summary assumes that the Fund will satisfy the minimum distribution requirement on completion of the Offering, so that it may elect to be deemed to be a mutual fund trust from the date it was established until such time, and that it will continuously satisfy the minimum distribution requirement thereafter. This summary also assumes that the Fund is not established or maintained primarily for the benefit of non-residents, and counsel is of the view that such assumption is reasonable in light of the restriction on the ownership of Units by non-residents, which is contained in the Declaration of Trust. If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

Qualified Investment

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

A Common Share or a Livingston Note received as a result of a redemption of Units may not be a qualified investment for a Plan which could give rise to adverse consequences to the Plan or the annuitant thereunder. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the right to redeem Units.

Foreign Property

Based in part on a certificate of Livingston as to factual matters, Units, if issued on the date hereof, would not constitute foreign property for Plans, registered pension plans or other persons subject to tax under Part XI of the Tax Act and would not constitute foreign property immediately following the completion of the Acquisition and related transactions if they were completed on the date hereof. Trusts governed by registered education savings plans are not subject to the foreign property rules.

Taxation of the Fund

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

The Fund will include in its income for each taxation year all interest on the Livingston 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 taxation year.

A distribution by the Fund of Common Shares or Livingston Notes upon a redemption of Units will be treated as a disposition by the Fund of the securities so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds from the disposition of Livingston 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 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 and other expenses incurred by it for the purpose of earning income. The Fund may also deduct from its income for the year a portion of the expenses incurred by the Fund to issue Units pursuant to this Offering. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses, pro-rated where the Fund's taxation year is less than 365 days.

Under the Declaration of Trust, an amount equal to all of the income of the Fund, together with the non-taxable portion of any net capital gains realized by the Fund, but excluding capital gains arising on a distribution in specie of Common Shares or Livingston Notes on redemption of Units which are payable and designated by the Fund to redeeming Unitholders, will be payable in the year to the holders of the Units by way of cash distributions, subject to the exceptions described below. Income of the Fund that is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the ''Capital Gains Refund''). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the Fund's tax liability for such taxation year arising as a result of the distribution of Common Shares or Livingston Notes on the redemption of Units. The Declaration of Trust provides that any capital gain realized by the Fund as a result of such redemption may, at the discretion of the Trustees, be treated as paid to redeeming Unitholders and the taxable portion thereof designated as a taxable capital gain of the redeeming Unitholders. Any amount so designated as a taxable capital gain must be included in computing the income of the redeeming Unitholders and will be deductible by the Fund. In addition, certain accrued interest on Livingston Notes distributed to a redeeming Unitholder will be treated as an amount paid to such 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 such year for income tax under Part I of the Tax Act.

Taxation of Unitholders

Fund Distributions

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

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

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in such year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition of a Unit), the Unitholder will be required to reduce the adjusted cost base of the Units to the Unitholder by such amount.

The cost to a Unitholder of additional Units received in lieu of a cash distribution will be the amount distributed by the issue of such 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 such acquisition.

Dispositions of Units

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income or is the non-taxable portion of net realized capital gains of the Fund paid or payable to the Unitholder. Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, any capital loss on the disposition will generally be reduced by the amount of distributions designated as taxable dividends previously distributed to the Unitholder except to the extent that a loss on the previous disposition of a Unit has been reduced by such 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.

Where Units are redeemed by the distribution of Livingston Notes or Common Shares to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will generally be equal to the fair market value of the Livingston Notes or Common Shares so distributed less any capital gain realized by the Fund as a result of the redemption of such Units which has been made payable by the Fund to the Unitholder and, in the case of Livingston Notes, any accrued interest thereon. Where a capital gain realized by the Fund as a result of the distribution of Common Shares or Livingston Notes on the redemption of Units has been made payable by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the taxable portion of the capital gain so payable. Interest on the Livingston Notes accrued in the taxation year of the Fund in which the redemption occurs but which has not been paid at the time of redemption will be treated as an amount of income paid to the Unitholder and therefore will be included in the Unitholder's income in the year the Unit is redeemed. The cost of any Livingston Note or Common Share distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of such security at the time of the distribution less, in the case of a Livingston Note, any accrued interest thereon. The Unitholder will thereafter be required to include in income interest on any Livingston Note so distributed in accordance with the provisions of the Tax Act. To the extent that the Unitholder is thereafter required to include in income any interest accrued to the date of the acquisition of a Livingston Note by the Unitholder, an offsetting deduction will be available.

Capital Gains and Capital Losses

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

Alternative Minimum Tax

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

RISK FACTORS

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

Risks Related to the Business and the Industry

Dependence on Cross-Border Trade

Livingston's principal businesses are directly related to, and their future performance is dependent upon, the volume of cross-border trade. Such trade is influenced by many factors, including economic and political conditions in the United States and Canada, major work stoppages, wars, terrorist acts or security operations, exchange controls, currency fluctuations and Canadian, United States and foreign laws relating to tariffs, trade restrictions, foreign investment and taxation. There can be no assurance that trade-related events beyond the control of Livingston, such as failure to reach or adopt trade agreements and an increase in trade restrictions, will not have a material adverse effect on Livingston's results of operations.

Vulnerability to Economic Conditions

Livingston's future operating results may be dependent on the economic environments in which Livingston operates. Demand for Livingston's services could be adversely affected by economic conditions in industries of Livingston's customers. Livingston's business has also experienced and is expected to experience seasonality, in part due to trade patterns. Livingston expects that product demand (and consequently results of operations) will continue to be sensitive to economic conditions and other factors beyond the control of Livingston.

Competition

Livingston operates in competitive markets, and some of Livingston's competitors have economic resources greater than those of Livingston and are well established as suppliers to the markets that Livingston serves. Accordingly, such competitors may be better able to withstand volatility within industries and throughout the economy as a whole, while retaining significantly greater operating and financial flexibility than Livingston. Although Livingston competes on a number of factors, including information systems capability, reliability, responsiveness, expertise, convenience, scope of operations and price, there can be no assurance that competition in one of these areas will not adversely affect Livingston's results of operations.

Risks of Acquisitions and the Failure to Integrate Acquired Businesses

As part of its long-term strategy, Livingston intends to acquire additional complementary businesses where such transactions are economically and strategically justified. However, there can be no assurance that Livingston will continue to identify attractive acquisition candidates in the future, or that it will succeed at effectively managing the integration of acquired businesses. If the expected synergies from such transactions do not materialize or Livingston fails to successfully integrate such new businesses into its existing businesses, Livingston's results of operations could be adversely affected.

Regulatory Change

Livingston's business is affected by changes in regulatory requirements, customs duties, GST and other taxes. Such changes could, depending on their nature, benefit or adversely affect Livingston.

Foreign Exchange

For 2000, approximately 20% of Livingston's revenue was in U.S. dollars. A one percent change in the value of the Canadian dollar resulting from a weaker U.S. dollar against the Canadian dollar would impact gross profit negatively by approximately \$0.2 million and earnings before income tax, depreciation and amortization by approximately \$0.1 million. This foreign exchange exposure is partly mitigated by the positive impact of depreciation and amortization and limits the exposure of net income (before tax) to foreign exchange to within a \$0.05 million range. Exchange rate fluctuations are beyond Livingston's control and there can be no assurance that such fluctuations will not have a material adverse effect on Livingston's reported results. Livingston may in the future choose to enter into hedging transactions to mitigate such rates, but there can be no assurance that any such hedging strategy will, if entered into, be successful.

Interest Earnings

Livingston earns interest on funds held for remittance to governments and pays interest on its indebtedness. On balance, at present, it earns net profit from its cash flow. Accordingly, reductions in interest rates, as well as changes in government remittance obligations or client funding patterns, may have an adverse effect on Livingston.

Reliance on Key Personnel

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

Potential Undisclosed Liabilities Associated with Acquisitions

To the extent that prior owners of businesses acquired by Livingston failed to comply with or otherwise violated applicable laws, Livingston, as a successor owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on Livingston's business, financial condition or future prospects.

Uninsured and Underinsured Losses

Management of Livingston believes that the insurance coverage that will be maintained will be in the form of comprehensive property and casualty insurance with coverages and amounts sufficient to repair or replace any assets physically damaged or destroyed, resultant business interruption losses, extra expenses sustained or claims for bodily injury or property damage arising out of assets or operations. However, not all risk factors are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Livingston.

Bonding Requirements

If Livingston is unable to maintain governmentally required bonding in place, its ability to conduct its customs brokerage business would likely be materially adversely affected. In addition, Livingston could be adversely affected if its costs to obtain bonds were to increase.

Credit and Collection

Livingston has over 13,000 clients, with no single customer accounting for more than 5% of annual revenues. Livingston may, depending on the client and timing of the shipment, pay duties and taxes on behalf of its clients from time to time, thus extending them credit. Although Livingston engages in credit reviews and has not experienced material difficulty collecting its accounts receivable, should Livingston experience difficulty collecting such accounts, Livingston and the Fund could be materially adversely affected.

Risks Related to the Structure of the Fund and this Offering

Dependence on Livingston

The Fund is a limited purpose trust, which will be entirely dependent on the operations and assets of Livingston through the ownership of Common Shares and Livingston Notes. Accordingly, the cash distributions per Unit to the Unitholders will be dependent on the ability of Livingston to pay its interest obligations under the Livingston Notes and to declare and pay dividends or make other distributions on the Common Shares. The ability of the subsidiaries of Livingston to pay dividends or make other payments or advances to Livingston will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those subsidiaries (including the proposed New Credit Facility).

