

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

*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.*

## PRELIMINARY PROSPECTUS

*Initial Public Offering*

June 9, 2009



### ● (Maximum)

#### ● Preferred Shares and ● Class A Share Units

Canadian Chartered Banc Split Corp. (the “Company”) is a mutual fund corporation incorporated under the laws of the Province of Ontario which has been created to provide investors with exposure to the common shares of the following six Canadian chartered banks (the “Portfolio Companies”):

*Bank of Montreal*

*Bank of Nova Scotia*

*Canadian Imperial Bank of  
Commerce*

*National Bank of Canada*

*Royal Bank of Canada*

*Toronto-Dominion Bank*

through two classes of securities. Holders of the Preferred Shares will be provided with a stable yield, while holders of Class A Shares will be provided with leveraged exposure to the Portfolio Companies, including exposure to increases or decreases in the value of their common shares and the benefit of increases, if any, in the dividends paid by the Portfolio Companies on their common shares. The Preferred Shares have been provisionally rated Pfd-2 (low) by DBRS Limited.

The Company is offering up to ● Preferred Shares and ● Class A Share Units (collectively, the “Offering”) under this prospectus at a price of \$10.00 per Preferred Share and \$15.00 per Class A Share Unit. Each Class A Share Unit consists of one transferable Class A Share and one-half share purchase warrant (each whole warrant, a “Warrant”). The Class A Shares and Warrants will begin to trade separately upon the earlier of the closing of the Over-Allotment Option (as defined herein) and the 30<sup>th</sup> day following the closing of the Offering. Each whole Warrant entitles the holder to purchase one

Preferred Share and one Class A Share (together, a “Unit”) at a subscription price of \$25.00 on September 30, 2010 (the “Warrant Exercise Date”). Warrants not exercised by or before 5:00 p.m. (Toronto time) (the “Warrant Expiry Time”) on the Warrant Exercise Date will be void and of no value. The Preferred Shares and the Class A Share Units are offered separately, but will be issued only on the basis that there will be an equal number of Preferred Shares and Class A Share Units issued.

The Company’s investment objectives with respect to the Preferred Shares are:

- (a) to provide holders of the Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.05833 per Preferred Share to yield 7.00% per annum on the original issue price of a Preferred Share; and
- (b) on or about December 1, 2016 (the “Termination Date”), to pay the holders of the Preferred Shares the original issue price of the Preferred Shares (the “Preferred Share Repayment Amount”).

The Company’s investment objectives with respect to the Class A Shares are:

- (a) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.0625 per Class A Share to yield 5.00% per annum on the original issue price of a Class A Share Unit; and
- (b) on or about the Termination Date, to pay the holders of Class A Shares at least the original issue price of the Class A Shares.

See “*Investment Objectives*”. There can be no assurance the Company’s investment objectives will be achieved. See “*Risk Factors*”.

---

**Prices: \$10.00 per Preferred Share and \$15.00 per Class A Share Unit**

---

|   | <u>Price to the Public<sup>(1)</sup></u> | <u>Agents’ Fees</u> | <u>Net Proceeds to the Company<sup>(2)</sup></u> |
|---|--|---------------------|--|
| Per Preferred Share.....                        | \$10.00                                  | \$0.30              | \$9.70   |
| Total Maximum Offering <sup>(3),(4)</sup> ..... | \$●                                      | \$●                 | \$●  |
| Total Minimum Offering <sup>(4)</sup> .....     | \$●                                      | \$●                 | \$●  |
| Per Class A Share Unit.....                     | \$15.00                                  | \$0.90              | \$14.10  |
| Total Maximum Offering <sup>(3),(4)</sup> ..... | \$●                                      | \$●                 | \$●  |
| Total Minimum Offering <sup>(4)</sup> .....     | \$●                                      | \$●                 | \$●  |

- (1) The offering prices were established by negotiation between the Company and the Agents (as defined below).
- (2) Before deducting the expenses of issue, which are estimated to be \$500,000. Such expenses, together with the Agents’ fee, will be paid out of the proceeds of the Offering; provided however, that the expenses of the Offering to be borne by the Company shall not exceed 1.5% of the gross proceeds of the Offering.
- (3) The Company has granted the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days from the closing of the Offering, to offer up to ● additional Preferred Shares and ● additional Class A Share Units on the same terms as set forth above, which additional Preferred Shares and Class A Share Units are qualified for sale under this prospectus. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$●, the Agents’ fee will be \$● and the net proceeds to the Company, before expenses of the Offering, will be \$●. See “*Plan of Distribution*”.

- (4) There will be no closing unless a minimum of ● Preferred Shares and ● Class A Share Units are sold. If subscriptions for a minimum of ● Preferred Shares and ● Class A Share Units have not been received within 90 days following the date of issuance of a final receipt of this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.

Up to 20% of the net asset value of the Company may be invested in dividend-paying equity securities of certain Canadian financial services corporations other than the Portfolio Companies. The Company may substitute Portfolio Companies in extraordinary circumstances. See “*Overview of the Sector that the Company Invests In*”. To supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the equity securities held by the Company (the “Portfolio”). Based on current market conditions and current dividend yields and options premiums, Quadravest Capital Management Inc. (“Quadravest”), the Company’s investment manager, anticipates that it would need to have written, on average, covered call options on approximately 7.0% of the Portfolio in order to achieve the Company’s targeted dividends and distributions. Quadravest expects to be able to write covered call options to the extent necessary to enhance the dividends received on the Portfolio so as to permit the targeted dividends and distributions to be paid. The Portfolio will be actively managed by Quadravest, and the equity securities that are the subject of call options and the terms of such options will vary from time to time as determined by Quadravest.

The use of options may have the effect of limiting or reducing the total returns of the Company, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the Portfolio.

Based on market conditions and the planned composition of the Portfolio, dividends payable to holders of Preferred Shares are expected to consist solely of ordinary dividends. Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital.

Based on the current dividends paid by the Portfolio Companies on their common shares, the Company is initially expected to generate dividend income of approximately 5.29% per annum which, after deduction of expenses, will be distributed to shareholders. The Company would be required to generate an additional return of approximately 2.72% per annum, including from dividend growth, capital appreciation and option premiums, in order for the Company to pay targeted dividends and distributions and maintain a stable net asset value, plus approximately an additional 0.75% per annum to increase the Company’s net asset value to an amount sufficient to permit the Company to return the original issue prices of the Preferred Shares and the Class A Shares on the Termination Date.

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents, each of the Preferred Shares, the Class A Shares and the Warrants, if and when listed on a designated stock exchange, will be qualified investments under the *Income Tax Act* (Canada) (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. Prospective investors should consult their own tax advisors as to the effect of acquiring Preferred Shares or Class A Shares in a registered education savings plan. The holder of a tax-free savings account that governs a trust which holds Preferred Shares or Class A Shares will be subject to a penalty tax if the holder does not deal at arm’s length with the Company for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust with which the Company does not deal at arm’s length for purposes of the Tax Act.

The Preferred Shares and the Class A Shares will be redeemed by the Company on the Termination Date. The redemption price for each Preferred Share redeemed on that date will be equal to the lesser of (i) \$10.00 and (ii) the net asset value of the Company on that date, divided by the number of Preferred Shares then outstanding. The redemption price for each Class A Share redeemed on that date will be equal to the greater of (i) the net asset value per Unit on that date, minus \$10.00, and (ii) nil.

The value of a Unit will be reduced if the net asset value per Unit exceeds \$24.35 on the Warrant Exercise Date and some or all of the Warrants are exercised. If a holder of Class A Shares does not exercise Warrants in such circumstances, such holder's pro rata interest in the assets of the Company will be diluted. In order to exercise a Warrant, the holder must pay the exercise price of \$25.00. While a holder of Class A Shares may sell the Warrants acquired with such Class A Shares hereunder, no assurance can be given that the proceeds of such sale would compensate the shareholder for such dilution. Purchasers of Preferred Shares will not receive any Warrants. The exercise of Warrants by the holders thereof should not dilute the interests of the holders of the Preferred Shares in the Company. Such exercise could reduce the then current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the initial asset coverage ratio that will apply immediately following the closing of the Offering. See "*Attributes of the Securities – Description of the Warrants Distributed in this Offering – Warrant Considerations*".

