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*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered under this short form prospectus have not and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to U.S. Persons.*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of BAM Split Corp. at 181 Bay Street, Suite 300, Toronto, ON M5J 2T3 (telephone (416) 363-9491), and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM PROSPECTUS

New Issue

June 23, 2009



# BAM SPLIT CORP.

**\$125,000,000**

## **5,000,000 Class AA Preferred Shares, Series 4**

This short form prospectus qualifies the distribution (the “**Offering**”) of 5,000,000 Class AA preferred shares, Series 4 (the “**Series 4 Preferred Shares**”) of BAM Split Corp. (the “**Company**”).

Holders of the Series 4 Preferred Shares will be entitled to receive quarterly fixed cumulative preferential dividends of \$0.453125 per Series 4 Preferred Share. On an annualized basis, this would represent a yield on the offering price of the Series 4 Preferred Shares of 7.25%. Quarterly dividends on the Series 4 Preferred Shares will be paid by the Company on or about the 7th day of March, June, September and December in each year. Based on the anticipated closing date of July 9, 2009, the initial dividend (which covers the period from closing to August 31, 2009) is expected to be \$0.26318 per Series 4 Preferred Share, and is expected to be paid on or about September 7, 2009 to holders of record on August 21, 2009. The Series 4 Preferred Shares may be surrendered for retraction at any time. The Company will redeem all outstanding Series 4 Preferred Shares on July 9, 2014 (the “**Series 4 Redemption Date**”) for a cash amount per share equal to the lesser of (i) \$25.00 plus any accrued and unpaid dividends and (ii) the Net Asset Value per Unit. See “Details of Offering — Series 4 Preferred Shares” and “Dividend Policy”.

The Company holds a portfolio of Class A Limited Voting Shares (the “**BAM Shares**”) of Brookfield Asset Management Inc. (“**Brookfield Asset Management**”) in order to generate cash flow to fund fixed cumulative preferential dividends for the holders of the Company’s Class A preferred shares (the “**Class A Preferred Shares**”) and Class AA preferred shares (the “**Class AA Preferred Shares**”) and to enable the holders of the Company’s capital shares (the “**Capital Shares**”) to participate in any capital appreciation in the BAM Shares.

### **Price: \$25.00 per Class AA Preferred Share, Series 4**

	<b>Price to the Public<sup>(1)</sup></b>	<b>Underwriters’ Fees<sup>(2)</sup></b>	<b>Net Proceeds to the Company<sup>(3)</sup></b>
Per Series 4 Preferred Share	\$25.00	\$0.75	\$24.25
Total	\$125,000,000	\$3,750,000	\$121,250,000

Notes:

- (1) The offering price was established through negotiation between the Company and the Underwriters (as defined below).
- (2) The Underwriters’ fee is \$0.25 for each Series 4 Preferred Share sold to institutions and \$0.75 for all other Series 4 Preferred Shares that are sold. The Underwriters’ fee set forth in the table assumes that no Series 4 Preferred Shares are sold to institutions.
- (3) Before deducting the expenses of the Offering payable on closing, estimated at \$400,000, which will be paid by the Company out of the proceeds of the Offering.

BAM Investments Corp. (“**BAM Investments**”) owns all of the Class A voting shares (the “**Voting Shares**”), all of the Capital Shares, all of the Class AA Preferred Shares, Series 2 and all of the Class AAA Preferred Shares, Series 1 of the Company. BAM Investments also owns 198,950 Class A Preferred Shares, 1,112,900 Class AA Preferred Shares, Series 1 and 363,200 Class AA Preferred Shares, Series 3. At the closing of the Offering, BAM Investments will transfer 7,000,000 BAM Shares to the Company in exchange for additional Capital Shares. Following the closing of the Offering, BAM Investments will convert its existing Preferred Shares (defined below) into Capital Shares and the Company will consolidate the existing Capital Shares held by BAM Investments so that after the Offering the aggregate number of Class A Preferred Shares, Class AA Preferred Shares and Class AAA preferred shares of the Company (the “**Class AAA Preferred Shares**”) (collectively, the “**Preferred Shares**”) will equal the number of Capital Shares that will be outstanding. BAM Investments is a public company whose principal business mandate is to provide holders of its common shares with a leveraged investment in BAM Shares.

*(continued on next page)*

*(continued from cover)*

### **Use of Proceeds**

The net proceeds from the Offering will be used by the Company to fund the early redemption of all of the then outstanding Class A Preferred Shares.

### **Listing**

The Company has applied to list the Series 4 Preferred Shares distributed under this short form prospectus on the Toronto Stock Exchange (“TSX”). Listing of the Series 4 Preferred Shares will be subject to the Company fulfilling all the listing requirements of the TSX.

The Company is considered to be a mutual fund but has been exempted from certain of the protections provided by the policies of the Canadian securities regulators applicable to conventional mutual funds.

**See “Investment Considerations and Risk Factors” for a discussion of certain factors that should be considered by prospective purchasers of Series 4 Preferred Shares. There is no market through which the Series 4 Preferred Shares may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the Series 4 Preferred Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series 4 Preferred Shares, and the extent of issuer regulation. In addition, on retraction of the Series 4 Preferred Shares, holders will be issued Series 2 Debentures (as defined below). The Series 2 Debentures, if and when issued, will be illiquid investments and such holders may not be able to resell the Series 2 Debentures acquired on retraction of Series 4 Preferred Shares. See “Investment Considerations and Risk Factors”.**

In connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 4 Preferred Shares offered at levels other than those which might otherwise prevail in the open market. Such activities, if commenced, may be discontinued at any time. The Underwriters may offer the Series 4 Preferred Shares at a price lower than that stated above. See “Plan of Distribution”.

### **Underwriting Syndicate and Closing**

Scotia Capital Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc. and Desjardins Securities Inc. (collectively, the “Underwriters”), as principals, conditionally offer the Series 4 Preferred Shares, subject to prior sale, if, as and when issued by the Company 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 by Torys LLP, on behalf of the Company, and Osler, Hoskin & Harcourt LLP, on behalf of the Underwriters.

Subscriptions will be received for the Series 4 Preferred Shares offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of the Offering is expected to occur on or about July 9, 2009 but no later than July 31, 2009. Registrations and transfers of Series 4 Preferred Shares will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners of the Series 4 Preferred Shares will not receive physical certificates evidencing their ownership of such shares.

## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF THE OFFERING .....	4
THE COMPANY .....	8
BAM SHARES .....	8
DIVIDEND POLICY .....	8
NET ASSET VALUE PER UNIT .....	9
BROOKFIELD ASSET MANAGEMENT INC. ....	10
BAM INVESTMENTS CORP. ....	13
DESCRIPTION OF SHARE CAPITAL .....	14
DETAILS OF OFFERING .....	14
BOOK-ENTRY ONLY SYSTEM .....	19
CHANGES AFFECTING BAM SHARES .....	19
INVESTMENT CONSIDERATIONS AND RISK FACTORS .....	20
ELIGIBILITY FOR INVESTMENT .....	22
CANADIAN FEDERAL INCOME TAX CONSIDERATIONS .....	23
USE OF PROCEEDS .....	26
PLAN OF DISTRIBUTION .....	26
RATINGS .....	27
CAPITALIZATION .....	28
EARNINGS COVERAGE RATIO .....	28
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	29
MATERIAL CONTRACTS .....	29
LEGAL MATTERS .....	29
AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN .....	29
PURCHASER'S STATUTORY RIGHTS .....	30
DOCUMENTS INCORPORATED BY REFERENCE .....	30
AUDITORS' CONSENT .....	31
CERTIFICATE OF THE COMPANY .....	32
CERTIFICATE OF THE UNDERWRITERS .....	33
EXHIBIT A .....	34

## SUMMARY OF THE OFFERING

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this short form prospectus. Certain terms used in this summary are defined elsewhere in this short form prospectus.*

### The Offering

<b>Offering:</b>	The Offering consists of 5,000,000 Class AA Preferred Shares, Series 4 (the “ <b>Series 4 Preferred Shares</b> ”)
<b>Amount:</b>	\$125,000,000
<b>Price:</b>	\$25.00 per Series 4 Preferred Share
<b>Rating:</b>	The Series 4 Preferred Shares have been provisionally rated Pfd-2 (low) by DBRS Limited (“ <b>DBRS</b> ”).
<b>Dividends:</b>	<p> Holders of the Series 4 Preferred Shares will be entitled to receive quarterly fixed cumulative preferential dividends equal to \$0.453125 per Series 4 Preferred Share. On an annualized basis, this would represent a yield on the Offering price of the Series 4 Preferred Shares of 7.25%. Such quarterly dividends are expected to be paid by the Company on or about the 7<sup>th</sup> day of March, June, September and December in each year. Based upon the anticipated closing date of July 9, 2009, the initial dividend (which covers the period from closing to August 31, 2009) is expected to be \$0.26318 per Series 4 Preferred Share and is expected to be paid on or before September 7, 2009 to holders of record on August 21, 2009.</p> <p> Series 4 Preferred Shares dividends will be funded from the dividends received on the Class A Limited Voting Shares (the “<b>BAM Shares</b>”) of Brookfield Asset Management Inc. Based on the current dividends paid on the BAM Shares, and after giving effect to the redemption of the Class A Preferred Shares, it is expected that the Company will have coverage initially exceeding 1.5 times the dividends to be paid on all Preferred Shares. As such, the dividends paid on the Series 4 Preferred Shares will constitute ordinary dividends to the holders of the Series 4 Preferred Shares. If for any reason, the dividends received by the Company on the BAM Shares are insufficient to fully fund the Preferred Share dividends, the Company will sell BAM Shares or write covered call options on its BAM Shares to the extent necessary to fund any shortfall.</p> <p> See “The Company — Dividend Policy” and “Details of Offering — Dividends”.</p>
<b>Retraction:</b>	<p> The Series 4 Preferred Shares may be surrendered for retraction at any time. Retraction payments for the Series 4 Preferred Shares will be made on the 15<sup>th</sup> day of each month, or where such day is not a business day, on the immediately preceding business day (the “<b>Retraction Payment Date</b>”) provided the Series 4 Preferred Shares have been surrendered for retraction at least five business days before the Valuation Date (as defined below). As used herein, the term “business day” means any day, except for a Saturday or Sunday, which is not a statutory or civic holiday in Toronto, Ontario.</p> <p> A holder retracting Series 4 Preferred Shares will receive per Series 4 Preferred Share retracted, as payment for such shares, a number of debentures (the “<b>Series 2 Debentures</b>”) determined by dividing the holder’s aggregate Preferred Share Retraction Price (as defined below) by \$25.00, being the principal amount of the Series 2 Debentures. Fractional Series 2 Debentures will not be issued to a holder and the holder will instead receive a cash payment equal to such fraction multiplied by the value of the Series 2 Debentures that</p>

would otherwise have been issued. For the purposes of determining the amount of any such cash payment, all Series 4 Preferred Shares deposited by a holder for retraction will be aggregated. The Series 2 Debentures will be issued by, at the Company's option in respect of each retraction, either the Company or, if agreed to by BAM Investments, BAM Investments. See "Details of the Offering — Retraction".