Refinancing

Livingston will have both term and revolving credit facilities outstanding. If these facilities were to be no longer available, or could not be refinanced on reasonable terms on their maturity or earlier termination, or if their terms were to be substantially changed during syndication, Livingston and the Fund could be materially adversely affected.

Leverage; Restrictive Covenants

Livingston will have significant third party indebtedness under the proposed New Credit Facility and its bonding arrangements. See ''Principal Agreements''. The degree to which Livingston is leveraged could have important consequences to the holders of the Units, including: (i) Livingston's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a substantial portion of Livingston's cash flow from operations may need to be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) certain or all of Livingston's borrowings will be at variable rates of interest, which exposes Livingston to the risk of increased interest rates; and (iv) Livingston may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. Certain of Livingston's competitors may currently operate on a less leveraged basis and therefore could have significantly greater operating and financing flexibility than Livingston. Livingston's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

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

Cash Distributions Are Not Guaranteed and Will Fluctuate with Livingston's Performance

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

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business and should not be viewed by investors as shares or debt of Livingston. 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 the right to bring a claim for non-payment of indebtedness. The Units represent a fractional interest in the Fund. The Fund's primary assets will be Livingston Notes and Common Shares. The price per Unit in the Offering is a function of anticipated distributable income.

Absence of Prior Public Market

Prior to the Offering there has been no public market for the Units. The initial public offering price has been determined by negotiation between the Fund, certain of the LII Securityholders and the Underwriters based on several factors, and may bear no relationship to the price at which the Units will trade in the public market subsequent to the Offering. See ''Plan of Distribution''.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute the Common Shares and Livingston Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Common Shares and Livingston Notes. In addition, the Common Shares and Livingston Notes are not freely tradeable and are not currently listed or quoted on any stock exchange or market. See ''Description of the Fund — Term of the Fund''. Securities of Livingston so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

The Fund May Issue Additional Units, Diluting Existing Unitholders' Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of any Unitholders. See ''Share and Loan Capital of Livingston — Share Capital of Livingston''.

Restrictions on Potential Growth

The payout by Livingston of substantially all of its operating cash flow will make many additional capital and operating expenditures and further acquisitions dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of Livingston and its cash flow.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable despite such statement in the Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize such risk wherever possible.

Undiversified and Illiquid Holding in Livingston

The Fund's holding of Common Shares and Livingston Notes will be undiversified, and such securities will be illiquid, as they are not expected to be listed or quoted on any stock exchange or other market.

Investment Eligibility

There can be no assurance that 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. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Income Tax Matters

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

Income fund structures generally involve significant amounts 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 Livingston or its affiliates, it could materially adversely affect the amount of distributable cash available. Livingston management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the Livingston Notes and other inter-company or similar debt.

Livingston may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Livingston and the Fund.

Further, interest on the Livingston Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. Where interest payments on the Livingston

Notes are due but not paid in whole or in part, the Declaration of Trust provides that any additional amount necessary to be distributed to Unitholders will be distributed in the form of additional Units rather than in cash. Unitholders will be required to include such additional amount in income even though they do not receive a cash distribution.

MATERIAL CONTRACTS

The only material contracts entered into by either the Fund or Livingston during the past two years or to which any of them will become a party on or prior to the closing of this Offering, other than in the ordinary course of business, are as follows:

- the Declaration of Trust referred to under ''Description of the Fund'';
- the share and debenture purchase agreement among certain of the LII Securityholders and the Fund referred to in the definition of ''Acquisition Agreements'';
- the Livingston Note Indenture referred to under ''Share and Loan Capital of Livingston — Livingston Notes''; and
- the Underwriting Agreement referred to under ''Plan of Distribution''.

Copies of the foregoing documents may be examined by prospective purchasers during normal business hours at 405 The West Mall, Toronto, Ontario M9C 5K7 during the period of distribution of the securities offered hereby.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon on behalf of the Fund, certain of the LII Securityholders and Livingston by Stikeman Elliott and on behalf on the Underwriters by Fasken Martineau DuMoulin LLP.

LEGAL PROCEEDINGS

Management of Livingston is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund or Livingston or relating to the business which would be material to a purchaser of Units. Two legal proceedings currently outstanding against Livingston are described below.

In March 2000, Probetel Inc. filed a claim against Livingston for damages in the amount of $1,000,000 and special damages for loss of fees alleging breach of contract. Probetel Inc. was engaged by Livingston to perform billing audits of Livingston's telecommunications services provider and to consult on telecommunications services issues. The claim also seeks exemplary and punitive damages in the amount of $250,000. Although it is too early to predict the outcome of the case or whether settlement is a possibility, Livingston believes that its termination of the contract was fully justified and intends to defend the suit vigorously.

In April 2001, Capella Telecommunications Inc. (''Capella'') commenced an action against Livingston and three other defendants. The claim is for $280,000 in damages plus costs and interest. The claim alleges that certain of Capella's equipment was damaged en route from the Toronto Metropolitan Convention Centre to Capella's headquarters in Peterborough, Ontario. Livingston believes that it was not responsible and is vigorously defending the action, and has cross-claimed against two of the other defendants for contribution and indemnity. The other three defendants have cross-claimed against Livingston for contribution and indemnity. It is too early to predict the outcome of this case with any certainty.

In addition, Livingston is threatened from time to time with, or named as a defendant in, various legal proceedings in the ordinary course of conducting its business. No such current litigation is expected to have a material adverse effect on the business of Livingston.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund and Livingston are PricewaterhouseCoopers LLP, Chartered Accountants, One Robert Speck Parkway, Suite 1100, Mississauga, Ontario, L4Z 3M3.

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

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within 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

In this prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

''Acquisition'' refers to the direct or indirect purchase by the Fund of the Livingston Securities from the LII Securityholders pursuant to the Acquisition Agreements. See ''Funding and Acquisition'' and ''Principal Agreements''.

''Acquisition Agreements'' means the share and debenture purchase agreement relating to the Acquisition among certain of the LII Securityholders and the Fund and related agreements and the purchase agreements between the Fund or LII Holdings and certain employees of Livingston. See ''Funding and Acquisition''.

''Book-Entry Only System'' means the book-based system administered by The Canadian Depository for Securities Limited.

''Common Shares'' means the common shares in the capital of Livingston. See ''Share and Loan Capital of Livingston — Share Capital of Livingston''.

''Declaration of Trust'' means the declaration of trust dated January 4, 2002 pursuant to which the Fund was created, as amended and restated.

''EBITDA'' means earnings before interest expense, income taxes, other expense (income) and depreciation and amortization. EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of Livingston's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Livingston's method of calculating EBITDA may differ from other companies and accordingly, EBITDA may not be comparable to measures used by other companies.

''Extraordinary Resolution'' means a resolution passed by the holders of not less than 75% of the aggregate principal amount of Livingston Notes outstanding, either in person or by proxy, at a meeting of holders of Livingston Notes called for the purpose of approving such resolution at which the holder of more than 50% in aggregate principal amount of Livingston Notes are present in person or by proxy, or approval in writing by the holders of no less than 75% of the aggregate principal amount of Livingston Notes then outstanding.

''Fund'' means Livingston International Income Fund, a trust formed pursuant to the Declaration of Trust under the laws of the Province of Ontario.

''LII Holdings'' means L.I.I. Holdings Corp., a corporation incorporated under the OBCA on September 12, 1997, which prior to the Acquisition, holds all of the shares of Livingston.

''LII Securityholders'' means the securityholders of LII Holdings.

''Livingston'' means Livingston International Inc., a corporation amalgamated under the OBCA on November 25, 1999 and, after the completion of the Offering, the Acquisition and related transactions, means the entity resulting from the amalgamation of Livingston, LII Holdings and certain other entities. References to Livingston in the prospectus, unless the context otherwise provides, shall include Livingston and its subsidiaries.

''Livingston Note Indenture'' means the note indenture providing for the issuance of the Livingston Notes to be dated the date of closing of the Offering and made between Livingston and the Livingston Note Trustee. See ''Share and Loan Capital of Livingston — Livingston Notes''.

''Livingston Note Trustee'' means Mendelssohn Customs Brokers Ltd., a subsidiary of Livingston, or any successor or assign thereof.

''Livingston Notes'' means the 12.675% unsecured, subordinated notes of Livingston to be issued to the Fund pursuant to the Livingston Note Indenture. See ''Share and Loan Capital of Livingston — Livingston Notes''.

''Livingston Securities'' means the securities of LII Holdings held by the LII Securityholders prior to the closing of the Offering.

''Maintenance Capital Expenditure'' means additions, replacements or improvements to property, plant and equipment to maintain Livingston's business operations. Typically, these expenditures involve the replacement of information technology equipment, and software and the improvement of facilities.

''OBCA'' means the *Business Corporations Act* (Ontario), as amended from time to time, including the regulations promulgated thereunder.

''Offering'' means the offering of Units pursuant to this prospectus.

''Person'' means a natural person, partnership, limited partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, limited liability company, joint venture or other entity or governmental or regulatory authority or entity, and pronouns have a similarly extended meaning.