**There is currently no market through which the Preferred Shares, the Class A Shares or the Warrants may be sold and purchasers may not be able to resell securities purchased under this prospectus.** This may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent to which the Company is subject to regulation. There is no assurance that the Company will meet its dividend or distribution and other objectives. Although the Company is considered to be a mutual fund under Canadian securities legislation, it has applied for an exemption from certain of the policies or rules of the Canadian securities regulators applicable to conventional mutual funds. See "*Risk Factors*" for a discussion of certain factors that should be considered by prospective investors in the Preferred Shares and Class A Share Units.

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Manulife Securities Incorporated, Richardson Partners Financial Limited, Wellington West Capital Markets Inc. and Desjardins Securities Inc. (the "Agents") conditionally offer the Preferred Shares and Class A Share Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the agency agreement among the Company, Quadravest Inc. as manager of the Company, Quadravest and the Agents, and subject to the approval of certain legal matters by Blake, Cassels & Graydon LLP, on behalf of the Company, and McCarthy Tétrault LLP, on behalf of the Agents. See "*Plan of Distribution*".

Subscriptions for the Preferred Shares and Class A Share Units will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time. Closing of this Offering is expected to occur on or about ●, 2009, but in any event no later than ●, 2009. Proceeds from subscriptions received by the Company will be held in segregated accounts until the minimum amount of the Offering has been obtained. Registrations and transfers of Preferred Shares, the Class A Shares and the Warrants will be effected only through the book-entry system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Preferred Shares, Class A Shares or Warrants will not have the right to receive physical certificates evidencing their ownership. See "*Plan of Distribution*", "*Attributes of the Securities – Description of the Preferred Shares Distributed in this Offering – Book-Based System*" and "*Attributes of the Securities – Description of the Class A Shares Distributed in this Offering – Book-Based System*".

## TABLE OF CONTENTS

|  | Page |
|--|------|
| PROSPECTUS SUMMARY .....   | 1    |
| Summary of the Offering .....  | 1    |
| Organization and Management of the Company .....                               | 9    |
| Agents .....   | 10   |
| Summary of Fees and Expenses .....   | 10   |
| INFORMATION REGARDING PUBLIC ISSUERS .....                                     | 12   |
| CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION .....               | 12   |
| CANADIAN CHARTERED BANC SPLIT CORP. ....                                       | 13   |
| Overview of the Legal Structure of the Company .....                           | 13   |
| Rationale for the Company .....  | 13   |
| INVESTMENT OBJECTIVES.....   | 14   |
| INVESTMENT STRATEGIES .....  | 14   |
| Principal Investment Strategy .....  | 14   |
| Covered Call Option Writing.....   | 14   |
| Other Uses of Derivatives .....  | 15   |
| Leverage.....  | 15   |
| Securities Lending .....   | 15   |
| Dividend Coverage Ratios – Preferred Shares .....                              | 15   |
| Sensitivity Analysis – Class A Shares .....                                    | 17   |
| Average Volatility Levels .....  | 17   |
| OVERVIEW OF THE SECTOR THAT THE COMPANY INVESTS IN .....                       | 18   |
| Bank of Montreal .....   | 18   |
| Bank of Nova Scotia .....  | 18   |
| Canadian Imperial Bank of Commerce.....  | 19   |
| National Bank of Canada .....  | 20   |
| Royal Bank of Canada .....   | 20   |
| Toronto-Dominion Bank.....   | 21   |
| Dividend History and Other Information Regarding the Portfolio Companies ..... | 21   |
| Voting Rights in the Common Shares of the Portfolio Companies .....            | 22   |
| Replacement of the Portfolio Companies .....                                   | 22   |
| INVESTMENT RESTRICTIONS .....  | 23   |
| FEES AND EXPENSES .....  | 24   |

## TABLE OF CONTENTS

(continued)

|   |    |
|---|----|
| Initial Expenses .....  | 24 |
| Management and Service Fees.....  | 24 |
| Operating Expenses .....  | 25 |
| RISK FACTORS .....  | 25 |
| Operating History and Lack of Public Trading Market .....                   | 25 |
| Concentration Risk .....  | 25 |
| Risks Relating to and Risk Disclosure Made by the Portfolio Companies ..... | 25 |
| Fluctuations in Net Asset Value .....                                       | 26 |
| Class A Shares Represent a Leveraged Investment .....                       | 26 |
| No Assurances of Achieving Objectives .....                                 | 26 |
| Interest Rate Fluctuations .....  | 26 |
| Use of Options .....  | 26 |
| Reliance on the Investment Manager.....                                     | 27 |
| Conflicts of Interest .....   | 27 |
| Trading Prices of Shares .....  | 27 |
| Retractions; Suspension of Retractions .....                                | 27 |
| Changes in Legislation.....   | 28 |
| Treatment of Proceeds of Disposition and Option Premiums.....               | 28 |
| Tax Proposals Regarding Mutual Fund Corporation Status .....                | 28 |
| DISTRIBUTION POLICY .....   | 29 |
| Preferred Shares .....  | 29 |
| Class A Shares .....  | 29 |
| PURCHASES OF SECURITIES.....  | 30 |
| REDEMPTION OF SECURITIES .....  | 30 |
| Preferred Shares .....  | 30 |
| Class A Shares .....  | 31 |
| Resale of Shares Tendered for Retraction.....                               | 32 |
| Suspension of Retractions or Redemptions .....                              | 32 |
| CONSOLIDATED CAPITALIZATION.....  | 33 |
| INCOME TAX CONSIDERATIONS .....   | 33 |
| Status of the Company .....   | 35 |
| Taxation of the Company.....  | 35 |

## TABLE OF CONTENTS

(continued)

|  |    |
|--|----|
| Allocation of Cost .....   | 37 |
| Taxation of Shareholders .....                                     | 37 |
| Taxation of Registered Plans .....                                 | 39 |
| Tax Implications of the Company's Distribution Policy .....        | 39 |
| ORGANIZATION AND MANAGEMENT DETAILS OF THE COMPANY .....           | 39 |
| Officers and Directors of the Company .....                        | 39 |
| Manager and Investment Manager of the Company .....                | 40 |
| Conflicts of Interest .....  | 42 |
| Independent Review Committee .....                                 | 42 |
| Custodian .....  | 43 |
| Auditors .....   | 44 |
| Warrant Trustee .....  | 44 |
| Transfer Agent and Registrar .....                                 | 44 |
| Promoter .....   | 44 |
| CALCULATION OF NET ASSET VALUE .....                               | 44 |
| Valuation Policies and Procedures of the Company .....             | 44 |
| Reporting of Net Asset Value .....                                 | 45 |
| ATTRIBUTES OF THE SECURITIES .....                                 | 45 |
| Description of Preferred Shares Distributed in this Offering ..... | 45 |
| Description of Class A Shares Distributed in this Offering .....   | 46 |
| Description of Warrants Distributed in this Offering .....         | 47 |
| SECURITYHOLDER MATTERS .....                                       | 51 |
| Meetings of Securityholders .....                                  | 51 |
| Matters Requiring Securityholder Approval .....                    | 51 |
| Reporting to Securityholders .....                                 | 52 |
| TERMINATION OF THE COMPANY .....                                   | 52 |
| Payments on Termination – Preferred Shares .....                   | 52 |
| Payments on Termination – Class A Shares .....                     | 52 |
| USE OF PROCEEDS .....  | 53 |
| PLAN OF DISTRIBUTION .....   | 53 |
| PRINCIPAL HOLDERS OF SECURITIES OF THE COMPANY .....               | 54 |
| INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....  | 55 |

## TABLE OF CONTENTS

(continued)

|   |    |
|---|----|
| PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD .....     | 55 |
| MATERIAL CONTRACTS .....  | 56 |
| EXPERTS .....   | 56 |
| EXEMPTIONS AND APPROVALS .....                                  | 57 |
| LEGAL OPINIONS.....   | 57 |
| PURCHASER’S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION ..... | 57 |
| AUDITORS’ CONSENT.....  | 58 |
| AUDITORS’ REPORT.....   | 59 |
| STATEMENT OF FINANCIAL POSITION .....                           | 60 |
| NOTES TO STATEMENT OF FINANCIAL POSITION .....                  | 61 |
| CERTIFICATES OF THE COMPANY, THE MANAGER AND THE PROMOTER ..... | 62 |
| CERTIFICATE OF THE AGENTS .....                                 | 63 |

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.*

### Summary of the Offering

Issuer: Canadian Chartered Banc Split Corp. (the “Company”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on June 5, 2009. The principal office address of the Company is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7. The website address of the Company is www.canadianbancsplit.com. Quadravest Capital Management Inc. (“Quadravest”) acts as the manager and investment manager of the Company. See “*Canadian Chartered Banc Split Corp. – Overview of the Legal Structure of the Company*”.