The "**Preferred Share Retraction Price**" will be equal to the lesser of (i) Net Asset Value per Unit and (ii) \$25.00.

**Debentures:**

The Series 2 Debentures will be issued by the Company or, if agreed to by BAM Investments, BAM Investments. The Series 2 Debentures will have a principal amount of \$25.00 per debenture and will mature on the Series 4 Redemption Date (as defined below).

Holders of the Series 2 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 7.35% per annum, provided that the Company may, at its option, provided no Event of Default (as defined under "Details of Offering — Series 2 Debentures — Events of Default") has occurred and is continuing, elect to defer payment of interest due on any interest payment date until maturity on the condition that, in the event of such election, no interest, dividends or other distributions will be permitted to be paid in respect of the Company's subordinate classes of securities. Interest will be paid by the issuer on or about the 7<sup>th</sup> day of March, June, September and December in each year.

The Series 2 Debentures shall be redeemable by the Company at any time upon payment of the outstanding principal amount together with any accrued and unpaid interest thereon. See "Details of the Offering — Series 2 Debentures".

**Net Asset Value per Unit:**

The Net Asset Value per Unit is defined as the value of the BAM Shares held by the Company plus (minus) the amount by which the value of the other assets of the Company exceed (are less than) the liabilities (including any extraordinary liabilities) of the Company as at the 30<sup>th</sup> day of the relevant month (or, in the case of February, the last day of the month) (the "**Valuation Date**") and the redemption value of the Voting Shares, all as determined by the board of directors of the Company, divided by the total number of Units outstanding. A "Unit" is considered to consist of one Capital Share and one Preferred Share (of any class or series). For greater certainty, the Preferred Shares will not be treated as liabilities for the purpose of determining the Net Asset Value per Unit. The BAM Shares will be valued based on the net amount received by the Company on the sale of BAM Shares or otherwise by reference to the closing price for the BAM Shares on the applicable Valuation Date. See "Net Asset Value per Unit".

**Redemption:**

All Series 4 Preferred Shares outstanding on July 9, 2014 (the "**Series 4 Redemption Date**") will be redeemed for a cash amount equal to the lesser of (i) \$25.00 plus any accrued and unpaid dividends, and (ii) the Net Asset Value per Unit. The Company may redeem Series 4 Preferred Shares prior to July 9, 2014 for \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Series 4 Preferred Shares prior to the Series 4 Redemption Date unless: (i) Capital Shares have been retracted; or (ii) there is a take-over bid for the BAM Shares and the board of directors of the Company determines that such bid is in the best interest of the holders of the Capital Shares.

**Purchase for Cancellation:**

If any Capital Shares are tendered for retraction, the Company will, as necessary and subject to applicable laws, redeem or purchase for cancellation in the open market Preferred Shares, including the Series 4 Preferred Shares, in order to

ensure that the number of Preferred Shares outstanding does not exceed the number of Capital Shares outstanding. Capital Shares may be surrendered for retraction at any time for a retraction price per share equal to the amount, if any, by which 95% of the Net Asset Value, calculated as at the business day following receipt of the notice of retraction, exceeds the aggregate redemption price of all outstanding Preferred Shares of any class or series then outstanding, divided by the number of Capital Shares then outstanding, less \$1.00.

**Priority:**

The Series 4 Preferred Shares will rank prior to the Capital Shares and on a pari passu basis with all other Preferred Shares with respect to the payment of dividends, distributions upon a redemption, retraction or return of capital and distribution upon a dissolution, liquidation or winding-up of the Company. In any such case (other than with respect to any redemptions on the Series 4 Redemption Date), the holders of Series 4 Preferred Shares shall be entitled to receive an amount equal to \$26.00 plus accrued and unpaid dividends.

See “Details of Offering” for details of the rights, privileges, restrictions and conditions attaching to the Series 4 Preferred Shares.

**Use of Proceeds:**

The net proceeds from the Offering of the Series 4 Preferred Shares will be used by the Company to fund the early redemption of all of the then outstanding Class A Preferred Shares.

**Canadian Federal Income Tax Considerations**

**Taxation of the Company:**

The Company currently qualifies, and intends to continue to qualify, as a mutual fund corporation under the Income Tax Act (Canada) (the “**Tax Act**”). As a result of the Company qualifying as a mutual fund corporation under the Tax Act and because the Company deducts expenses in computing its taxable income, the Company should not be subject to any material net income tax liability.

**Taxation of Shareholders Resident in Canada:**

**Dividends**

Ordinary dividends received by individuals on the Series 4 Preferred Shares will be subject to the normal gross-up and dividend tax credit rules applicable to dividends received on shares of a taxable Canadian corporation.

Ordinary dividends received by corporations, other than specified financial institutions, on the Series 4 Preferred Shares will generally be deductible in computing taxable income.

Ordinary dividends received by specified financial institutions on the Series 4 Preferred Shares will be deductible in computing taxable income, provided that certain conditions applicable to term preferred shares are met, such as the 10% ownership restriction.

Ordinary dividends received by private corporations (and certain other corporations) on the Series 4 Preferred Shares will be subject to a refundable tax under Part IV of the Tax Act, generally at the rate of 33 $\frac{1}{3}$ %.

Ordinary dividends received by certain corporations other than private corporations on the Series 4 Preferred Shares will be subject to a 10% tax under Part IV.I of the Tax Act.

### **Dispositions**

A disposition of the Series 4 Preferred Shares held as capital property, whether by way of redemption, retraction or otherwise, may result in a capital gain or a capital loss to the holder thereof.

### **Interest on Debentures**

Interest accrued to, or receivable or received before, the end of a taxation year will be included in income of a holder of the Series 2 Debentures that is a corporation, partnership, unit trust or trust of which a corporation is a beneficiary. Interest on the Series 2 Debentures received or receivable in a taxation year by a taxpayer who is an individual or trust of which neither a corporation nor a partnership is a beneficiary will be included in income for that year.

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

### **Investment Considerations and Risk Factors**

An investment in Series 4 Preferred Shares is subject to certain risk factors which prospective investors should consider before purchasing such shares. An investment in Series 4 Preferred Shares does not constitute an investment in the BAM Shares. The value of the Series 4 Preferred Shares will be influenced by factors which are not within the control of the Company, including the financial performance of Brookfield Asset Management, interest rates, foreign currency exposure and other financial market considerations. The Company is considered to be a mutual fund but does not generally operate in accordance with, and has been exempted from, certain provisions of the policies and rules of Canadian securities regulators applicable to conventional mutual funds. There is currently no public market for the Series 4 Preferred Shares. If the Company determines to lend BAM Shares, the Company will be exposed to risk of loss and if the Company needs to write covered call options, there is no assurance a liquid exchange market will exist to permit the Company to do so on desired terms. If issued on a retraction of Series 4 Preferred Shares, the Series 2 Debentures will be illiquid investments. See “Investment Considerations and Risk Factors”.

### **Eligibility for Investment**

In the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP, the Series 4 Preferred Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, tax-free savings accounts, deferred profit sharing plans or registered education savings plans and the Series 2 Debentures, if issued on the date of this short form prospectus, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, tax-free savings accounts, registered education savings plans or deferred profit sharing plans, other than deferred profit sharing plans for which the Company or BAM Investments, as the case may be, or a corporation with which the Company or BAM Investments, as the case may be, does not deal at arm’s length, is the employer.

Each of the Series 4 Preferred Shares and the Series 2 Debentures will not be a “prohibited investment” for a trust governed by a tax-free savings account on such date provided the holder of the tax-free savings account deals at arm’s length with the Company, or BAM Investments, as the case may be, for purposes of the Tax Act and does not have a “significant interest” (within the meaning of the Tax Act) in the Company or BAM Investments, as the case may be, or in any person or partnership with which the Company or BAM Investments, as the case may be, does not deal at arm’s length for purposes of the Tax Act.

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

Registration of interests in and transfers of the Series 4 Preferred Shares will be made only through the book-entry only system of CDS Clearing and Depository Services Inc. (“CDS”). Series 4 Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a participant in the CDS book-entry only system. Beneficial owners of Series 4 Preferred Shares will not have the right to receive physical certificates evidencing their ownership of such shares.

## THE COMPANY

The Company was incorporated under the laws of the Province of Ontario on July 12, 2001. The Company has its registered and head office at Suite 300, Brookfield Place, 181 Bay Street, Box 771, Toronto, Ontario, M5J 2T3, telephone: (416) 363-0061.

The Company's investment objective is to hold a portfolio of Class A Limited Voting Shares (the "**BAM Shares**") of Brookfield Asset Management Inc. ("**Brookfield Asset Management**") in order to generate cash flow to fund fixed cumulative preferential dividends for the holders of the Preferred Shares and to enable the holders of the Capital Shares to participate in any capital appreciation in the BAM Shares. The policy of the Company is to hold the BAM Shares and not to sell the BAM Shares, except as described herein.

BAM Investments owns all of the Voting Shares, Class AA Preferred Shares, Series 2, Class AAA Preferred Shares, Series 1 and Capital Shares of the Company. BAM Investments also owns 198,950 Class A Preferred Shares, 1,112,900 Class AA Preferred Shares, Series 1 and 363,200 Class AA Preferred Shares, Series 3. At the closing of the Offering, BAM Investments will transfer 7,000,000 BAM Shares to the Company in exchange for additional Capital Shares. Following the closing of the Offering, BAM Investments will convert its existing Preferred Shares into Capital Shares and the Company will consolidate the existing Capital Shares held by BAM Investments so that after the Offering an equal number of Preferred Shares and Capital Shares will be outstanding. BAM Investments is a public company whose principal business mandate is to provide holders of its common shares with a leveraged investment in BAM Shares.

As a mutual fund, the Company is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 ("**NI 81-102**"), which are designed in part to ensure that the investments of the mutual fund are diversified and relatively liquid and to ensure the proper administration of the mutual fund. The Company is managed in accordance with these restrictions and practices. However, the Company has been exempted from certain of the protections provided by securities legislation applicable to conventional mutual funds, including certain provisions of NI 81-102.

## BAM SHARES

All BAM Shares currently owned by the Company are held by Canadian Imperial Bank of Commerce (the "**Custodian**") pursuant to the provisions of the Custodial Services Agreement described under "Auditors, Transfer Agent, Registrar and Custodian".