''Special Resolution'' means a resolution passed by a majority of no less than 66⅔% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of no less than 66⅔% of the Units entitled to be voted on such resolution.

''Tax Act'' means the *Income Tax Act* (Canada) and the regulations thereunder.

''Tax Proposals'' means all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

''TSE'' means The Toronto Stock Exchange.

''Trustees'' means the trustees of the Fund elected or appointed pursuant to the Declaration of Trust.

''Underwriters'' means Scotia Capital Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., National Bank Financial Inc. and TD Securities Inc. See ''Plan of Distribution''.

''Underwriting Agreement'' means the underwriting agreement entered into among the Fund, certain of the LII Securityholders and the Underwriters as described under ''Plan of Distribution''.

''Unitholders'' means, at any time, the holders at that time of one or more Units as shown on the register for the Units and includes, while the Units are registered in the Book-Entry Only System, the beneficial owners of Units if the context so requires.

''Units'' means the trust units of the Fund, each trust unit representing an equal undivided beneficial interest therein.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

INDEX TO FINANCIAL INFORMATION

L.I.I. HOLDINGS CORP.

Unaudited Financial Information of L.I.I. Holdings Corp.
(in thousands of dollars)

L.I.I. HOLDINGS CORP.

Unaudited Financial Information of L.I.I. Holdings Corp.

(in thousands of dollars)

The following unaudited selected consolidated financial information of L.I.I. Holdings Corp. consisting of an income statement and a cash flow statement for the 11 months ended November 30, 2001 is provided as supplementary information:

	11 months ended November 30, 2001
Net revenues	$122,456
Interest income	3,484
	125,940
Cost of services	75,771
Selling, general and administrative expenses	26,978
Depreciation	5,220
Amortization	239
Income before the undernoted	17,732
Other income	888
Interest expense	
Interest expense on long-term debt	1,334
Other interest expense	993
	2,327
Income before income taxes and goodwill charges	16,293
Provision for (recovery of) income taxes	
Current	7,976
Future	(588)
	7,388
Goodwill charges	1,351
Net income for the period	7,554

L.I.I. HOLDINGS CORP.

(in thousands of dollars)

	11 months ended November 30, 2001
Cash provided by (used in)	
Operating activities	
Net income for the period	$ 7,554
Adjustment for non-cash items	
Depreciation, amortization and goodwill charges	6,810
Future income taxes	(588)
Gain on sale of assets	(5)
Other liabilities	(715)
Non-cash interest expense	193
Deferred pension cost	589
Post-retirement benefits obligation	324
Foreign exchange gain	(361)
	13,801
Net change in assets and liabilities	15,984
	29,785
Investing activities	
Property, plant and equipment	(6,291)
Lease inducement allowance	450
Repurchase of capital stock	(297)
Net proceeds from sale of assets	11
	(6,127)
Financing activities	
Repayment of term bank loan	(2,409)
Decrease in operating facility	(2,125)
Payments under capital lease obligations	(770)
Repayment of subordinated note	(2,032)
	(7,336)
Foreign exchange gain on cash held in foreign currency	361
Increase in cash and cash equivalents	16,683
Cash and cash equivalents — Beginning of period	184,322
Cash and cash equivalents — End of period	201,005
Cash disbursements made for:	
Income taxes	5,610
Interest	1,882

L.I.I. Holdings Corp.

Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998

AUDITORS' REPORT

February 2, 2001 (except as to note 21, which is as of January 31, 2002)

To the Directors of
L.I.I. Holdings Corp.

We have audited the consolidated balance sheets of **L.I.I. Holdings Corp.** as at December 31, 2000 and December 31, 1999 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2000. 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, 2000 and December 31, 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Mississauga, Canada
January 31, 2002

L.I.I. HOLDINGS CORP.

Consolidated Balance Sheets
(in thousands of dollars)

	September 30, 2001	December 31, 2000	December 31, 1999
	(Unaudited) $	$	$
Assets			
Current assets			
Cash and cash equivalents	166,929	184,322	208,387
Accounts receivable	217,610	212,923	185,117
Prepaid expenses	1,339	895	952
Future income taxes (note 13)	549	510	91
	386,427	398,650	394,547
Property, plant and equipment (note 3)	13,060	12,966	10,513
Goodwill (note 4)	24,596	25,701	27,288
Future income taxes (note 13)	3,820	4,621	6,816
Deferred pension cost (note 6)	4,119	4,601	3,934
Other assets (note 5)	507	904	1,593
	432,529	447,443	444,691
Liabilities			
Current liabilities			
Operating facility — government remittances (note 7)	215,131	240,362	271,124
Government remittances payable	133,700	120,754	88,411
Accounts payable and accrued liabilities	12,008	17,188	17,144
Client deposits and advances	3,800	2,972	4,934
Income taxes payable (note 13)	1,694	842	530
Current portion of term bank loan (note 8)	4,194	3,108	1,600
Current portion of capital lease obligations (note 15)	281	515	153
	370,808	385,741	383,896
Term bank loan (note 8)	14,119	17,614	21,900
Subordinated note (note 9)	2,152	2,032	1,881
Capital lease obligations (note 15)	156	648	341
Other liabilities (note 10)	3,658	3,904	4,301
Future income taxes (note 13)	1,655	2,828	3,048
Post-retirement benefits obligation (note 6)	6,351	6,087	7,264
	398,899	418,854	422,631
Shareholders' Equity			
Convertible subordinated debenture (note 11)	1,874	1,874	1,874
Capital stock (note 12)	17,126	17,126	17,126
Retained earnings	14,630	9,589	3,060
	33,630	28,589	22,060
	432,529	447,443	444,691

Approved by the Board of Directors

(Signed) Peter Restler
Director

(Signed) Peter Luit
Director

L.I.I. HOLDINGS CORP.

Consolidated Statements of Income
(in thousands of dollars)

	Nine months ended September 30, 2001	Nine months ended September 30, 2000	Year ended December 31, 2000	Year ended December 31, 1999	Year ended December 31, 1998
	(Unaudited)				
	$	$	$	$	$
Net revenues	97,751	91,613	123,879	94,861	85,331
Interest income	3,043	3,224	4,318	2,480	2,275
	100,794	94,837	128,197	97,341	87,606
Cost of services	61,707	56,386	78,467	58,893	53,665
Selling, general and administrative expenses	22,320	22,003	29,248	26,464	24,413
Depreciation	4,178	3,187	4,403	2,824	1,820
Amortization	239	359	479	1,079	2,382
Income before the undernoted	12,350	12,902	15,600	8,081	5,326
Other expense (income) (note 18)	(937)	(219)	450	749	(1,141)
Gain on employee benefit plan amendments (note 6)	—	(2,468)	(2,468)	—	—
Interest expense					
Interest expense on long-term debt	1,166	1,522	2,053	1,173	1,216
Other interest expense	859	879	1,170	805	902
	2,025	2,401	3,223	1,978	2,118
Income before income taxes and goodwill charges	11,262	13,188	14,395	5,354	4,349
Provision for (recovery of) income taxes (note 13)					
Current	5,519	4,460	4,823	3,109	2,544
Future	(403)	1,027	1,484	(619)	(541)
	5,116	5,487	6,307	2,490	2,003
Goodwill charges	1,105	1,037	1,493	1,192	1,161
Net income for the period	5,041	6,664	6,595	1,672	1,185

L.I.I. HOLDINGS CORP.

Consolidated Statements of Retained Earnings
(in thousands of dollars)

	Nine months ended September 30,		Year ended December 31,		
	2001	2000	2000	1999	1998
	(Unaudited)				
	$	$	$	$	$
Retained earnings — Beginning of period	9,589	3,060	3,060	1,388	203
Net income for the period	5,041	6,664	6,595	1,672	1,185
Common shares purchased in excess of carrying amount	—	—	(66)	—	—
Retained earnings — End of period	14,630	9,724	9,589	3,060	1,388

L.I.I. HOLDINGS CORP.