Rationale for the Company: The Company has been created to provide investors with exposure to the common shares of the following six Canadian chartered banks (the “Portfolio Companies”):

|                                |                             |   |
|--------------------------------|-----------------------------|---|
| <i>Bank of Montreal</i>        | <i>Bank of Nova Scotia</i>  | <i>Canadian Imperial Bank of Commerce</i> |
| <i>National Bank of Canada</i> | <i>Royal Bank of Canada</i> | <i>Toronto-Dominion Bank</i>              |

through two classes of securities. Holders of the Preferred Shares will be provided with a stable yield, while holders of Class A Shares will be provided with leveraged exposure to the Portfolio Companies, including exposure to increases or decreases in the value of their common shares and the benefit of increases, if any, in the dividends paid by the Portfolio Companies on their common shares. See “*Canadian Chartered Banc Split Corp. – Rationale for the Company*”.

Offering: The Company is offering up to ● Preferred Shares and ● Class A Share Units (collectively, the “Offering”) under this prospectus at a price of \$10.00 per Preferred Share and \$15.00 per Class A Share Unit. Each Class A Share Unit consists of one transferable Class A Share and one-half share purchase warrant (each whole warrant, a “Warrant”). The Class A Shares and Warrants will begin to trade separately upon the earlier of the closing of the Over-Allotment Option (as defined herein) and the 30<sup>th</sup> day following the closing of the Offering. Each whole Warrant entitles the holder to purchase one Preferred Share and one Class A Share (together, a “Unit”) at a subscription price of \$25.00 (the “Subscription Price”) on September 30, 2010 (the “Warrant Exercise Date”). **Warrants may only be exercised on September 30, 2010 and Warrants not exercised by 5:00 p.m. (Toronto time) (the “Warrant Expiry Time”) on that**

**date will be void and of no value.** The Preferred Shares and the Class A Share Units are offered separately, but will be issued only on the basis that there will be an equal number of Preferred Shares and Class A Share Units issued. The Preferred Shares have provisionally been rated Pfd-2 (low) by DBRS Limited. See “*Canadian Chartered Banc Split Corp. – Overview of the Legal Structure of the Company*”.

The value of a Unit will be reduced if the net asset value per Unit exceeds \$24.35 on the Warrant Exercise Date and some or all of the Warrants are exercised. If a holder of Class A Shares does not exercise Warrants in such circumstances, such holder’s pro rata interest in the assets of the Company will be diluted. In order to exercise a Warrant, the holder must pay the exercise price of \$25.00. While a holder of Class A Shares may sell the Warrants acquired with such Class A Shares hereunder, no assurance can be given that the proceeds of such sale would compensate the shareholder for such dilution. Purchasers of Preferred Shares will not receive any Warrants. The exercise of Warrants by the holders thereof should not dilute the interests of the holders of the Preferred Shares in the Company. Such exercise could reduce the then current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the initial asset coverage ratio that will apply immediately following the closing of the Offering. See “*Attributes of the Securities – Description of the Warrants Distributed in this Offering – Warrant Considerations*”.

- Maximum Issue:           \$● (● Preferred Shares).  
                                      \$● (● Class A Share Units).
- Minimum Issue:           \$● (● Preferred Shares).  
                                      \$● (● Class A Share Units).
- Price:                       \$10.00 per Preferred Share;  
                                      \$15.00 per Class A Share Unit.
- Minimum Purchase:       ● Preferred Shares or ● Class A Share Units. See “*Purchases of Securities*”.
- Investment Objective:    The Company’s investment objectives with respect to the Preferred Shares are:
- (a)           to provide holders of the Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.05833 per Preferred Share to yield 7.00% per annum on the original issue price of a

Preferred Share; and

- (b) on or about December 1, 2016 (the “Termination Date”), to pay the holders of the Preferred Shares the original issue price of the Preferred Shares (the “Preferred Share Repayment Amount”).

The Company’s investment objectives with respect to the Class A Shares are:

- (a) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.0625 per Class A Share to yield 5.00% per annum on the original issue price of a Class A Share Unit; and
- (b) on or about the Termination Date, to pay the holders of Class A Shares at least the original issue price of the Class A Shares.

See “*Investment Objectives*”.

Investment Strategies:

The Company will invest the net proceeds of the Offering in common shares of the Portfolio Companies. While up to 20% of the net asset value of the Company may be invested in equity securities of certain financial services corporations other than the Portfolio Companies, the Company initially expects to invest exclusively in the Portfolio Companies. The Company may substitute Portfolio Companies in extraordinary circumstances. See “*Overview of the Sector that the Company Invests In*”. To supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the equity securities held by the Company (the “Portfolio”). The number of such common shares that are the subject of call options and the terms of such options will vary from time to time as determined by QuadraVest, the Company’s investment manager. The use of options may have the effect of limiting or reducing the total returns of the Company, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the Portfolio. See “*Investment Strategies – Covered Call Option Writing*”

Leverage:

The Company will not borrow money or use leverage as part of its investment strategies. See “*Investment Strategies – Leverage*”.

Use of Proceeds:

The Company will invest the net proceeds of the Offering in common shares of the Portfolio Companies. See “*Use of Proceeds*”.

Risk Factors:

An investment in the Preferred Shares or the Class A Shares is subject to certain risks, including:

- the Company's lack of operating history and the current absence of a public trading market for the Preferred Shares and the Class A Shares;
- the risks associated with the assets of the Company being concentrated in the securities of Canadian banks;
- the risks relating to the individual Portfolio Companies;
- the effect of the financial performance of the Portfolio Companies on the net asset value of the Company;
- the fact that the Class A Shares represent a leveraged investment and therefore the potential returns on such Class A Shares is amplified both to the benefit and detriment of the Class A shareholders;
- there can be no assurance that the Company will be able to meet its monthly dividend, distribution and other objectives;
- the effect on the trading value of the Preferred Shares or the Class A Shares caused by fluctuations in prevailing interest rates;
- the risks associated with the use of options;
- the Company's reliance on its investment manager, Quadravest;
- the conflicts of interest that may arise in connection with other business activities of Quadravest;
- the Preferred Shares or the Class A Shares may trade in the market at a premium or a discount to their proportionate share of the net asset value per Unit;
- the risks associated with retractions and with the suspension of retractions;
- the risks associated with possible changes in legislation;
- the risks associated with the treatment of the proceeds of disposition and option premiums for tax purposes;
- the risks associated with a change in the Company's status as a mutual fund corporation; and
- risks relating to the Warrants.

See "*Risk Factors*".

Income Tax  
Considerations:

*Taxation of the Company*

At the date of the closing of the Offering, provided that the Preferred Shares or the Class A Shares are listed on a designated stock exchange in Canada, the Company will qualify, and intends to continue to qualify, as a mutual fund corporation under the Tax Act. As a mutual fund corporation, the Company will be entitled in certain circumstances to capital gains refunds in respect of its net realized capital gains. To the extent that the Company earns income (other than certain dividends from taxable Canadian corporations and taxable capital gains) including interest, the Company will be subject to income tax on such income and no refund of such tax will be available.