BAM Shares may be sold to fund the retraction or redemption of any Preferred Shares or Capital Shares, following the receipt of any stock dividends, or to meet obligations of the Company in respect of liabilities including extraordinary liabilities. In addition, the Company may also sell BAM Shares, if necessary, to fund a portion of the Preferred Share dividends.

In order to generate additional income, the Company may lend the BAM Shares owned by it to borrowers acceptable to the Company pursuant to the terms of a securities lending agreement between the Company and any such borrower (a "**Securities Lending Agreement**"). Under a Securities Lending Agreement: (i) the borrower will pay to the Company a negotiated securities lending fee and will make compensation payments to the Company equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purpose of the Tax Act; and (iii) the Company will receive prescribed collateral security. Any such securities lending activities will be conducted in accordance with applicable securities legislation or any exemption therefrom.

## DIVIDEND POLICY

The dividends on Preferred Shares are funded primarily from the dividends received on the BAM Shares. Based on the current dividends paid on the BAM Shares, and after giving effect to the redemption of the Class A Preferred Shares, it is expected that the Company will have coverage initially exceeding 1.5 times the dividends to be paid on all Preferred Shares, including the Series 4 Preferred Shares. As such, the dividends paid on the Series 4 Preferred Shares will constitute ordinary dividends to the holders of the Series 4 Preferred Shares.



If, for any reason, the dividends received by the Company on the BAM Shares are insufficient to fully fund Preferred Share dividends, the Company will sell BAM Shares or write covered call options on its BAM Shares to the extent necessary to fund any shortfall. Any portion of the dividends on the Preferred Shares which is derived from the proceeds of sale of the BAM Shares will consist of ordinary dividends or a combination of a capital gains dividend and ordinary dividends. Any option premium received in a year (other than in respect of options outstanding at year end) would be distributed as a capital gains dividend in the year on the Preferred Shares.

If the dividends received by the Company on the BAM Shares, less the administrative and operating expenses of the Company, exceed the amount of the dividends on the Preferred Shares, the policy of the board of directors of the Company is to pay any excess as dividends on the Capital Shares. Any dividends, net of expenses and the dividends on all the Preferred Shares, received by the Company which are not paid out will be invested in fixed income securities as determined by Brookfield Financial Corp (the “**Administrator**”). The current policy of the board of directors of the Company is to pay these amounts as dividends on the Capital Shares provided that the Net Asset Value per Unit exceeds \$36.00. See “Net Asset Value per Unit”.

In addition, if the Company realizes capital gains and would be liable to pay tax thereon, the Company may declare a capital gains dividend on the Capital Shares. Such dividend will minimize any tax payable by the Company and, as such, should benefit the Company and its shareholders.

### NET ASSET VALUE PER UNIT

“Net Asset Value per Unit” on any particular day is defined as the value of the BAM Shares held by the Company plus (minus) the amount by which the value of the other assets of the Company exceed (are less than) the liabilities (including any extraordinary liabilities) of the Company as at the relevant date and the redemption value of the Voting Shares, all as determined by the board of directors of the Company, divided by the total number of Units outstanding. A “Unit” is considered to consist of one Capital Share and one Preferred Share. For greater certainty, the Preferred Shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit.

The BAM Shares will be valued as follows:

- (a) the net amount received by the Company per BAM Share on the disposition of any BAM Shares sold to fund a retraction or redemption; or
- (b) to the extent that BAM Shares are not sold to fund a retraction or redemption on the applicable date, the Company will value the BAM Shares using the closing price for BAM Shares on the TSX on the trading day immediately preceding the relevant date; or, if no trading in BAM Shares occurred on such day on the TSX, the closing price for BAM Shares on such other exchange or market as the Administrator may select on such day; or, if no closing price is available from any exchange or market for BAM Shares, the average of the bid and ask prices for such shares at close of trading on the TSX on such day.

The value of the BAM Shares determined as set out above may differ from the value of the BAM Shares determined under Canadian generally accepted accounting principles.

If, on the applicable date of the determination of Net Asset Value per Unit, the Company is entitled to a refund of refundable taxes but such refund is not immediately available, the Company will either defer payment in cash of a portion of the redemption price until the refund is received by the Company or take steps to monetize or otherwise convert the refund into cash. In any event, any refundable taxes not then available to the Company will be treated as an asset equal to the realizable value thereof as determined by the board of directors.

Unless otherwise required, the Net Asset Value per Unit will be calculated once per month on the last business day of the month. Such information will be provided by the Administrator to holders of Series 4 Preferred Shares upon request by calling 416-363-0061 or through the Internet at [www.bamsplit.com](http://www.bamsplit.com).

## BROOKFIELD ASSET MANAGEMENT INC.

### General

Brookfield Asset Management, focused on property, power and infrastructure assets, has approximately US\$80 billion of assets under management and is co-listed on the New York Stock Exchange (the “NYSE”) and the TSX under the ticker symbol “BAM” and “BAM.A”, respectively, and on NYSE Euronext under the ticker symbol “BAMA”.

The information contained herein relating to Brookfield Asset Management is based upon the documents listed below, each of which has been filed by Brookfield Asset Management with the various securities commissions or similar authorities in Canada:

- Brookfield Asset Management’s Annual Information Form dated March 26, 2009;
- Brookfield Asset Management’s audited consolidated financial statements for the year ended December 31, 2008 together with Management’s Discussion and Analysis of Financial Condition and Results of Operation thereon (contained in pages 10 to 112 of Brookfield Asset Management’s 2008 Annual Report);
- Brookfield Asset Management’s Notice of Annual Meeting of Shareholders and Management Information Circular dated March 9, 2009;
- Brookfield Asset Management’s unaudited comparative consolidated financial statements contained in the interim report to shareholders for the three months ended March 31, 2009; and
- Brookfield Asset Management’s Management Discussion and Analysis of Financial Condition and Results of Operations dated May 5, 2009 contained in the interim report to shareholders for the three months ended March 31, 2009.

Any statement contained in such publicly filed documents shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The foregoing reports and other documents may be inspected at the offices of the respective securities commissions and regulatory authorities at which they are filed or through the System for Electronic Document Analysis and Retrieval (“SEDAR”) of the Canadian Securities Administrators at [www.sedar.com](http://www.sedar.com). More comprehensive financial and other information is contained in such reports and the following summary is qualified by reference to such reports and other documents and all of the financial information and notes contained therein.

The Company and the Underwriters have no access to any information about Brookfield Asset Management other than information in such publicly filed reports and other documents. Further, the Company and the Underwriters have not had an opportunity to verify the accuracy or completeness of any information contained in such reports and other documents or to determine if there has been any omission by Brookfield Asset Management to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any information contained in such reports and other documents has been furnished by Brookfield Asset Management or which may affect the significance or accuracy of any information contained in any such reports and other documents and summarized herein. The Series 4 Preferred Shares derive their value from the Company’s underlying investment in the BAM Shares and prospective purchasers should consult their own investment advisor for advice with respect to the merits of an investment in securities which derive their value from an underlying investment in the BAM Shares.

Brookfield Asset Management has not participated in the preparation of this prospectus and does not take any responsibility or assume any liability with respect to the accuracy or completeness of any information contained herein. None of Brookfield Asset Management and its officers, directors, auditors or other experts whose reports, opinions or statements have been used in connection with this short form prospectus or the documents referred to herein have any statutory liability to purchasers of the Series 4 Preferred Shares with respect to the accuracy or completeness of any of the information contained in this short form prospectus.

## Selected Financial Information

The following represents a historical summary of selected financial data pertaining to Brookfield Asset Management which has been excerpted or derived from the publicly filed reports and other documents of Brookfield Asset Management.

### Consolidated Statements of Income

	Three Months ended March 31,		Year ended December 31,	
	2009	2008	2008	2007
	(US\$ millions)			
Total revenues . . . . .	\$2,651	\$3,210	\$12,868	\$ 9,343
Fees earned . . . . .	105	114	449	415
Revenues less direct operating costs				
Commercial properties . . . . .	400	421	1,831	1,548
Power generation . . . . .	239	251	886	611
Infrastructure . . . . .	40	48	196	290
Development and other properties . . . . .	23	64	240	418
Specialty funds . . . . .	39	104	304	370
	846	1,002	3,906	3,652
Investment and other income . . . . .	169	312	903	857
	1,015	1,314	4,809	4,509
Expenses				
Interest . . . . .	415	527	1,984	1,786
Asset management and other operating costs . . . . .	159	165	640	464
Current income taxes . . . . .	11	17	(7)	68
Non-controlling interests in net income before the following . . . . .	157	168	791	636
	273	437	1,401	1,555
Other items				
Equity accounted loss from investments . . . . .	—	(13)	(46)	(72)
Depreciation and amortization . . . . .	(329)	(314)	(1,330)	(1,034)
Provisions and other . . . . .	(3)	(63)	(267)	(112)
Future income taxes . . . . .	2	18	461	(88)
Non-controlling interests in the foregoing items . . . . .	150	132	430	538
<b>Net income . . . . .</b>	<b>\$ 93</b>	<b>\$ 197</b>	<b>\$ 649</b>	<b>\$ 787</b>

## Consolidated Balance Sheets

	March 31, 2009	December 31, 2008
	(US\$ millions)	
<b>Assets</b>		
Cash and cash equivalents . . . . .	\$ 1,029	\$ 1,242
Financial assets . . . . .	793	787
Investments . . . . .	897	890
Accounts receivable and other . . . . .	7,484	7,290
Intangible assets . . . . .	1,551	1,632
Goodwill . . . . .	1,991	2,011
Operating assets		
Property, plant and equipment . . . . .	36,000	36,381
Securities . . . . .	957	1,303
Loans and notes receivable . . . . .	2,101	2,061
	\$52,803	\$53,597
<b>Liabilities and shareholders' equity</b>		
Corporate borrowings . . . . .	\$ 2,292	\$ 2,284
Non-recourse borrowings		
Property specific mortgages . . . . .	22,932	22,889
Subsidiary borrowings . . . . .	5,110	5,102
Accounts payable and other liabilities . . . . .	8,182	8,904
Intangible liabilities . . . . .	842	891
Capital securities . . . . .	1,385	1,425
Non-controlling interests in net assets . . . . .	6,214	6,321
Shareholders' equity		
Preferred equity . . . . .	870	870
Common equity . . . . .	4,976	4,911
	\$52,803	\$53,597

### BAM Share Trading History

The BAM Shares are listed on the TSX, the NYSE, and NYSE Euronext. The following table sets forth the market price range and trading volume of the BAM Shares on the TSX for the calendar periods indicated.