Consolidated Statements of Cash Flows
(in thousands of dollars)

	Nine months ended September 30, 2001	Nine months ended September 30, 2000	Year ended December 31, 2000	Year ended December 31, 1999	Year ended December 31, 1998
	(Unaudited) $	(Unaudited) $	$	$	$
Cash provided by (used in)					
Operating activities					
Net income for the period	5,041	6,664	6,595	1,672	1,185
Adjustment for non-cash items					
Depreciation, amortization and goodwill charges	5,522	4,583	6,375	5,095	5,363
Future income taxes	(403)	1,027	1,484	(619)	(541)
Gain on sale of assets	(6)	(27)	(279)	(110)	(552)
Other liabilities	(572)	(422)	(550)	(705)	25
Non-cash interest expense	278	270	361	218	206
Deferred pension cost	482	(703)	(667)	131	(105)
Post-retirement benefits obligation	264	(1,296)	(1,177)	692	484
Foreign exchange loss (gain)	(376)	(189)	(479)	257	(396)
	10,230	9,907	11,663	6,631	5,669
Net change in assets and liabilities (note 17)	5,356	20,441	2,113	(33,900)	10,687
	15,586	30,348	13,776	(27,269)	16,356
Investing activities					
Acquisition of Blaiklock Holdings Ltd. (note 19)	—	—	—	(9,764)	—
Cash and cash equivalents held on acquisition (note 19)	—	—	—	15,198	—
Property, plant and equipment	(5,319)	(2,701)	(5,012)	(2,573)	(6,248)
Deferred development costs	—	—	—	—	(74)
Lease inducement allowance	320	153	153	—	1,248
Net proceeds from sale of assets	10	36	359	173	750
Repurchase of capital stock	—	—	(66)	—	—
	(4,989)	(2,512)	(4,566)	3,034	(4,324)
Financing activities					
Repayment of term bank loan	(2,409)	(2,399)	(2,778)	(15,000)	(1,000)
Deferred finance fees	—	—	—	(662)	—
Increase (decrease) in operating facility	(25,231)	(40,412)	(30,762)	80,125	18,978
Proceeds from term bank loan	—	—	—	23,500	—
Payments under capital lease obligations	(726)	(203)	(214)	(37)	—
	(28,366)	(43,014)	(33,754)	87,926	17,978
Foreign exchange gain (loss) on cash held in foreign currency	376	189	479	(257)	396
Increase (decrease) in cash and cash equivalents	(17,393)	(14,989)	(24,065)	63,434	30,406
Cash and cash equivalents — Beginning of period	184,322	208,387	208,387	144,953	114,547
Cash and cash equivalents — End of period	166,929	193,398	184,322	208,387	144,953
Cash disbursements made for:					
Income taxes	4,667	3,403	4,511	4,297	2,724
Interest	1,729	2,060	2,824	1,747	1,869

For the year ended December 31, 2000, assets acquired under capital leases were $883 (1999 — $495, 1998 — $nil). For the period ended September 30, 2001, the company acquired assets under capital leases of $nil (2000 — $883). Property, plant and equipment for the year ended December 31, 2000 excludes $1,041 of non-cash additions. These additions were paid in the nine months ended September 30, 2001.

L.I.I. HOLDINGS CORP.

Notes to Consolidated Financial Statements
(in thousands of dollars)

1 The company

L.I.I. Holdings Corp. (the company) is primarily involved in providing Canadian and United States customs brokerage services, international freight forwarding, and cross-border transportation services, as well as trade consulting and package handling.

As a customs broker, the company bills and collects duties and taxes (primarily goods and services tax) from customers and remits these duties and taxes to governments in Canada and the United States. The company reports billings to customers as accounts receivable and the liability to governments as government remittances payable.

2 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiary companies. All material intercompany transactions have been eliminated.

Foreign currency

Foreign currency assets, liabilities, income and expenses are translated into Canadian dollars using the rate of exchange in effect at the dates of the transactions except for monetary assets and liabilities, which are translated using the rates of exchange in effect at the year-end. Exchange gains and losses arising on these items are included in earnings. Unrealized gains and losses arising from translation of foreign operations are included in other expense (income).

Revenue recognition

The company records revenue when the services are rendered. Revenue for international freight forwarding and cross-border transportation services is reported net of carrier charges.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less. Interest earned on these balances is included in interest income and is recorded on an accrual basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed at annual rates based on the estimated useful lives of the related assets as follows:

Buildings	5% declining balance
Automotive equipment	30% declining balance
Computer and other equipment	
Office furniture and equipment	20% declining balance
Mainframe computer hardware	straight-line over 4 years
Microcomputer hardware	straight-line over 2 years
Application software	straight-line over the lesser of 4 years or useful life
Software licences	straight-line over the lesser of term of licence or useful life of hardware
Leasehold improvements	straight-line over term of lease

Goodwill

Goodwill arising from acquisitions is amortized on a straight-line basis over 20 years.

The company reviews goodwill on an ongoing basis to evaluate whether events or changes have occurred that would suggest an impairment of the carrying value. Impairment would be recognized when expected future undiscounted operating cash flows are lower than the carrying value.

Deferred development costs

Certain costs relating to systems development that meet the criteria for deferral are capitalized. These costs are amortized on a straight-line basis over periods of up to 4 years beginning in the year the systems become operational.

Deferred finance costs

Deferred finance costs are amortized and charged to interest expense over the term of the related debt.

Income taxes

Income taxes are accounted for using the liability method. Future income taxes arise due to temporary differences in the financial reporting and tax bases of assets and liabilities. Changes in these temporary differences are reflected in the provision for future income taxes using substantively enacted income tax rates.

2 Summary of significant accounting policies (continued)

Employee benefit plans

The company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The company has adopted the following policies:

- The cost of pension and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health-care costs.

- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The estimated average remaining service period of active employees covered by the pension plan and other retirement benefit plans is approximately 17.5 years.

Stock-based compensation plan

The company has in place stock option plans, which are described in note 12. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option is charged to retained earnings.

Financial instruments

The company's financial instruments consist of cash and cash equivalents, accounts receivable, government remittance operating facilities, duties payable, accounts payable and accrued liabilities, long-term debt and subordinated debt.

The carrying value of cash and cash equivalents, government remittance operating facilities, accounts receivable, government remittances payable, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments. The fair value of the company's long-term debt approximates its carrying value as it bears interest at a floating rate. The fair value of the subordinated note is estimated using discounted cash flow analysis based on the company's current incremental borrowing rates for similar types of arrangements. There is no material difference between the carrying value and the fair value of the subordinated note.

The company is exposed to credit risk with respect to its cash equivalents. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counter-parties. An ongoing review is performed to evaluate changes in the status of counter-parties.

The company is exposed to credit risk with respect to its accounts receivable, however, this is minimized by the company's large customer base, which covers a diverse range of business sectors in Canada and the United States. The company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

The company is also exposed to foreign exchange risk as a portion of its net revenues is earned in U.S. dollars, and it has assets and liabilities that will be settled in U.S. dollars. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the company's financial results. The company does not use any derivative instruments to reduce its exposure to this foreign exchange risk.

Use of estimates

The preparation of financial information in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities at the dates of the balance sheets. Actual results may differ from these estimates.

(in thousands of dollars)

3 Property, plant and equipment

	September 30, 2001 (Unaudited)		
	Cost	Accumulated depreciation	Net
	$	$	$
Land	94	—	94
Buildings	672	106	566
Automotive equipment	264	174	90
Computer and other equipment	22,294	11,891	10,403
Leasehold improvements	3,008	1,101	1,907
	26,332	13,272	13,060

	December 31, 2000		
	Cost	Accumulated depreciation	Net
	$	$	$
Land	94	—	94
Buildings	667	84	583
Automotive equipment	265	149	116
Computer and other equipment	18,326	8,191	10,135
Leasehold improvements	2,708	670	2,038
	22,060	9,094	12,966

	December 31, 1999		
	Cost	Accumulated depreciation	Net
	$	$	$
Land	94	—	94
Buildings	731	61	670
Automotive equipment	279	104	175
Computer and other equipment	12,506	4,161	8,345
Leasehold improvements	1,526	297	1,229
	15,136	4,623	10,513

The cost and accumulated depreciation of computer and other equipment under capital leases at September 30, 2001 amounted to $945 (December 31, 2000 — $1,468, 1999 — $598) and $776 (December 31, 2000 — $602, 1999 — $94), respectively.

4 Goodwill

	September 30, 2001	December 31, 2000	December 31, 1999
	(Unaudited) $	$	$
Goodwill	29,470	29,470	29,564
Less: Accumulated amortization	4,874	3,769	2,276
	24,596	25,701	27,288

(in thousands of dollars)

5 Other assets

	September 30, 2001	December 31, 2000	December 31, 1999
	(Unaudited) $	$	$
Deferred development costs	—	239	718
Deferred finance costs	507	665	875
	507	904	1,593

Deferred development costs and deferred finance costs are net of accumulated amortization of $1,907 (2000 — $1,668, 1999 — $3,741) and $545 (2000 — $387, 1999 — $177), respectively.

6 Employee benefits

During the year ended December 31, 2000, the company amended its pension plan arrangements and its post-employment benefit plans. Employees became eligible to participate in a company sponsored contributory pension plan (defined contribution pension plan) in exchange for withdrawing from the company's defined benefit pension plan and post-retirement benefits plan. These arrangements resulted in a gain on settlement of the defined benefit pension plan of $813 and a gain on curtailment of post-retirement benefit obligation of $1,655.

Information about the company's defined benefit plans and significant actuarial assumptions adopted in measuring the company's benefit obligations is as follows:

	December 31, 2000		December 31, 1999	
	Pension plan	Other benefit plans	Pension plan	Other benefit plans
	$	$	$	$
Plan assets				
Fair value — Beginning of year	29,500	—	24,187	—
Actual return on plan assets	3,125	—	5,627	—
Employer contributions	—	—	246	—
Employee contributions	458	—	584	—
Benefits paid	(2,014)	—	(1,144)	—
Transfer to deferred contribution pension plan	(5,718)	—	—	—
Fair value — End of year	25,351	—	29,500	—
Plan obligation				
Accrued benefit obligation — Beginning of year	24,209	7,264	21,528	6,571
Current service cost	366	284	422	440
Interest cost	1,739	466	1,632	480
Benefits paid	(2,014)	(275)	(1,144)	(250)
Actuarial gains (losses)	2,497	248	1,771	(112)
Gain on settlement/curtailment	(813)	(1,655)	—	—
Transfer to deferred contribution pension plan	(5,718)	—	—	—
Accrued plan obligation — End of year	20,266	6,332	24,209	7,129
Plan surplus (deficit)				
End of the year plan fair value, less accrued pension obligation	5,085	(6,332)	5,291	(7,129)
Unamortized net actuarial gain	(484)	152	(1,357)	(135)
Unamortized past service costs	—	93	—	—
Accrued asset (liability)	4,601	(6,087)	3,934	(7,264)

(in thousands of dollars)

6 Employee benefits (continued)

	Pension benefits December 31,		Other benefits December 31,	
	2000	1999	2000	1999
	%	%	%	%
Weighted average assumptions				
Discount rate	7.0	7.0	7.0	7.0
Expected return on plan assets	7.5	7.5	—	—
Rate of compensation increase	4.5	4.5	4.5	4.5

The company also maintains a defined contribution plan. The employer contributions expensed during the period ended September 30, 2001 were $638 (December 31, 2000 — $392, 1999 — $nil).