*Taxation of Shareholders Resident in Canada*

Dividends other than capital gains dividends (“Ordinary Dividends”) received by individuals on the Preferred Shares and Class A Shares will generally be subject to the normal gross-up and dividend tax credit rules for dividends received from a taxable Canadian corporation. An enhanced gross-up and dividend tax credit is available on “eligible dividends” received or deemed to be received from taxable Canadian corporations which are so designated by the corporation.

Ordinary Dividends received by corporations (other than specified financial institutions) on the Preferred Shares and Class A Shares will generally be deductible in computing taxable income. Ordinary Dividends received by specified financial institutions on the Preferred Shares and Class A Shares will be deductible in computing taxable income provided certain conditions generally applicable to retractable shares, such as the 10% ownership restriction, are met. Ordinary Dividends received by corporations (other than private corporations and certain other corporations) on the Preferred Shares will be subject to a 10% tax under Part IV.1 of the Tax Act to the extent such dividends are deductible in computing taxable income. Such corporations should consult their own tax advisors with respect to whether Ordinary Dividends on the Class A Shares are subject to Part IV.1 tax when received by such corporations.

The amount of any capital gains dividend received by a shareholder from the Company will be considered to be a capital gain of the shareholder from the disposition of capital property in the taxation year of the shareholder in which the capital gains dividend is received.

The Company may make returns of capital in respect of the Class A Shares. A return of capital in respect of a Class A Share will not be included in the income of the holder of the share, but will reduce the adjusted cost base of such share. To the extent that the adjusted cost base of a Class A Share would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the shareholder from the disposition of the share and the adjusted cost

base will be increased by the amount of such deemed capital gain.

A disposition, whether by way of redemption, retraction or otherwise, of a Preferred Share or Class A Share held as capital property will generally result in a capital gain or capital loss to the holder thereof.

A purchaser will be required to allocate the purchase price of the Class A Share Units between the Class A Shares and the Warrants on a reasonable basis. The exercise of Warrants will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized on the exercise of Warrants. Upon the disposition of a Warrant by a holder (other than pursuant to the exercise thereof), the holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Warrant to the holder.

See “*Income Tax Considerations*”.

Purchase Options:

Prospective purchasers may pay the purchase price for Preferred Shares or Class A Share Units in cash from the Agents in this Offering or from an investment dealer forming part of any sub-agency group that the Agents may appoint to assist in the distribution of the Units, as discussed under “*Plan of Distribution*”. See “*Purchases of Securities*”.

Redemptions of Securities:

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. (“Computershare”), the Company’s registrar and transfer agent, but will be retracted only as of the last business day of each month (a “Retraction Date”). Preferred Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date will be retracted on that Retraction Date and the holder will receive payment on or before the 15<sup>th</sup> business day following such Retraction Date (the “Retraction Payment Date”).

Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a price per share (the “Preferred Share Retraction Price”) equal to the lesser of (i) \$10.00; and (ii) 96% of the applicable net asset value per Unit (which shall be the diluted net asset value per Unit, if a diluted net asset value per Unit is calculated in respect of the applicable Retraction Date) determined as of the Retraction Date less the cost to the Company of the purchase of a Class A Share in the market for cancellation. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share and commissions and costs, if any, related to the liquidation of any portion of the Portfolio securities to fund the purchase of the Class A Share (to a maximum of 1.0% of the net asset value per Unit). Any accrued or declared and unpaid dividends payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction

on such Retraction Date will also be paid on the Retraction Payment Date.

Class A Shares may be surrendered at any time for retraction to Computershare, but will be retracted only as of a Retraction Date. Class A Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date will be retracted on that Retraction Date and the holder will receive payment on or before the Retraction Payment Date for that Retraction Date.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the "Class A Share Retraction Price") equal to 96% of the applicable net asset value per Unit (which shall be the diluted net asset value per Unit, if a diluted net asset value per Unit is calculated in respect of the applicable Retraction Date) determined as of the Retraction Date less the cost to the Company of the purchase of a Preferred Share in the market for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share and commissions and costs, if any, related to the liquidation of any portion of the Portfolio securities to fund the purchase of the Preferred Share (to a maximum of 1.0% of the net asset value per Unit). Any declared and unpaid dividends or distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

Commencing in 2010, shareholders also have an annual retraction right under which they may concurrently retract an equal number of Preferred Shares and Class A Shares on the November Retraction Date in each year. The price paid by the Company for such a concurrent retraction will be equal to the net asset value per Unit calculated as of such date.

See "*Redemption of Securities*".

Distributions:

The Company will pay, as and when declared by the Board of Directors of the Company, a fixed cumulative preferential monthly dividend of \$0.05833 per Preferred Share (to yield 7.00% per annum on the original issue price of a Preferred Share) to holders of Preferred Shares on the last day of each month (each a "Dividend Record Date"). The initial dividend on the Preferred Shares is expected to be paid to holders of record on ●, 2009 and, based on an anticipated closing date of ●, 2009, is expected to be \$● per Preferred Share.

Although there can be no assurance that the Company will be able to pay distributions to holders of Class A Shares, the initial policy of the Board of Directors of the Company is to endeavour to declare and pay regular monthly distributions targeted to be \$0.0625 per Class A Share to yield 5.00% per annum on the original issue price

of a Class A Share.

It is also the policy of the Board of Directors of the Company to pay dividends to the holders of Class A Shares in a year in an amount equal to all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Company in such year (net of expenses, taxes and loss carry-forwards) that are in excess of the dividends paid on the Preferred Shares. Accordingly, if any amounts remain available for the payment of dividends after payment of the dividends on the Preferred Shares and the regular monthly distributions on the Class A Shares, a special year-end dividend of such amount will be payable to holders of the Class A Shares of record on the last day of November in each year.

No regular monthly distributions will be paid on the Class A Shares in any month as long as any dividends on the Preferred Shares are then in arrears or so long as the net asset value per Unit is equal to or less than \$17.50. Additionally, no special year-end dividends will be paid if after payment of such a dividend the net asset value per Unit would be less than \$25.00.

The amount of distributions in any particular month will be determined by the Board of Directors of the Company on the advice of Quadravest, having regard to the investment objectives of the Company, the net income and net realized capital gains of the Company during the month and in the year to date, the net income and net realized capital gains of the Company anticipated in the balance of the year, the net asset value per Unit and distributions paid in previous monthly periods.

Distributions paid on the Class A Shares may consist of Ordinary Dividends, capital gains dividends and non-taxable returns of capital. Based on the current dividends paid by the Portfolio Companies on their common shares, the Company is initially expected to generate dividend income of approximately 5.29% per annum which, after deduction of expenses, will be distributed to shareholders. The Company would be required to generate an additional return of approximately 2.72% per annum, including from dividend growth, capital appreciation and option premiums, in order for the Company to maintain its targeted dividends and distributions and maintain a stable net asset value, plus approximately an additional 0.75% per annum to increase the Company's net asset value to an amount sufficient to permit the Company to return the original issue prices of the Preferred Shares and the Class A Shares on the Termination Date.

See "*Distributions*".

Termination of the Company:

The Termination Date of the Company is December 1, 2016. All Preferred Shares and Class A Shares outstanding on the Termination Date will be redeemed by the Company on such date. The Company will, to the extent possible, after receipt of the net cash proceeds of the liquidation of its assets, distribute the Preferred Share Repayment Amount of \$10.00 per Preferred Share to holders of Preferred Shares through the redemption of the Preferred Shares; will return to holders of Class B Shares their aggregate initial investment amount of \$20.00 (\$0.02 per Class B Share); and thereafter will distribute to holders of the Class A Shares, the remaining assets of the Company, if any; in each case as soon as practicable after the Termination Date. See “*Termination of the Company*”.

