

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to U.S. persons.

PROSPECTUS

Initial Public Offerings

May 27, 2009



CANADIAN BANC CAPITAL SECURITIES TRUST

**Maximum \$100,000,000 Class A Units and Class F Units
(Maximum 4,000,000 Class A Units and/or Class F Units)**

Canadian Banc Capital Securities Trust is an investment fund established under the laws of the Province of Ontario. The Fund is a non-redeemable investment fund. The Fund proposes to offer Class A Units and Class F Units, each at a price of \$25.00 per Unit. Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but may be converted into Class A Units on a weekly basis.

The Fund's investment objectives are to (i) provide Unitholders with attractive tax-advantaged quarterly cash distributions, and (ii) return to Unitholders the original issue price of the Units upon termination of the Fund on June 30, 2014. Distributions are initially targeted to be \$1.50 per annum per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 6.0% per annum. The Fund will seek to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of capital trust securities of the six largest Canadian banks, including such issues as TD Capital Trust IV Notes (TD CaTS IV), Scotiabank Capital Trust Securities (Scotia BaTS II) and BMO Capital Trust II Notes (BoATS VI). The Fund may also invest in other securities issued by Canadian financial institutions, including subordinated debt, preferred shares and common shares. See "Investment Objectives".

Canadian financial institutions have participated in the issuance of capital trust securities, which are hybrid securities that qualify as Tier 1 capital together with common and preferred equity under the OSFI guidelines, and are also known as "innovative Tier 1 Capital instruments". The Innovative Tier 1 Capital Securities have long maturities or are perpetual, but generally include either convertibility or "step up" features usually 10 years or longer from the date of issuance. On the "step up" date, the issuer can call the security at par, but if such security is not called there is generally a step up in the coupon rate. It is important to note however, that issuers of Innovative Tier 1 Capital Securities are not obligated to call such securities on the step up date and OSFI approval is required to do so, and as such these securities are viewed as equity-like and are treated as permanent capital by OSFI. Holders of Innovative Tier 1 Capital Securities may become holders of preferred shares of a Bank in certain circumstances. See "Risk Factors — Innovative Tier 1 Capital Securities Risks".

The Portfolio Manager believes that an attractive opportunity currently exists to invest in Innovative Tier 1 Capital Securities for the following reasons:

- Canadian banks have been recognized as well capitalized and conservatively run financial institutions, and were recently ranked #1 globally in the "Soundness of Banks" category by the World Economic Forum in its *Global Competitiveness Report 2008-2009*. The soundness of Canadian banks relative to their international counterparts has been particularly highlighted during the recent financial crisis, during which Canadian banks have maintained Investment Grade credit ratings while many US and European banks have been forced into restructuring, bankruptcy or partial or full government nationalization.
- The recent volume of issuance by the Banks of preferred shares and common shares to strengthen their balance sheets has increased the Banks' regulatory capital levels to levels approaching historical highs, and has further enhanced the downside protection of Innovative Tier 1 Capital Securities.
- Innovative Tier 1 Capital Securities currently provide high yields on an absolute basis and relative to Government Bonds and to equities.
- Current spreads of Innovative Tier 1 Capital Securities over Government Bonds provide the opportunity for capital gains if spreads return to their long-term averages.
- Innovative Tier 1 Capital Securities represent a class of securities generally otherwise available only to institutional investors on issuance.

Securities in the Indicative Portfolio have a weighted average Investment Grade credit rating of A and an average term to call (to the first date upon which the securities may be called at par) of approximately 9.38 years. See "Investment Objectives".

Price: \$25.00 per Class A Unit and Class F Unit

	Price to the Public⁽¹⁾	Agents' Fee	Net Proceeds to the Fund⁽²⁾
Per Class A Unit	\$ 25.00	\$ 1.3125	\$ 23.6875
Per Class F Unit	\$ 25.00	\$ 0.5625	\$ 24.4375
Minimum Total Offerings ⁽³⁾⁽⁴⁾	\$ 40,000,000	\$2,100,000	\$37,900,000
Maximum Total Offerings ⁽⁴⁾	\$100,000,000	\$5,250,000	\$94,750,000

Notes:

- (1) The terms of the Offerings were established through negotiation between the Agents and the Manager on behalf of the Fund.
- (2) Before deducting the expenses of the Offerings, estimated to be \$700,000 (but not to exceed 1.5% of the gross proceeds of the Offerings) which, together with the Agents' fee, will be paid by the Fund from the proceeds of the Offerings.
- (3) There will be no Closing unless a minimum of 1,600,000 Class A Units are sold. If subscriptions for a minimum of 1,600,000 Class A Units have not been received within 90 days after a final receipt for this prospectus is issued, the Offerings may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Units on or before such date.
- (4) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offerings, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be \$115,000,000, \$6,037,500 and \$108,962,500, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over Allotment Option or secondary market purchases. See "Plan of Distribution".

(continued on next page)

The Fund will have a term of approximately five years, terminating on June 30, 2014 and investments will be liquidated prior to maturity at prevailing market prices. The Fund intends to pay quarterly distributions initially estimated to be \$0.375 per Unit, representing a yield of 6.0% per annum on the Unit issue price. The initial distribution is payable to Unitholders of record on September 30, 2009 and will be paid no later than October 15, 2009. The first distribution will reflect the period from the Closing Date to September 30, 2009. Based on the Indicative Portfolio and assuming (i) an aggregate size of the Offerings of \$100 million, (ii) the employment of the investment strategy as described under "Investment Strategy", (iii) the use of leverage as described herein, and (iv) the fees and expenses described under "Fees and Expenses", it is expected that the Fund will be able to maintain a stable Net Asset Value and pay such distributions.

Class A Units and Class F Units may be redeemed on the second last Business Day of November of each year commencing in 2010, subject to certain conditions, at Net Asset Value (less associated costs). To effect such a redemption, Units must be surrendered by the last Business Day of October in the year of redemption. By virtue of the Forward Agreement the Annual Redemption Price will be dependent upon the performance of Portfolio Trust (or Notional Portfolio). Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. See "Redemption of Units" and "Risk Factors — Risks Relating to Redemptions".

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it or an affiliate will acquire units of Portfolio Trust, which will be a newly formed Ontario trust that will acquire the Portfolio. If the Counterparty or an affiliate does not acquire such units in Portfolio Trust, the Portfolio Manager will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings for the pre-payment of its purchase obligations under the Forward Agreement. Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund on June 30, 2014, being the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Portfolio Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, Portfolio Trust expects to issue units to the Counterparty or an affiliate with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which Portfolio Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offering. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of Portfolio Trust, which, in turn, will be based on the performance of the Portfolio. If no such Portfolio Trust units are acquired by the Counterparty or an affiliate, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Forward Agreement will also allow the Fund to leverage its exposure to Portfolio Trust by up to 25% of its Total Assets. This prospectus assumes that the Counterparty or an affiliate will acquire units of Portfolio Trust. See "Overview of the Investment Structure — The Forward Agreement".

Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and of Portfolio Trust. The Manager is a leading provider of investment products that has raised over \$1.3 billion since 2004. The Manager is part of the Connor, Clark & Lunn Financial Group, which has approximately \$28 billion of assets under management as at March 31, 2009. See "Organization and Management Details of the Fund — The Manager of the Fund".

Connor, Clark & Lunn Investment Management Ltd. will act as Portfolio Manager to the Fund and Portfolio Trust. The Portfolio Manager, part of the Connor, Clark & Lunn Financial Group, was established in March 1982 and has offices in Vancouver and Toronto. The Portfolio Manager managed assets worth approximately \$16.7 billion as at December 31, 2008, approximately \$6.9 billion of which is in fixed income securities. See "Organization and Management Details of the Fund — The Portfolio Manager".

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in Units including general risks of investing in Canadian Bank Capital Securities, risks relating to the leverage provided pursuant to the Forward Agreement, risks relating to the term of Innovative Tier 1 Capital Securities, reinvestment risks, risks relating to securities in the Portfolio being concentrated in a particular sector and concentration in a limited number of issuers and risks related to fluctuations in interest rates. There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. The TSX has conditionally approved the listing of the Class A Units subject to the Fund fulfilling all of the requirements of the TSX on or before August 12, 2009. See "Risk Factors".

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate of a Canadian chartered bank and an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. See "Organization and Management Details of the Fund — The Portfolio Manager" and "Plan of Distribution".

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Dundee Securities Corporation, Wellington West Capital Markets Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., and Research Capital Corporation, as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by McCarthy Tétrault LLP. See "Plan of Distribution".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. All prospective purchasers will be entitled to withdraw their purchase on or before midnight on the second Business Day after receipt or deemed receipt of the final prospectus and any amendment in accordance with applicable securities laws. See "Purchasers' Statutory Rights of Withdrawal and Rescission". The Agents may over-allot or effect transactions as described under "Plan of Distribution". Registrations of interests in and transfers of Units will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Book-entry only certificates representing the Class A Units and the Class F Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of Closing, which is expected to occur on or about June 9, 2009 or such later date as the Fund and the Agents may agree, but in any event not later than August 12, 2009. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units.

Although units of Portfolio Trust are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of Portfolio Trust from the Autorité des marchés financiers. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Certain capitalized terms used, but not defined, in the foregoing are defined in the "Glossary of Terms".

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offerings and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the “Glossary of Terms”.

THE FUND

Canadian Banc Capital Securities Trust is an investment trust established under the laws of the Province of Ontario and governed by the Trust Agreement. See “Overview of the Legal Structure of the Fund”.

RATIONALE FOR THE FUND

The Fund will seek to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of Innovative Tier 1 Capital Securities of the six largest Canadian banks, including such issues as TD Capital Trust IV Notes (TD CaTS IV), Scotiabank Capital Trust Securities (Scotia BaTS II) and BMO Capital Trust II Notes (BoATS VI). The Portfolio Manager believes that an attractive opportunity currently exists to invest in Innovative Tier 1 Capital Securities for the following reasons:

- Canadian banks have been recognized as well capitalized and conservatively run financial institutions, and were recently ranked #1 globally in the “Soundness of Banks” category by the World Economic Forum in its *Global Competitiveness Report 2008-2009*. The soundness of Canadian banks relative to their international counterparts has been particularly highlighted during the recent financial crisis. Canadian banks have maintained Investment Grade credit ratings while many US and European banks have been forced into restructuring, bankruptcy or partial or full government nationalization.
- The recent volume of issuance by the Banks of preferred shares and common shares to strengthen their balance sheets has increased the Banks’ regulatory capital levels to levels approaching historical highs, and has further enhanced the downside protection of Innovative Tier 1 Capital Securities.
- Innovative Tier 1 Capital Securities currently provide high yields on an absolute basis and relative to Government Bonds and to equities.
- Current spreads of Innovative Tier 1 Capital Securities over Government Bonds provide the opportunity for capital gains if spreads return to their long-term averages.
- Innovative Tier 1 Capital Securities represent a class of securities generally otherwise available only to institutional investors on issuance.

Investment Objectives

The Fund’s investment objectives are to: (i) provide Unitholders with attractive tax-advantaged quarterly cash distributions; and (ii) return to Unitholders the original issue price of the Units upon termination of the Fund on June 30, 2014. Distributions are initially targeted to be \$1.50 per annum per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 6.0% per annum. See “Investment Objectives”.

Investment Strategy

The Fund will seek to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of Innovative Tier 1 Capital Securities of the six largest Canadian banks. The Portfolio will include a minimum of 80% Canadian Bank Capital Securities, including such Innovative Tier 1 Capital Securities as TD Capital Trust IV Notes (TD CaTS IV), Scotiabank Capital Trust Securities (Scotia BaTS II), RBC Capital Trust Securities (RBC TruCS V) and BMO Capital Trust II Notes (BoATS VI). The Fund may also invest in other securities issued by Canadian financial institutions, including subordinated debt, preferred shares and common shares.

The Portfolio Manager will select securities for the Portfolio based on its assessment of the credit quality and total return expectations of such securities.

When the Portfolio Manager believes it is appropriate, it will employ a hedging strategy that is designed to mitigate the expected impact of significant interest

The Portfolio

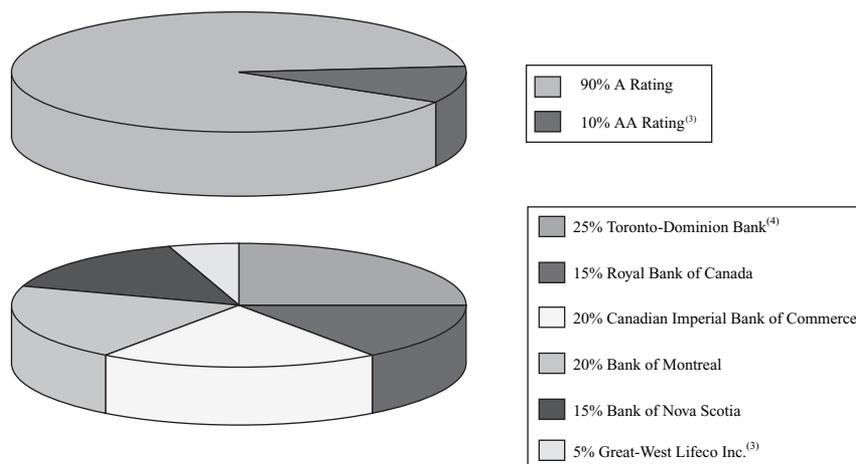
rate increases on the Net Asset Value. See “Investment Strategy” and “Overview of the Investment Structure”.

Securities in the Indicative Portfolio have a weighted average Investment Grade credit rating of A, a weighted average yield to the first date upon which the securities may be called at par of 6.74%, a current yield of 7.32%, and an average term to call (to the first date upon which the securities may be called at par) of approximately 9.38 years.

The securities held in the Portfolio may be different than the securities in the Indicative Portfolio. Therefore, there is a risk that the yields earned by the Portfolio may be significantly different than the indicated yields of the Indicative Portfolio. Furthermore, the yields achieved by the Portfolio are subject to a number of risk factors and investors are encouraged to review the Risk Factors section of this prospectus.

The following charts show the Indicative Portfolio’s exposure by credit rating and issuer. The Indicative Portfolio is illustrative of the securities that the Portfolio Manager would have invested in the Portfolio as of May 21, 2009 and the Portfolio may have a different allocation of securities than the allocation indicated in the Indicative Portfolio. See “Investment Strategy — Portfolio Composition”.

Indicative Portfolio Credit Rating⁽¹⁾ and Issuer⁽²⁾ Allocation



(1) Credit rating by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

(2) The securities included in the Indicative Portfolio may not be issued directly by the issuers listed above but may be Innovative Tier 1 Capital Securities.

(3) Representing securities which constitute Tier 2A capital for regulatory purposes.

(4) 10% constitutes Tier 2A capital for regulatory purposes.

Capital Structure of Canadian Banks

The three primary considerations for defining the consolidated capital of a financial institution for purposes of measuring capital adequacy are: (i) its permanence, (ii) it being free of mandatory fixed charges against earnings, and (iii) its subordinate legal position to the rights of depositors and other creditors of the institution. Total capital comprises three tiers. Tier 1 (core capital) comprises the capital elements that most adequately address these considerations. Tier 1 capital is made up of common, preferred and innovative Tier 1 capital. Since October 2008, Canadian banks have raised over \$7 billion in Tier 1 common, preferred and innovative capital which reflects the general trend

towards an increase in Tier 1 capital relative to risk-weighted assets. Tier 2 elements (supplementary capital) fall short in meeting either of the first two capital properties, but contribute to the overall strength of a bank as a going concern. The definition of Tier 2 capital differentiates between what are referred to as hybrid (Tier 2A) and limited life (Tier 2B) instruments. Tier 3 capital is used only to meet market risk capital requirements.

The following chart is illustrative of an extract of a bank balance sheet of liabilities and shareholders' equity.