Period	High	Low	Volume
			(millions of shares)
<b>2007</b>			
Third Quarter . . . . .	\$43.27	\$31.50	73.4
Fourth Quarter . . . . .	\$40.30	\$32.71	60.0
<b>2008</b>			
First Quarter . . . . .	\$35.76	\$26.41	78.9
Second Quarter . . . . .	\$36.96	\$26.53	73.1
Third Quarter . . . . .	\$35.75	\$26.25	80.7
Fourth Quarter . . . . .	\$29.30	\$14.93	83.7
<b>2009</b>			
First Quarter . . . . .	\$21.98	\$14.48	67.7
Second Quarter (to June 22, 2009) . . . . .	\$21.31	\$17.09	67.3

On June 22, 2009, the closing price of the BAM Shares on the TSX was \$19.50.

The information contained in the above table was obtained from TSX Market Data database, is historical and is not intended to be, nor should it be construed to be, an indication as to the future trading levels of the BAM Shares.

### **BAM Share Dividends**

The declaration and payment of dividends on the BAM Shares are at the discretion of the board of directors of Brookfield Asset Management, which has announced that it supports a stable and consistent dividend policy. Dividends on the BAM Shares are paid quarterly, normally at the end of February, May, August and November of each year. In 2008, Brookfield Asset Management paid a dividend of US\$0.12 per BAM Share on February 29 and a dividend of US\$0.13 per BAM Share on May 31, August 31, and November 30 of that year. In 2009, Brookfield Asset Management paid a dividend of US\$0.13 per BAM Share on February 28 and on May 31.

### **BAM INVESTMENTS CORP.**

BAM Investments is a publicly listed investment company whose principal mandate is to provide its common shareholders with a leveraged investment in the securities of Brookfield Asset Management.

Retraction of a Series 4 Preferred Share will result in the issuance to the holder of a certain number of Series 2 Debentures. As described below under “Details of the Offering — Series 4 Preferred Shares — Retraction”, the Series 2 Debentures may, if agreed to by BAM Investments, be issued by BAM Investments.

Information relating to BAM Investments is contained in the documents listed below, filed by BAM Investments with the various securities commissions or similar authorities in Canada, which are specifically incorporated by reference in this short form prospectus:

- BAM Investments’ Annual Information Form for the year ended December 31, 2008 dated March 26, 2009;
- BAM Investments’ audited comparative consolidated financial statements for the year ended December 31, 2008 together with the notes thereto and the auditor’s report thereon and Management’s Discussion and Analysis of Financial Condition and Results of Operation thereon (contained in pages 1 to 19 of BAM Investments’ 2008 Annual Report);
- BAM Investments’ Notice of Annual Meeting of Shareholders and Management Information Circular dated March 31, 2009;
- BAM Investments’ Interim Financial Statements contained in the interim report to shareholders for the three months ended March 31, 2009; and
- BAM Investments Management’s Discussion and Analysis of Financial Condition and Results of Operations dated May 13, 2009 contained in the interim report to shareholders for the three months ended March 31, 2009.

Any statement contained in such publicly filed documents shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The foregoing reports and other documents may be inspected at the offices of the respective securities commissions and regulatory authorities at which they are filed at [www.sedar.com](http://www.sedar.com). More comprehensive financial and other information is contained in such reports and the following summary is qualified by reference to such reports and other documents and all of the financial information and notes contained therein.

## DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Capital Shares, an unlimited number of Class A Preferred Shares, an unlimited number of Class AA Preferred Shares, an unlimited number of Class AAA Preferred Shares, and an unlimited number of Voting Shares of which 19,021,772 Capital Shares, 5,000,000 Class A Preferred Shares, 3,189,100 Class AA Preferred Shares, Series 1, 1,348,000 Class AA Preferred Shares, Series 2, 8,000,000 Class AA Preferred Shares, Series 3, 1,484,672 Class AAA Preferred Shares, Series 1 and 100 Voting Shares are outstanding at the date hereof. The foregoing description will be true at closing and gives effect to articles of amendment that will be filed prior to that date.

## DETAILS OF OFFERING

### Class AA Preferred Shares

#### *Directors' Right to Issue in One or More Series*

The Class AA Preferred Shares may be issued at any time or from time to time in one or more series, subject to the limitations set out in the articles of incorporation, as amended, of the Company. The board of directors of the Company is authorized to fix before issue the number, the designation of and, subject to the rights and restrictions attaching to the Class AA Preferred Shares as a class, the rights, privileges, restrictions and conditions attaching to the Class AA Preferred Shares of each series.

#### *Voting Rights*

Except as required by law and the approval requirements for certain fundamental changes under NI 81-102, the holders of the Class AA Preferred Shares as a class shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company (including with respect to share consolidations or subdivisions of the Capital Shares) other than meetings of the holders of Class AA Preferred Shares. The Company may, without the approval of the Class AA Preferred Shares, (i) increase or decrease the maximum number of authorized Class AA Preferred Shares or increase the maximum number of authorized shares of a class having rights or privileges equal or superior to the Class AA Preferred Shares; (ii) effect an exchange, reclassification or cancellation of the Class AA Preferred Shares; and (iii) create a new class or series of shares equal or superior to the Class AA Preferred Shares. Holders of the Class AA Preferred Shares will not be entitled to exercise the votes attaching to any of the BAM Shares held by the Company.

So long as any of the Class AA Preferred Shares are outstanding, the Company shall not, without the approval of the holders of the Class AA Preferred Shares, (i) amend the rights, privileges, restrictions and conditions attaching to the Class AA Preferred Shares; or (ii) wind up or dissolve voluntarily.

#### *Modification*

Approval of amendments to the provisions of the Class AA Preferred Shares may be given by a special resolution carried by an affirmative vote of not less than two-thirds of the votes cast at a meeting of the holders of Class AA Preferred Shares duly called and held for such purpose at which the holders of 10% of the outstanding Class AA Preferred Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class AA Preferred Shares then present would form the quorum.

#### *Priority*

The Class AA Preferred Shares of each series rank senior to the Capital Shares and the Class AAA Preferred Shares and *pari passu* with the Class A Preferred Shares with respect to payment of dividends and in the distribution of assets in the event of dissolution, liquidation or winding-up of the Company.

## Series 4 Preferred Shares

### *Issue Price*

The Class AA Preferred Shares, Series 4 (the “**Series 4 Preferred Shares**”) will have an issue price of \$25.00 per share.

### *Dividends*

Holders of Series 4 Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions equal to \$0.453125 per Series 4 Preferred Share. On an annualized basis, this would represent a dividend yield on the offering price of the Series 4 Preferred Shares of 7.25%. Such quarterly distributions are expected to be paid by the Company on or about the 7th day of March, June, September and December in each year. Based on the anticipated closing date of the Offering of July 9, 2009, the initial distribution (which covers the period from completion of the Offering to August 31, 2009) is expected to be \$0.26318 per Series 4 Preferred Share, and is expected to be payable on or about September 7, 2009 to holders of record on August 21, 2009. See “Dividend Policy”.

### *Retraction*

The Series 4 Preferred Shares may be surrendered for retraction at any time. Retraction payments for Series 4 Preferred Shares will be made on the 15th day of each month, or where such day is not a business day, on the preceding business day (the “**Retraction Payment Date**”) provided the Series 4 Preferred Shares have been surrendered for retraction at least five business days before the 30th day of the relevant month (or, in the case of February, the last day of the month) (the “**Valuation Date**”). As used herein, the term “business day” means any day, except for a Saturday or Sunday, which is not a statutory or civic holiday in Toronto, Ontario.

A holder retracting Series 4 Preferred Shares will receive per Series 4 Preferred Share retracted a number of debentures (the “**Series 2 Debentures**”) determined by dividing the holder’s aggregate Preferred Share Retraction Price (defined below) by \$25.00. The Series 2 Debentures will be issued by, at the Company’s option in respect of each retraction, either the Company or, if agreed to by BAM Investments, BAM Investments. If the Series 2 Debentures are issued by BAM Investments, BAM Investments will be issued new shares of the Company of equivalent value.

The “Preferred Share Retraction Price” will be equal to the lesser of (i) Net Asset Value per Unit and (ii) \$25.00. Retraction payments will be made on a Retraction Payment Date provided the Series 4 Preferred Shares have been surrendered for retraction at least five business days before the Valuation Date in the preceding month. If Series 4 Preferred Shares are surrendered for retraction thereafter, the retraction consideration will be determined on the Valuation Date of the following month and will be paid on the then following Retraction Payment Date.

A holder who surrenders a Series 4 Preferred Share for retraction will receive on the Retraction Payment Date that number of Series 2 Debentures determined by dividing the holder’s aggregate Preferred Share Retraction Price by \$25.00. Fractional Series 2 Debentures will not be issued to a holder and the holder will instead receive a cash payment equal to such fraction multiplied by the value of the Series 2 Debenture that would otherwise have been issued. For the purpose of determining the amount of any such cash payment, all Series 4 Preferred Shares deposited by a holder for retraction will be aggregated.

If any Series 4 Preferred Shares are surrendered for retraction, the Company will consolidate the Capital Shares so that the number of Capital Shares outstanding equals the number of Preferred Shares outstanding. Series 4 Preferred Shares which have been surrendered to the Company for retraction prior to the relevant Valuation Date are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not redeemed thereon, in which event such Series 4 Preferred Shares shall remain outstanding and be considered to be surrendered for retraction on the following Retraction Payment Date.

The Company will be obligated to redeem Series 4 Preferred Shares only to the extent that such redemption would not be contrary to any applicable law. If the Company is unable for this reason to redeem all of the Series

4 Preferred Shares surrendered for payment on a Retraction Payment Date, it will redeem on each Retraction Payment Date thereafter, on a *pro rata* basis from shareholders who so surrendered shares, disregarding fractions, such number of Series 4 Preferred Shares not so redeemed as the Company determines it is then permitted to redeem. The Company will repeat such process on each successive Retraction Payment Date until all such Series 4 Preferred Shares have been redeemed.

The retraction privilege described above must be exercised by causing written notice to be received by the Company within the notice period prescribed herein and in the manner described under “Book-Entry Only System”. Series 4 Preferred Shares will be irrevocably surrendered for retraction upon the delivery of such notice to CDS through a participant in the CDS book-entry only system (a “**CDS Participant**”).

### ***Redemption***

Any Series 4 Preferred Shares outstanding on July 9, 2014 (the “**Series 4 Redemption Date**”) will be redeemed for a cash amount per share equal to the lesser of (i) \$25.00 plus accrued and unpaid dividends and (ii) Net Asset Value per Unit on the Series 4 Redemption Date.

The Company may redeem Series 4 Preferred Shares prior to July 9, 2014 for \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Series 4 Preferred Shares prior to the Series 4 Redemption Date unless, (i) Capital Shares have been retracted; or (ii) there is a take-over bid for the BAM Shares and the board of directors of the Company determines that such bid is in the best interest of the holders of the Capital Shares.