Eligibility for Investment:

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents, each of the Preferred Shares, the Class A Shares and the Warrants, if and when listed on a designated stock exchange, will be qualified investments under the *Income Tax Act* (Canada) 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. Prospective investors should consult their own tax advisors as to the effect of acquiring Preferred Shares or Class A Shares in a registered education savings plan. The holder of a tax-free savings account that governs a trust which holds Preferred Shares, Class A Shares or Warrants will be subject to a penalty tax if the holder does not deal at arm’s length with the Company for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust with which the Company does not deal at arm’s length for purposes of the Tax Act. See “*Purchases of Securities – Eligibility for Investment*”.

### **Organization and Management of the Company**

| <b>Management Function</b>               | <b>Name and Municipality of Residence</b>  | <b>Services Provided to the Company</b>   |
|--|--|---|
| Manager, Investment Manager and Promoter | Quadravest Capital Management Inc.<br>77 King Street West<br>Suite 4500<br>Toronto, Ontario<br>M5K 1K7 | As manager, it manages the overall business and operations of the Company; as investment manager, it provides investment advisory and portfolio management services to the Company; and as promoter, it has been responsible for the creation of the Company. |

|                              |   |  |
|------------------------------|---|--|
| Custodian                    | RBC Dexia Investor Services Trust<br>Toronto, Ontario     | Provides custody services to the Company.                                      |
| Auditors                     | PricewaterhouseCoopers LLP<br>Toronto, Ontario            | Provide audit services to the Company.   |
| Registrar and Transfer Agent | Computershare Investor Services Inc.<br>Toronto, Ontario  | Maintains the securities register and the register of transfers of securities. |
| Warrant Trustee              | Computershare Trust Company of Canada<br>Toronto, Ontario | Provides services in respect of the issuance and exercise of the Warrants.     |

See “*Organization and Management Details of the Company*”.

#### **Agents**

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Manulife Securities Incorporated, Richardson Partners Financial Limited, Wellington West Capital Markets Inc. and Desjardins Securities Inc. will act as agents for the Offering. The Company has granted the Agents an option (the **Over-Allotment Option**) on the basis set forth below. See “*Plan of Distribution*”.

| <b>Agents’ Position</b> | <b>Maximum Size</b>   | <b>Exercise Period</b>                        | <b>Exercise Price</b>          |
|-------------------------|-----------------------|---|--------------------------------|
| Over-Allotment Option   | ● Preferred Shares    | Within 30 days of the closing of the Offering | \$10.00 per Preferred Share    |
|                         | ● Class A Share Units | Within 30 days of the closing of the Offering | \$15.00 per Class A Share Unit |

#### **Summary of Fees and Expenses**

The following table contains a summary of the fees and expenses payable by the Company. The fees and expenses payable by the Company will reduce the value of your investment in the Company. For further particulars, see “*Fees and Expenses*”.

##### *Fees and Expenses Payable by the Company*

| <u>Type of Fee</u>          | <u>Amount and Description</u>  |
|-----------------------------|--|
| Fees Payable to the Agents: | \$0.30 per Preferred Share and \$0.90 per Class A Share Unit.  |
| Expenses of Issue:          | The expenses of the Offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and |

legal and other out of pocket expenses incurred by the Agents and certain other expenses) will be paid by the Company out of the gross proceeds of the Offering to a maximum of 1.5% of such gross proceeds.

Management Fees:

Pursuant to the Management and Investment Management Agreement (as defined herein), Quadravest is entitled to a management fee payable monthly in arrears at an annual rate equal to 0.95% of the Company's net asset value calculated as at the last Valuation Date in each month, plus an amount equal to the service fee (the "Service Fee") payable to dealers, plus applicable taxes.

Operating Expenses of the Company:

In addition to the management fee referred to above and the service fees referred to below, the Company will pay for all other expenses incurred in connection with the ongoing operation and administration of the Company, estimated to be approximately \$300,000 per annum. These expenses are expected to include, without limitation, mailing and printing expenses for periodic reports to shareholders; fees payable to RBC Dexia Investor Services Trust for acting as custodian of the assets of the Company and performing certain administrative services under the Custodian Agreement (as defined below); fees payable to Computershare Investor Services Inc., as registrar and transfer agent with respect to the Preferred Shares and Class A Shares and to Computershare Trust Company of Canada as warrant trustee in respect of the Warrants; fees payable to the independent directors of the Company and the fees and other expenses of the members of, and other expenses of maintaining, an independent review committee under National Instrument 81-107 Independent Review Committee for Investment Funds; fees payable to the auditors and legal advisors of the Company; regulatory filing and stock exchange fees; and expenditures incurred upon the dissolution of the Company. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Quadravest is entitled to indemnity by the Company. The Company will also be responsible for all commissions and other costs of Portfolio transactions.

Service Fees:

Quadravest will pay the Service Fee to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.50% annually of the value of the Class A Shares held by clients of the dealer. For these purposes, the value of a Class A Share at the end of any calendar quarter is the net asset value per Unit calculated as at such calendar quarter end less \$10.00. No Service Fee will be payable in respect of any portion of a calendar quarter in which regular monthly distributions are not paid to holders of Class A Shares in respect of such month, and in such circumstances the Service Fee shall be pro rated based on the number of months in which such regular dividends or distributions were paid.

Warrant Exercise Fee: \$0.42 per Warrant will be payable by the Company at the time a Warrant is exercised to the broker whose client is exercising the Warrant, and \$0.23 per Warrant will be payable by the Company to the Agents for each Warrant exercised.

### **INFORMATION REGARDING PUBLIC ISSUERS**

Certain information contained in this prospectus relating to publicly traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. Neither Quadravest, the Company nor the Agents have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION**

Certain statements made by the Company or Quadravest in this prospectus are “forward-looking statements”. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or achieved) are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. These include, but are not limited to, the investment risks inherent in the pursuit of the investment objectives and strategies of the Company. See “*Risk Factors*”. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this prospectus, and neither the Company, Quadravest nor the Agents undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws.

## CANADIAN CHARTERED BANC SPLIT CORP.

### Overview of the Legal Structure of the Company

Canadian Chartered Banc Split Corp. (the “Company”) is a mutual fund corporation incorporated under the laws of the Province of Ontario by certificate and articles of incorporation dated June 5, 2009. The principal office address of the Company is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7. The website address of the Company is [www.canadianbancsplit.com](http://www.canadianbancsplit.com). Quadravest Capital Management Inc. (“Quadravest”) acts as the manager and investment manager of the Company.

The authorized capital of the Company consists of an unlimited number of preferred shares (the “Preferred Shares”), an unlimited number of non-voting participating shares designated as class A shares (the “Class A Shares”) and 1,000 voting non-participating shares designated as class B shares (the “Class B Shares”).

The Company is offering up to ● Preferred Shares and ● Class A Share Units (collectively, the “Offering”) under this prospectus at a price of \$10.00 per Preferred Share and \$15.00 per Class A Share Unit. Each Class A Share Unit consists of one transferable Class A Share and one-half share purchase warrant (each whole warrant, a “Warrant”). Of the \$15.00 purchase price for a Class A Share Unit, the Company will allocate \$● to the Warrant and the balance to the Class A Share. The Class A Shares and Warrants will begin to trade separately upon the earlier of the closing of the Over-Allotment Option (as defined herein) and the 30<sup>th</sup> day following the closing of the Offering. Each whole Warrant entitles the holder to purchase one Preferred Share and one Class A Share (together, a “Unit”) at a subscription price of \$25.00 (the “Subscription Price”) on September 30, 2010 (the “Warrant Exercise Date”). Warrants not exercised by or before 5:00 p.m. (Toronto time) (the “Warrant Expiry Time”) on the Warrant Exercise Date will be void and of no value. The Preferred Shares and the Class A Share Units are offered separately, but will be issued only on the basis that there will be an equal number of Preferred Shares and Class A Share Units issued. The Company has no current intention of issuing additional Preferred Shares or Class A Shares following completion of the Offering (other than pursuant to the exercise of the Warrants), but is not precluded from doing so in the future. The Company will not issue additional Class B Shares.

Although the Company is considered to be a mutual fund under Canadian securities legislation, it has applied for an exemption from certain requirements of National Instrument 81-102 Mutual Funds (“NI 81-102”), a policy statement or rule of the Canadian securities regulators governing conventional public mutual funds.