7 Operating facility — government remittances

The operating facility consists primarily of outstanding cheques for duties, goods and services taxes payable and other taxes to governments in Canada and the United States. The company has a bank facility and cash and short-term deposits available to fund the payment of these outstanding cheques. Borrowings under the bank facility bear interest at prime plus 0.5%. This facility and the term bank loan (note 8) are secured by a general security agreement, a general assignment of book debts and a fixed and floating debenture over all Canadian assets of the company and its subsidiaries.

8 Term bank loan

The term bank loan bears interest at prime plus varying interest rates between 0.00% and 1.25%, dependent upon certain financial performance ratios. During the period ended September 30, 2001, the effective term loan interest rate was 6.9% (December 31, 2000 — 8.1%). At September 30, 2001, the term bank loan rate was at 5.5% (September 30, 2000 — 8.0%). The security for this loan is described in note 7. Under the terms of the loan agreements, the company must maintain certain financial covenants and financial ratios. The term bank loan is repayable as follows:

	September 30, 2001	December 31, 2000
	(Unaudited) $	$
2001	—	3,108
2002	4,194	4,660
2003	5,639	5,964
2004	8,480	6,990
	18,313	20,722

9 Subordinated note

The subordinated note has a principal value of $1,600 and is unsecured and bears interest at 8%. All principal and interest accrued amounts on this note are not payable until its maturity on November 25, 2003 unless there is a change of control when the note and accrued interest become immediately payable.

10 Other liabilities

Other liabilities comprise estimated lease obligations assumed on business acquisitions and lease inducement allowances. These lease obligations and inducements are amortized in proportion to rental payments over the terms of related leases.

11 Convertible subordinated debenture

The debenture is unsecured, subordinate to all other liabilities of the company and is due in 2007 or at a later date, as specified by the company. The debenture is convertible, in whole or in part, at the option of the holder, and under certain circumstances, at the option of the company, into Class A shares at a conversion price of one Class A share for each $1 of debenture. Under certain circumstances, the debentures are mandatorily convertible. The debenture bears interest concurrently with every payment of dividends on the outstanding Class A shares with the amount of interest equal to the amount of dividends the holder of the debentures would have been entitled to had the conversion option been fully exercised.

Since the provisions of the debentures permit the repayment of the debentures with Class A shares, the debentures are classified within shareholders' equity.

(in thousands of dollars)

12 Capital stock

Authorized
Unlimited number of Class A shares
Unlimited number of Class B shares

Issued and outstanding

	September 30, 2001	December 31, 2000	December 31, 1999
	(Unaudited) $	$	$
12,801,585 Class A shares	12,802	12,802	12,802
4,324,399 Class B shares	4,324	4,324	4,324
	17,126	17,126	17,126

The Class A shares are voting and have non-cumulative dividend entitlements. The Class B shares are non-voting and have non-cumulative dividend entitlements. Under the terms of its loan agreements, the company is precluded from paying dividends or making capital distributions without the consent of the lender.

The company operates a stock option plan for employees (Employee Plan) and also has a special option plan introduced in 1999. Options under the Employee Plan generally vest over five years from the date of issue whereas options under the special option plan vested on November 24, 2000. Options under both plans expire ten years from the date of grant. Option exercise prices under the Employee Plan increase by ten per cent on January 1 of each year following the date of grant until fully vested. All options outstanding will immediately vest under the acquisition by Livingston International Income Fund as described in note 21(a).

	September 30, 2001		December 31, 2000		December 31, 1999	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
	(Unaudited)	$		$		$
Outstanding — Beginning of period	2,795,000	1.54	2,810,000	1.47	1,247,000	1.00
Granted	—	—	75,000	1.21	1,563,000	1.90
Exercised	—	—	(33,000)(1)	1.21	—	—
Cancelled	—	—	(57,000)	1.21	—	—
Outstanding — End of period	2,795,000	1.62	2,795,000	1.54	2,810,000	1.47
Exercisable — End of period	1,862,400	1.77	1,558,400	1.80	249,400	1.10

(1) In 2000, options for 33,000 Class A shares were exercised, and the shares were issued at $1.21 per share. These shares were repurchased and cancelled by the company at $3.21 per share. The excess of the cost of repurchasing these shares over their issued price of $66 was charged to retained earnings.

The following table summarizes information about stock options outstanding at September 30, 2001:

	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of exercisable options	Weighted average exercise price
			(Unaudited) $		$
Range of exercise prices					
$1.00 to $2.00	1,895,000	7	1.33	962,400	1.33
$2.00 to $3.00	900,000	8	2.24	900,000	2.24
	2,795,000			1,862,400	

(in thousands of dollars)

13 Income taxes

The provision for income taxes differs from the provision computed at statutory rates as follows:

	September 30,		December 31,		
	2001	2000	2000	1999	1998
	%	%	%	%	%
	(Unaudited)				
Combined Canadian federal and provincial income tax rate	41.6	43.6	43.6	43.9	43.9
Effect of foreign tax rates	(1.8)	(1.9)	(2.5)	(2.3)	(0.1)
Change in substantively enacted rates	3.0	—	2.1	—	—
Other items	2.6	(0.1)	0.6	4.9	2.3
	45.4	41.6	43.8	46.5	46.1

The tax effects of significant components of temporary differences giving rise to the company's future income taxes are as follows:

	September 30, 2001	December 31, 2000	December 31, 1999
	(Unaudited)		
	$	$	$
Other liabilities and capital leases	1,396	1,855	1,979
Post-retirement benefits	2,050	2,297	3,192
Provisions and other temporary differences	923	979	1,736
Total future tax assets	4,369	5,131	6,907
Property, plant and equipment	265	1,094	1,322
Deferred pension cost	1,390	1,734	1,726
Total future tax liabilities	1,655	2,828	3,048
Net future tax assets	2,714	2,303	3,859
Classified as follows:			
Current future tax asset	549	510	91
Long-term future tax asset	3,820	4,621	6,816
Long-term future tax liabilities	1,655	2,828	3,048

14 Commitments and contingencies

Leases and other commitments

Branch office locations are occupied under leases generally not exceeding five years, and certain equipment is leased for periods generally not exceeding five years.

The future minimum payments for operating leases, excluding costs, are as follows:

	December 31, 2000
	$
2001	7,082
2002	5,964
2003	4,967
2004	3,956
2005	3,051
Thereafter	14,378

The company has filed $22,000 in bonds with the Canadian Customs and Revenue Agency and the U.S. Treasury Department to allow it to operate as a customs broker and to facilitate the release of clients' goods from customs prior to the payment of duties and taxes.

(in thousands of dollars)

14 Commitments and contingencies (continued)

Contingencies

The company's subsidiaries are involved in litigation and other claims arising in the normal course of business, including the following:

In March 2000, Probetel Inc. filed a claim against the company for damages of $1,000 and special damages for loss of fees, alleging breach of contract. The claim seeks exemplary and punitive damages of $250. Management believes that the termination of the contract was justified and intends to defend this suit.

In April 2000, Capella Telecommunications Inc. (Capella) commenced action against the company for $280 in damages plus costs and interest, alleging that certain of Capella's equipment was damaged en route to Capella's headquarters. Management believes that it was not responsible for the damages and is defending this suit.

The amount of potential loss is currently not determinable, however, management believes that any liability that may arise from such contingencies would not have a significant adverse effect on the balance sheets.

15 Capital lease obligations

The future minimum payments for capital leases, excluding costs, are as follows:

	September 30, 2001	December 31, 2000
	(Unaudited)	
	$	$
2001	301	586
2002	159	501
2003	—	177
	460	1,264
Less: Amount representing interest at approximately 6.4%	23	101
	437	1,163
Less: Current portion	281	515
	156	648

16 Segmented information

The company's reportable segments comprise Canadian customs brokerage and United States (U.S.) customs brokerage. These segments follow the same accounting policies as described in the summary of significant accounting policies and all intersegment revenues are recorded at exchange amounts. Management evaluates the performance of each segment based on operating segment contribution, which includes salaries and other expenses directly attributable to the segment. The segment labelled ''Other Services'' includes other business lines of the company such as trade consulting, transportation and package handling. Interest expense, other expense (income), income taxes, depreciation and amortization and goodwill charges are not taken into account in the evaluation of the performance of the business segments.

Assets do not form part of management's evaluation of the performance of individual segments and are therefore not reported on a segmented basis.