**Sample Extract of a Bank Balance Sheet —
Liabilities and Shareholders' Equity⁽¹⁾**

Deposits/Senior Debt
Subordinated Debt
Innovative Tier 1 Capital Securities
Preferred Shares
Common Shares

(1) This extract of a bank balance sheet is not necessarily illustrative of Canadian bank obligations in terms of priority on distribution or liquidation.

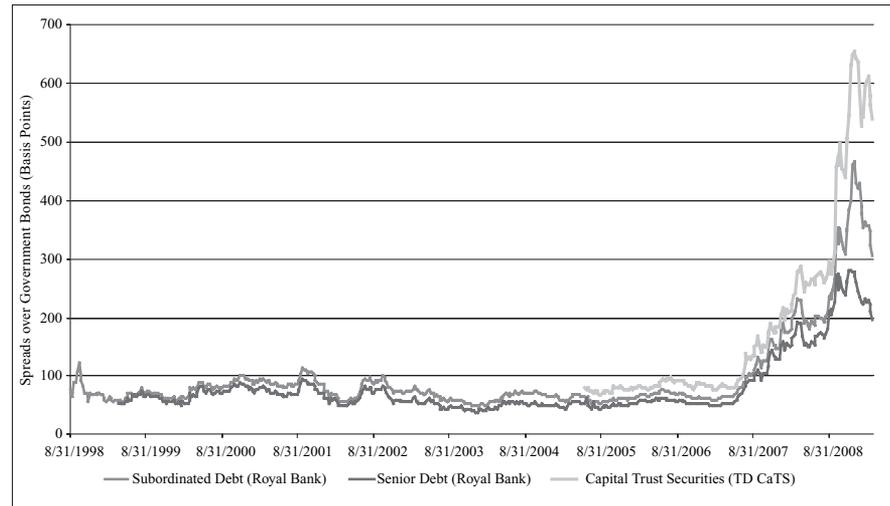
**Canadian Bank Capital
Securities Market**

The Canadian fixed income market comprises all fixed income securities with a term greater than one year including those issued by corporations; entities holding debt securities, deposit notes of banks or other income generating assets; as well as provincial governments. The sector of the fixed income market that includes regulated Canadian financial institutions, such as banks, has attracted investors seeking higher yields than those offered by Government Bonds. A number of the securities in this sector, such as Innovative Tier 1 Capital Securities and Subordinated Debt, are issued to finance operations by Canadian banks and generally pay interest or distributions semi-annually and repay principal or a redemption amount on the maturity or call date (as applicable). Canadian Bank Capital Securities generally provide higher yields than comparable term Government Bonds and have ratings that range depending on a number of factors including financial health of the issuer, capital structure priority and structure of issuances.

As the capital markets have recognized the relative soundness of Canadian Banks, there has been an increased demand by investors for Canadian Bank Capital Securities and preferred shares. The Canadian Banks have taken advantage of this market demand and have participated in sizeable issuances of Canadian Bank Capital Securities to raise regulatory capital, thereby further growing their capital base. As part of this recent round of issuances of Canadian Bank Capital Securities, the Canadian Banks have participated in the issuance of Innovative Tier 1 Capital Securities, which are hybrid securities that qualify as Tier 1 capital under the OSFI guidelines, and are also known as "innovative Tier 1 Capital instruments". There are currently 28 different Innovative Tier 1 Capital Securities that have been issued by entities related to the Canadian Banks, with a total par value of approximately \$15.9 billion. These Innovative Tier 1 Capital Securities have long maturities or are perpetual, but generally include either convertibility or "step up" features usually 10 years or longer from the date of issuance. On the "step up" date, the issuer can call the security at par, but if such security is not called there is generally a step up in the coupon rate.

However, issuers of Innovative Tier 1 Capital Securities are generally not obligated to call such securities on the step up date and OSFI approval is required to do so. As such these securities are viewed as equity-like and are treated as permanent capital by OSFI.

The following chart shows a sample of spreads of Canadian Bank Capital Securities over Government Bonds over the last 10 years.



Constant maturity spreads based on interpolated 10 year curve for Government of Canada Bonds, Royal Bank of Canada (“RBC”) subordinated debt, RBC senior debt and TD CaTS instruments.

Source: BMO Nesbitt Burns Inc.

See “The Canadian Bank Capital Securities Market”.

Distributions

The Fund will have a term of approximately five years, terminating on June 30, 2014. The Fund intends to pay quarterly distributions initially estimated to be \$0.375 per Unit, representing a yield of 6.0% per annum on the Unit issue price. The initial distribution is payable to Unitholders of record on September 30, 2009 and will be paid no later than October 15, 2009. The first distribution will reflect the period from the Closing Date to September 30, 2009. Based on the Indicative Portfolio and assuming (i) an aggregate size of the Offerings of \$100 million, (ii) the employment of the investment strategy as described under “Investment Strategy”, (iii) the use of leverage as described herein, and (iv) the fees and expenses described under “Fees and Expenses”, it is expected that the Fund will be able to maintain a stable Net Asset Value and pay such distributions.

It is expected that distributions received by Unitholders will be primarily comprised of returns of capital (which are not immediately taxable but which reduce the adjusted cost base of a Unitholder’s Units). See “Canadian Federal Income Tax Considerations”.

The Forward Agreement

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it or an affiliate will acquire units of Portfolio Trust, which will be a newly formed Ontario trust that will acquire the Portfolio. If the Counterparty or an affiliate does not acquire such units in Portfolio Trust, the Portfolio Manager will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so

with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings for the pre-payment of its purchase obligations under the Forward Agreement. Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund on June 30, 2014, being the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Portfolio Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, Portfolio Trust expects to issue units to the Counterparty or an affiliate with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which Portfolio Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of Portfolio Trust, which, in turn, will be based on the performance of the Portfolio. If no such Portfolio Trust units are acquired by the Counterparty or an affiliate, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Forward Agreement will also allow the Fund to leverage its exposure to Portfolio Trust by up to 25% of its Total Assets (tested daily). This prospectus assumes that the Counterparty or an affiliate will acquire units of Portfolio Trust. See “Overview of the Investment Structure — The Forward Agreement”.

The Offerings

The Fund is offering two classes of Units of the Fund, Class A Units and Class F Units, each at a price of \$25.00 per Unit. See “Plan of Distribution”. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents’ fees payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See “Fees and Expenses”.

Redemption

Class A Units and Class F Units may be redeemed on the second last Business Day of November of each year commencing in 2010, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by the last Business Day of October in the year of redemption. Units surrendered for redemption on an Annual Redemption Date will be redeemed at the Annual Redemption Price. By virtue of the Forward Agreement the Annual Redemption Price will be dependent upon the performance of Portfolio Trust (or Notional Portfolio). Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager’s right to suspend redemptions in certain circumstances.

The Net Asset Value per Unit will vary depending on a number of factors. See “Valuation, Total Assets and Net Asset Value”, “Redemption of Units” and “Risk Factors”.

Leverage

The Fund may employ leverage of up to 25% of the Total Assets pursuant to the Forward Agreement for the purposes of adding leverage to the Portfolio and such other short term funding purposes as may be determined by the Portfolio

Manager from time to time and in accordance with the Investment Strategy. Initially, the Fund is expected to employ leverage of 25% of Total Assets. See “Investment Strategy” and “Risk Factors”.

Termination of the Fund

The Fund will have a term of approximately five years, terminating on June 30, 2014 and investments will be liquidated prior to maturity at prevailing market prices. The Manager may, in its discretion, terminate the Fund without the approval of Unitholders prior to the anticipated termination date if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund. Upon termination, the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. There can be no assurance that Unitholders will receive \$25.00 per Unit upon any termination of the Fund. See “Termination of the Fund”.

Repurchase of Class A Units

The Fund may purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager’s assessment that such purchases are accretive to Unitholders. See “Description of the Units — Purchase for Cancellation”.

Use of Proceeds

The net proceeds from the issue of the maximum number of Units offered hereby after payment of the Agents’ fee and the expenses of the Offerings are estimated to be \$94,050,000 (\$37,200,000 if the minimum number of Class A Units is issued). The Fund will use the net proceeds of the Offerings (including any net proceeds from the exercise of the Over-Allotment Option) for the pre-payment of its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio having an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Portfolio Trust or (ii) based on the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. The Fund may also directly hold a small amount of the same securities as are held in the Canadian Securities Portfolio. See “Use of Proceeds”.

Conversion of Class F Units

A holder of Class F Units may convert Class F Units into Class A Units from time to time and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units. Class F Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 5 Business Days prior to the applicable Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units; any fractional amounts will be rounded down to the nearest whole number of Class A Units. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act. See “Description of the Units — Conversion of Class F Units”.

Risk Factors

An investment in Units is subject to certain risk factors, including: (i) risks relating to investing in Canadian Bank Capital Securities; (ii) Innovative Tier 1 Capital Securities risks; (iii) Reset Subordinated Debentures risks; (iv) risks relating to leverage; (v) term risks; (vi) risks relating to securities in the Portfolio

being concentrated in a particular sector and concentration in a limited number of issuers; (vii) illiquid securities risks; (viii) re-investment risks; (ix) interest rate fluctuation risks; (x) fluctuations in the value of Portfolio securities risks; (xi) recent global financial developments risks; (xii) that there is no assurance that the Fund or Portfolio Trust will be able to achieve their investment objectives or make distributions; (xiii) risks relating to the composition of the Portfolio; (xiv) risks relating to the Counterparty; (xv) risks relating to the use of derivatives; (xvi) risks relating to securities lending; (xvii) reliance on the Portfolio Manager; (xviii) the fact that Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit; (xix) that there is no market for Class F Units; (xx) risks relating to taxes; (xxi) no ownership of Portfolio securities; (xxii) changes in legislation and regulatory risk; (xxiii) the possible loss of investment; (xxiv) conflicts of interest; (xxv) the status of the Fund under Canadian securities laws; (xxvi) risks relating to redemptions; (xxvii) the Fund's lack of operating history; (xxviii) the fact that the Fund is not a trust company, (xxix) the nature of the Units, and (xxx) risks related to investing in Bank Shares and Life Insurance Company Securities. See "Risk Factors".

Eligibility For Investment

In the opinion of Stikeman Elliott LLP, counsel for the Fund, and McCarthy Tétrault LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, and tax-free savings accounts. Holders of tax-free savings accounts should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances. See "Canadian Federal Income Tax Considerations".

Canadian Federal Income Tax Considerations

The Fund intends to distribute the amount of its income for each taxation year so that it will generally not be liable for income tax under the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The Fund intends to make designations so that the portion of net realizable taxable capital gains of the Fund that are distributed to Unitholders will be treated as taxable capital gains to Unitholders. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of net income and the full amount of the Fund's net realized capital gains will reduce the adjusted cost base of the Unitholder's Units. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon their own particular circumstances. See "Canadian Federal Income Tax Considerations".

Organization and Management of the Fund

Manager and Promoter: Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and of Portfolio Trust. The Manager is a leading provider of investment products that has raised over \$1.3 billion since 2004. The Manager is part of the Connor, Clark & Lunn Financial Group, which has approximately \$28 billion of assets under management as at March 31, 2009.

The Manager of the Fund and Portfolio Trust will provide all administrative services required by the Fund and Portfolio Trust. The Manager may be considered to be a promoter within the meaning of the securities legislation of certain provinces and territories of Canada. The Manager's principal office is located at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. See

“Organization and Management Details of the Fund — The Manager of the Fund”.

Portfolio Manager: Connor, Clark & Lunn Investment Management Ltd. will act as portfolio manager to the Fund and Portfolio Trust. The Portfolio Manager, part of the Connor, Clark & Lunn Financial Group, was established in March 1982 and has offices in Vancouver and Toronto. The Portfolio Manager managed assets worth approximately \$16.7 billion as at December 31, 2008, approximately \$6.9 billion of which is in fixed income securities. See “Organization and Management Details of the Fund — The Portfolio Manager”.

Trustee: RBC Dexia Investor Services Trust will act as Trustee of the Fund and Portfolio Trust. The Trustee’s office is located in Toronto.

Portfolio Trust: Portfolio Trust will be a newly created investment fund established prior to the Closing Date pursuant to the Portfolio Trust Trust Agreement for the purpose of acquiring the Portfolio. The registered office of Portfolio Trust is located in Toronto, Ontario.

Auditors: PricewaterhouseCoopers LLP, Chartered Accountants, at its offices in Toronto, Ontario, are the auditors of the Fund.

Custodian: RBC Dexia Investor Services Trust will act as custodian of the assets of the Fund and Portfolio Trust. The Custodian is located in Toronto, Ontario.

Registrar and Transfer Agent: Computershare Investor Services Inc., at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units.

Agents

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Dundee Securities Corporation, Wellington West Capital Markets Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., and Research Capital Corporation, as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offerings, the price to the public, Agents’ fee and net proceeds to the Fund are estimated to be \$115,000,000, \$6,037,500 and \$108,962,500, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<u>Agents’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	600,000 Class A Units	Within 30 days following the Closing Date	\$25.00 per Class A Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund and Portfolio Trust, which will therefore reduce the value of a Unitholder's investment in the Fund. For further particulars, see "Fees and Expenses".

<u>Type of Fee</u>	<u>Amount and Description</u>
Agents' Fee	\$1.3125 per Class A Unit (5.25%) and \$0.5625 per Class F Unit (2.25%). The Agents' Fee will be paid out of the proceeds of the Offerings.
Expenses of the Offerings	The expenses of the Offerings are estimated to be \$700,000 (but not to exceed 1.5% of the gross proceeds of the Offerings) which, together with the Agents' fee, will be paid by the Fund.
Management Fee	The Manager will receive a Management Fee from the Fund and Portfolio Trust equal in the aggregate to 0.50% per annum of the applicable Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Portfolio Manager out of this amount. See "Fees and Expenses — Management Fee".
Service Fee	The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter), solely with respect to the Class A Units, equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units. See "Fees and Expenses — Service Fee".
Counterparty Fees	The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement of 0.35% of Total Assets per annum, paid quarterly. See "Fees and Expenses — Counterparty Fees".
Ongoing Expenses of the Fund and Portfolio Trust	Each of the Fund and Portfolio Trust will pay for all of its respective expenses incurred in connection with its operation and administration, estimated to be \$110,000 for the Fund and \$50,000 for Portfolio Trust per annum (assuming an aggregate size of the Offerings of approximately \$100 million). In the case of the Fund, such fees will generally be allocated to each class of Units <i>pro rata</i> based on the Net Asset Value of each class. Each of the Fund and Portfolio Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time. See "Fees and Expenses — Ongoing Expenses".

Information in this prospectus that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, and actual results may vary from the forward-looking information. Implicit in this information are assumptions regarding future operations, plans, expectations, anticipations, estimates and intentions, such as the Fund's plans to invest in Canadian Bank Capital Securities. These assumptions, although considered reasonable by the Fund at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Fund are subject to a number of risks and uncertainties. See "Risk Factors" for a list of material risk factors. Forward-looking information contained in this prospectus is based on current estimates, expectations and projections, which the Fund believes are reasonable as of the date of this prospectus. The Fund uses forward-looking statements because it believes such statements provide useful information with respect to the future operation and financial performance of the Fund, and cautions readers that the information may not be appropriate for other purposes. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Fund may elect to, it does not undertake to update this information at any particular time.

GLOSSARY OF TERMS

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

“**Additional Distribution**” means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax, as described under “Distributions”.

“**Agency Agreement**” means the agency agreement dated as of May 27, 2009 among the Fund, the Manager, the Portfolio Manager and the Agents.

“**Agents**” means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Dundee Securities Corporation, Wellington West Capital Markets Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., and Research Capital Corporation.

“**Annual Redemption Date**” means the second last Business Day of November of each year, commencing in 2010.

“**Annual Redemption Price**” means a redemption price per Unit equal to 100% of the Net Asset Value per Unit of the relevant class on an Annual Redemption Date (less any costs associated with the redemption, including brokerage costs and any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption).

“**Approved Rating**” means the long term debt rating of the Counterparty or each successor counterparty of at least A by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or an equivalent rating from Dominion Bond Rating Service Limited, Moody’s Investor Services, Inc., Fitch Ratings, or any of their respective successors.