### Rationale for the Company

The Company has been created to provide investors with exposure to the common shares of the following six Canadian chartered banks (the “Portfolio Companies”):

*Bank of Montreal*

*Bank of Nova Scotia*

*Canadian Imperial Bank of  
Commerce*

*National Bank of Canada*

*Royal Bank of Canada*

*Toronto-Dominion Bank*

through two classes of securities. Holders of the Preferred Shares will be provided with a stable yield, while holders of Class A Shares will be provided with leveraged exposure to the Portfolio Companies,

including exposure to increases or decreases in the value of their common shares and the benefit of increases, if any, in the dividends paid by the Portfolio Companies on their common shares.

## INVESTMENT OBJECTIVES

The Company's investment objectives with respect to the Preferred Shares are:

- (a) to provide holders of the Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.58333 per Preferred Share to yield 7.00% per annum on the original issue price of a Preferred Share; and
- (b) on or about December 1, 2016 (the "Termination Date"), to pay the holders of the Preferred Shares the original issue price of the Preferred Shares (the "Preferred Share Repayment Amount").

The Company's investment objectives with respect to the Class A Shares are:

- (a) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.0625 per Class A Share to yield 5.00% per annum on the original issue price of a Class A Share Unit; and
- (b) on or about the Termination Date, to pay the holders of Class A Shares at least the original issue price of the Class A Shares.

There can be no assurance the Company's investment objectives will be achieved. See "*Risk Factors*".

## INVESTMENT STRATEGIES

### Principal Investment Strategy

The Company will invest the net proceeds of the Offering in common shares of the Portfolio Companies. Up to 20% of the net asset value of the Company may be invested in dividend-paying equity securities of certain Canadian financial services corporations other than the Portfolio Companies. The Company initially expects, however, to invest exclusively in the Portfolio Companies. The Company may substitute Portfolio Companies in extraordinary circumstances. See "*Overview of the Sector that the Company Invests In*". To supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the equity securities held by the Company (the "Portfolio"). The number of such common shares that are the subject of call options and the terms of such options will vary from time to time as determined by Quadinvest, the Company's investment manager. See "*Investment Strategies – Covered Call Option Writing*" below.

### Covered Call Option Writing

As noted above, the Company may write call options on some or all of the securities in the Portfolio that it holds from time to time.

A call option is a right, but not an obligation, of the holder of the call option to purchase a security from the writer of the call option at a specified purchase or "strike" price at any time during a specified time period. The call options to be written by the Company may be either exchange traded options or over-the-counter options. As call options are written only in respect of shares that the Company holds, and as

the investment restrictions of the Company prohibit the sale of shares by it that are subject to an outstanding option, the options will be “covered” at all times.

By writing call options, the Company will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option the market price of the securities which are the subject of the call option is above the strike price, such that the call option is “in-the-money”, the holder of the option may exercise the option and the Company will be obligated to sell the securities to the holder at the strike price per share. Alternatively, the Company may repurchase a call option which is in-the-money by paying the market value of the call option. However, if at expiration of a call option the strike price is greater than the current market price of the underlying security such that the option is “out-of-the-money”, the holder of the option will likely not exercise the option and the option will expire. In each case, the Company will retain the option premium.

If a call option is written on a Portfolio security, the amounts that the Company will be able to realize on the security during the term of the call option will be limited to the dividends (if any) received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company will forego potential returns resulting from any price appreciation of the share above the strike price in favour of the certainty of receiving the option premium. The use of options may therefore have the effect of limiting or reducing the total returns of the Company, particularly in a rising market since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the Portfolio.

### **Other Uses of Derivatives**

In addition to writing covered call options, the Company may also write cash covered put options or purchase call options with the effect of closing out existing call options written by the Company and may also purchase put options in order to protect the Company from declines in the market prices of the common shares of the Portfolio Companies or other Portfolio securities that it holds.

The Company may enter into trades to close out positions in such permitted derivatives. The Company may also use derivatives for hedging purposes or otherwise as permitted under NI 81-102. Such permitted derivatives may include exchange traded options, futures contracts or options on futures (subject to QuadraVest obtaining any necessary registrations under the *Commodity Futures Act* (Ontario)), over-the-counter options and forward contracts.

### **Leverage**

The Company will not borrow money or use leverage as part of its investment strategies.

### **Securities Lending**

The Company has no current intention of lending its portfolio securities. If it elects to do so in the future, it will be required to observe the detailed rules in this regard set out in NI 81-102.

### **Dividend Coverage Ratios – Preferred Shares**

The dividend coverage ratio for Preferred Shares is the ratio of the income of the Company available for the payment of dividends on the Preferred Shares to the amount of the dividends required to be paid. The higher the ratio, the more likely it is that the Company will have sufficient income available to pay the dividends. Based on current market conditions, dividends payable to holders of the Preferred Shares are expected to be funded from dividends received by the Company on the common shares of the Portfolio

Companies and other dividend-paying shares in the Portfolio. The chart below provides estimated dividend coverage ratios for the annual dividend requirements on the Preferred Shares, based on the following assumptions:

1. the gross proceeds from the Offering are \$100 million, which is fully invested in common shares of the Portfolio Companies;
2. an equal number of Preferred Shares and Class A Shares are issued;
3. all common shares of the Portfolio Companies held by the Company are subject to 30 day call options throughout the relevant period (note that this assumption is for illustrative purposes only and is not indicative of the extent to which covered call options will or are intended to be written by the Company);
4. all call options are exercisable at any time during their term and are written at the same percentage out-of-the-money;
5. the risk-free or benchmark interest rate is 0.20%;
6. the average return from the dividends paid on the common shares of the Portfolio Companies is 5.29%;
7. the range of volatility shown in the table encompasses the range of the historical average volatility of common shares of the Portfolio Companies;
8. there are no capital gains or losses on the common shares of the Portfolio Companies held by the Company for the period during which the call options are outstanding (note that this assumption is for illustrative purposes only and the Company expects that there will be capital gains and losses which may have a positive or negative effect on the value of the Company);
9. annual expenses of the Company (ordinary and extraordinary) are \$300,000 plus the management fees payable to Quadravest and the service fee payable to dealers described under “*Fees and Expenses*”; and
10. the holders of the Preferred Shares are entitled to a monthly dividend of \$0.05833 per Preferred Share (to yield 7.00% per annum on the original issue price of a Preferred Share).

The range of percentage out-of-the-money shown in the table below is based on the range generally expected to be utilized by Quadravest in writing call options. During the five year period ended June 4, 2009, the average volatility (expressed in percentage terms on an annual basis) of 30-day options on the common shares of the Portfolio Companies as a group ranged from a low of 8.2% to a high of 80.5%, with an average of 23.5%.

#### **Dividend Coverage Ratios for the Preferred Shares**

| <b><u>% Out-of-the-Money</u></b> | <b><u>Average Volatility of the Common Shares of the Portfolio Companies</u></b> |            |            |            |            |            |            |            |            |
|----------------------------------|--|------------|------------|------------|------------|------------|------------|------------|------------|
|                                  | <u>16%</u>   | <u>18%</u> | <u>20%</u> | <u>22%</u> | <u>24%</u> | <u>26%</u> | <u>28%</u> | <u>30%</u> | <u>32%</u> |
| <b>4%</b>                        | 3.0x   | 3.6x       | 4.3x       | 5.0x       | 5.8x       | 6.6x       | 7.4x       | 8.2x       | 9.1x       |
| <b>2%</b>                        | 4.8x   | 5.7x       | 6.5x       | 7.4x       | 8.2x       | 9.1x       | 10.0x      | 10.9x      | 11.8x      |
| <b>0%</b>                        | 7.8x   | 8.8x       | 9.7x       | 10.6x      | 11.5x      | 12.5x      | 13.4x      | 14.3x      | 15.2x      |

The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns from call option writing upon which the estimated net income of the Company has been based will be realized.