Notice of redemption will be given to CDS Participants holding Series 4 Preferred Shares on behalf of the beneficial owners thereof at least 15 days prior to the Series 4 Redemption Date.

### ***Voting Rights***

Except as required by law, holders of Series 4 Preferred Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company (including with respect to share consolidations or subdivisions of the Capital Shares) other than meetings of the holders of Preferred Shares. Holders of Series 4 Preferred Shares will not be entitled to vote any of the BAM Shares held by the Company.

The Company may, without the approval of the Series 4 Preferred Shares, (i) increase or decrease the maximum number of authorized Series 4 Preferred Shares or increase the maximum number of authorized shares of a class having rights or privileges equal or superior to the Series 4 Preferred Shares; (ii) effect an exchange, reclassification or cancellation of the Series 4 Preferred Shares; and (iii) create a new class or series of shares equal or superior to the Series 4 Preferred Shares.

### ***Modification***

Approval of amendments to the provisions of the Series 4 Preferred Shares may be given by a special resolution carried by an affirmative vote of not less than two-thirds of the votes cast at a meeting of the holders of Series 4 Preferred Shares, as the case may be, duly called and held for such purpose at which the holders of 10% of the outstanding Series 4 Preferred Shares, as the case may be, are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series 4 Preferred Shares, as the case may be, then present would form the quorum.

### ***Priority***

The Series 4 Preferred Shares will rank prior to the Capital Shares and the Class AAA Preferred Shares, Series 1 and on a *pari passu* basis with all other Preferred Shares with respect to the payment of dividends, distributions upon a redemption, retraction or return of capital and distributions upon a dissolution, liquidation or winding-up of the Company. In any such case (other than with respect to any redemptions on the Series 4 Redemption Date), the holders of Series 4 Preferred Shares shall be entitled to receive an amount per share equal to \$26.00 plus accrued and unpaid dividends.



## Series 2 Debentures

The Series 2 Debentures will be issued under the master trust indenture (the “**Master Indenture**”) dated as of January 10, 2007 between the Company and Computershare Trust Company of Canada, the trustee appointed under the Master Indenture (the “**Indenture Trustee**”), as supplemented by supplemental indentures, to be entered into as of the date of closing between the Company and the Indenture Trustee (the “**Supplemental Indentures**”) (the Master Indenture and the Supplemental Indentures are referred to collectively as the “**Indenture**”), which will set out the terms of the Series 2 Debentures. BAM Investments has agreed with the Company to issue Series 2 Debentures at any time to the extent that the Company is not permitted to do so under the terms of its Indenture and BAM Investments may also agree to issue Series 2 Debentures to holders who surrender Series 4 Preferred Shares for retraction at other times. If BAM Investments issues debentures, it will enter into a master trust indenture with a trustee and the Series 2 Debentures issued by BAM Investments will be issued on substantially the same terms as those issued by the Company (other than the restrictions described in the following paragraph which are only applicable to the Indenture to be entered into by the Company).

The Company has agreed to provide DBRS or its successor with written notice at least two business days prior to the issuance of any Series 2 Debentures or unsubordinated indebtedness. The Company shall only issue Series 2 Debentures provided that (i) the aggregate principal amount of debentures of the Company outstanding under the Indenture following such issuance will not be greater than five percent (5%) of the net asset value as of such date, where for such purposes net asset value is calculated as the value of the Company’s assets less the aggregate of the Company’s liabilities and the par amount of all outstanding Preferred Shares; and (ii) such issuance would not cause the annual dividend income of the Company for the following year net of expected operating expenses and interest obligations on the debentures calculated after giving effect to such issuance to fall below one hundred percent (100%) of the annual dividend requirements of the Company on the Preferred Shares calculated after giving effect to the related retraction of Preferred Shares, unless in each case DBRS or its successor has confirmed in writing prior to such issuance that the rating on the Preferred Shares which are to remain outstanding following such issuance will not be downgraded from their then current rating as a result of such issuance.

The following is a summary of the material terms of the Series 2 Debentures, which does not purport to be complete. For full particulars of such terms, reference should be made to the Indenture.

### *Principal Amount and Maturity Date*

The Series 2 Debentures will have a principal amount of \$25.00 per debenture and will mature on July 9, 2014.

### *Coupon*

Holders of the Series 2 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 7.35% per annum. Interest will be paid by the issuer of the Series 2 Debentures (the “**Issuer**”) quarterly on or about the 7th day of March, June, September and December in each year; provided that the Issuer may, at its option, provided no Event of Default (as defined under “**Events of Default**”) has occurred and is continuing, elect to defer payment of interest due on any interest payment date until maturity on the condition that, in the event of such an election, no interest, dividends or other distributions will be permitted to be paid in respect of any of the Company’s subordinate classes of securities.

### *Ranking and Security*

The Series 2 Debentures will be direct unsecured obligations of the Issuer and will rank junior to all other unsecured and unsubordinated indebtedness incurred by the Issuer and prior to all Preferred Shares and, if issued by the Issuer, the capital shares of such Issuer, with respect to the payment of interest and repayment of the outstanding principal amount.

### *Redemption*

The Issuer will have the right at any time and from time to time, on not less than 30 and not more than 60 days prior notice, to redeem the Series 2 Debentures in whole or in part, at a price equal to the principal amount outstanding, together with accrued and unpaid interest. All Series 2 Debentures so redeemed will be cancelled and may not be reissued.

### *Purchase for Cancellation*

The Issuer will have the right to purchase the Series 2 Debentures at any time and from time to time, in whole or in part, by private agreement or in the open market or by tender. All Series 2 Debentures issued by such Issuer so purchased and held by such Issuer shall not be considered as outstanding for voting purposes.

### *Mergers, Consolidations and Sales of Assets*

So long as any Series 2 Debentures issued under the Indenture remain outstanding, the Issuer will not enter into any transaction where all or substantially all of the property of the Issuer would become the property of any other person or entity, whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) the Issuer shall be the surviving entity, or the entity, if other than the Issuer, formed by the amalgamation or consolidation or into which the Issuer is merged or that acquires all or substantially all of the property or assets of the Issuer shall (i) be an entity organized and validly existing under the federal laws of Canada or any of its provinces or territories, and (ii) expressly assume, by a supplemental indenture executed and delivered to the Indenture Trustee in form satisfactory to the Indenture Trustee, all of the obligations of the Issuer under the Indenture;
- (b) immediately before and after giving effect to the transaction, no Event of Default or event that with the passing of time or the giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing; and
- (c) the Indenture Trustee shall be satisfied that the transaction is on terms which substantially preserve and do not impair any of the rights and powers of the Indenture Trustee or the holders of the Series 2 Debentures under the Indenture.

### *Events of Default*

Certain events will be considered as events of default (the “**Events of Default**”) under the Indenture and will give the holders of Series 2 Debentures the right to accelerate payment of principal and interest on the Series 2 Debentures. These events include:

- (i) the failure to pay principal when due,
- (ii) the failure to pay interest when due, and continuing for 30 days, subject to any election by the Issuer to defer payment of interest,
- (iii) the failure to perform any other covenant in the Indenture or the Series 2 Debentures for 60 days after notice of default is provided,
- (iv) default in the payment of other indebtedness of the Issuer, the value of which exceeds \$50,000,000 resulting in the acceleration of such indebtedness,
- (v) the rendering of judgments against the Issuer for an amount exceeding \$50,000,000 which remains undischarged for a period of 60 days, or such shorter period as may permit a material portion of the asset base to be sold or disposed of, after the right to appeal has expired,
- (vi) certain events of bankruptcy, insolvency or reorganization affecting the Issuer, and
- (vii) the obligations of the Issuer under the Indenture or the Series 2 Debentures ceasing to constitute legal and valid obligations for 60 days after notice of default is provided.

### *Modification*

The Indenture provides that certain modifications of the Indenture and the Series 2 Debentures and the rights of the Series 2 Debenture holders against the Issuer may be made if authorized by extraordinary resolution. Under the Indenture, an “extraordinary resolution”, means a resolution proposed at a duly constituted meeting and passed by the favourable votes of the holders of not less than 66⅔% of the principal amount of the outstanding Series 2 Debentures present in person or by proxy at the meeting.

### **BOOK-ENTRY ONLY SYSTEM**

Registration of interests in and transfers of the Series 4 Preferred Shares will be made only through a book-based system administered by CDS. On or about July 9, 2009 but in any event no later than July 31, 2009, the Company will deliver to CDS certificates evidencing the aggregate number of Series 4 Preferred Shares subscribed for under the Offering. The Series 4 Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Series 4 Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds Series 4 Preferred Shares. Upon purchase of any Series 4 Preferred Shares, the owner will receive only the customary confirmation. Reference in this short form prospectus to a holder or owner of Series 4 Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

The ability of a beneficial owner of Series 4 Preferred Shares to pledge the Series 4 Preferred Shares or otherwise take action with respect to such owner’s interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

**An owner of Series 4 Preferred Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the owner, a written notice (the “Retraction Notice”) of the owner’s intention to retract shares sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time.** The Retraction Notices may take the form of the notice attached as Exhibit A hereto or such other form as each CDS Participant may prescribe. Any expenses associated with the preparation and delivery of a Retraction Notice shall be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver a Retraction Notice to CDS, an owner of Series 4 Preferred Shares shall be deemed to have irrevocably surrendered his or her shares for retraction and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Retraction Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect, and the retraction privilege to which it relates shall be considered for all purposes not to have been exercised thereby. In the event of a determination that a Retraction Notice is incomplete, not in proper form or not duly executed, CDS shall promptly notify the CDS Participant which delivered the retraction notice. A failure by a CDS Participant to exercise retraction privileges or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of the Company to the CDS Participant or the owner.

The Company has the option to terminate registration of the Series 4 Preferred Shares through the book-based system in which case certificates for Series 4 Preferred Shares in fully registered form will be issued to beneficial owners of such shares or their nominees.

### **CHANGES AFFECTING BAM SHARES**

Upon any subdivision, consolidation, reclassification or other similar change to the BAM Shares held by the Company, the Brookfield Asset Management securities received in respect of BAM Shares as a result of such subdivision, consolidation, reclassification or similar change will, together with any residual, be treated as BAM Shares for all purposes relating to the Capital Shares and the Preferred Shares including the retraction prices payable on the Capital Shares and the Preferred Shares.