“**Banks**” or “**Canadian Banks**” means, collectively, Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia and The Toronto-Dominion Bank, and each is a “Bank” or a “Canadian Bank”.

“**Bank Shares**” means common shares and preferred shares issued by banks regulated by OSFI.

“**Bonds**” means debt securities with a term to maturity greater than one year.

“**Book-Entry Only System**” means the book-entry only system administered by CDS.

“**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**Canadian Bank Capital Securities**” means Innovative Tier 1 Capital Securities, Subordinated Debt and Bonds issued by the Banks, as determined by the Portfolio Manager.

“**Canadian Securities Portfolio**” means a specified portfolio of securities of Canadian public issuers that are “Canadian securities” as defined under subsection 39(6) of the Tax Act and are listed on the TSX.

“**Cash and Cash Equivalents**” has the meaning ascribed thereto in National Instrument 81-102 — *Mutual Funds* of the Canadian Securities Administrators, as it may be amended from time to time.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

“**Class A Meeting**” means a meeting of holders of Class A Units called in accordance with the Trust Agreement.

“**Class A Units**” means the class of transferable, redeemable units of the Fund designated as the “Class A Units”.

“**Class F Meeting**” means a meeting of holders of Class F Units called in accordance with the Trust Agreement.

“**Class F Units**” means the class of transferable, redeemable units of the Fund designated as the “Class F Units”.

“**Closing**” means the issuance of Units pursuant to this prospectus on the Closing Date.

“**Closing Date**” means the date of the Closing, which is expected to be on or about June 9, 2009 or such later date as the Fund and the Agents may agree, but in any event not later than August 12, 2009.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

“**Conversion Date**” means the first Business Day of a week.

“**Counterparty**” means the Canadian chartered bank or affiliate thereof which is the counterparty under the Forward Agreement provided that the Counterparty or its guarantor must have an Approved Rating.

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

“**Custodian**” means RBC Dexia Investor Services Trust, in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement to be entered into on or about the Closing Date between the Fund, Portfolio Trust and the Custodian, as it may be amended from time to time.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Forward Agreement**” means one or more forward purchase and sale agreements between the Fund and the Counterparty, as it may be amended from time to time.

“**Forward Termination Date**” means the earlier of: (i) the Scheduled Forward Termination Date, and (ii) on any other date upon which the Forward Agreement is terminated in accordance with its terms.

“**Fund**” means Canadian Banc Capital Securities Trust, an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement.

“**Fund Management Agreement**” means the agreement to be dated on or about the Closing Date between the Manager and the Fund, as it may be amended from time to time.

“**Government Bonds**” means debt securities issued by the Government of Canada.

“**Independent Review Committee**” has the meaning given in “Organization and Management Details of the Fund — Independent Review Committee”

“**Indicative Portfolio**” means the securities that would have comprised the Portfolio if it had been formed by the Portfolio Manager on May 21, 2009.

“**Innovative Tier 1 Capital Securities**” means securities issued by entities related to the Banks that hold debt securities, deposit notes of Banks, or other assets which are used to generate income to be distributed to holders of the Innovative Tier 1 Capital Securities, as determined by the Portfolio Manager. Innovative Tier 1 Capital Securities are also often referred to as “capital trust securities”.

“**Investment Grade**” means a rating of BBB – or greater from Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or Baa3 or greater from Moody’s Investor Services, Inc., or a similar rating from a qualified rating agency.

“**Life Insurance Companies**” means insurance companies regulated by OSFI, including Sun Life Financial Inc., Manulife Financial Corporation and Great-West Lifeco Inc., and their affiliates, and each is a “Life Insurance Company”.

“**Life Insurance Company Securities**” means securities issued by Life Insurance Companies or securities issued by entities that provide exposure to securities issued by Life Insurance Companies as determined by the Portfolio Manager.

“**Manager**” means the manager of the Fund and Portfolio Trust, namely Connor, Clark & Lunn Capital Markets Inc., and if applicable, its successor.

“**Management Agreements**” means, collectively, the Fund Management Agreement and the Portfolio Trust Management Agreement.

“**Management Fee**” means the management fee payable to the Manager by the Fund and Portfolio Trust as more fully described under “Fees and Expenses — Management Fee”.

“**Market Price**” in respect of a security on a Monthly Redemption Date means the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

“**Monthly Redemption Amount**” means the redemption price per Class A Unit equal to the lesser of: (i) 95% of the Market Price of a Class A Unit and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs.

“**Monthly Redemption Date**” means the second last Business Day of each month other than in the month of November.

“**Net Asset Value**” means the net asset value of the Fund or Portfolio Trust, as applicable, as determined by subtracting the aggregate liabilities of the Fund or Portfolio Trust, as applicable, from the Total Assets of the Fund or Portfolio Trust, as applicable, in each case on the date on which the calculation is being made, as more fully described under “Valuation, Total Assets and Net Asset Value”.

“**Net Asset Value per Unit**” means in respect of a class of Units, the Net Asset Value allocated to the Units of such class divided by the total number of Units of such class outstanding, in each case on the date on which the calculation is being made.

“**NI 81-107**” means National Instrument 81-107 — *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as amended from time to time.

“**Non-Resident Unitholder**” means a Unitholder who, for the purposes of the Tax Act, and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold, Units in, or in the course of carrying on business in Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere.

“**Notional Portfolio**” means a notional portfolio of securities which will be maintained by the Portfolio Manager in the event that the Counterparty or an affiliate does not acquire units of Portfolio Trust, with an initial principal amount equal to the net proceeds of the Offerings (less any amount invested by the Fund directly into a portfolio of Canadian securities).

“**Offerings**” means, collectively, the offering of Class A Units at a price of \$25.00 per Class A Unit, the offering of Class F Units at a price of \$25.00 per Class F Unit and the offering of additional Class A Units under the Over-Allotment Option, all pursuant to this prospectus.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**OSFI**” means the Office of the Superintendent of Financial Institutions (Canada).

“**Over-Allotment Option**” means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units at \$25.00 per Class A Unit in an amount up to 15% of the Units sold on Closing, solely to cover over-allotments, if any.

“**Portfolio**” means the portfolio of securities acquired and held by Portfolio Trust from time to time.

“**Portfolio Management Agreement**” means the agreement to be dated on or about the Closing Date between the Portfolio Manager and Manager with respect to the Fund, as it may be amended from time to time.

“**Portfolio Management Agreements**” means the Portfolio Management Agreement and the Portfolio Trust Portfolio Management Agreement.

“**Portfolio Trust Management Agreement**” means the agreement to be dated on or about the Closing Date between the Manager and Portfolio Trust, as it may be amended from time to time.

“**Portfolio Trust Portfolio Management Agreement**” means the agreement to be dated on or about the Closing Date between the Portfolio Manager and the Manager with respect to Portfolio Trust, as it may be amended from time to time.

“**Portfolio Manager**” means Connor, Clark & Lunn Investment Management Ltd., and if applicable, its successors.

“**Portfolio Trust**” means a newly created investment fund that will be established prior to Closing.

“**Portfolio Trust Trust Agreement**” means the trust agreement governing Portfolio Trust, as it may be amended from time to time.

“**Redemption Payment Date**” means the 10th Business Day of the month immediately following an Annual Redemption Date or a Monthly Redemption Date, as applicable.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account.

“**Registrar, Transfer Agency and Distribution Agency Agreement**” means the registrar, transfer agency and distribution agency agreement to be dated on or about the Closing Date between the Fund and Computershare Investor Services Inc., as it may be amended from time to time.

“**Reset Subordinated Debentures**” means Subordinated Debt issued by the Banks in respect of which the interest rate payable is reset periodically and which, in certain circumstances, may be automatically converted into preferred shares of such Banks.

“**Scheduled Forward Termination Date**” means June 30, 2014.

“**Service Fee**” means the fee in respect of the Class A Units that the Fund will pay to the Manager, who in turn will pay an equivalent amount to dealers, as more fully described under “Fees and Expenses — Service Fee”.

“**SIFT Rules**” means the rules in the Tax Act which apply to a “specified investment flow through trust” and its unitholders.

“**SIFT Trust**” means a specified investment flow-through trust.

“**Subordinated Debt**” means an instrument evidencing indebtedness of a Bank that by its terms provides that the indebtedness will, in the event of the insolvency or winding-up of the Bank, be subordinate in right of payment to all deposit liabilities of the Bank and all other liabilities of the Bank except those that, by their terms, rank equally with or are subordinate to such indebtedness, and includes Reset Subordinated Debentures.

“**Superintendent**” means the Superintendent of Financial Institutions, appointed pursuant to the *Office of the Superintendent of Financial Institutions Act* (Canada).

“**Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**Tax Proposals**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**Total Assets**” means the aggregate value of the assets of the Fund or Portfolio Trust, as applicable.

“**Trust Agreement**” means the trust agreement governing the Fund dated as of May 22, 2009, as it may be amended from time to time.

“**Trustee**” means RBC Dexia Investor Services Trust, in its capacity as trustee under the Trust Agreement.

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

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

“**Unitholders**” means the owners of the beneficial interest in the Units.

“**Units**” means the Class A Units and/or the Class F Units issued by the Fund pursuant to the Offerings, as applicable.

“**Valuation Date**” means, at a minimum, Friday of each week, or if any Friday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit of a class.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Canadian Banc Capital Securities Trust is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement. Connor, Clark & Lunn Capital Markets Inc. is the Manager of the Fund. The Fund's principal office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The fiscal year-end of the Fund is December 31. The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of Class F Units are lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class of Units will not be the same as a result of different fees allocable to each class of Units. See "Fees and Expenses".

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to (i) provide Unitholders with attractive tax-advantaged quarterly cash distributions; and (ii) return to Unitholders the original issue price of the Units upon termination of the Fund on June 30, 2014. Distributions are initially targeted to be \$1.50 per annum per Unit consisting primarily of returns of capital, representing a yield on the issue price of 6.0% per annum.

Investment Rationale

The Portfolio Manager believes that an attractive opportunity currently exists to invest in Innovative Tier 1 Capital Securities for the following reasons:

- Canadian banks have been recognized as well capitalized and conservatively run financial institutions, and were recently ranked #1 globally in the "Soundness of Banks" category by the World Economic Forum in its *Global Competitiveness Report 2008-2009*. The soundness of Canadian banks relative to their international counterparts has been particularly highlighted during the recent financial crisis, during which Canadian banks have maintained Investment Grade credit ratings while many US and European banks have been forced into restructuring, bankruptcy or partial or full government nationalization.
- The recent volume of issuance by the Banks of preferred shares and common shares to strengthen their balance sheets has increased the Banks' regulatory capital levels to levels approaching historical highs, and has further enhanced the downside protection of Innovative Tier 1 Capital Securities.
- Innovative Tier 1 Capital Securities currently provide high yields on an absolute basis and relative to Government Bonds and to equities.
- Current spreads of Innovative Tier 1 Capital Securities over Government Bonds provide the opportunity for capital gains if spreads return to their long-term averages.
- Innovative Tier 1 Capital Securities represent a class of securities generally otherwise available only to institutional investors on issuance.

INVESTMENT STRATEGY

Investment Strategy

The Fund will seek to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of Innovative Tier 1 Capital Securities of the six largest Canadian banks. The Portfolio will include a minimum of 80% Canadian Bank Capital Securities, including such Innovative Tier 1 Capital Securities as Scotiabank Capital Trust Securities (Scotia BaTS II), TD Capital Trust IV Notes (TD CaTS IV), RBC Capital Trust Securities (RBC TruCS V) and BMO Capital Trust II Notes (BoATS VI). The Portfolio Manager may also invest up to 20% of the Portfolio (measured at the time of investment) in Bank Shares and

Life Insurance Company Securities. Also see “Overview of the Investment Structure”. The Fund may also invest in other securities issued by Canadian financial institutions, including subordinated debt, preferred shares and common shares.

Portfolio Composition

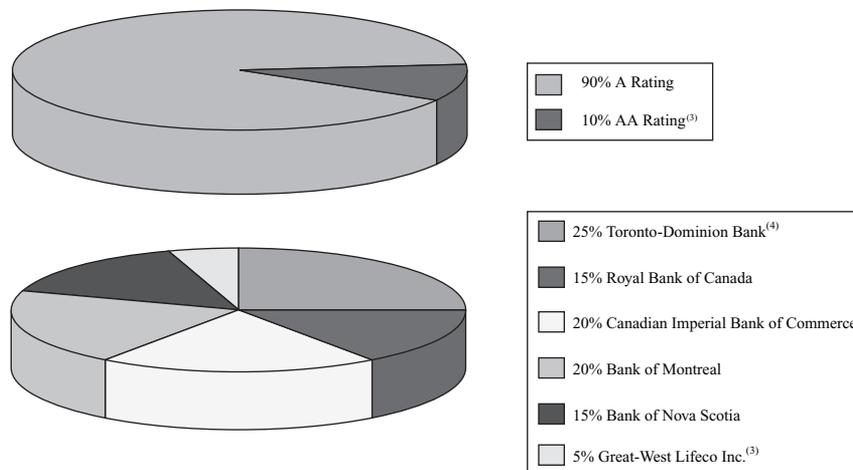
The securities in the Indicative Portfolio have a weighted average Investment Grade credit rating of A, a weighted average yield to the first date upon which the securities may be called at par of 6.74%, a current yield of 7.32% and an average term to call (to the first date upon which the securities may be called at par) of approximately 9.38 years. The current yield was calculated by dividing the weighted average annual coupon amount of the securities in the Indicative Portfolio by the weighted average market price of such securities. Coupon amounts and security prices were obtained from PC-Bond, a commonly used fixed income pricing source and a business unit of TSX Inc. The weighted average yield to the first date upon which securities may be called at par was also calculated by using coupon amounts and terms to first date of call from PC-Bond.

The securities held in the Portfolio may be different than the securities in the Indicative Portfolio. Therefore, there is a risk that the yields earned by the Portfolio may be significantly different than the indicated yields of the Indicative Portfolio. Furthermore, the yields achieved by the Portfolio are subject to a number of risk factors and investors are encouraged to review the Risk Factors section of this prospectus.

The Portfolio will be actively managed by the Portfolio Manager, and therefore security selection, sector allocation, and credit ratings will vary over time based on the Portfolio Manager’s assessment of market conditions and opportunities.

The following charts show the Indicative Portfolio’s exposure by credit rating and issuer. The Indicative Portfolio is illustrative of the securities that the Portfolio Manager would have invested in the Portfolio as of May 21, 2009 and the Portfolio may have a different allocation of securities than the allocation indicated in the Indicative Portfolio.

Indicative Portfolio Credit Rating⁽¹⁾ and Issuer⁽²⁾ Allocation



(1) Credit rating by Standard & Poors, a division of The McGraw-Hill Companies, Inc.

(2) The securities included in the Indicative Portfolio may not be issued directly by the issuers listed above but may be Innovative Tier 1 Capital Securities.

(3) Representing securities which constitute Tier 2A capital for regulatory purposes.

(4) 10% constitutes Tier 2A capital for regulatory purposes.

Investment Management Approach

Connor, Clark & Lunn Investment Management Ltd. will provide investment advisory and portfolio management services to the Fund and Portfolio Trust. As at December 31, 2008, the Portfolio Manager managed assets worth approximately \$16.7 billion and its eight person fixed income team managed approximately \$6.9 billion of these assets. The Portfolio Manager will employ a disciplined, conservative process with respect to managing the Portfolio aimed at generating stable cash flows and preserving capital.

The Portfolio's sensitivity to quantitative macro-economic factors such as interest rates and economic growth will be continuously monitored. When the Portfolio Manager considers it appropriate, adjustments will be made to the composition of the Portfolio.