### Sensitivity Analysis – Class A Shares

The table below represents an assessment of the sensitivity of the net return to holders of the Class A Shares from dividends and option premiums of the Company (excluding any gains or losses on portfolio investments, dividend increases or decreases and any amounts paid to close out in-the-money options) to (i) the average volatility of the common shares of the Portfolio Companies; and (ii) the excess of the strike price over the market price of the securities expressed as a percentage of such market price at the time the option is written (or percentage out-of-the-money) using a modified Black-Scholes Model. The table is based on the same assumptions set forth above under “*Investment Strategies — Dividend Coverage Ratios – Preferred Shares*”. The range of percentage out-of-the-money shown in the table below is based on the range generally expected to be utilized by Quadravest in writing call options.

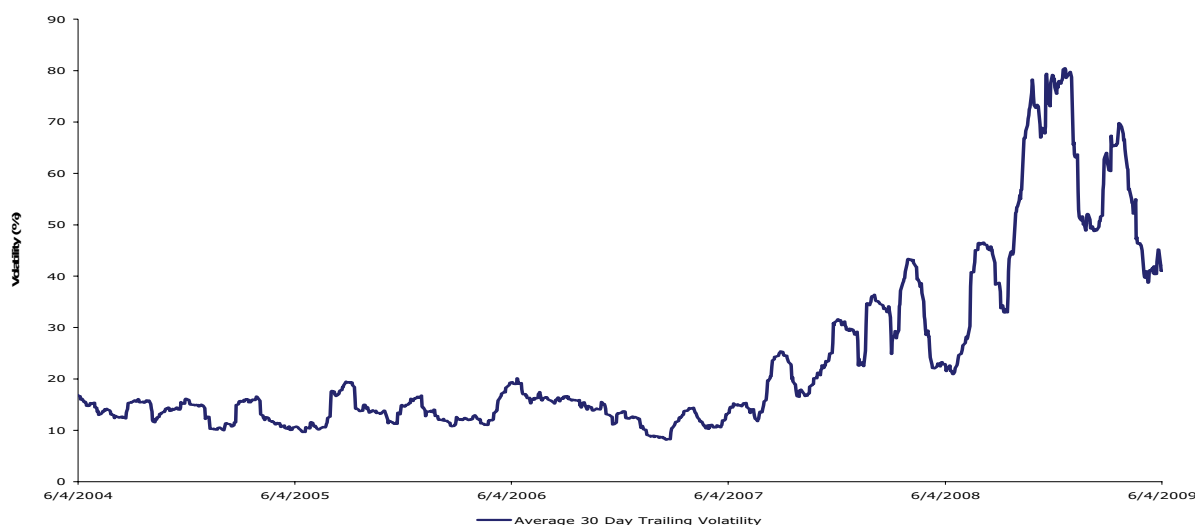
#### Return (Net of Expenses) on Class A Shares from Dividends and Option Premiums (Annualized %)

| <u>% Out-of-the-Money</u> | <u>Average Volatility of the Common Shares of the Portfolio Companies</u> |            |            |            |            |            |            |            |            |
|---------------------------|---|------------|------------|------------|------------|------------|------------|------------|------------|
|                           | <u>16%</u>  | <u>18%</u> | <u>20%</u> | <u>22%</u> | <u>24%</u> | <u>26%</u> | <u>28%</u> | <u>30%</u> | <u>32%</u> |
| <b>4%</b>                 | 9.3%  | 12.3%      | 15.5%      | 18.9%      | 22.4%      | 26.1%      | 29.9%      | 33.7%      | 37.6%      |
| <b>2%</b>                 | 17.9%   | 21.7%      | 25.7%      | 29.7%      | 33.8%      | 37.9%      | 42.1%      | 46.3%      | 50.5%      |
| <b>0%</b>                 | 32.0%   | 36.3%      | 40.6%      | 44.9%      | 49.2%      | 53.5%      | 57.8%      | 62.1%      | 66.4%      |

The information in the table is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis will ever be available or realized.

### Average Volatility Levels

The following chart shows the average volatility levels of the common shares of the Portfolio Companies over the past five years.



## OVERVIEW OF THE SECTOR THAT THE COMPANY INVESTS IN

The Company will invest in the Portfolio Companies, which are the six largest Canadian chartered banks. Each of these banks maintain diverse operations in several financial service sectors, including national retail banking, commercial banking, retail brokerage and investment banking. The Portfolio Companies, although not immune from the recent global financial and economic crisis, have performed relatively well against the majority of international banks during this difficult period. This performance has generally been attributed to the view that Canadian banks have been better managed, operate more conservatively, are better capitalized and are better regulated than a majority of their peers throughout the world. Quadravest believes that most importantly, from a market perspective, Canadian banks have maintained their dividends through this downturn which has reinforced their value as stable dividend generating companies. In the most recent World Economic Forum, Canadian Banks were ranked #1 globally in the “Soundness of Banks” category thus creating international recognition and attention to these companies and the underlying regulatory model within which they operate.

In recent months, the Portfolio Companies have raised additional capital to further bolster their balance sheet and regulatory capital ratios. The current dividend yields on Canadian Banks are at very attractive historic levels relative to the yields of long term Canadian bonds. As the economy recovers, Quadravest expects the Portfolio Companies and the banking sector to be among the stronger leadership groups.

Additional information regarding the Portfolio Companies is set forth below.

### **Bank of Montreal**

Bank of Montreal, a chartered bank subject to the provisions of the *Bank Act* (Canada) (the “Bank Act”), was founded in 1817 and is Canada's oldest chartered bank. Its head office is at 129 rue Saint-Jacques, Montreal, Québec, H2Y 1L6, and the executive offices are located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, M5X 1A1. Bank of Montreal offers, domestically and internationally, a broad range of credit and non-credit products and services to individuals, industry, financial institutions and governments directly and through special-purpose domestic and foreign subsidiaries.

Additional information regarding the Bank of Montreal may be found in the following documents, available on SEDAR at [www.sedar.com](http://www.sedar.com): (i) its annual information form dated December 10, 2008; (ii) its audited consolidated financial statements as at and for the year ended October 31, 2008 with comparative consolidated financial statements as at and for the year ended October 31, 2007, together with the auditors’ report thereon and the auditors’ report on internal control over financial reporting under Standards of the Public Company Accounting Oversight Board (United States) and its management’s discussion and analysis as contained in its annual report for the year ended October 31, 2008; (iii) its unaudited consolidated interim financial statements as at and for the six months ended April 30, 2009 and management’s discussion and analysis, as contained in its second quarter 2009 report to shareholders for the six months ended April 30, 2009; and (iv) its management proxy circular dated January 13, 2009 prepared in connection with its annual meeting of shareholders held on March 3, 2009.

Prospective investors in the Company should review these documents and any other subsequently filed material continuous disclosure information relating to Bank of Montreal such as material change reports carefully, including in particular the risk factor disclosure contained in its annual information form.

### **Bank of Nova Scotia**

Bank of Nova Scotia was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871, it has been a chartered bank

under the Bank Act. Bank of Nova Scotia is a Schedule 1 bank under the Bank Act and the Bank Act is its charter. Its head office is located at 1709 Hollis Street, Halifax, Nova Scotia and the executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1. A copy of the its by-laws are available on [www.sedar.com](http://www.sedar.com). Bank of Nova Scotia is one of North America's premier financial institutions and Canada's most international bank. Through its team of approximately 66,000 employees, Bank of Nova Scotia and its affiliates offer a broad range of products and services, including retail, commercial, corporate and investment banking to more than 12.5 million customers in some 50 countries around the world. It has three major business lines: Canadian Banking, International Banking and Scotia Capital.

Additional information regarding Bank of Nova Scotia may be found in the following documents, available on SEDAR at [www.sedar.com](http://www.sedar.com): (i) its annual information form dated December 8, 2008; (ii) its management proxy circular attached to the notice of meeting dated January 12, 2009; (iii) its consolidated interim financial statements (unaudited) and management's discussions and analysis as at and for the six months ended April 30, 2009; (iv) its consolidated financial statements for the years ended October 31, 2008 and 2007, together with the auditors' report thereon; (v) its management's discussion and analysis of financial condition and results of operations for the year ended October 31, 2008; and (vi) the material change reports dated December 5, 2008 and December 12, 2008, respectively, relating to the acquisition by Bank of Nova Scotia of approximately 37% of the outstanding voting securities of CI Financial Income Fund for approximately \$2.3 billion.