Upon any distribution (an “**extraordinary distribution**”) by Brookfield Asset Management in respect of BAM Shares, other than a cash dividend or a stock dividend paid in the ordinary course by Brookfield Asset Management, any BAM Shares received will, together with the BAM Shares in respect of which the distribution was made, be treated in the same manner as securities received upon any subdivision, consolidation, reclassification or other similar change. If the Company receives securities or property (other than BAM Shares) (“**New Securities**”) upon an extraordinary distribution by Brookfield Asset Management, the board of directors of the Company will determine whether to hold the New Securities or whether to dispose of them (for cash, as a dividend to the holders of Capital Shares or otherwise). The board of directors may, after taking into account all relevant considerations including any anticipated impact on the rating of the outstanding Preferred Shares and the pro forma asset coverage for the Preferred Shares, determine to dispose of the New Securities for cash or to distribute them as a dividend to the holders of the Capital Shares. Where the New Securities are disposed of for cash, the Company may use the net proceeds to acquire additional BAM Shares, may retain the cash or may distribute it as a dividend on the Capital Shares, all as determined by the board of directors of the Company.

Unless the board of directors of the Company otherwise determines, upon any reorganization, amalgamation, merger or sale of material assets affecting Brookfield Asset Management, or to which it is a party, the securities of Brookfield Asset Management or any successor thereto received in respect of BAM Shares will, together with any residual, be treated in the same manner as securities received as the result of a subdivision, consolidation, reclassification or similar change to BAM Shares held by the Company and any other securities, property or cash received in respect of BAM Shares will be treated in the same manner as securities, property or cash received upon any extraordinary distribution by Brookfield Asset Management in respect of BAM Shares.

Any transferable rights issued to the Company pursuant to a rights offering by Brookfield Asset Management (other than those with a nominal exercise price) will be sold and the net proceeds of such sale will be used to purchase additional BAM Shares which will, together with the BAM Shares in respect of which such rights were received, be treated in the same manner as securities received as a result of a subdivision, consolidation, reclassification or similar change.

In the event of a take-over bid for the BAM Shares, the board of directors of the Company will, if it determines that such bid is in the best interests of holders of the Capital Shares, tender the BAM Shares held by the Company to such bid and use the proceeds of such bid to redeem as soon as practicable thereafter the Preferred Shares at the applicable redemption price. The Company will use the balance of the proceeds of such bid for the benefit of the holders of the Capital Shares. Unless the board of directors otherwise determines, in the event of a take-over bid for less than all of the BAM Shares, the Company will redeem at the applicable redemption price from each holder thereof such number of Preferred Shares represented by such holder’s *pro rata* share of the BAM Shares tendered to such bid and shall use the balance of the proceeds for the benefit of the holders of the Capital Shares.

The board of directors of the Company may, immediately prior to the redemption of all or substantially all outstanding Capital Shares and Preferred Shares, declare dividends on the Capital Shares, the Preferred Shares or both in an amount necessary to generate a refund of refundable tax paid by the Company under Part IV of the Tax Act.

## **INVESTMENT CONSIDERATIONS AND RISK FACTORS**

The following are certain considerations relating to an investment in the Series 4 Preferred Shares of the Company which prospective investors should consider before purchasing such shares.

### ***Interest Rate Fluctuations***

It is anticipated that the market value of the Series 4 Preferred Shares will, at any given time, be affected by the level of interest rates prevailing at such time. An increase in interest rates may have a negative effect on the value of the Series 4 Preferred Shares.

### ***Foreign Currency Exposure***

Brookfield Asset Management reports its results in United States dollars. Accordingly, the value of the BAM Shares may fluctuate from time to time with fluctuations in the exchange rate between Canadian and United States dollars. Also, Brookfield Asset Management declares dividends in United States dollars, which are then converted to Canadian dollars for distribution to Canadian holders. Strengthening of the Canadian dollar relative to the United States dollar could reduce the amount of cash available to the Company to pay dividends on its Preferred Shares.

### ***Fluctuations in the Value of BAM Shares***

The value of the Series 4 Preferred Shares will vary according to the value of the BAM Shares. The value of the BAM Shares will be influenced by factors which are not within the control of the Company, including the financial performance of Brookfield Asset Management, interest rates and other financial market conditions. Accordingly, the value of the Series 4 Preferred Shares will vary from time to time.

### ***No Ownership Interest***

An investment in Series 4 Preferred Shares does not constitute an investment in the BAM Shares. Holders of Series 4 Preferred Shares will not own the BAM Shares held by the Company or have any voting rights in respect of the BAM Shares.

### ***Mutual Fund Policies***

The Company is considered to be a mutual fund but does not generally operate in accordance with, and has been exempted from, certain of the policies and rules of Canadian securities regulators applicable to conventional mutual funds.

### ***Securities Lending***

The Company may engage in securities lending as described under “BAM Shares”. Although the Company will receive collateral for the loans and such collateral will be marked-to-market, the Company will be exposed to the risk of loss should the borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

### ***Taxation***

In circumstances where an Issuer of Series 2 Debentures elects to defer payment of interest due until maturity, amounts in respect of such interest may be included in the income of holders and subject to tax despite the absence of any cash interest paid by the Issuer to fund the resulting tax liability of the holder.

### ***Limitations on Liquidity of BAM Shares***

While the Company’s policy is to hold the BAM Shares and not engage in trading, there may be circumstances in which the BAM Shares will have to be sold, including to fund retractions and redemptions of Preferred Shares or Capital Shares. The Company’s ability to sell a substantial portion of the BAM Shares may be limited by resale restrictions under applicable securities laws which will affect when or to whom the BAM Shares may be sold. Accordingly, if and when the Company is required to sell, the liquidity of those BAM Shares may be limited. This could affect the time it takes to sell the investments and the price obtained by the company for BAM Shares sold and in turn the retraction price of the Preferred Shares.

### ***Use of Call Options***

The Company may write covered call options on its BAM Shares to the extent necessary to fund any shortfall in Preferred Share dividends (see “Dividend Policy”). The Company is subject to the full risk of its investment position in the BAM Shares, including those securities that are subject to outstanding call options. In addition, the Company will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options. There is no assurance that a liquid exchange market will exist to

permit the Company to write options on desired terms or to close out option positions should the Company desire to do so. The ability of the Company to close out its positions may also be affected by exchange imposed daily trading limits on options. In purchasing options, the Company would be subject to the credit risk that its counterparty may be unable to meet its obligations.

#### ***Cashless Retraction***

Holders of Series 4 Preferred Shares will not receive cash as payment of the Preferred Share Retraction Price, but instead will receive Series 2 Debentures. There is a risk that the Company, or BAM Investments, as the case may be, will default in its obligation to pay principal and interest on the Series 2 Debentures as and when due. Because Series 2 Debentures are not retractable the holder of the Series 4 Preferred Shares may be subject to this risk until the maturity date of the Series 2 Debentures.

#### ***Lack of Liquidity of Debentures***

Upon retraction of Series 4 Preferred Shares, a holder will be issued Series 2 Debentures. Series 2 Debentures, if and when issued, will be illiquid investments. There is currently no market through which the Series 2 Debentures may be sold and holders of Series 2 Debentures may not be able to resell the Series 2 Debentures acquired upon retraction of the Series 4 Preferred Shares. The Company has no intention to create an active trading market for the Series 2 Debentures or to list the Series 2 Debentures on any stock exchange.

#### ***Issuance of Debentures/Insolvency***

The Company may risk insolvency if it cannot meet its obligations to pay the principal and interest on the Series 2 Debentures as and when due.

#### ***No Existing Trading Market***

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

Prospective purchasers may wish to consult their own investment advisors for advice with respect to the merits of an investment in the Series 4 Preferred Shares.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP, the Series 4 Preferred Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, tax-free savings accounts, deferred profit sharing plans or registered education savings plans and the Series 2 Debentures, if issued on the date of this short form prospectus, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, tax-free savings accounts, registered education savings plans or deferred profit sharing plans, other than deferred profit sharing plans for which the Company or BAM Investments, as the case may be, or a corporation with which the Company or BAM Investments, as the case may be, does not deal at arm's length, is the employer.

Each of the Series 4 Preferred Shares and the Series 2 Debentures will not be a "prohibited investment" for a trust governed by a tax-free savings account on such date provided the holder of the tax-free savings account deals at arm's length with the Company or BAM Investments, as the case may be for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Company or BAM Investments, as the case may be, or in any person or partnership with which the Company or BAM Investments, as the case may be, does not deal at arm's length for purposes of the Tax Act.

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP and Osler, Hoskin & Harcourt LLP, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the Company and to a holder of Series 4 Preferred Shares who acquires such shares pursuant to this short form prospectus and a holder of the Series 2 Debentures acquired as a result of a retraction of the Series 4 Preferred Shares who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Company or BAM Investments, and holds the Series 4 Preferred Shares and the Series 2 Debentures as capital property. This summary is not applicable to holders a) an interest in which would be a tax shelter investment for the purposes of the Tax Act or b) to which the "functional currency" reporting rules in the Tax Act apply. The Series 4 Preferred Shares and the Series 2 Debentures held by certain financial institutions will generally not be held as capital property and will be subject to special "mark-to-market" rules which are not discussed herein.

This summary is based upon the facts as set out in this short form prospectus, the provisions of the Tax Act and the regulations thereunder (the "**Regulations**") in force on the date hereof, all proposed amendments to the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and counsels' understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency, or CRA. This summary also relies on certain advice received from Scotia Capital Inc. relative to the terms and conditions of the Preferred Shares and Capital Shares, and from the Company relative to the ownership of the Voting Shares of the Company, the terms of the BAM Shares and any agreements relating thereto. Except for the proposed amendments referred to above, this summary does not take into account or anticipate any change in law or administrative or assessing practices whether by legislation, governmental or judicial action.

**This summary is of a general nature and does not take into account the tax laws of any province or territory or of any jurisdiction outside Canada. It is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Prospective purchasers should consult their own tax advisers regarding the income tax considerations applicable to them.**

### Tax Treatment of the Company

#### *Status*

The Company is a "mutual fund corporation" as defined in the Tax Act. The Company intends to continue so to qualify throughout each subsequent taxation year in which any Series 4 Preferred Shares remain outstanding and this summary assumes that this will be the case.

#### *Dividends*

Dividends received by the Company on the BAM Shares held by it will be included in its income but will be deductible in computing its taxable income. The Company will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on all such dividends received by it on the BAM Shares. In accordance with the Tax Act, any Part IV tax that is paid will be fully refunded to the Company on the payment by the Company of sufficient taxable ordinary dividends in the year or in subsequent taxation years.

The Company will not be subject to tax under Part VI.1 of the Tax Act on dividends that it pays on the Preferred Shares or Capital Shares.