Duration Management

Duration, which is expressed in number of years, is a measure of the sensitivity of a fixed income investment or portfolio to changes in interest rates. Longer duration typically reflects an investment or portfolio with a longer term to maturity and hence greater price sensitivity to a given change in interest rates. By managing duration, the Portfolio Manager can manage the overall risk of interest rate changes on the Portfolio. In a period of falling interest rates, a portfolio manager will want to have a longer duration, as that portfolio will experience greater price appreciation, and conversely in a period of rising interest rates, a portfolio manager will want to have a portfolio of shorter duration to protect capital. The Portfolio Manager uses the first date upon which the securities may be called at par (rather than the legal maturity) in order to calculate duration. Based on this approach, the duration of the Indicative Portfolio is approximately 6.4 years.

Interest Rate Hedging

When the Portfolio Manager believes it is appropriate, it will employ a hedging strategy that is designed to mitigate the expected impact of significant interest rate increases on the Net Asset Value. The Portfolio Trust will never be net short as a result of hedging. The Portfolio Manager anticipates using various hedging instruments and techniques, including derivatives and entering into options on futures contracts, interest rate swap positions and options thereon, known as "swaptions". The hedging strategy is designed to hedge against substantial interest rate increases that may occur over an investment horizon. It is not intended to enhance the returns of the Portfolio Trust but rather only to minimize the impact of increases in interest rates. In circumstances where there is an interest rate hedge employed, the total return on the Portfolio may be higher with the hedge than without it when interest rates rise significantly, but total return may be lower than it otherwise would be in a stable to falling interest rate environment.

Leverage

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 25% of the Total Assets (tested daily) for the purposes of adding leverage to the Portfolio and such other short term funding purposes as may be determined by the Portfolio Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns. Initially, the Fund is expected to employ leverage of 25% of Total Assets. See also "Risk Factors".

Securities Lending

In order to generate additional returns, Portfolio Trust may lend securities included in the Portfolio to securities borrowers acceptable to Portfolio Trust pursuant to the terms of a securities lending agreement between Portfolio Trust and such borrower. Under a securities lending agreement: (i) the borrower will pay to Portfolio Trust a negotiated securities lending fee and will make compensatory payments to Portfolio Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) Portfolio Trust will receive collateral security. Portfolio Trust is not limited in the amount of securities lending transactions it may engage in.

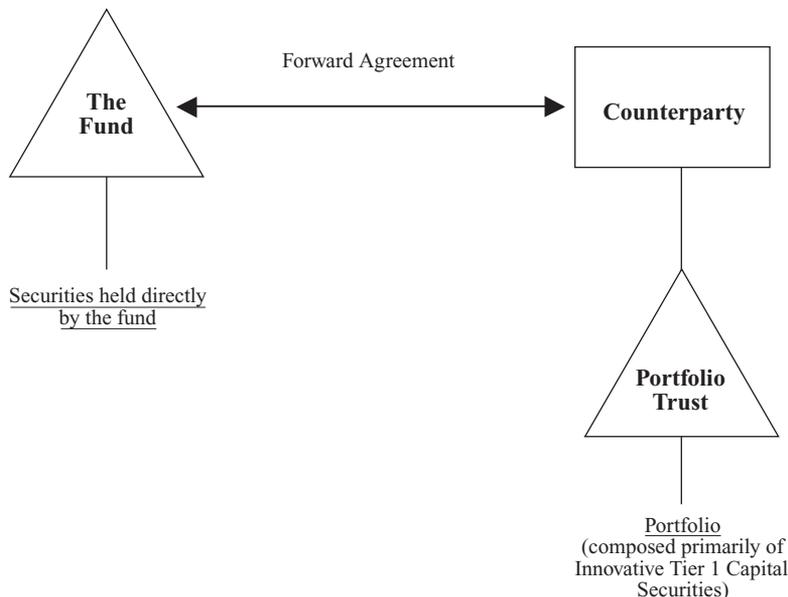
Use of Derivatives

Portfolio Trust may invest in or use derivative instruments, other than commodity derivatives, for hedging purposes consistent with its investment objectives and subject to the investment restrictions of Portfolio Trust. For example, Portfolio Trust may use derivatives, including interest rate hedges, with the intention of offsetting or reducing risks associated with an investment or group of investments. Portfolio Trust may use derivatives to hedge the currency risk of any non-Canadian dollar denominated securities. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time.

OVERVIEW OF THE INVESTMENT STRUCTURE

Portfolio Trust

The following diagram provides an overview of the underlying investment structure of the Fund.



Portfolio Trust will be a newly created trust established prior to the Closing pursuant to the Portfolio Trust Trust Agreement. Portfolio Trust will be established for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the units of Portfolio Trust will be the Counterparty or an affiliate. On the Closing Date, the Counterparty or one of its affiliates may subscribe for units of Portfolio Trust. Portfolio Trust will use any subscription proceeds to acquire the Portfolio. In order to generate additional returns, Portfolio Trust may lend its securities to brokers, dealers and other financial institutions.

Units of Portfolio Trust will be redeemable at the demand of its unitholders. On redemption, a Portfolio Trust unitholder will receive for each unit of Portfolio Trust redeemed an amount equal to the Net Asset Value per unit of Portfolio Trust. The Net Asset Value per unit of Portfolio Trust will be equal to the amount by which the Total Assets of Portfolio Trust exceed its total liabilities on a per unit basis and, accordingly, will be based upon the value of the Portfolio.

Portfolio Trust will generally receive interest income or distributions from Canadian Bank Capital Securities included in the Portfolio. The net income of Portfolio Trust will consist primarily of interest income or distributions, less expenses of Portfolio Trust. Portfolio Trust will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that Portfolio Trust has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by Portfolio Trust may be paid through the issuance of additional units having a Net Asset Value in the aggregate at the date of distribution equal to this difference. Immediately after any such distribution of units, the number of outstanding units of Portfolio Trust may be consolidated such that each unitholder of Portfolio Trust (including the Counterparty or an affiliate, as if it is a

unitholder) will hold after the consolidation the same number of units of Portfolio Trust as it held before the distribution of additional units.

The Forward Agreement

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it or an affiliate will acquire units of Portfolio Trust, which will be a newly formed Ontario trust that will acquire the Portfolio. If the Counterparty or an affiliate does not acquire such units in Portfolio Trust, the Portfolio Manager will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings for the pre-payment of its purchase obligations under the Forward Agreement.

Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund on June 30, 2014, being the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Portfolio Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, Portfolio Trust expects to issue units to the Counterparty or an affiliate with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which Portfolio Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of Portfolio Trust, which, in turn, will be based on the performance of the Portfolio. If no such Portfolio Trust units are acquired by the Counterparty or an affiliate, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Forward Agreement will also allow the Fund to leverage its exposure to Portfolio Trust by up to 25% of its Total Assets (tested daily). This prospectus assumes that the Counterparty or an affiliate will acquire units of Portfolio Trust.

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of Portfolio Trust to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, it is anticipated that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a

termination of the Forward Agreement prior to the Scheduled Termination Date, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances.

THE CANADIAN BANK CAPITAL SECURITIES MARKET

The Canadian fixed income market comprises all fixed income securities with a term greater than one year including those issued by corporations; entities holding debt securities or deposit notes of banks or other income generating assets; as well as provincial governments. The sector of the fixed income market that includes regulated Canadian financial institutions, such as banks, has attracted investors seeking higher yields than those offered by Government Bonds. A number of the securities in this sector, such as Innovative Tier 1 Capital Securities and Subordinated Debt, are issued to finance operations by Canadian banks and generally pay interest or distributions semi-annually and repay principal or a redemption amount on the maturity or call date (as applicable). Canadian Bank Capital Securities generally provide higher yields than comparable term Government Bonds and have ratings that range depending on a number of factors including financial health of the issuer, capital structure priority and structure of issuances.

Canadian Banks

Canadian banks are regulated by the federal government under the Bank Act. The principal bank regulator is the Office of the Superintendent of Financial Institutions. OSFI has issued guidelines concerning the maintenance of adequate capital and has statutory authority to direct the Banks to increase their capital even if a Bank has met the minimum thresholds established by the OSFI guidelines. The OSFI guidelines establish risk-based capital targets for Canadian chartered banks of 7% for Tier 1 Capital and 10% for Total Capital. The Superintendent has actively monitored Canadian financial institutions with a view to ensuring that they have sufficient capital ratios to underpin their viability. Recently the six largest Canadian banks have been actively raising capital in public debt and equity markets to increase their regulatory capital. In late 2008, OSFI amended the rules with respect to what constitutes an innovative Tier 1 security, following which there has been an increase in the level of issuance of Innovative Tier 1 Capital Securities.

Canadian Banks in an International Context

The six largest Canadian banks benefit from a robust regulatory structure and a business model built upon a stable and diverse foundation with operations in several financial services sectors, including national retail banking, retail brokerage and investment banking. As a result, while not immune from the global financial crisis, Canadian banks have avoided many of the general hardships of the US and European banks. Due in large part to the regulatory environment under which Canadian banks operate, the Canadian banking industry has earned international recognition as being conservative, well-run and well capitalized. Canadian banks were recently ranked #1 globally in the “Soundness of Banks” category by the World Economic Forum in its *Global Competitiveness Report 2008-2009*.

The Bank of Canada and the federal government have announced that they are actively monitoring the Canadian banking system with a view to ensuring that robust support is in place if necessary; however, to date, no Canadian bank is in a position where it has required a federal bailout analogous to what has occurred in the United States and Europe. During the recent financial crisis Canadian banks have maintained dividends on their common and preferred shares as well as Investment Grade credit ratings while many US and European banks have been forced into restructuring, bankruptcy or partial or full government nationalization. Brian Cowen, Ireland’s Prime Minister, and Paul Volcker, former Federal Reserve Chief and advisor to United States President Barack Obama, have advocated financial system reforms based on the Canadian banking system for their respective countries.

Capital Structure of Canadian Banks

The three primary considerations for defining the consolidated capital of a financial institution for purposes of measuring capital adequacy are: (i) its permanence, (ii) it being free of mandatory fixed charges against

earnings, and (iii) its subordinate legal position to the rights of depositors and other creditors of the institution. Total capital comprises three tiers. Tier 1 (core capital) comprises the capital elements that most adequately address these considerations. Tier 2 elements (supplementary capital) fall short in meeting either of the first two capital properties, but contribute to the overall strength of a company as a going concern. Tier 1 capital is made up of common, preferred and innovative Tier 1 capital. Since October 2008, Canadian banks have raised over \$7 billion in Tier 1 common, preferred and innovative capital which reflects the general trend towards an increase in Tier 1 capital relative to risk-weighted assets. The definition of Tier 2 capital differentiates between what are referred to as hybrid (Tier 2A) and limited life (Tier 2B) instruments. Tier 3 capital is used only to meet market risk capital requirements. A bank's Tier 1 Capital ratio represents the total amount of Tier 1 Capital as a percentage of the bank's risk weighted assets.

The following chart is illustrative of an extract of a bank balance sheet of liabilities and shareholders' equity.

Sample Extract of a Bank Balance Sheet — Liabilities and Shareholders' Equity⁽¹⁾

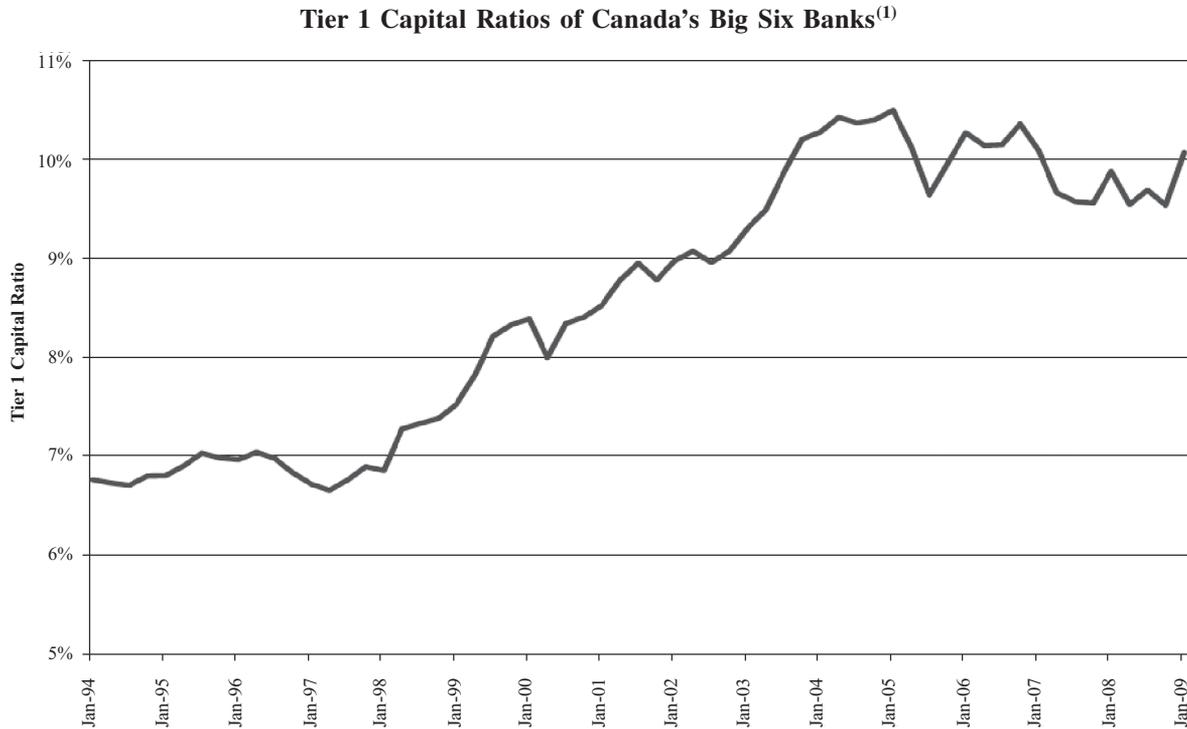
Deposits/Senior Debt
Subordinated Debt
Innovative Tier 1 Capital Securities
Preferred Shares
Common Shares

(1) This extract of a bank balance sheet is not necessarily illustrative of Canadian bank obligations in terms of priority on distribution or liquidation.

The following chart includes typical provisions of Innovative Tier 1 Capital Securities, Reset Subordinated Debentures and perpetual preferred shares of the Canadian banks.

	Innovative Tier 1 Capital Securities (Tier 1 Capital)	Reset Subordinated Debentures (Fixed/Floater) (Tier 2A Capital)	Perpetual Preferred Shares (5-Year Rate Resets) (Tier 1 Capital)
Issuer	Issued by entities related to banks	Issued directly by banks	Issued directly by banks
Ratings	Two notches below senior debt	One notch below senior debt	Two notches below senior debt
Legal Maturity	Perpetual or up to 99 years	99 years	Perpetual
Early Call Right at Par	Callable at par generally after 10 - 30 years	Callable at par after 10 years	Callable at par any time after first 5 years
Distribution Rate	Fixed semi-annual distributions (non-cumulative)	Fixed semi-annual interest	Fixed quarterly dividends (non-cumulative)
Consequence of Halting Distributions	Prohibits dividend payments on common and preferred shares	Prohibits dividend payments on preferred and common shares	Prohibits dividend payments on common shares
Interest Rate-Reset if Issue Not Called	Reset based on Government Bonds 5 year rate (or Bankers' Acceptance rate) plus an increased spread	Reset based on Government Bonds 5 year rate plus an increased spread	Reset based on Government Bonds 5 year rate plus fixed spread (no "step-up" in spread)
Mandatory Distribution Deferral	Distributions not paid at all, or paid in preferred shares of the banks, if dividends are not paid on preferred and/or common shares of banks	None	Dividends not paid, generally, if distributions not paid on Innovative Tier 1 Capital Securities
Investor Retraction	Generally none	None	None
Upon liquidation of the Bank	Exchanged for preferred shares of banks	Converted into preferred shares	Rank below senior debt and subordinated debt but above common shares

The following graph shows the average Tier 1 Capital ratio of the Banks over the last 15 years.



Source: BMO Nesbitt Burns Inc., based on company reports of the Canadian Banks. Starting in Q1-08, Basel II methodology used.