The company has no customers for which revenues exceed 10% of total net revenues.

Notes to Consolidated Financial Statements — (Continued)
(in thousands of dollars)

Business segments

	Canadian customs brokerage	U.S. customs brokerage	Other services	Elimination of intersegment revenues	Total
	$	$	$	$	$
For the nine months ending September 30, 2001 (Unaudited)					
Net revenues	52,435	20,907	25,008	(599)	97,751
Interest income	3,043	—	—	—	3,043
Cost of services	31,075	12,179	19,052	(599)	61,707
Operating segment contribution	24,403	8,728	5,956	—	39,087
Selling, general and administrative expenses					22,320
Depreciation, amortization and goodwill charges					5,522
Interest expense					2,025
Other expense (income)					(937)
Income tax expense					5,116
Net income					5,041
For the nine months ending September 30, 2000 (Unaudited)					
Net revenues	55,506	17,890	18,542	(325)	91,613
Interest income	3,224	—	—	—	3,224
Cost of services	32,288	10,469	13,954	(325)	56,386
Operating segment contribution	26,442	7,421	4,588	—	38,451
Selling, general and administrative expenses					22,003
Depreciation, amortization and goodwill charges					4,583
Interest expense					2,401
Other expense (income)					(2,687)
Income tax expense					5,487
Net income					6,664
For the year ended December 31, 2000					
Net revenues	73,854	24,166	26,400	(541)	123,879
Interest income	4,318	—	—	—	4,318
Cost of services	43,803	14,414	20,791	(541)	78,467
Operating segment contribution	34,369	9,752	5,609	—	49,730
Selling, general and administrative expenses					29,248
Depreciation, amortization and goodwill charges					6,375
Interest expense					3,223
Other expense (income)					(2,018)
Income tax expense					6,307
Net income					6,595
For the year ended December 31, 1999					
Net revenues	60,044	19,928	15,217	(328)	94,861
Interest income	2,480	—	—	—	2,480
Cost of services	35,033	11,973	12,215	(328)	58,893
Operating segment contribution	27,491	7,955	3,002	—	38,448
Selling, general and administrative expenses					26,464
Depreciation, amortization and goodwill charges					5,095
Interest expense					1,978
Other expense (income)					749
Income tax expense					2,490
Net income					1,672

(in thousands of dollars)

Business segments (continued)

	Canadian customs brokerage	U.S. customs brokerage	Other services	Elimination of intersegment revenues	Total
	$	$	$	$	$
For the year ended December 31, 1998					
Net revenues	56,598	16,695	12,192	(154)	85,331
Interest income	2,275	—	—	—	2,275
Cost of services	34,041	9,494	10,284	(154)	53,665
Operating segment contribution	24,832	7,201	1,908	—	33,941
Selling, general and administrative expenses					24,413
Depreciation, amortization and goodwill charges					5,363
Interest expense					2,118
Other expense (income)					(1,141)
Income tax expense					2,003
Net income					1,185

Geographic information

The company operates in two geographic segments, Canada and the United States. Net revenues are attributed to the geographic segment based on the location where the service is performed.

	September 30,		December 31,		
	2001	2000	2000	1999	1998
	(Unaudited)				
	$	$	$	$	$
External net revenues					
Canada	75,613	72,942	98,538	74,212	67,957
United States	22,138	18,671	25,341	20,649	17,374
	97,751	91,613	123,879	94,861	85,331
Property, plant and equipment and goodwill					
Canada	33,397	34,244	35,609	34,878	28,875
United States	4,259	2,843	3,058	2,923	1,598
	37,656	37,087	38,667	37,801	30,473

17 Net change in assets and liabilities

	September 30,		December 31,		
	2001	2000	2000	1999	1998
	(Unaudited)				
	$	$	$	$	$
Accounts receivable	(4,687)	(21,867)	(27,806)	23,226	11,156
Prepaid expenses	(444)	51	57	(111)	(299)
Government remittances and accounts payable	8,807	43,153	31,512	(56,235)	440
Client deposits and advances	828	(1,953)	(1,962)	408	(430)
Income taxes payable	852	1,057	312	(1,188)	(180)
	5,356	20,441	2,113	(33,900)	10,687

18 Other expense (income)

Included in other expense (income) are gains arising on the translation of foreign operations and the exchange gains from the translation of U.S. dollar denominated monetary assets and liabilities for the period ended September 30, 2001 of $974 (September 30, 2000 — $549) and for the year ended December 31, 2000 of $250 (1999 — loss of $664; 1998 — $342) and gains on sales of properties of $5 (September 30, 2000 — $26) and for the year ended December 31, 2000 of $279 (1999 — $110; 1998 — $552). Included in other expense for the year ended December 31, 2000 is $650 of expenses relating to Blaiklock Holdings Ltd. integration activities.

(in thousands of dollars)

19 Acquisition of Blaiklock Holdings Ltd.

On November 25, 1999, the company acquired all of the issued and outstanding shares of Blaiklock Holdings Ltd., a company engaged in the customs brokerage business, for cash of $9,181. The acquisition has been accounted for by the purchase method with the results of operations of the acquired company included in earnings from the date of acquisition. The allocation of the purchase price is summarized as follows:

	$
Cash and cash equivalents	15,198
Accounts receivable	73,569
Property, plant and equipment	1,822
Future income taxes	784
Total assets	91,373
Accounts payable and accrued liabilities	87,756
Income taxes payable	287
	88,043
Net identifiable assets acquired	3,330
Goodwill	6,482
Total consideration	9,812

The acquisition cost includes expenses related to the transaction of $631. Restructuring costs of $2,000 (comprised primarily of severance, lease termination and other costs) have been included in the allocation of the purchase price. The acquisition was funded by term debt. Adjustments to the purchase price allocation in 2000 reduced goodwill by $94, future income taxes by $72, and accounts payable by $166.

20 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

21 Subsequent events

a) Acquisition by Livingston International Income Fund

On January 31, 2002, Livingston International Income Fund (the Fund) filed a final prospectus for the sale of 15,102,600 units at a price of $10.00 per unit, for aggregate gross proceeds of $151,026. The net proceeds, after deducting underwriter fees and other issue costs, are approximately $139,125. Approximately $1,125 of the net proceeds will be used to fund certain financing costs of LII.

The Fund will acquire all of the outstanding shares of L.I.I. Holdings Corp. and fund payments to LII Holdings Corp. optionholders for approximately $138,000. Concurrent with the acquisition, L.I.I. Holdings Corp. will undertake a reorganization that includes the statutory amalgamation of a subsidiary of the Fund, the company, and certain of its subsidiaries. The amalgamated company will continue as Livingston International Inc.

b) Grant of stock options

On November 29, 2001, the company granted 1,481,667 options with an exercise price of $4.08 to certain members of the Employee Plan. These options will vest upon the acquisition by Livingston International Income Fund (described above). In connection with the acquisition described above, all options will vest and will be acquired for cash of $15,455.

c) Subordinated note

On October 12, 2001, the subordinated note (as described in note 9) and related accrued interest amounts were paid in full.

Balance Sheet of
Livingston International Income Fund
As at January 31, 2002

AUDITORS' REPORT

To the Trustees of
Livingston International Income Fund

We have audited the balance sheet of **Livingston International Income Fund** as at January 31, 2002. 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 balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Fund as at January 31, 2002 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Mississauga, Canada
January 31, 2002

LIVINGSTON INTERNATIONAL INCOME FUND

Balance Sheet
As at January 31, 2002

	$
Assets	
Cash	10
Unitholder's Equity	10

LIVINGSTON INTERNATIONAL INCOME FUND

Notes to Financial Statement

1 The Fund

Livingston International Income Fund (the Fund) is a limited purpose trust established under the laws of the Province of Ontario by Declaration of Trust made as of January 4, 2002.

2 Initial Public Offering of Trust Units

On January 31, 2002, the Fund filed a prospectus for the sale to the public of 15,102,600 units at a price of $10.00 per unit, payable on closing for aggregate net proceeds of approximately $139,125,000 (after deducting underwriters' fees and other issue and related costs associated with the offering, before payment of $1,125,000 of finance fees of LII Holdings Corp. (LII)).

Concurrent with the closing, the Fund will incorporate a wholly owned subsidiary company, Newco. The Fund will use the net proceeds of the offering to acquire all of the outstanding shares of LII (including a convertible debenture which will be converted into 1,874,016 Class A shares) and to fund payments to LII optionholders and to pay the LII finance fees. The Fund will borrow $138,000,000 (Loan) and use the proceeds to loan Newco $138,000,000 (Livingston Notes). Newco will acquire all of the outstanding shares of LII for cash of $138,000,000 and common shares of $1,125,000. Newco will then amalgamate with LII and certain of its subsidiaries to form Livingston International Inc. and the Fund will repay the Loan.

Livingston International Income Fund

Pro Forma Consolidated Financial Statements
(Unaudited)
Eleven months ended November 30, 2001,
nine months ended September 30, 2001 and
year ended December 31, 2000

COMPILATION REPORT

January 31, 2002

To the Trustees of
Livingston International Income Fund
and the Directors of L.I.I. Holdings Corp.