#### *Capital Gains*

The Company may realize a capital gain (or sustain a capital loss) upon the disposition of BAM Shares to the extent that the proceeds of disposition thereof exceed (or are less than) the aggregate of the Company's adjusted cost base of such shares and any reasonable costs of disposition. In determining the income of the Company, premiums received by the Company on covered call options written by the Company (and which are not exercised prior to the end of the year) will constitute capital gains of the Company in the year received, and premiums received by the Company on covered call options which are exercised in the taxation year in which the option is written by the Company or a subsequent taxation year will be added in computing the proceeds of disposition to the Company of the BAM Shares disposed of by the Company on exercise of such call options,

unless the Company is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Company has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Company holds and will purchase the BAM Shares with the objective of earning dividends thereon and the Company will write covered call options if necessary to support the distributions on the Preferred Shares. The Company will treat transactions in the BAM Shares on capital account. In accordance with CRA's published administrative practice, transactions undertaken by the Company in respect of options will be treated and reported for purposes of the Tax Act on capital account. As a mutual fund corporation, the Company maintains a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends which are treated as capital gains in the hands of shareholders of the Company ("**capital gains dividends**"). See "Canadian Federal Income Tax Considerations — Tax Treatment of Dividends on Series 4 Preferred Shares" below. The Company, being a mutual fund corporation, will be entitled to refunds in accordance with the provisions of the Tax Act of substantially all tax paid on net taxable capital gains on payment by the Company of sufficient capital gains dividends or redemptions.

#### ***Other Income***

Interest income and securities lending fees earned by the Company will be included in computing its taxable income.

#### ***Issue Expenses***

The Company will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the Series 4 Preferred Shares. Such issue expenses, including Underwriters' fees, will be deductible by the Company ratably over a five-year period. Generally, the Company will also be entitled to deduct administrative expenses. Any non-capital losses incurred by the Company may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Company.

#### ***Net Tax Liability***

As a result of the deductions and refunds of tax described above, it is not anticipated that the Company will be subject to any material net tax liability.

### **Tax Treatment of Dividends on Series 4 Preferred Shares**

Ordinary dividends received on the Series 4 Preferred Shares by a holder will be included in computing the holder's income.

In the case of a holder that is an individual, ordinary dividends will be subject to the gross-up and dividend tax credit rules under the Tax Act normally applicable to taxable dividends received from a taxable Canadian corporation. Such dividends will be eligible for the enhanced gross-up and dividend tax credit if the Company designates the dividends as "eligible dividends". There may be limitations on the Company's ability to designate dividends as eligible dividends. Such dividends received by an individual, or certain trusts, may give rise to alternative minimum tax under the Tax Act.

Ordinary dividends on the Series 4 Preferred Shares received by a holder that is a corporation other than a "specified financial institution" (as defined in the Tax Act) will normally be deductible by the corporation in computing its taxable income.

In the case of a holder that is a specified financial institution, ordinary dividends received on the Series 4 Preferred Shares will be deductible in computing its taxable income only if either:

- (a) the specified financial institution did not acquire the Series 4 Preferred Shares in the ordinary course of its business; or
- (b) at the time of receipt of the dividend by the specified financial institution,
  - (i) the Series 4 Preferred Shares are listed on a designated stock exchange; and



- (ii) dividends are received in respect of not more than 10% of the issued and outstanding Series 4 Preferred Shares, by
  - (A) the specified financial institution; or
  - (B) the specified financial institution and persons with whom it does not deal at arm's length (within the meaning of the Tax Act).

For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to the beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner's share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

A holder of the Series 4 Preferred Shares which is a corporation other than a private corporation or a financial intermediary corporation (as defined in the Tax Act) will generally be subject to a 10% tax under Part IV.1 of the Tax Act in respect of any dividends received by it on the Series 4 Preferred Shares, to the extent that such dividends are deductible in computing its taxable income.

A holder which is a "private corporation" (as defined in the Tax Act) or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act, generally imposed at the rate of 33 $\frac{1}{3}$ %, on ordinary dividends received on the Series 4 Preferred Shares, to the extent that such dividends are deductible in computing its taxable income.

The amount of any capital gains dividend received by a holder of the Series 4 Preferred Shares from the Company will be considered to be a capital gain of such holder from the disposition of capital property in the taxation year of the holder in which the capital gains dividend is received.

Eligible dividends or capital gains dividends paid to a holder that is an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

#### **Redemptions, Retractions and Other Dispositions of Series 4 Preferred Shares**

A holder who disposes of, or who is deemed to dispose of, the Series 4 Preferred Shares, including a disposition to the Company (whether on a retraction, redemption or otherwise), will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the aggregate of the holder's adjusted cost base of such share and any reasonable costs of disposition. For this purpose, the proceeds of disposition to the holder on a retraction will equal the aggregate of the fair market value of the Series 2 Debentures received and the amount of any cash received in lieu of a fractional Series 2 Debenture. Where the holder of the Series 4 Preferred Shares is a corporation, in certain circumstances the amount of any capital loss otherwise determined may be reduced by the amount of ordinary dividends previously received on the Series 4 Preferred Shares. Similar rules may apply where a trust or partnership owns the Series 4 Preferred Shares.

One-half of a capital gain realized by a holder in a taxation year must be included in income as a taxable capital gain and one-half of a capital loss realized by a holder in a taxation year must generally be deducted as an "allowable capital loss" from taxable capital gains realized in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years in accordance with the provisions of the Tax Act. "Canadian-controlled private corporations" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on taxable capital gains.

A taxable capital gain realized by an individual (other than certain trusts) may give rise to a liability for alternative minimum tax.

## **Interest on Debentures**

A holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Series 2 Debentures that accrues or is deemed to accrue to the holder to the end of that taxation year or becomes receivable or is received by the holder before the end of that taxation year, except to the extent that such interest was otherwise included in the holder's income for a preceding taxation year.

Any other holder, including an individual and trust of which neither a corporation or a partnership is a beneficiary, will be required to include in income for a taxation year any interest on the Series 2 Debentures received or receivable by such holder in that year (depending upon the method regularly followed by the holder in computing income), except to the extent that the interest was included in the holder's income for a preceding taxation year. In addition, if at any time a Series 2 Debenture should become an "investment contract" (as defined in the Tax Act) in relation to such holder, the holder will be required to include in computing income for a taxation year any interest that accrued or is deemed to accrue to the holder on the Series 2 Debenture to the end of any "anniversary day" (as defined in the Tax Act) in that year, except to the extent that such interest was otherwise included in the holder's income for that or a preceding taxation year.

## **Disposition of Debentures**

On a disposition or deemed disposition of the Series 2 Debentures, whether on redemption, purchase for cancellation or otherwise, a holder will generally be required to include in income the amount of interest accrued or deemed to accrue on the Series 2 Debentures from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the holder's income for the taxation year or a previous taxation year. In general, a disposition or deemed disposition of the Series 2 Debentures will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest and any other amount included in computing income and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Series 2 Debentures to the holder immediately before the disposition. The Series 2 Debentures acquired on the retraction of the Series 4 Preferred Shares will have a cost to the holder equal to the fair market value thereof at the time of retraction.

One-half of the amount of any capital gain (as a taxable capital gain) realized by a holder in a taxation year generally must be included in the holder's income for that year, and one-half of the amount of any capital loss realized by a holder in a taxation year must generally be deducted as an allowable capital loss from taxable capital gains realized by the holder in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A holder that is a Canadian-controlled private corporation (as defined in the Tax Act) is liable for tax, a portion of which may be refundable on certain investment income, including amounts of interest and taxable capital gains.

## **USE OF PROCEEDS**

The net proceeds from the Offering of the Series 4 Preferred Shares (after deducting the Underwriters' fees and expenses of the issue) are estimated to be \$120,850,000 and will be used by the Company to fund the early redemption of all of the then outstanding Class A Preferred Shares. Except as noted herein under "Plan of Distribution" the net proceeds of this Offering will not be applied for the benefit of the Underwriters.

## **PLAN OF DISTRIBUTION**

Under an agreement dated as of June 23, 2009 ("Underwriting Agreement") between the Company and Underwriters, the Company has agreed to issue and sell, and the Underwriters have agreed to purchase, on July 9, 2009 or on such other date as may be agreed, but in any event not later than July 31, 2009, subject to compliance with all necessary legal requirements and to terms and conditions contained in the Underwriting Agreement, 5,000,000 Series 4 Preferred Shares at a price of \$25.00 per share, payable in cash to the Company

against delivery of a certificate or certificates representing such Series 4 Preferred Shares. In consideration for their services in connection with the Offering, the Company has agreed to pay the Underwriters a fee equal to \$0.25 per Series 4 Preferred Share sold to institutions and \$0.75 per Series 4 Preferred Share with respect to all other Series 4 Preferred Shares sold. Assuming that no Series 4 Preferred Shares are sold to such institutions, the Underwriters' fee will be \$3,750,000. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the securities if any of the securities are purchased under the Underwriting Agreement. The decision to distribute the Series 4 Preferred Shares, including the determination of the terms (including price) of the Offering, has been made through negotiations between the Company and the Underwriters.

Subscriptions for the Series 4 Preferred Shares to be offered hereby will be accepted by the closing date of the Offering. The Series 4 Preferred Shares are being offered only on the basis that each outstanding Capital Share will be subdivided so that an equal number of Capital Shares and Preferred Shares are issued and outstanding upon completion of the Offering. The right is reserved to close the subscription books at any time without notice and to accept or reject, in whole or in part, any subscriptions received.

Pursuant to the terms of the Underwriting Agreement, the Company shall not sell, or announce its intention to sell, nor authorize or issue, any Preferred Shares or any securities convertible into or exchangeable for Preferred Shares, other than the Series 4 Preferred Shares, during the period commencing on the date hereof and ending 90 days after the closing date of this Offering, without the prior written consent of Scotia Capital Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under Canadian provincial securities legislation.

The Underwriters propose to offer the Series 4 Preferred Shares initially at \$25.00 per share. After a reasonable effort has been made to sell all of the Series 4 Preferred Shares at \$25.00 per share, the Underwriters may subsequently reduce and thereafter change, from time to time, the price at which the Series 4 Preferred Shares are offered to an amount not greater than \$25.00 per share. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 4 Preferred Shares is less than the gross proceeds paid by the Underwriters to the Company.

Pursuant to Rule 48-501- Trading during Distributions, Formal Bids and Share Exchange Transactions of the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Series 4 Preferred Shares. 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 Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 4 Preferred Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has applied to list the Series 4 Preferred Shares distributed under this short form prospectus on the TSX. Listing of the Series 4 Preferred Shares will be subject to the Company fulfilling all the listing requirements of the TSX.

## **RATINGS**

The Series 4 Preferred Shares are provisionally rated Pfd-2 (low) by DBRS. The DBRS rating of Pfd-2 (low) is the lowest sub-category within the second highest rating of the five standard categories of ratings utilized by DBRS for preferred shares. "High" and "low" grades may be used to indicate the relative standing of a credit within a particular rating category. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong

as Pfd-1 rated companies. Generally, Pfd-2 ratings correspond with companies whose senior bonds are rated in the “A” category.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to the Series 4 Preferred Shares may not reflect the potential impact of all risks on the value of the Series 4 Preferred Shares. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Prospective investors should consult the relevant rating organization with respect to the interpretation and implications of the ratings.