(1) A bank's Tier 1 Capital ratio represents the total amount of Tier 1 Capital as a percentage of the bank's risk weighted assets.

Innovative Tier 1 Capital Securities

As the capital markets have recognized the relative soundness of Canadian Banks, there has been an increased demand by investors for Canadian Bank Capital Securities and preferred shares. The Canadian Banks have taken advantage of this market demand and have participated in sizeable issuances of Canadian Bank Capital Securities to raise regulatory capital, thereby further growing their capital base. As part of this recent round of issuance of Canadian Bank Capital Securities, the Canadian Banks have participated in the issuance of Innovative Tier 1 Capital Securities, which are hybrid securities that qualify as Tier 1 capital under the OSFI guidelines, and are also known as "innovative Tier 1 Capital instruments". There are currently 28 different Innovative Tier 1 Capital Securities that have been issued by entities related to the Canadian Banks, with a total par value of approximately of \$15.9 billion. These securities are designed to provide a bank with a cost effective means of raising capital. Innovative Tier 1 Capital Securities have long maturities or are perpetual, but generally include either convertibility or "step up" features, usually 10 years or longer from the date of issuance. On the "step up" date, the issuer can call the security at par, but if such security is not called there is generally a step up in the coupon rate. The "step up" in coupon in recent Innovative Tier 1 Capital Security issuances has been considerably higher than earlier issuances. However, issuers of Innovative Tier 1 Capital Securities are not obligated to call such securities on the step up date and OSFI approval is required to do so. As such these securities are viewed as equity-like and are treated as permanent capital by OSFI. Several Innovative Tier 1 Capital Securities include covenants for the benefit of securityholders whereby the bank related to such securities will refrain from declaring dividends on its common and preferred shares for a specified period if interest or distributions on the Innovative Tier 1 Capital Securities are not paid in full. Recent offerings of these securities have largely been placed with institutional investors and have been difficult for retail investors to purchase on issuance despite significant demand.

Recent Issuances of Innovative Tier 1 Capital Securities

The following are examples of recent issuances of Innovative Tier 1 Capital Securities:

In March 2009, CIBC Capital Trust, issued \$1,300,000,000 principal amount of 9.976% CIBC Tier 1 Notes — Series A and \$300,000,000 principal amount of 10.25% CIBC Tier 1 Notes — Series B. The notes mature on June 30, 2108, however, beginning on June 30, 2014, CIBC Capital Trust may, at its option, redeem both series of notes in whole or in part. CIBC Capital Trust may redeem the Series A Notes for par on June 30, 2019, and every fifth anniversary thereafter, until June 30, 2104. The Series B Notes may be redeemed by CIBC Capital Trust for par on June 30, 2039 and every fifth anniversary thereafter, until June 30, 2104.

In January 2009, TD Capital Trust IV issued \$550,000,000 principal amount of 9.523% TD Capital Trust IV Notes — Series 1 and \$450,000,000 principal amount of 10% TD Capital Trust IV Notes — Series 2. The notes mature on June 30, 2108, however, beginning on June 30, 2014, TD Capital Trust IV may, at its option redeem both series of notes in whole or in part. TD Capital Trust IV may redeem the Series 1 Notes for par on June 30, 2019, and every fifth anniversary thereafter, until June 30, 2104. The Series 2 Notes may be redeemed by TD Capital Trust IV for par on June 30, 2039 and every fifth anniversary thereafter, until June 30, 2104.

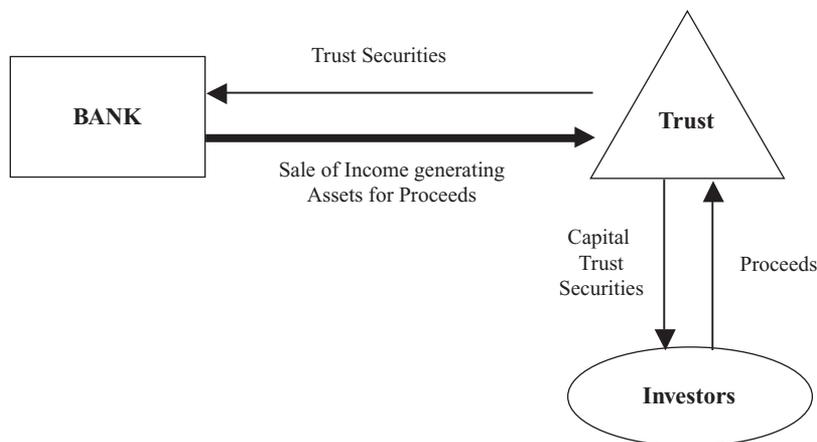
In December 2008, BMO Capital Trust II issued \$450,000,000 principal amount of 10.221% BMO Tier 1 Notes — Series A due December 31, 2107. Beginning on December 31, 2013 the notes may be redeemed by BMO Capital Trust II in whole or in part. On December 31, 2018 and every fifth anniversary of such date thereafter, until December 31, 2103, the notes may be redeemed for par.

These Innovative Tier 1 Capital Securities contain similar features with respect to redemptions other than at par, interest resets, automatic exchanges and required re-investments of the Innovative Tier 1 Capital Securities' interest payments in Bank preferred shares. If these Innovative Tier 1 Capital Securities are redeemed on a date other than as specified above, they will be redeemed at the greater of par and the annual yield to maturity of a non-callable Government of Canada bond plus a spread. The spread amount varies depending on whether the actual redemption date is earlier or later than the earliest date that the Capital Trust Security could have been redeemed. The spread is generally higher if redeemed after the earliest date that the Capital Trust Security could have been redeemed for par. In each case, redemption of the Innovative Tier 1 Capital Securities is subject to receipt of OSFI approval. These Innovative Tier 1 Capital Securities also contain an interest reset feature. The interest rate of these Innovative Tier 1 Capital Securities will reset on the earliest day the Innovative Tier 1 Capital Securities can be called for par and every fifth anniversary thereafter. The interest rate will reset to an amount equal to the annual yield to maturity of a five year non-callable Government of Canada bond plus a spread. These Innovative Tier 1 Capital Securities will be automatically exchanged for a series of Bank preferred shares upon the liquidation or winding up of the Bank related to the Innovative Tier 1 Capital Securities; if the Bank's regulatory capital appears to fall below certain required thresholds; or if the Superintendent takes control of the Bank pursuant to the Bank Act. Holders of the Innovative Tier 1 Capital Securities will be required on each interest payment date to invest the interest paid on the securities in a new series of preferred shares if: the Bank related to the Innovative Tier 1 Capital Securities fails to pay dividends on its preferred shares (or failing preferred shares being outstanding, on its common shares in accordance with the Bank's normal dividend practice); the Bank elects to pay the interest due on the Innovative Tier 1 Capital Securities in preferred shares; or for whatever other reason the interest is not paid in cash.

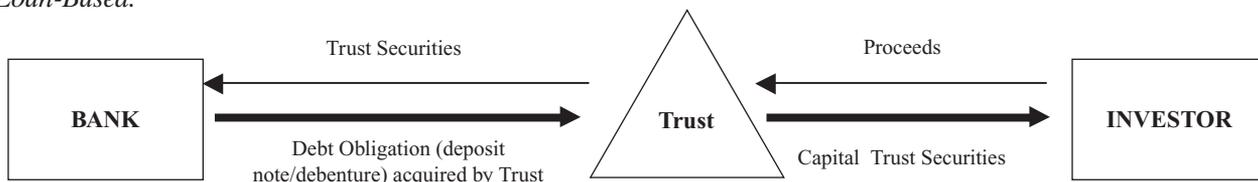
Innovative Tier 1 Structures

The following diagrams are illustrative of the typical structure of Innovative Tier 1 Capital Securities.

Asset-Based:



Loan-Based:



INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The Fund will be subject to the investment restrictions set out below, and will also indirectly be subject to the investment restrictions of Portfolio Trust as a result of the Forward Agreement. The investment restrictions of the Fund, which are set forth in the Trust Agreement, provide that the Fund will not:

- with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than “Canadian securities” for the purposes of the Tax Act;
- purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;
- employ financial leverage, except in connection with the Forward Agreement, and such leverage will not exceed 25% of the Total Assets (tested daily);
- make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof); or
- make or hold any investment that would result in the Fund being subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 — *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

Investment Restrictions of Portfolio Trust

Portfolio Trust will be subject to certain investment restrictions which are set out in the Portfolio Trust Trust Agreement. The investment restrictions of Portfolio Trust provide that Portfolio Trust will not:

- (a) invest less than 80% of the Total Assets of Portfolio Trust (measured at the time of investment) in Canadian Bank Capital Securities, invest less than 60% of Total Assets of Portfolio Trust (measured at the time of investment) in Innovative Tier 1 Capital Securities, nor invest more than 20% of the Total Assets of Portfolio Trust in Cash and Cash Equivalents, Bank Shares and Life Insurance Company Securities (measured at the time of investment), except within 90 days of the Closing Date and within 90 days of the Fund's termination.
- (b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, Portfolio Trust would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;
- (c) purchase the common or preferred shares of any "substantial securityholder" of Portfolio Trust (as defined in the *Securities Act* (Ontario)) or the direct or indirect parent of any substantial securityholder of the Portfolio Trust;
- (d) make or hold any investments in entities that would be "foreign affiliates" of Portfolio Trust for purposes of the Tax Act;
- (e) make or hold any securities in any non-resident trusts other than "exempt foreign trusts" as defined in subsection 94(1) of the Tax Act as set forth in former Bill C-10, which was before the second session of the 39th Parliament (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);
- (f) at any time, hold any property that is a "non-portfolio property" for the purposes of the SIFT Rules;
- (g) make or hold any investments that could require Portfolio Trust to include any material amount in its income pursuant to proposed sections 94.1 or 94.3 of the Tax Act or require Portfolio Trust to mark the investment to market in accordance with proposed section 94.2 of the Tax Act, all as set forth in Bill C-10, which was before the second session of the 39th Parliament, (or pursuant to any amendments to such proposals, subsequent provisions as enacted into law, or successor provisions thereto); or
- (h) pledge any of its assets or employ leverage, except in connection with interest rate hedging, securities lending or use of derivatives as described under "Investment Strategy".

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offerings (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be \$700,000 (but not to exceed 1.5% of the gross proceeds of the Offerings), will be paid out of the gross proceeds of the Offerings by the Fund. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund and Portfolio Trust equal in the aggregate to 0.50% per annum of the applicable Net Asset Value, (0.25% from the Fund and 0.25% from the Portfolio Trust), calculated and payable monthly in arrears, plus applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs will be pro-rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days in such month. The Manager is responsible for paying the fees payable to the Portfolio Manager out of the Management Fee.

Service Fee

The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter), solely with respect to the Class A Units, equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units.

Counterparty Fees

The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.35% per annum of the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of Portfolio Trust).

Ongoing Expenses

Each of the Fund and Portfolio Trust will pay for all expenses incurred in connection with their respective operation and administration which, in the case of the Fund will generally be allocated to each class of Units *pro rata* based on the Net Asset Value of each class, with the exception of any expenses that relate solely to one class, including, fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund and investor relations, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur, but excluding the fees payable to the Portfolio Manager. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Portfolio Manager, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund or Portfolio Trust.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, fees under the Forward Agreement and brokerage expenses related to portfolio transactions, will be approximately \$110,000 per year for the Fund and \$50,000 per year for Portfolio Trust (assuming an aggregate size of the Offerings of approximately \$100 million).

Additional Services

Any arrangements for additional services between the Fund or Portfolio Trust and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund and Portfolio Trust, as applicable, than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund and Portfolio Trust, as applicable, will pay all expenses associated with such additional services.

RISK FACTORS

Certain risk factors relating to the Fund, Portfolio Trust and the Units are described below. Additional risks and uncertainties not currently known to the Manager or the Portfolio Manager, or that are currently considered immaterial, may also impair the operations of the Fund or Portfolio Trust. If any such risk actually occurs, the undertaking, financial condition, liquidity or results of operations of the Fund, and the ability to the Fund to make distributions on the Units, could be materially adversely affected.

General Risks of Investing in Canadian Bank Capital Securities — No Guarantee of Distributions

Generally, Canadian Bank Capital Securities will decrease in value when interest rates rise and increase in value when interest rates decline. The Net Asset Value of Portfolio Trust will fluctuate with interest rate changes

and the corresponding changes in the value of the securities in the Portfolio. The value of Canadian Bank Capital Securities is also affected by the risk of default in the payment of interest or non-payment of distributions and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Canadian Bank Capital Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts. Most of the Canadian Bank Capital Securities that may be included in the Portfolio from time to time are unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Global financial markets have experienced a significant repricing in recent months that has contributed to a reduction in liquidity and the availability of credit enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

Innovative Tier 1 Capital Securities Risk

The Portfolio will include Innovative Tier 1 Capital Securities. Innovative Tier 1 Capital Securities involve risk with respect to the performance and capital levels of Canadian Banks. Innovative Tier 1 Capital Securities are securities issued by special purpose vehicles established by the Banks or other financial institutions or entities, and therefore investments in these securities create risks related to the solvency of such special purpose vehicles. Innovative Tier 1 Capital Securities generally provide a return on investment through the ownership by the special purpose vehicle of a Bank and other debt securities and deposit notes or other assets. Innovative Tier 1 Capital Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts.

The holders of Innovative Tier 1 Capital Securities may be required to invest interest paid under the instruments in a new or existing series of the Bank's preferred shares in the event of certain prescribed circumstances such as the Bank failing to declare cash dividends on all of its outstanding preferred shares, or failing any preferred shares being outstanding, on all of the outstanding common shares in accordance with the Bank's ordinary dividend practice, or for other reasons. Innovative Tier 1 Capital Securities may also be automatically exchanged for a new or existing series of Bank preferred shares without the consent of the holders of the Innovative Tier 1 Capital Securities in certain circumstances, such as a decline in the performance and capital levels of the Bank or upon the Bank becoming insolvent or bankrupt. As such, the holders of Innovative Tier 1 Capital Securities, including the Portfolio Trust, could become shareholders of a Bank at a time when the Bank's financial condition is deteriorating or when the Bank has become insolvent or bankrupt or resolved to be wound-up or has been ordered wound-up or liquidated. The new Bank series of preferred shares (or in some cases an existing series of preferred shares) issued due to either the insolvency or bankruptcy of the Bank or its failure to pay dividends, or for any other reason, may rank equally with other preferred shares of the Bank. Holders of the Innovative Tier 1 Capital Securities may in certain circumstances rank subordinate to the claims of depositors and creditors of the Bank.

There can be no guarantee that the triggering events requiring holders of Innovative Tier 1 Capital Securities, such as the Portfolio Trust, to subscribe for preferred shares of the Bank will not change over time or will not vary from one Capital Trust Security to another. There can be no guarantee that the new series of preferred share (or existing preferred shares) will pay a dividend, appreciate, or that there will be a liquid market for such preferred shares. There can be no guarantee that the Bank or entity issuing the Innovative Tier 1 Capital Securities will resume payment of interest on the Innovative Tier 1 Capital Securities, or necessarily redeem the instruments, and due to the long life of the instruments holders of the Innovative Tier 1 Capital Securities may continue to receive preferred shares rather than cash interest payments.

As a result, were the Portfolio to become a holder of a new or existing series of Bank preferred shares, it could receive substantially less than as a holder of Innovative Tier 1 Capital Securities that have not been exchanged for a new or existing series of Bank preferred shares, which in turn could effect the ability of the Fund to meet its investment objectives, including paying targeted quarterly distributions.

Event of default provisions, including acceleration and subordination provisions, are not likely to be relevant to holders of Innovative Tier 1 Capital Securities, including Portfolio Trust, in their capacity as creditors of entities that issue such securities since the Innovative Tier 1 Capital Securities will automatically be exchanged for preferred shares of the Bank prior to the occurrence of several events that may otherwise have been considered events of default.