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of **Livingston International Income Fund** (the Fund) as at September 30, 2001 and the pro forma consolidated statements of income of the Fund for the eleven months ended November 30, 2001, nine months ended September 30, 2001 and for the year ended December 31, 2000. These pro forma consolidated financial statements have been prepared for inclusion in the prospectus relating to the distribution of Units of the Fund. In our opinion, the pro forma consolidated balance sheet and the pro forma consolidated statements of income have been properly compiled to give effect to the proposed transaction and the assumptions described in the notes thereto.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Mississauga, Canada

Livingston International Income Fund

Pro Forma Consolidated Balance Sheet
(Unaudited)
As at September 30, 2001
(in thousands of dollars, except per Fund Unit amounts)

	The Fund (Unconsolidated)			Livingston International Inc.				
	Historical	Pro forma adjustments	Pro forma	Historical	Pro forma adjustments	Pro forma	Consolidation adjustments	Pro forma consolidated
	$	$ (note 2)	$	$	$ (note 2)	$	$ (note 6)	$
Assets								
Current assets								
Cash and cash equivalents	—	139,125 a)	0	166,929	(15,455)d)	178,616	—	178,616
	—	138,000 e)	—	—	138,000 e)	—	—	—
	—	(138,000)e)	—	—	(138,000)e)	—	—	—
	—	(138,000)e)	—	—	11,687 g)	—	—	—
	—	(139,125)c)d)	—	—	16,580 d)	—	—	—
	—	138,000 e)	—	—	(1,125)d)	—	—	—
Accounts receivable	—	—	—	217,610	—	217,610		217,610
Prepaid expenses	—	—	—	1,339	—	1,339	—	1,339
Income tax recoverable	—	—	—	—	6,593 d)	6,593	—	6,593
Future income taxes	—	—	—	549	—	549	—	549
Convertible debenture	—	16,580 d)	—	—	—	—	—	—
	—	(16,580)d)	—	—	—	—	—	—
	0	0	0	386,427	18,280	404,707	—	404,707
Property, plant and equipment	—	—	—	13,060	—	13,060	—	13,060
Goodwill	—	—	—	24,596	—	24,596	54,865	79,461
Intangible assets	—	—	—	—	—	—	75,000	75,000
Future income taxes	—	—	—	3,820	—	3,820	(550)	3,270
Deferred pension cost	—	—	—	4,119	—	4,119	(4,119)	—
Other assets	—	—	—	507	1,125 d)	1,125	—	1,125
	—	—	—	—	(507)g)	—	—	—
Livingston Notes	—	138,000 e)	138,000	—	—	—	(138,000)	—
Investment in Livingston International Inc.	—	122,545 c)	1,125	—	138,000 e)	—	(1,125)	—
	—	16,580 d)	—	—	(138,000)f)	—	—	—
	—	(138,000)e)	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
	—	139,125	139,125	432,529	18,898	451,427	(13,929)	576,623
Liabilities								
Current liabilities								
Operating facility	—	—	—	215,131	—	215,131	—	215,131
Government remittances payable	—	—	—	133,700	—	133,700	—	133,700
Accounts payable and accrued liabilities	—	—	—	12,008	3,297 d)	15,305	—	15,305
Client deposits and advances	—	—	—	3,800	—	3,800	—	3,800
Income taxes payable	—	—	—	1,694	—	1,694	—	1,694
Current portion of term bank loan	—	138,000 e)	—	4,194	(4,194)g)	—	—	—
	—	(138,000)e)	—	—	—	—	—	—
Current portion of capital lease obligations	—	—	—	281	—	281	—	281
Convertible loan payable	—	—	—	—	16,580 d)	—	—	—
	—	—	—	—	(16,580)d)	—	—	—
	—	—	—	370,808	(897)	369,911	—	369,911
Term bank loan	—	—	—	14,119	(14,119)g)	30,000	—	30,000
	—	—	—	—	30,000 g)	—	—	—
Subordinated note	—	—	—	2,152	—	2,152	—	2,152
Capital lease obligations	—	—	—	156	—	156	—	156
Other liabilities	—	—	—	3,658	—	3,658	(1,605)	2,053
Future income taxes	—	—	—	1,655	—	1,655	25,220	26,875
Post-retirement benefit obligation	—	—	—	6,351	—	6,351	—	6,351
Livingston Notes	—	—	—	—	138,000 e)	138,000	(138,000)	—
Total Liabilities	—	—	—	398,899	152,984	551,883	(114,385)	437,498
Shareholders' Equity								
Convertible subordinated debenture	—	—	—	1,874	(1,874)c)	—	—	—
Capital stock	—	—	—	17,126	1,874 c)	35,580	(35,580)	—
	—	—	—	—	16,580 d)	—	—	—
	—	—	—	—	—	—	—	—
Units	—	139,125 a)	139,125	—	—	—	—	139,125
Retained earnings (deficit)	—	—	—	14,630	(150,666)f)	(136,036)	136,036	—
	—	139,125	139,125	33,630	(134,086)	(100,456)	100,456	139,125
	—	139,125	139,125	432,529	18,898	451,427	(13,929)	576,623

Livingston International Income Fund

Pro Forma Consolidated Statement of Income
(Unaudited)
For the nine months ended September 30, 2001
(in thousands of dollars, except per Fund Unit amounts)

	The Fund (Unconsolidated)			Livingston International Inc.				
	Historical	Pro forma adjustments	Pro forma	Historical	Pro forma adjustments	Pro forma	Consolidation adjustments	Pro forma consolidated
	$	$ (note 4)	$	$	$ (note 5)	$	$ (note 6)	$
Net revenues	—	—	—	97,751	—	97,751	—	97,751
Interest income	—	13,119	13,119	3,043	—	3,043	(13,119)	3,043
	—	13,119	13,119	100,794	—	100,794	(13,119)	100,794
Cost of services	—	—	—	61,707	—	61,707	—	61,707
Selling, general and administrative expenses	—	—	—	22,320	—	22,320	279	22,599
Depreciation	—	—	—	4,178	—	4,178	—	4,178
Amortization	—	—	—	239	—	239	7,500	7,739
Income (loss) before the undernoted	—	13,119	13,119	12,350	—	12,350	(20,898)	4,571
Other expense (income)	—	—	—	(937)	—	(937)	—	(937)
Interest expense								
Interest expense on Livingston Notes	—	—	—	—	13,119	13,119	(13,119)	—
Interest expense on long-term debt	—	—	—	1,166	531	1,697	—	1,697
Other interest expense	—	—	—	859	282	983	—	983
	—	—	—	—	(158)	—	—	—
	—	—	—	2,025	13,774	15,799	(13,119)	2,680
Income (loss) before income taxes and goodwill charges	—	13,119	13,119	11,262	(13,774)	(2,512)	(7,779)	2,828
Provision for (recovery of) income taxes	—	—	—	5,116	(5,359)	(243)	(3,276)	(3,519)
Goodwill charges	—	—	—	1,105	—	1,105	(1,105)	—
Net income for the period	—	13,119	13,119	5,041	(8,415)	(3,374)	(3,398)	6,347
Net income per Unit (15,102,600 Units)								$ 0.42

Livingston International Income Fund

Pro Forma Consolidated Statement of Income
(Unaudited)
For the eleven months ended November 30, 2001
(in thousands of dollars, except per Fund Unit amounts)

	The Fund (Unconsolidated)			Livingston International Inc.				
	Historical	Pro forma adjustments	Pro forma	Historical	Pro forma adjustments	Pro forma	Consolidation adjustments	Pro forma consolidated
	$	$ (note 4)	$	$	$ (note 5)	$	$ (note 6)	$
Net revenues	—	—	—	122,456	—	122,456	—	122,456
Interest income	—	16,034	16,034	3,484	—	3,484	(16,034)	3,484
	—	16,034	16,034	125,940	—	125,940	(16,034)	125,940
Cost of services	—	—	—	75,771	—	75,771	—	75,771
Selling, general and administrative expenses	—	—	—	26,978	—	26,978	340	27,318
Depreciation	—	—	—	5,220	—	5,220	—	5,220
Amortization	—	—	—	239	—	239	9,167	9,406
Income before the undernoted	—	16,034	16,034	17,732	—	17,732	(25,541)	8,225
Other expense (income)	—	—	—	(888)	—	(888)	—	(888)
Interest expense								
Interest expense on Livingston Notes	—	—	—	—	16,034	16,034	(16,034)	—
Interest expense on long-term debt	—	—	—	1,334	641	1,975	—	1,975
Other interest expense	—	—	—	993	344	1,144	—	1,144
	—	—	—	—	(193)	—	—	—
	—	—	—	2,327	16,826	19,153	(16,034)	3,119
Income (loss) before income taxes and goodwill charges	—	16,034	16,034	16,293	(16,826)	(533)	(9,507)	5,994
Provision for (recovery of) income taxes	—	—	—	7,388	(6,556)	832	(4,002)	(3,170)
Goodwill charges	—	—	—	1,351	—	1,351	(1,351)	—
Net income for the period	—	16,034	16,034	7,554	(10,270)	(2,716)	(4,154)	9,164
Net income per Unit (15,102,600 Units)								$ 0.61

Livingston International Income Fund

Pro Forma Consolidated Statement of Income

(Unaudited)
For the year ended December 31, 2000
(in thousands of dollars, except per Fund Unit amounts)