### CAPITALIZATION

The capitalization of the Company at March 31, 2009, and at such date as adjusted to give effect to the issue and sale of the Series 4 Preferred Shares offered hereby, the redemption of the Class A Preferred Shares, the conversion of BAM Investments’ Preferred Shares to Capital Shares, and the acquisition of an additional 7,000,000 BAM Shares is set forth in the table below.

	<u>Authorized</u>	<u>Outstanding as at March 31, 2009</u>	<u>To be outstanding as at March 31, 2009 after giving effect to the Offering</u>
<b>Liabilities</b>			
Class A Preferred Shares <sup>(1)</sup> . . . . .	Unlimited	\$125,000,000	—
Class AA Preferred Shares <sup>(1)</sup> . . . . .	Unlimited		
Series 1 . . . . .		\$ 79,727,500	\$ 51,905,000
Series 2 . . . . .		\$ 33,700,000	—
Series 3 . . . . .		\$200,000,000	\$190,920,000
Series 4 . . . . .		—	\$125,000,000
Class AAA Preferred Shares, <sup>(1)</sup> Series 1 . . . . .	Unlimited	\$ 37,116,800	—
<b>Shareholders’ Equity</b>			
Class A Voting Shares . . . . .	Unlimited	\$ 100	\$ 100
Capital Shares . . . . .	Unlimited	\$123,872,500	\$373,065,500 <sup>(2)</sup>
Retained Earnings . . . . .		\$210,664,000	\$209,464,000

Note:

- (1) The Preferred Shares are classified as liabilities because they are retractable at the holder’s option.
- (2) Based on the closing price of the Class A Preferred Shares, Class AA Preferred Shares, Series 1 and Class AA Preferred Shares, Series 3 held by BAM Investments (the “Exchanged Shares”) and of the BAM Shares on the TSX on June 22, 2009 and assuming the exchange of the Exchanged Shares for additional Capital Shares with an equivalent fair value. If the Company is unable to exchange the Exchanged Shares under applicable securities laws, the shares will be retracted and the retraction price received therefor will be reinvested in Capital Shares based on the retraction price for such shares.

### EARNINGS COVERAGE RATIO

The Company’s annual dividend requirements on all of its Preferred Shares, after giving effect to the issue of the Series 4 Preferred Shares, and after giving effect to the conversion of BAM Investments’ Preferred Shares to Capital Shares, amounts to \$19.9 million. The Company’s pro forma annual dividend income on the BAM Shares after giving effect to the Company’s acquisition of an additional 7,000,000 BAM Shares is \$31.4 million. The Company’s earnings before interest and income tax for the six months ended March 31, 2009 was \$13.6 million which was 1.3 times the Company’s aggregate dividend and interest requirements for such period.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Company and its senior officers and directors file insider trading reports using the System for Electronic Data on Insiders (SEDI), as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation. The Company has agreed to use its best efforts to cause all future senior officers and directors to file insider trading reports as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation and to deliver to each applicable provincial securities regulatory authority an undertaking to file insider trading reports in accordance with applicable provincial legislation. Each of Brookfield Financial Corp. and the Company has agreed to advise promptly each of the provincial securities regulatory authorities in the event that it is unsuccessful in causing any of its applicable officers or directors to comply with the foregoing reporting requirements. The foregoing undertakings shall remain in full force until such time as all of the Preferred Shares have been redeemed, retracted or purchased for cancellation.

## **MATERIAL CONTRACTS**

Contracts material to investors in the securities offered by this short form prospectus that have been or will have been entered into by the Company prior to the closing of the Offering are:

- (a) the amended and restated administration agreement dated as of March 24, 2004 between the Company and Brookfield Financial Corp. (formerly Trilon Securities Corporation);
- (b) the Underwriting Agreement;
- (c) the escrow agreement dated as of August 23, 2001 between BAM Investments, CIBC Mellon Trust Company and the Company;
- (d) the Custodial Services Agreement described under “Auditors, Transfer Agent, Registrar and Custodian”;
- (e) the Trust indenture dated as of January 10, 2007 between BAM Split and Computershare Trust Company of Canada; and
- (f) the agreement to be entered into on July 9, 2009 between BAM Split and BAM Investments pursuant to which BAM Investments agrees to issue Series 2 Debentures in certain circumstances.

Copies of the foregoing agreements, after execution thereof, may be inspected during business hours at the registered office of the Company during the course of distribution of the securities offered hereby.

## **LEGAL MATTERS**

The matters referred to under “Eligibility for Investment”, “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities described in this short form prospectus will be passed upon by Torys LLP, on behalf of the Company, and by Osler, Hoskin & Harcourt LLP, on behalf of the Underwriters.

As of the date hereof (a) the partners and associates of Torys LLP beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Company or any of its associates or affiliates; and (b) the partners and associates of Osler, Hoskin & Harcourt LLP beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Company or any of its associates or affiliates.

## **AUDITORS, TRANSFER AGENT, REGISTRAR AND CUSTODIAN**

The auditors of the Company are Deloitte & Touche LLP, Chartered Accountants, Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2V1. The auditors are independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The transfer agent and registrar of the Series 4 Preferred Shares is CIBC Mellon Trust Company at its principal office in Toronto.

The Canadian Imperial Bank of Commerce, through the offices of CIBC Mellon Global Securities Services Company, is the Custodian for the Company in respect of the BAM Shares pursuant to a custodial services agreement dated August 23, 2001 (the “**Custodial Services Agreement**”).

### **PURCHASER'S STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment. In several provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

### **DOCUMENTS INCORPORATED BY REFERENCE**

In addition to the documents incorporated by reference under the heading “BAM Investments Corp.”, the following documents filed with the securities commission or similar authority in each of the provinces of Canada are specifically incorporated by reference in this short form prospectus:

1. Annual Information Form of the Company for the year ended September 30, 2008 dated December 23, 2008;
2. Management's Report on Fund Performance for the year ended September 30, 2008, included as pages 1 through 5 in the 2008 annual report to shareholders of the Company dated December 23, 2008;
3. the audited comparative financial statements of the Company and the notes thereto for the year ended September 30, 2008, together with the report of the auditors thereon, found at pages 3 through 15 of the 2008 annual report to shareholders of the Company;
4. Management's Report on Fund Performance for the six months ended March 31, 2009 dated May 28, 2009; and
5. unaudited comparative financial statements of the Company contained in the interim report to shareholders for the six months ended March 31, 2009 dated May 28, 2009.

The unaudited interim consolidated financial statements of the Company contained in the interim report to shareholders for the six months ended March 31, 2009 dated May 28, 2009 together with the notes thereto, have been reviewed by Deloitte & Touche LLP.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

Any documents of the types referred to in the preceding paragraphs 1 through 5 together with any material change report, any business acquisition report and any management information circular filed with a securities commission or similar regulatory authority in Canada on or after the date of this short form prospectus and prior to the termination of the Offering (excluding confidential material change reports) shall be deemed to be incorporated by reference into this short form prospectus.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in each of the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Company at Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3, Telephone: (416) 363-0061. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of the Company at the above-mentioned address and telephone number.

## AUDITORS' CONSENT

We have read the preliminary short form prospectus of BAM Split Corp. (the “**Company**”) dated June 23, 2009 qualifying the distribution of 5,000,000 Class AA Preferred Shares, Series 4 of the Company. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Company on the statements of net assets of the Company as at September 30, 2008 and 2007 and the statements of investment operations and retained earnings, changes in net assets and cash flows for the years then ended. Our report is dated December 19, 2008.

We also consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of BAM Investments Corp. (“**BAM Investments**”) on the consolidated balance sheets of BAM Investments as at December 31, 2008 and 2007 and the consolidated statements of operations, retained earnings, comprehensive loss, accumulated other comprehensive income and cash flows for the years then ended. Our report is dated March 26, 2009.

Toronto, Ontario  
June 23, 2009

DELOITTE & TOUCHE LLP  
Chartered Accountants  
Licensed Public Accountants

**CERTIFICATE OF THE COMPANY**

Date: June 23, 2009

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

By: (Signed) EDWARD C. KRESS  
Director and President,  
acting in the capacity of Chief Executive Officer

By: (Signed) DEREK E. GORGI  
Chief Financial Officer and Director

On behalf of the Board of Directors

By: (Signed) JOHN P. BARRATT  
Director

By: (Signed) JAMES L.R. KELLY  
Director



## CERTIFICATE OF THE UNDERWRITERS

Dated: June 23, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

SCOTIA CAPITAL INC.

By: (Signed) BRIAN D. MCCHESENEY

RBC DOMINION  
SECURITIES INC.

BMO NESBITT  
BURNS INC.

CIBC WORLD  
MARKETS INC.

NATIONAL BANK  
FINANCIAL INC.

TD SECURITIES  
INC.

By: (Signed)  
CLAIRE STURGESS

By: (Signed)  
MARK W. LOBSINGER

By: (Signed)  
CHRISTOPHER  
BLACKWELL

By: (Signed)  
DARIN E. DESCHAMPS

By: (Signed)  
CAMERON  
GOODNOUGH

HSBC SECURITIES (CANADA) INC.

By: (Signed) NICOLE CATY

DESJARDINS SECURITIES INC.

By: (Signed) THOMAS L. JARMAI

**EXHIBIT A**  
**RETRACTION NOTICE FOR**  
**SERIES 4 PREFERRED SHARES**

**BAM Split Corp.**

To: CDS Participant

This notice (the “**Retraction Notice**”) is to be completed by a broker representing a holder of Class AA Preferred Shares, Series 4 (the “**Series 4 Preferred Shares**”) of BAM Split Corp. who desires to exercise retraction privileges as set out in the BAM Split Corp. short form prospectus (the “**Prospectus**”) dated \_\_\_\_\_, 2009.

CDS Participants are urged to refer to the Prospectus to obtain details on the retraction payment dates and the notification periods.

**PARTICULARS OF RETRACTION**

Number of Series 4 Preferred Shares to be retracted: \_\_\_\_\_

Broker’s Name: \_\_\_\_\_

Fax No.: \_\_\_\_\_

Tel. No.: \_\_\_\_\_

Date of Retraction Notice: \_\_\_\_\_

Signature of Authorized Person: \_\_\_\_\_

UPON AUTHENTICATING THIS RETRACTION NOTICE, THE CDS PARTICIPANT IS DIRECTED TO FORWARD THE FOREGOING INSTRUCTIONS FORTHWITH TO CDS.