Reset Subordinated Debenture Risk

The Portfolio may include Reset Subordinated Debentures. Reset Subordinated Debentures involve risk with respect to the performance and capital levels of Canadian Banks. Interest on the Reset Subordinated Debentures is reset periodically, which new interest rates are unlikely to be the same as, and may be lower than, the interest rates for the preceding periods.

In certain circumstances, including when a Bank does not report cumulative consolidated net income for the immediately preceding four financial quarters or fails to declare any cash dividends on all of its outstanding preferred shares and common shares, a Bank may defer interest payments on the Reset Subordinated Debentures. There is no limit on the number of times the Bank may defer interest payments or, during the term of the Reset Subordinated Debentures, on the duration of the period or periods of such deferral. While interest payments are being deferred, interest will accrue but will not compound. Once deferred, there is no specific requirement as to when interest payments must resume and the Bank may defer interest payments up until, but not beyond, maturity of the Reset Subordinated Debentures.

An investment in the Reset Subordinated Debentures may become an investment in preferred shares of the Bank in certain circumstances, including when the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act, or a winding-up order in respect of the Bank is applied for or granted. As a result, a holder of Reset Subordinated Debentures, including Portfolio Trust, may become a shareholder of the Bank at a time when the Bank's financial condition is deteriorating or when it has become insolvent or has been ordered to be wound-up or liquidated. In the event of the Bank's liquidation, the claims of its depositors and creditors (including holders of subordinated indebtedness) would be entitled to priority of payment over holders of preferred shares. If the Bank were to become insolvent or be ordered to be wound-up or liquidated following the automatic conversion of the Reset Subordinated Debentures into preferred shares, a holder of preferred shares may receive, if anything, substantially less than such holder would have received as a holder of Reset Subordinated Debentures.

Event of default provisions, including acceleration and subordination provisions, are not likely to be relevant to holders of Reset Subordinated Debentures, including Portfolio Trust, in their capacity as creditors of the Bank since the Reset Subordinated Debentures will automatically convert into preferred shares of the Bank effective as of the day before the occurrence of several events that may otherwise have been considered events of default.

Leverage Risk

The Fund's exposure to the Portfolio through the Forward Agreement may be increased by up to 25% at the time leverage is employed. As a result of fluctuations in the prices of the securities in the Portfolio, leverage may temporarily, and from time to time, exceed 25%. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Fund will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the securities in the Portfolio, the leverage under the Forward Agreement will cause a decrease in the Net Asset Value of the Fund in excess of that which would otherwise be experienced. Under certain conditions, leverage may be reduced or discontinued under the terms of the Forward Agreement.

Term Risk

The securities in the Portfolio may be perpetual in nature or have very long terms. Investors tend to value these securities based on the assumption that they will be called on the first date that the coupon will be reset. In the event that an issuer does not call a particular security on this date then it may affect the market value thereof.

Concentration Risk

The Portfolio will be concentrated in securities issued by, or related to the securities of, the Banks and therefore the Net Asset Value of the Fund and Portfolio Trust may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time.

Illiquid Securities

There is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or at their respective par or maturity values. Certain securities held in the Portfolio may trade infrequently if at all and may trade at a significant premium or discount to the last recorded trade.

Re-investment Risk

A security in the Portfolio may include a call or redemption provision that permits the issuer of such security to “call” or redeem its securities. The existence of such provisions will, if exercised, require such a security to be removed from the Portfolio and replaced with new securities. These actions may have implicit costs to the Fund and may reduce the distributions paid to Unitholders. At any time that the Portfolio is re-adjusted in the discretion of the Manager or as a result of a redemption or call provision in the terms of a security in the Portfolio, the distributions available to Unitholders may be affected as, among other things, such security included in the Portfolio upon any such re-adjustment may not provide the same rate of return as the security replaced. In addition, if the call or redemption price of a security in the Portfolio is less than the price paid by the Portfolio Trust upon its inclusion in the Portfolio, and that security is redeemed, the Net Asset Value of the Fund will be negatively impacted.

Interest Rate Fluctuations

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

Fluctuation in Value of Portfolio Securities

The value of the Units will vary according to the value of the securities included in the Portfolio by virtue of the Forward Agreement. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of Portfolio Trust, the Manager or the Portfolio Manager, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating, or having exposure to assets, outside of Canada, exchange rates, interest rates, political risks, issues relating to government regulation, credit markets and other financial market conditions. The Portfolio Trust has entered into some commitments to purchase securities. Accordingly, the Portfolio has exposure to changes in the market value of such securities.

Recent Global Financial Developments

Global financial markets have experienced a sharp increase in volatility during recent months. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not materially and adversely affect economies around the world in the near to medium term. Some of these economies may experience significantly diminished growth or a recession. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the securities included in the Portfolio. As a result of the recent global financial volatility there is a risk that financial institutions may be nationalized, partially nationalized or come under the control of regulatory bodies, the result of which may be a total loss of value of certain of the Innovative Tier 1 Capital Securities while the interest payments on senior and subordinated debt of such financial institutions continue to be satisfied.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund or Portfolio Trust will be able to achieve their respective investment objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long

term, nor is there any assurance that the Net Asset Value of the Fund or Portfolio Trust will appreciate or be preserved. Changes in the relative weightings between the various types of securities making up the Portfolio can affect the overall yield to Unitholders.

Composition of Portfolio

The composition of the securities included in the Portfolio taken as a whole may vary widely from time to time, resulting in the securities included in the Portfolio being less diversified than anticipated. Overweighting investments in certain issuers, sectors or industries involves risk that Portfolio Trust will suffer a loss because of declines in the prices of securities in those issuers, sectors or industries.

Counterparty Risk

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate of a Canadian chartered bank and an affiliate of one of the Agents. In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. The Counterparty may be the issuer of securities in the Portfolio or may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund or Portfolio Trust. Depending on the value of the Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty will default on its obligations under the Forward Agreement or that the proceeds from the sale of securities acquired under the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of securities acquired under the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of Portfolio Trust or the Counterparty and the Counterparty is not responsible for the returns of the Portfolio. In addition, through the Forward Agreement, the Counterparty will also provide leverage which may constitute a conflict of interest.

Use of Derivatives

Portfolio Trust may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that Portfolio Trust's hedging strategies will be effective. Portfolio Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by Portfolio Trust of margin deposits in the event of the bankruptcy of the dealer with whom Portfolio Trust has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of Portfolio Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If Portfolio Trust is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on Portfolio Trust's ability to use derivative instruments to effectively hedge the Portfolio.

Securities Lending

Portfolio Trust may engage in securities lending. Although Portfolio Trust will receive collateral for the loans and such collateral will be marked-to-market, Portfolio Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Reliance on the Portfolio Manager

The Portfolio Manager will manage Portfolio Trust in a manner consistent with the investment objectives and the investment restrictions of Portfolio Trust. The officers of the Portfolio Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios,

however there is no certainty that such individuals will continue to be employees of the Portfolio Manager until the termination of the Fund.

Trading Price of Units

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Class A Unit. Units will be redeemable at 100% of the Net Asset Value per Unit of the relevant class on an Annual Redemption Date less any costs associated with the redemption, including brokerage costs. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts of the Class A Units.

No Market for Class F Units

Class F Units will not be listed on any stock exchange. It is expected that liquidity for the Class F Units will be primarily obtained by means of conversion into Class A Units and the sale of those Class A Units.

Taxation of the Fund

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses.

If, contrary to the advice of counsel to the Fund, whether through the application of the general anti-avoidance rule or otherwise, or as a result of a change of law, the acquisition of Canadian Securities Portfolio securities under the Forward Agreement were a taxable event or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

On October 31, 2003 the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been received to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

No Ownership Interest

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund or Portfolio Trust.

Changes in Legislation and Regulatory Risk

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of trusts under the Tax Act will not be changed in a manner which adversely affects the Fund or Unitholders. Canadian Bank Capital Securities are generally created based on current regulations affecting Canadian financial institutions and OSFI's interpretation of these regulations. If these regulations change, or the interpretation thereof changes, such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Portfolio.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Conflicts of Interest

The Manager and Portfolio Manager and their respective directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund and Portfolio Trust. Although none of the directors or officers of the Manager or the Portfolio Manager will devote his or her full time to the undertaking and affairs of the Fund or Portfolio Trust, each director and officer of the Manager and the Portfolio Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the undertaking and affairs of (in the case of officers) the Fund, Portfolio Trust, the Manager and the Portfolio Manager, as applicable.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. It is intended that the Fund will be a mutual fund trust for purposes of the Tax Act.

Risks Relating to Redemptions

The purpose of the annual redemption right is to prevent Class A Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Class A Units trade at a significant discount to their Net Asset Value, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable Net Asset Value and the discounted market price at which they purchased their Units.

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under “Redemption of Units — Suspension of Redemptions”.

Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemptions dates in the past.

Operating History

The Fund is a newly organized investment fund with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the Offerings.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Nature of Units

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Equity Securities

The Bank Shares and Life Insurance Company Securities held in the Portfolio may consist of common and preferred shares that give Portfolio Trust part ownership in Banks and Life Insurance Companies. The value of such equity securities changes with the fortunes of the Banks and Life Insurance Companies that issue them. General market conditions and the health of the economy as a whole can also effect equity prices. Equity-related securities that provide indirect exposure to equity securities of an issuer, such as convertible debentures, can also be affected by equity risk.

DISTRIBUTION POLICY

The Fund will have a term of approximately five years, terminating on June 30, 2014. The Fund intends to pay quarterly distributions initially estimated to be \$0.375 per Unit, representing a yield of 6.0% per annum on the Unit issue price. Based on the Indicative Portfolio and assuming (i) an aggregate size of the Offerings of \$100 million, (ii) the employment of the investment strategy as described under “Investment Strategy”, (iii) the use of leverage as described herein, and (iv) the fees and expenses described under “Fees and Expenses”, it is expected that the Fund will be able to maintain a stable Net Asset Value and pay such distributions.

The distributions are not guaranteed. The initial distribution is payable to Unitholders of record on September 30, 2009 and will be paid no later than October 15, 2009. The first distribution will reflect the period from the Closing Date to September 30, 2009. The Manager will review such distribution policy from time to time and the distribution amount may change from time to time.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act, the Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of each class of Units of record on December 31, *pro rata* based on the Net Asset Value of each class. The Additional Distribution may be necessary if the Fund realizes income for tax purposes which is in excess of the quarterly distributions paid or made payable to Unitholders during the year. If the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units may be automatically consolidated on a basis such that each Unitholder of a class of the Fund will hold after the consolidation the same number of Units of the applicable class of the Fund as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution. See “Canadian Federal Income Tax Considerations”.

PURCHASES OF SECURITIES

The Fund proposes to offer Class A Units and Class F Units, each at a price of \$25.00 per Unit (with a minimum subscription of 100 Units for \$2,500.00). Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offering will take place on or about June 9, 2009, or such later date as may be agreed upon by the Fund and the Agents, but in any event no later than August 12, 2009. The distribution price was determined by negotiation between the Agents and the Fund. See “Plan of Distribution”.

REDEMPTION OF UNITS

Annual Redemptions

Class A Units and Class F Units may be redeemed on an Annual Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of October in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependant upon the performance of Portfolio Trust (or the Notional Portfolio). Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager’s right to

suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. The Net Asset Value per Unit will vary depending on a number of factors. See “Risk Factors”.

Monthly Redemptions

In addition to the annual redemption right, Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager’s right to suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. See “Risk Factors”.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount. Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Class A Unit.

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date in order to fund redemptions. The value of the Forward Agreement on an Annual Redemption Date or a Monthly Redemption Date, and accordingly, the Net Asset Value per Unit on an Annual Redemption Date or Monthly Redemption Date, as applicable, and the redemption price will be dependent upon the performance of Portfolio Trust and the Net Asset Value of Portfolio Trust units (or the Notional Portfolio).

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice dates described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Annual Redemption Date or Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice dates described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, if such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder’s instructions will not give

rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) or the Portfolio are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or Portfolio Trust or which impair the ability of the Manager to determine the value of the assets of the Fund or Portfolio Trust. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, is not affiliated with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making an election in accordance with the Tax Act. This summary is based on the assumptions that the Canadian Securities Portfolio will consist solely of "Canadian securities" for purposes of the Tax Act and that the Fund will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it and the Tax Proposals and a certificate from the Agent's regarding certain matters. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor's particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel express no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act, that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of

Units. The Manager has advised counsel that the Fund intends to make an election so that it might qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year.

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by a Registered Plan. Holders of tax-free savings accounts should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel have been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act, subject to the possible application of the SIFT Rules as discussed below. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (“capital gains refund”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units. In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct the costs and expenses of the Offerings paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in computing the Fund’s income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment at an early opportunity. To date no such alternative proposal has been announced.

Recent amendments to the Tax Act impose tax on certain income earned by a SIFT Trust. Under these amendments, a trust will be considered a SIFT Trust if, at any time during the taxation year, it is resident in Canada, its securities are listed or traded on a stock exchange or other public market and it holds one or more “non-portfolio properties”. Provided the Fund complies with its investment restrictions it will not be subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

Taxation of Unitholders

Subject to the possible application of the SIFT Rules described above, a Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will generally not be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. Any capital gains distribution paid on the redemption of a Unit will reduce the redemption proceeds otherwise payable. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

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

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan are generally not taxable under Part I of the Tax Act while retained in a Registered Plan, provided that the Units are qualified investments under such Registered Plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a tax-free savings account, a Unitholder will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, or in which the holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust's outstanding units by the holder, either alone or together with persons with whom the holder does not deal at arm's length. Unitholders are advised to consult their own tax advisors in this regard.

Taxation Implications of the Fund's Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes quarterly distributions, as described under "Distributions",

the consequences of acquiring Units late in a calendar year will generally depend on the amount of the quarterly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

Eligibility For Investment

In the opinion of Stikeman Elliott LLP, counsel for the Fund, and McCarthy Tétrault LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, and tax-free savings accounts.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager of the Fund

Connor, Clark & Lunn Capital Markets Inc. has offices at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The Manager oversees, manages and implements the objectives of the Fund. The Fund's objectives are to (i) provide Unitholders with attractive tax-advantaged quarterly cash distributions, and (ii) return to Unitholders the original issue price of the Units upon the termination of the Fund on June 30, 2014.

The Manager is a registered investment counsel and portfolio manager. The Manager is a leading provider of investment products that has raised over \$1.3 billion since 2004. The Manager is part of the Connor, Clark & Lunn Financial Group, which has approximately \$28 billion of assets under management as at March 31, 2009.

The Manager acts as manager or investment advisor for the following investment funds: Connor, Clark & Lunn ROC Pref Corp., Connor, Clark & Lunn Conservative Income Fund II, Clark & Lunn Real Return Income Fund, ROC Pref III Corp., Connor, Clark & Lunn Conservative Income Fund, ROC Pref II Corp., ROC Pref Corp., Connor and Clark & Lunn PRINTS Trust, Connor, Clark & Lunn Global Financials Fund II, CANADIAN Financials & Utilities Split Corp, Focused Global Trends Fund, Connor, Clark & Lunn 2007 Flow-Through Limited Partnership and Connor, Clark & Lunn 2008 Flow-Through Limited Partnership.

Duties and Services to be Provided by the Manager

Pursuant to the Management Agreements, the Manager has exclusive authority to manage the operations and affairs of the Fund and Portfolio Trust, as applicable, to make all decisions regarding the undertaking of the Fund and Portfolio Trust and to bind the Fund and Portfolio Trust. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund and/or Portfolio Trust to do so.

The Manager's duties will include maintaining accounting records for the Fund and Portfolio Trust; authorizing the payment of operating expenses incurred on behalf of the Fund and/or Portfolio Trust; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund and Portfolio Trust comply with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's and Portfolio Trust's reports to unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfil its fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund and/or Portfolio Trust; dealing and communicating with unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager will also implement the Fund's and Portfolio Trust's investment strategy to ensure compliance with the Fund's and Portfolio Trust's investment guidelines and that the net proceeds of the Offerings are invested as described under "Use of Proceeds".