	The Fund (Unconsolidated)			Livingston International Inc.				
	Historical	Pro forma adjustments	Pro forma	Historical	Pro forma adjustments	Pro forma	Consolidation adjustments	Pro forma consolidated
	$	$ (note 4)	$	$	$ (note 5)	$	$ (note 6)	$
Net revenues	—	—	—	123,879	—	123,879	—	123,879
Interest income	—	17,492	17,492	4,318	—	4,318	(17,492)	4,318
	—	17,492	17,492	128,197	—	128,197	(17,492)	128,197
Cost of services	—	—	—	78,467	—	78,467	—	78,467
Selling, general and administrative expenses	—	—	—	29,248	—	29,248	371	29,619
Depreciation	—	—	—	4,403	—	4,403	—	4,403
Amortization	—	—	—	479	—	479	10,000	10,479
Income before the undernoted	—	17,492	17,492	15,600	—	15,600	(27,863)	5,229
Other expense (income)	—	—	—	450	—	450	—	450
Gain on employee benefit plan amendments	—	—	—	(2,468)	—	(2,468)	—	(2,468)
Interest expense								
Interest expense on Livingston Notes	—	—	—	—	17,492	17,492	(17,492)	—
Interest expense on long-term debt	—	—	—	2,053	644	2,697	—	2,697
Other interest expense	—	—	—	1,170	375	1,335	—	1,335
	—	—	—	—	(210)	—	—	—
	—	—	—	3,223	18,301	21,524	(17,492)	4,032
Income (loss) before income taxes and goodwill charges	—	17,492	17,492	14,395	(18,301)	(3,906)	(10,371)	3,215
Provision for (recovery of) income taxes	—	—	—	6,307	(7,049)	(742)	(4,366)	(5,108)
Goodwill charges	—	—	—	1,493	—	1,493	(1,493)	—
Net income for the year	—	17,492	17,492	6,595	(11,252)	(4,657)	(4,512)	8,323
Net income per Unit (15,102,600 Units)								$ 0.55

Livingston International Income Fund

Notes to Pro Forma Consolidated Financial Statements

(Unaudited)

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

1 Basis of presentation

The accompanying pro forma consolidated balance sheet and the pro forma consolidated statements of income of Livingston International Income Fund have been prepared by L.I.I. Holdings Corp. (LII) on behalf of the Fund in accordance with Canadian generally accepted accounting principles. The accompanying pro forma consolidated financial statements give effect to the acquisition by the Fund of LII.

The pro forma consolidated balance sheet has been prepared from information derived from the balance sheet of the Fund as at January 31, 2002 and the unaudited consolidated balance sheet of LII as at September 30, 2001 and the adjustments and assumptions outlined below. The pro forma consolidated statements of income have been prepared from information derived from the unaudited consolidated statements of income of LII for the eleven months ended November 30, 2001 and nine months ended September 30, 2001 and the audited consolidated statement of income of LII for the year ended December 31, 2000 and the adjustments and assumptions outlined below.

The pro forma consolidated financial statements may not be indicative of the financial position and results of operations that would have occurred if the transactions had been completed on the dates indicated or of the financial position or operating results which may be obtained in the future.

The pro forma consolidated financial statements should be read in conjunction with the consolidated financial statements of LII for the nine months ended September 30, 2001 and the year ended December 31, 2000 and the balance sheet of the Fund as at January 31, 2002.

2 The Fund

The Fund is a limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated January 4, 2002. The Fund has been created to invest in shares and $138,000, 12.675% unsecured, subordinated notes (Livingston Notes) of Livingston International Inc. Each Unitholder participates pro rata in any distribution from the Fund. Income tax obligations related to the distributions of the Trust are the obligations of the Unitholders.

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

a) The Fund will issue units (the offering) for net proceeds of $139,125 on closing of the offering after deducting expenses of the offering and underwriting fees of approximately $11,901 (excluding approximately $1,125 of LII finance fees to be funded from the net proceeds);

b) The Fund will incorporate a new wholly owned subsidiary, Newco;

c) The Fund will use approximately $122,545 of the net proceeds of the offering to acquire all of the outstanding shares and convertible subordinated debenture of LII (which will then be converted into 1,874,016 Class A shares);

d) The Fund will loan approximately $16,580 to LII and convert this loan into common shares. Proceeds will be used to fund $15,455 of payments to LII optionholders and $1,125 of finance fees relating to the new secured term loan. The income tax recoverable relating to the $15,455 payment will be shared equally between LII and the former securityholders and optionholders.

e) The Fund will borrow $138,000 (Loan) and use the proceeds to loan Newco $138,000 (Livingston Notes). Newco acquires all of the outstanding shares of LII for cash of $138,000 and $1,125 common shares. The Fund repays the Loan;

f) Newco will then amalgamate with LII and certain of its subsidiaries to form Livingston International Inc.; and

g) Livingston International Inc. will obtain a secured term loan in the amount of $30,000 bearing interest at prime plus varying rates between 1/4 to 1 1/4% which it will use to refinance its current term loan of $18,313.

3 Pro forma consolidated balance sheet of the Fund

The pro forma consolidated balance sheet of the Fund as at September 30, 2001 is based on the initial balance sheet of the Fund as at January 31, 2002 and has been prepared as if the transactions described in note 2 had been completed as at September 30, 2001.

The acquisition by the Fund has been accounted for by the purchase method. The preliminary allocation of the purchase price is summarized as follows:

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

3 Pro forma consolidated balance sheet of the Fund (continued)

	$
Cash and cash equivalents	178,616
Accounts receivable	217,610
Property, plant and equipment	13,060
Other assets	7,933
Future income taxes	(23,056)
Intangible assets	75,000
Goodwill	79,461
Government remittances and accounts payable	(149,005)
Other liabilities	(16,488)
Operating Facility	(215,131)
Long-term debt	(30,000)
	138,000
Consideration — cash	138,000

The preliminary allocation of the purchase price includes an allocation of $75,000 to intangible assets, a corresponding future tax liability of $26,610 and goodwill of $79,461. Intangible assets acquired comprise customer relationships, contracts and software and include brand names of approximately $8,400 having an indefinite life.

The actual calculation and allocation of the purchase price discrepancy will be based on the assets and liabilities purchased at the effective date of the acquisition transaction and other information available at that date. Accordingly, the actual amounts for each of the assets and liabilities acquired will vary from the pro forma amounts and the variation may be material.

4 Pro forma consolidated statements of income of the Fund

The pro forma consolidated statements of income of the Fund for the eleven months ended November 30, 2001, nine months ended September 30, 2001 and for the year ended December 31, 2000 are based on the initial financial statements of the Fund adjusted for the effect of the transactions referred to in note 2 and have been prepared as if the transactions occurred on January 1 as follows:

Provision for interest income of $16,034 for the eleven months ended November 30, 2001, $13,119 for the nine months ended September 30, 2001 and $17,492 for the year ended December 31, 2000 on the Livingston Notes.

5 Pro forma statements of income of Livingston International Inc.

The pro forma statements of income of Livingston International Inc. for the eleven months ended November 30, 2001, nine months ended September 30, 2001 and for the year ended December 31, 2000 are based on historical financial statements of LII as adjusted for the effects of the transactions described in note 2 and have been prepared as if the transactions had occurred on January 1 as follows:

a) Provision for interest expense on Livingston Notes;

b) Provision for interest expense on increased borrowings of bank debt and amortization of deferred financing fees;

c) Adjustment to record revised income tax provision based on the proposed transaction.

The pro forma statements of income exclude any additional selling, general and administrative costs that may be incurred as a result of becoming a public entity.

6 Pro forma consolidation of the Fund

The pro forma consolidation of the Fund and LII has been accounted for by the purchase method, which results in the elimination of the Fund's investment in the common shares and Livingston Notes (see note 3). The following adjustments are required on consolidation:

a) Elimination of interest income and interest expense relating to the Livingston Notes;

b) Amortization of intangibles created on acquisition over their estimated useful lives over 5-10-year periods;

c) Elimination of deferred rent amortization;

d) Reversal of goodwill charges of LII. The Fund will adopt the new CICA accounting recommendations, CICA 3062 and CICA 1581, dealing with goodwill and business combinations; and

e) Adjustment to record future income taxes arising from the amortization of intangibles.

CERTIFICATE OF THE FUND

Dated: January 31, 2002

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* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act*, 1990 (Newfoundland), 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 likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

LIVINGSTON INTERNATIONAL INCOME FUND
by its attorney L.I.I. Holdings Corp.

By: (Signed) PETER LUIT
Chief Executive Officer

By: (Signed) BENJAMIN WONG
Chief Financial Officer

By: (Signed) PETER RESTLER
Director

By: (Signed) DAVID CULVER
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: January 31, 2002

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* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act*, 1990 (Newfoundland), 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 likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SCOTIA CAPITAL INC.

By: (Signed) SARAH B. KAVANAGH

CIBC WORLD MARKETS INC.

By: (Signed) EARL I. ROTMAN

BMO NESBITT BURNS INC.

By: (Signed) STEPHEN L. SHAPIRO

RBC DOMINION SECURITIES INC.

By: (Signed) STEWART C. BURTON

NATIONAL BANK FINANCIAL INC.

By: (Signed) WILLIAM M. CROSSLAND

TD SECURITIES INC.

By: (Signed) TONY D'ONOFRIO

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