The Fund will enter into the Registrar, Transfer Agency and Distribution Agency Agreement, as referred to under “Organization and Management Details of the Fund — Transfer Agent and Registrar”. Such agreement does not in any way release the Manager from compliance with its obligations to the Fund under the Fund Management Agreement. The Fund may terminate the foregoing agreement upon notice.

Details of the Management Agreements

Pursuant to the Management Agreements, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund, Portfolio Trust and their respective unitholders, as applicable, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The Manager may resign as manager of the Fund and/or Portfolio Trust upon 60 days’ notice to the applicable unitholders and to the Fund and/or Portfolio Trust, as applicable, or upon such lesser notice period as the Fund or Portfolio Trust, as applicable, may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by unitholders of the Fund or the Portfolio Trust, as applicable. If the Manager is in material default of its obligations under the Fund Management Agreement or the Portfolio Trust Management Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund or Portfolio Trust shall give notice thereof to their respective unitholders, as applicable, and such unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Management Agreements as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund.

The Manager and each of its directors, officers, employees and agents will be indemnified by the Fund and Portfolio Trust, as applicable, for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager’s wilful misconduct, bad faith or negligence or the Manager’s failure to meet the standard of care set forth above.

Conflicts Of Interest — Manager and Trustee

The management and administrative services provided by the Manager to the Fund pursuant to the Fund Management Agreement are not exclusive and nothing in the Fund Management Agreement prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Trust Agreement acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm’s length for comparable services. The Trustee may act as trustee of, and provide services to, other investment funds or trusts.

Accounting and Reporting

The Fund’s fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the Fund elects. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable

law, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

Directors and Officers of the Manager of the Fund

The name and municipality of residence of the Directors and Executive Officers of the Manager and their principal occupations are as follows:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
W. NEIL MURDOCH Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL W. FREUND Toronto, Ontario	Director, Chairman and Chief Financial Officer	Managing Partner, Connor, Clark & Lunn Financial Group
PHILIP K. GOW Lunenburg, Nova Scotia	Vice President	Corporate Director
DARREN N. CABRAL Toronto, Ontario	Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

W. Neil Murdoch: *CFA; B.Comm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University.* Mr. Murdoch joined Connor, Clark & Lunn Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

Philip K. Gow: *CFA; BA, Dalhousie University; MBA, Saint Mary's University.* Mr. Gow was a director and Chief Financial Officer of Connor, Clark & Lunn Capital Markets Inc. until July, 2008. His principal occupation is corporate director.

Michael W. Freund: *B.Bus.Sci., University of Cape Town.* Mr. Freund has held various management positions within the Connor, Clark & Lunn Financial Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

Darren N. Cabral: *CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University.* Mr. Cabral joined Connor, Clark & Lunn Capital Markets Inc. in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

During the past five years, all of the directors and officers of the Manager listed above have held their present principal occupations (or similar positions with their present employer or its affiliates), except for Darren N. Cabral who joined Connor, Clark & Lunn Capital Markets Inc. in May 2007.

The Portfolio Manager

Connor, Clark & Lunn Investment Management Ltd. will act as portfolio manager to the Fund and Portfolio Trust. The Portfolio Manager, part of the Connor, Clark & Lunn Financial Group and an affiliate of the Manager, was established in March 1982, and has offices in Vancouver and Toronto. The Portfolio Manager managed assets worth approximately \$16.7 billion as at December 31, 2008, approximately \$6.9 billion of which was in fixed income securities.

The name, municipality of residence, position with the Portfolio Manager and principal occupation of each of the directors and the officers of the Portfolio Manager involved in managing the assets of the Fund or Portfolio Trust are set out below:

<u>Name and Municipality</u>	<u>Position with the Portfolio Manager</u>	<u>Principal Occupation</u>
LARRY R. LUNN Vancouver, British Columbia	Director, Chairman and President	Director, Chairman and President, Connor, Clark & Lunn Investment Management Ltd.
PHILLIP COTTERILL West Vancouver, British Columbia	Director	Director of Connor, Clark & Lunn Investment Management Ltd.
MICHAEL W. FREUND Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
MARTIN L. GERBER West Vancouver, British Columbia	Director and Commodity Advising Officer	Director and Commodity Advising Officer, Clark & Lunn Investment Management Ltd.
BRIAN EBY West Vancouver, British Columbia	Director and Vice President	Director and Vice President, Connor, Clark & Lunn Investment Management Ltd.
GORDON H. MACDOUGALL West Vancouver, British Columbia	Director and Vice President	Director and Vice President, Connor, Clark & Lunn Investment Management Ltd.
J. WARREN STODDART Toronto, Ontario	Director	Managing Partner, Connor, Clark & Lunn Financial Group
GARY BAKER West Vancouver, British Columbia	Director	Director of Connor, Clark & Lunn Investment Management Ltd.
SCOTT HACKNEY Etobicoke, Ontario	Vice President	Vice President, Connor, Clark & Lunn Investment Management Ltd.
KATHLEEN A. LEAVENS Vancouver, British Columbia	Compliance Officer	Compliance Officer, Connor, Clark & Lunn Investment Management Ltd.

Each of the foregoing has held his or her current office or has held a similar office with the Portfolio Manager during the five years preceding the date hereof, except Mr. Baker who was appointed to the Board of Portfolio Manager in 2006.

Connor, Clark & Lunn Investment Management Ltd., will be primarily responsible for investing the Portfolio and the Canadian Securities Portfolio. The team of individuals working at the Portfolio Manager responsible for the Portfolio and the Canadian Securities Portfolio consists of 4 individuals each of whom has significant experience in managing investment portfolios. The investment managers of the Portfolio Manager are Brian Eby, Jane Justice, Chris Kalbfleisch and David George.

The biographies of each of the principal members of The Portfolio Manager that will be managing the Portfolio are as follows:

Brian Eby: *CFA; MBA McMaster University.* Mr. Eby is a partner of Connor, Clark & Lunn Investment Management Partnership, and co-head of the fixed income team responsible for fixed income management strategy and research. Mr. Eby has 21 years experience covering three separate recessionary periods. His experience outside portfolio management includes advising in the structuring/restructuring of public debt programs and underwriting of corporate bonds.

S. Jane Justice: *B.Mgmt. Capilano College.* Ms. Justice is a Partner of Connor, Clark & Lunn Investment Management Partnership and a member of the fixed income team responsible for bond trading and risk management.

Chris Kalbfleisch: *CFA; MSc. Statistics University of Western Ontario.* Mr. Kalbfleisch is a partner of Connor, Clark & Lunn Investment Management Partnership and is a member of the fixed income team. Mr. Kalbfleisch is a quantitative financial markets specialist and is responsible for research. In addition to his experience with the Portfolio Manager, Mr. Kalbfleisch has extensive financial market experience that includes alternative asset portfolio management, derivatives trading and credit risk management.

David George: *CFA; BComm, University of British Columbia.* David is a partner of Connor, Clark & Lunn Investment Management Partnership and a member of the fixed income team responsible for research and analysis.

Details of the Portfolio Management Agreements

Under the Portfolio Management Agreements, the Portfolio Manager is required to act at all times on a basis which is fair and reasonable to Portfolio Trust or the Fund, as applicable, to act honestly and in good faith with a view to the best interests of Portfolio Trust or the Fund, as applicable, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Portfolio Management Agreements provide that the Portfolio Manager shall not be liable in any way for any default, failure or defect in the Innovative Tier 1 Capital Securities or other securities held by Portfolio Trust or for any loss or diminution in the value of such securities or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Portfolio Manager will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Portfolio Management Agreements will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated, the Portfolio Management Agreements will terminate at such time. The Manager may terminate the Portfolio Management Agreements if the Portfolio Manager has committed certain events of bankruptcy or insolvency, has lost any registration, licence or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 Business Days after notice thereof has been given to the Portfolio Manager by the Manager. Except as described above, the Portfolio Manager cannot be terminated as the portfolio manager of Portfolio Trust or the Fund.

The Portfolio Manager may terminate the Portfolio Management Agreements upon 20 business days' notice in the event that Portfolio Trust, the Fund or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager, the Fund and to Portfolio Trust, as applicable, or in the event that there is a material change in the investment guidelines of Portfolio Trust or the Fund, as applicable.

If either of the Portfolio Management Agreements is terminated, the Manager will promptly appoint a successor portfolio manager to carry out the activities of the Portfolio Manager until a meeting of unitholders of Portfolio Trust or the Fund, as applicable, is held to confirm such appointment.

Any amendment to the Portfolio Management Agreements which would have an adverse effect on the ability of Portfolio Trust or the Fund, as applicable, to perform any of its material obligations under any material agreements to which it is a party requires the prior written consent of the Manager, which consent shall not be unreasonably withheld or delayed.

The Manager, in its capacity as manager of Portfolio Trust and the Fund, is responsible for the payment of the fees of the Portfolio Manager out of its fees.

Conflicts Of Interest — Portfolio Manager

The services of the Portfolio Manager and its officers and directors are not exclusive to Portfolio Trust, the Fund or the Manager. The Portfolio Manager or any of its affiliates and associates may, at any time, engage in

the promotion, management or investment management of any other entity which invests primarily in the same securities as those held by Portfolio Trust and the Fund, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for Portfolio Trust and the Fund will be made independently of those made for other clients and independently of investments of the Portfolio Manager. On occasion, however, the Portfolio Manager may make the same investment for Portfolio Trust or the Fund, as applicable, and for one or more of its other clients. If Portfolio Trust or the Fund and one or more of the other clients of the Portfolio Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

Independent Review Committee

The Manager has appointed an independent review committee (the “Independent Review Committee”) in accordance with NI 81-107 comprised of three members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee will report annually to the Fund which report will be available free of charge upon request to the Manager and will also be posted on the Manager’s website at www.cclgroup.com. Information contained on the Manager’s website is not part of this prospectus and is not incorporated herein by reference.

The members of the Independent Review Committee are Fred Lazar, Frank Santangeli and Joseph Wright. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager and by Connor, Clark & Lunn Managed Portfolios Inc., an affiliate of the Manager.

The fees and other reasonable expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members, will be paid by the Fund and approximately 20 other applicable investment funds managed by the Manager and Connor, Clark & Lunn Managed Portfolios Inc. with each fund’s share based on a complexity factor approved by the Independent Review Committee on a pro rata basis. It is expected that the annual retainer fees (but not including expenses) and insurance for the Independent Review Committee for all such funds collectively will be approximately \$55,000. In addition, the Fund has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

Trustee

RBC Dexia Investor Services Trust is the trustee of the Fund under the Trust Agreement and, as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement, including executing instruments on behalf of the Fund.

The Trustee may resign upon 60 days’ notice to Unitholders and the Manager. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to

act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under “Fees and Expenses”. The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

Custodian

RBC Dexia Investor Services Trust will act as Custodian of the assets of the Fund pursuant to the Custodian Agreement to be entered into prior to the closing of the Offerings between the Fund and the Custodian. The Custodian, or an affiliate of the Custodian, will also carry out certain aspects of the day-to-day administration of the Fund, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund.

Auditor

The auditor of the Fund and Portfolio Trust is PricewaterhouseCoopers LLP, Chartered Accountants, at 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

Transfer Agent and Registrar

Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, Computershare Investor Services Inc. will act as transfer agent and registrar for the Units and will maintain the securities registers at its office in Toronto.

The Promoter

The Manager may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. The Manager will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to the Manager as described under “Fees and Expenses”.

VALUATION, TOTAL ASSETS AND NET ASSET VALUE

Calculation of Net Asset Value

The Manager will calculate the Net Asset Value per Unit of each class of Units as at the close of business on each Valuation Date. At a minimum, the Valuation Date will be Friday of each week, or if any Friday is not a Business Day, the immediately preceding Business Day, the Annual Redemption Date, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit of a class. The Fund will make available to the financial press for publication on a weekly basis, for each class of Unit, the Net Asset Value per Unit. Such amount will also be available on the Manager’s website at www.cclcapitalmarkets.com.

Valuation Policies and Procedures

For reporting purposes other than financial statements, the Net Asset Value of the Fund on a particular date will be equal to (i) the Total Assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value of each class of Units on a particular date will be equal to the Net Asset Value of the Fund allocated to that class, including an allocation of any net realized capital gains or other amounts payable to Unitholders of that class on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value of the Fund or Portfolio Trust on a Valuation Date, the Total Assets, and any short positions, of the Fund or Portfolio Trust on such Valuation Date will be determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair market value thereof;
- (b) the value of any bonds, debentures, other debt obligations and short positions will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- (d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- (e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- (f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Custodian on the Valuation Date on which the Total Assets are being determined;
- (g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager;
- (h) the value of the Forward Agreement and any other forward contract will be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the Forward Agreement or any other forward contract were closed out in accordance with its terms; and
- (i) the value of any security or property to which, in the opinion of the Manager, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The Net Asset Value per Unit of a class is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

For the purposes of calculating the Net Asset Value in connection with a redemption of Units on an Annual Redemption Date, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by Portfolio Trust will be valued by taking the bid price on the Valuation Date. Such Net Asset Value will be calculated on a fully diluted basis, if applicable.

Reporting of Net Asset Value

The Net Asset Value per Unit will be provided weekly to Unitholders at no cost on the Manager's website at www.cclcapitalmarkets.com, and will also be available to Unitholders upon request, at no cost, by calling 1-866-642-6001.

DESCRIPTION OF THE UNITS

The Units

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fee payable on the issuance of the Class F Units is lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units only, as described under "Fees and Expenses". Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis with holders of Units of that class all of the assets of the Fund attributable to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund. Portfolio Trust has delegated to the Portfolio Manager the responsibility for voting on matters for which Portfolio Trust receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer included in the Portfolio. See "Proxy Voting Disclosure".

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario) and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

Conversion of Class F Units

A holder of Class F Units may convert Class F Units into Class A Units and it is expected that liquidity for the Class F Units will be primarily obtained by means of conversion into Class A Units and the sale of those Class A Units. Class F Units may be converted in any week on the Conversion Date by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 5 Business Days prior to the Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fractions of Class A Units will be issued upon any conversion of

Class F Units, and any fractional amounts will be rounded down to the nearest whole number of Class A Units. A conversion will not be treated as a disposition of Class F Units for the purposes of the Tax Act.

Purchase for Cancellation

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Class A Units are then listed.

Take-over Bids

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

The Trust Agreement also provides that if prior to the termination of the Fund a formal bid as defined in the *Securities Act* (Ontario) is made for all of the Class F Units, if such bid would constitute a formal bid for all Class A Units if the Class F Units had been converted to Class A Units immediately prior to such bid and the Class F offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units, then the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Class F Units and tender such units to the Class F offer.

Book Entry Only System

Registration of interests in and transfers of the Units will be made only through the Book-Entry Only System. On the Closing Date, the Manager, on behalf of the Fund will deliver to CDS certificates representing the aggregate number of Class A Units and Class F Units then subscribed for under the Offerings. Class A Units and Class F Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

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

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee by a written requisition specifying the purpose of the meeting, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. The Trustee may convene a Class A Meeting or Class F Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class. A Class A Meeting must be convened if requisitioned by Unitholders holding not less than 10% of the Class A Units then outstanding by a written requisition specifying the purpose of the meeting. A Class F Meeting must be convened if requisitioned by Unitholders holding not less than 10% of the Class F Units then outstanding by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders (whether a meeting of all Unitholders, a Class A Meeting or a Class F Meeting) will be given in accordance with the Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding (whether Class A Units or Class F Units). The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than five percent of the Class A Units then outstanding. The quorum for a Class F Meeting is two or more holders of Class F Units present in person or represented by proxy holding not less than five percent of the Class F Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

A matter requiring an Extraordinary Resolution requires an affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

The Fund, subject to obtaining any necessary regulatory approvals, does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

Amendment of Trust Agreement

Except as provided below, the Trust Agreement may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution (a separate class vote is also required if one class of Units would be affected differently than the other):

- (a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (b) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) any change of the Manager except where the new manager is an affiliate of the Manager;
- (d) any increase in the Management Fee;
- (e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (f) any change in the frequency of calculating the Net Asset Value per Unit to less often than weekly;

- (g) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (h) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Trust Agreement; and
- (i) any amendment to the above provisions except as permitted by the Trust Agreement.

Notwithstanding the foregoing, the Trustee is entitled to amend the Trust Agreement without the consent of, or notice to, the Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;
- (e) provide added protection or benefit to Unitholders; or
- (f) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under “Termination of the Fund”.

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including unaudited interim and audited annual financial statements, prepared in accordance with Canadian generally accepted accounting principles. The Fund will mail the financial statements prepared for Portfolio Trust to all of the Unitholders who receive the Fund’s financial statements. The Fund will make available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

TERMINATION OF THE FUND

The Fund will have a term of approximately five years, terminating on June 30, 2014, unless terminated earlier in accordance with the Trust Agreement. Pursuant to the Trust Agreement, the Fund will terminate on the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund or when terminated by the Manager, as described below. In addition to such termination, the Trust Agreement also provides that:

- (a) in the event that the Manager resigns and no new Manager is appointed by the Unitholders within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period;
- (b) the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders; and

- (c) the Manager may terminate the Fund in the event of a termination of the Forward Agreement prior to the Scheduled Termination Date, provided that the Manager has given Unitholders notice of such termination at least 60 days in advance of such date of termination of the Fund.

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Trust Agreement to permit the Fund to hold the Portfolio directly. Although these actions do not require Unitholder approval, the Fund will provide at least 30 days notice to Unitholders of any such action by way of press release. The Fund will issue a second press release at least 10 days in advance of any such action.

The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager will provide notice of such termination upon at least 30 days notice to Unitholders of the termination date by way of press release. The Fund will issue a second press release at least 10 Business Days in advance of the termination date. Upon such a termination the Fund will pre-settle the Forward Agreement, liquidate the Canadian Securities Portfolio and distribute to Unitholders of each class their *pro rata* portions of the remaining assets of the Fund attributable to such class after all liabilities of the Fund have been satisfied or appropriately provided for.

The Trust Agreement provides that prior to the termination of the Fund, the Manager will use commercially reasonable efforts to dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Trust Agreement provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so.

Upon termination, the Trust Agreement provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund attributable to each class, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any termination date, such unliquidated assets *in specie* rather than in cash. Following such distribution, the Fund will be dissolved. There can be no assurance that Unitholders will receive \$25.00 per Unit upon any termination of the Fund.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Units offered hereby (after payment of the Agents' fee and the expenses of the Offerings) are estimated to be approximately \$94,050,000, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the maximum Offerings the net proceeds to the Fund are estimated to be approximately \$108,262,500. The Fund will use the net proceeds of the Offerings (including any net proceeds from the exercise of the Over-Allotment Option) for the pre-payment of its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio having an aggregate value equal to the redemption proceeds of the relevant number of units of Portfolio Trust net of any amount owing by the Fund to the Counterparty. The Fund may also directly hold a small amount of the same securities as are held in the Canadian Securities Portfolio.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of \$25.00 per Unit. The offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offerings, the Agents will be paid a fee of \$1.3125 per Class A Unit and \$0.5625 per Class F Unit sold under the Offerings and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offerings. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to

use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing Date and gives the Agents the right to offer additional Class A Units in an amount equal to up to 15% of the aggregate number of Units sold on Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Class A Units will be sold at \$25.00 per Class A Unit and the Agents will be paid a fee of \$1.3125 per Class A Unit sold. This prospectus qualifies the grant of the Over-Allotment Option as well as distribution of the Class A Units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Class A Units has been obtained. If subscriptions for a minimum of 1,600,000 Class A Units (or \$40,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offerings may not continue without the consent of the securities regulatory authorities and those who have subscribed for Units on or before such date. In the event such consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offerings will be returned to such purchasers promptly without interest or deduction. The maximum number of Class A Units and/or Class F Units which will be sold is 4,000,000 or \$100,000,000. Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. The Closing will take place on or about June 9, 2009 or such later date as the Fund and the Agents may agree, but in any event not later than August 12, 2009.

The TSX has conditionally approved the listing of the Class A Units subject to the Fund fulfilling all of the requirements of the TSX on or before August 12, 2009, including distribution to a minimum number of public Unitholders. On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate thereof and an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a “connected issuer” of such Agent. See “Overview of the Investment Structure — The Forward Agreement”.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with these Offerings, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Although units of Portfolio Trust are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of Portfolio Trust from the Autorité des marchés financiers. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Pursuant to the Agency Agreement, the Fund, the Manager and the Portfolio Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager is entitled to receive the Management Fee and the Portfolio Manager will be entitled to receive fees from the Manager pursuant to the Portfolio Management Agreement. See “Organization and Management Details of the Fund” and “Fees and Expenses”.

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

Policies and Procedures

Subject to compliance with the provisions of applicable law, the Portfolio Manager acting on the Manager’s behalf has the right to vote proxies relating to the securities in the Portfolio and the securities held directly by the Fund. Proxies must be voted in a manner consistent with the best interests of the Fund and Portfolio Trust.

Because Portfolio Trust does not purchase securities for the purposes of exercising control or direction over the securities of the Portfolio, as a general rule, proxies will be voted with management on routine business. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Portfolio Trust’s investment. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

On rare occasions, the Portfolio Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy is outweighed by the cost of voting the proxy. In addition, the Portfolio Manager will not vote proxies received for securities which are no longer held in the Portfolio or by the Fund as applicable.

On the delivery of the Canadian Securities Portfolio by the Counterparty on June 30, 2014 (being the Forward Termination Date), the Portfolio Manager acting on the Manager’s behalf will retain the right to vote proxies relating to the securities in the Canadian Securities Portfolio pursuant to the Portfolio Management Agreement. The Portfolio Manager will vote the proxies relating to the securities in the Canadian Securities Portfolio in the same manner and with the same restrictions as those proxies voted in relation to the securities in the Portfolio.

Proxy Voting Conflicts of Interest

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Portfolio Trust in voting proxies with the desire to avoid the perception of a conflict of interest, the Portfolio Manager has instituted procedures to help ensure that the Portfolio Trust’s proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Portfolio Trust, uninfluenced by considerations other than the best interests of Portfolio Trust.

The procedures for voting proxies where there may be a conflict of interest include escalation of the issue to the Independent Review Committee, for their consideration and advice, although the responsibility for deciding how to vote the Portfolio Trust’s proxies and for exercising the vote remains with the Portfolio Manager.

Disclosure of Proxy Voting Guidelines and Record

A copy of the Portfolio Manager’s proxy voting guidelines will be made available on the Internet at www.cclcapitalmarkets.com. The most recent proxy voting record for Portfolio Trust for the most recent period ended June 30 of each year will also be available on the Internet at www.cclcapitalmarkets.com.

MATERIAL CONTRACTS

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

- (a) the Trust Agreement referred to under “Overview of the Legal Structure of the Fund”;
- (b) the Fund Management Agreement referred to under “Organization and Management Details of the Fund — Details of the Management Agreements”;
- (c) the Custodian Agreement to be entered into on or prior to the Closing Date referred to under “Organization and Management Details of the Fund — The Custodian”;
- (d) the Agency Agreement referred to under “Plan of Distribution”; and
- (e) the Forward Agreement referred to under “Overview of the Investment Structure — The Forward Agreement”.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund during the period of distribution to the public of the Units offered under the Offerings and for a period of 30 days thereafter. Copies of the Trust Agreement may be obtained at any time from the Manager on written request.

EXPERTS

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by McCarthy Tétrault LLP.

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants. PricewaterhouseCoopers LLP is independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

EXEMPTIONS AND APPROVALS

The Fund has applied to the Ontario Securities Commission, as principal regulator under the Process for Exemptive Relief Application in Multiple Jurisdictions pursuant to Part 17 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, for relief from the requirement to calculate Net Asset Value at least once every business day as required by Part 14 of National Instrument 81-106. The Ontario Securities Commission granted the requested relief (which relief is intended to be relied upon by the Fund in each of the Provinces and Territories of Canada, other than Ontario) on May 19, 2009 and as a result the Fund will calculate Net Asset Value weekly. The Fund continues to rely on the exemption granted by the Ontario Securities Commission as of the date of this prospectus and expects to continue to rely on such exemption.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

In addition, the Manager has agreed on behalf of the Fund that purchasers in the Province of Québec have the right to withdraw from an agreement to purchase Units which may be exercised within two Business Days after receipt or deemed receipt of a prospectus of Portfolio Trust.

INDEPENDENT AUDITORS' CONSENT

We have read the prospectus of Canadian Banc Capital Securities Trust (the "Fund") dated May 27, 2009 relating to the initial public offerings of Class A Units and Class F Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Unitholder and the Manager of the Fund on the statement of net assets of the Fund as at May 27, 2009. Our report is dated May 27, 2009.

Toronto, Ontario
May 27, 2009

(Signed) "PRICEWATERHOUSECOOPERS LLP"
Chartered Accountants, Licensed Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Unitholder and the Manager of Canadian Banc Capital Securities Trust

We have audited the statement of net assets of Canadian Banc Capital Securities Trust (the “**Fund**”) as at May 27, 2009. This statement of net assets is the responsibility of the Fund’s management. Our responsibility is to express an opinion on this statement of net assets based on our audit.

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

In our opinion, this statement of net assets presents fairly, in all material respects, the financial position of the Fund as at May 27, 2009 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 27, 2009

(Signed) “PRICEWATERHOUSECOOPERS LLP”
Chartered Accountants, Licensed Public Accountants

CANADIAN BANC CAPITAL SECURITIES TRUST
STATEMENT OF NET ASSETS
As at May 27, 2009

Assets

Cash \$25

Unitholder's Equity

Unitholder's Equity (Note 1) \$25

Approved on behalf of Canadian Banc Capital Securities Trust
By: Connor, Clark & Lunn Capital Markets Inc., as Manager

(Signed) "W. NEIL MURDOCH"
Director

(Signed) "MICHAEL FREUND"
Director

The accompanying notes are an integral part of this statement of net assets.

CANADIAN BANC CAPITAL SECURITIES TRUST
NOTES TO STATEMENT OF NET ASSETS
As at May 27, 2009

1. ORGANIZATION AND UNITHOLDER'S EQUITY

Canadian Banc Capital Securities Trust (the “**Fund**”) is an investment fund established under the laws of the Province of Ontario pursuant to a Trust Agreement dated as of May 22, 2009. The beneficiaries of the Fund will be the holders of Class A Units and Class F Units.

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class F Units (collectively, the “**Units**”). The Fund is authorized to issue an unlimited number of transferable, redeemable Units. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fee payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) as described in note 2, the service fee component of the Management Fee is only payable in respect of the Class A Units. Accordingly, the net asset value per unit of each class will not be the same as a result of the different fees allocable to each class of Units. On May 22, 2009, the Fund was settled and issued an initial Class A Unit for cash consideration of \$25 to Connor, Clark & Lunn Capital Markets Inc. (the “**Manager**”), the settlor of the Fund.

2. MANAGEMENT AND SERVICE FEES

The Manager will receive a Management Fee from the Fund and Portfolio Trust equal in the aggregate to 0.50% per annum of the net asset value of the Fund. The Fund will also pay to the Manager a service fee, solely with respect to the Units, of 0.40% per annum, payable quarterly, of the net asset value of the Fund attributable to the Class A Units, plus applicable taxes. The service fee will be used by the Manager to in turn pay a service fee to dealers based on the number of Class A Units held by the clients of such dealers. No service fee is payable in respect of Class F Units.

The Units may be redeemed on the second last Business Day of November of each year, commencing in 2010 (each, an “**Annual Redemption Date**”), subject to certain conditions. A holder of Units (each, a “**Unitholder**”) whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of net asset value per unit of the relevant class (less any costs associated with the redemption, including brokerage costs).

In addition, the Units may also be redeemed on the second last Business Day of each month other than in the month of November (each, a “**Monthly Redemption Date**”), subject to certain conditions. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the “**Monthly Redemption Amount**”. Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated net asset value per Class F Unit and the denominator of which is the most recently calculated net asset value per Class A Unit. For the purposes hereof, the “**Market Price**” in respect of a security on a Monthly Redemption Date means the weighted average trading price on the Toronto Stock Exchange (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date and the “**Closing Market Price**” in respect of a security on a Monthly Redemption Date means the closing price of such security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

3. SUBSEQUENT EVENT

- (a) The Fund and the Manager have entered into an agency agreement with BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Richardson Partners Financial Limited, Dundee Securities Corporation, Wellington West Capital Markets Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., GMP Securities L.P., Manulife Securities Incorporated, Raymond James Ltd., and Research Capital Corporation (collectively, the “**Agents**”) dated as of May 27, 2009 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public a minimum of 1,600,000 Class A Units and a maximum of 4,000,000 Class A Units and/or Class F Units at \$25 per unit, respectively. In consideration for their services in connection with the offerings, the Agents will be paid a fee of \$1.3125 per Class A Unit and \$0.625 per Class F Unit out of the proceeds of the offerings.
- (b) As set forth in the initial public offering prospectus dated May 27, 2009, the Fund proposes to issue a minimum of 1,600,000 Class A Units and a maximum of 4,000,000 Class A Units and/or Class F Units at a price of \$25 per Unit, respectively.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: May 27, 2009

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

CANADIAN BANC CAPITAL SECURITIES TRUST
By its Attorney **CONNOR, CLARK & LUNN CAPITAL MARKETS INC.**

By: *(Signed)* "W. NEIL MURDOCH"
Chief Executive Officer

By: *(Signed)* "MICHAEL FREUND"
Chief Financial Officer

On behalf of the Board of Directors
of
Connor, Clark & Lunn Capital Markets Inc.

By: *(Signed)* "W. NEIL MURDOCH"
Director

By: *(Signed)* "MICHAEL FREUND"
Director

Connor, Clark & Lunn Capital Markets Inc.
as Manager and Promoter

By: *(Signed)* "W. NEIL MURDOCH"
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: May 27, 2009

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

BMO NESBITT BURNS INC.

By: *(Signed)* "ROBIN G. TESSIER"

CIBC WORLD MARKETS INC.

By: *(Signed)* "MICHAEL D. SHUH"

RBC DOMINION SECURITIES INC.

By: *(Signed)* "EDWARD V.
JACKSON"

SCOTIA CAPITAL INC.

By: *(Signed)* "BRIAN D.
MCCHESNEY"

NATIONAL BANK FINANCIAL INC.

By: *(Signed)* "TIMOTHY EVANS"

TD SECURITIES INC.

By: *(Signed)* "CAMERON
GOODNOUGH"

HSBC SECURITIES (CANADA) INC.

By: *(Signed)* "BRENT LARKAN"

RICHARDSON PARTNERS FINANCIAL LIMITED

By: *(Signed)* "BENNETT D. MACINNIS"

DUNDEE SECURITIES CORPORATION

By: *(Signed)* "VILMA JONES"

WELLINGTON WEST CAPITAL MARKETS INC.

By: *(Signed)* "SCOTT LARIN"

BLACKMONT CAPITAL INC.

By: *(Signed)* "CHARLES A.V. PENNOCK"

CANACCORD CAPITAL CORPORATION

By: *(Signed)* "RON SEDRAN"

DESJARDINS
SECURITIES INC.

By: *(Signed)* "BETH
A. SHAW"

GMP
SECURITIES L.P.

By: *(Signed)* "STEVE
OTTAWAY"

MANULIFE
SECURITIES
INCORPORATED

By: *(Signed)*
"WILLIAM PORTER"

RAYMOND
JAMES LTD.

By: *(Signed)*
"J. GRAHAM FELL"

RESEARCH CAPITAL
CORPORATION

By: *(Signed)* "DAVID
J. KEATING"



**CANADIAN BANC
CAPITAL SECURITIES TRUST**