Prospective investors in the Company should review these documents and any other subsequently filed material continuous disclosure information relating to Bank of Nova Scotia such as material change reports carefully, including in particular the risk factor disclosure contained in its annual information form.

### **Canadian Imperial Bank of Commerce**

Canadian Imperial Bank of Commerce is a diversified financial institution governed by the Bank Act. Its registered and head office is located in Commerce Court, Toronto, Canada, M5L 1A2. Canadian Imperial Bank of Commerce was formed through the amalgamation of The Canadian Bank of Commerce (originally incorporated in 1858) and Imperial Bank of Canada (originally incorporation in 1875).

Additional information regarding Canadian Imperial Bank of Commerce may be found in the following documents, available on SEDAR at [www.sedar.com](http://www.sedar.com): (i) its annual information form dated December 4, 2008, which incorporates by reference of its annual accountability report for the year ended October 31, 2008; (ii) its comparative audited consolidated financial statements for the year ended October 31, 2008, together with the auditors' report of its 2008 fiscal year; (iii) its management's discussion and analysis of results of operations for the year ended October 31, 2008 contained in its 2008 annual report; (iv) its management proxy circular dated January 15, 2009 regarding its annual meeting of shareholders held on February 26, 2009; (v) its comparative unaudited interim consolidated financial statements for the six-month period ended April 30, 2009 included in its report to shareholders for the second quarter 2009; and (vi) its management's discussion and analysis of results of operations contained in its 2009 second quarter report.

Prospective investors in the Company should review these documents and any other subsequently filed material continuous disclosure information relating to Canadian Imperial Bank of Commerce such as material change reports carefully, including in particular the risk factor disclosure contained in its annual information form.

## **National Bank of Canada**

National Bank of Canada is a Canadian bank governed by the Bank Act. Its roots date back to 1859 with the founding of Banque Nationale in Quebec City. Its current charter is the result of a series of amalgamations, first with Banque d'Hochelega in 1924 to form Bank Canadian National, which then merged with The Provincial Bank of Canada in 1979 to form National Bank of Canada. In 1985, National Bank of Canada acquired The Mercantile Bank of Canada. In 1992, it merged with National Bank Leasing Inc., its wholly owned subsidiary. Its head office is located at 600 De La Gauchetière Street West, 4<sup>th</sup> Floor, Montreal, Quebec, Canada H3B 4L2.

Additional information regarding National Bank of Canada may be found in the following documents, available on SEDAR at [www.sedar.com](http://www.sedar.com): (i) its audited consolidated financial statements for the year ended October 31, 2008, which include comparative consolidated financial statements for the year ended October 31, 2007, together with the management's discussion and analysis as contained in its annual report for the year ended October 31, 2008; (ii) the auditor's report issued to its shareholders on its consolidated financial statements as at October 31, 2008 and 2007 and for the years then ended; (iii) its annual information form dated January 22, 2009; (iv) its management proxy circular dated January 9, 2009 in connection with its annual meeting of shareholders held on February 27, 2009; and (v) its unaudited consolidated financial statements for the quarter ended April 30, 2009, which include comparative unaudited consolidated financial statements for the quarter ended April 30, 2008, together with the management's discussion and analysis as contained in its report to shareholders for the second quarter 2009.

Prospective investors in the Company should review these documents and any other subsequently filed material continuous disclosure information relating to National Bank of Canada such as material change reports carefully, including in particular the risk factor disclosure contained in its annual information form.

## **Royal Bank of Canada**

Royal Bank of Canada and its subsidiaries operate under the master brand name RBC. It is Canada's largest bank as measured by assets and market capitalization, one of North America's leading diversified financial services companies and among the largest banks in the world as measured by market capitalization. It provides personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis. It employs more than 80,000 full-and part-time employees who serve more than 18 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 52 other countries.

Additional information regarding the Royal Bank of Canada may be found in the following documents, available on SEDAR at [www.sedar.com](http://www.sedar.com): (i) its audited consolidated financial statements as at October 31, 2008 and 2007 and for each of the years in the two-year period ended October 31, 2008, prepared in accordance with Canadian generally accepted accounting principles, together with the report of independent registered chartered accountants thereon (excluding for greater certainty management's report on internal control over financial reporting and the report of the independent registered chartered accountants thereon) together with its 2008 management's discussion and analysis; (ii) its annual information form dated December 4, 2008; (iii) its management proxy circular dated January 5, 2009 for the annual meeting of common shareholders held on February 26, 2009; and (iv) its unaudited interim consolidated financial statements as at April 30, 2009 and 2008 and for each of the six-month periods then ended, together with its Q2 2009 management's discussion and analysis.

Prospective investors in the Company should review these documents and any other subsequently filed material continuous disclosure information relating to Royal Bank of Canada such as material change reports carefully, including in particular the risk factor disclosure contained in its annual information form.

### **Toronto-Dominion Bank**

The Toronto-Dominion Bank and its subsidiaries are collectively known as “TD Bank Financial Group”. It is a Schedule 1 chartered bank subject to the provisions of the Bank Act, and was formed on February 1, 1955 through the amalgamation of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869). Its head office is located at Toronto-Dominion Centre, King Street West and Bay Street, Toronto, Ontario, M5K 1A2.

Additional information regarding the Toronto-Dominion Bank may be found in the following documents, available on SEDAR at [www.sedar.com](http://www.sedar.com): (i) its management proxy circular dated as of January 22, 2009; (ii) its annual information form dated December 3, 2008; (iii) its consolidated audited financial statements for the fiscal year ended October 31, 2008 with comparative consolidated financial statements for the fiscal year ended October 31, 2007, together with the auditors’ report thereon and management’s discussion and analysis as contained in the annual report to shareholders for the year ended October 31, 2008; and (iv) its second quarter report to shareholders for the six months ended April 30, 2009, which includes comparative consolidated interim financial statements (unaudited) and management’s discussion and analysis.

Prospective investors in the Company should review these documents and any other subsequently filed material continuous disclosure information relating to Toronto-Dominion Bank such as material change reports carefully, including in particular the risk factor disclosure contained in its annual information form.

### **Dividend History and Other Information Regarding the Portfolio Companies**

Each of the Portfolio Companies has a fiscal year ending on October 31. The following table sets forth the dividend history of the common shares of the Portfolio Companies for their last five completed fiscal years.

|                                    | <b>Dividends Paid for the Fiscal Year Ended October 31</b> |                    |                    |                    |                    |
|------------------------------------|--|--------------------|--------------------|--------------------|--------------------|
|                                    | <b><u>2008</u></b>   | <b><u>2007</u></b> | <b><u>2006</u></b> | <b><u>2005</u></b> | <b><u>2004</u></b> |
| Bank of Montreal                   | \$2.80   | \$2.71             | \$2.26             | \$1.85             | \$1.59             |
| Bank of Nova Scotia                | \$1.92   | \$1.74             | \$1.50             | \$1.32             | \$1.10             |
| Canadian Imperial Bank of Commerce | \$3.48   | \$3.11             | \$2.76             | \$2.66             | \$2.20             |
| National Bank of Canada            | \$2.48   | \$2.28             | \$1.96             | \$1.72             | \$1.42             |
| Royal Bank of Canada               | \$2.00   | \$1.72             | \$1.32             | \$1.13             | \$0.98             |
| Toronto-Dominion Bank              | \$2.36   | \$2.11             | \$1.78             | \$1.56             | \$1.36             |

The following table sets forth a summary of the recent closing market prices, annual dividends paid, dividend yield and average annual total return over the past 10 years of the common shares of the Portfolio Companies.

|                                    | <u>Closing Price<sup>(1)</sup></u> | <u>Current Annual Dividend<sup>(2)</sup></u> | <u>Current Dividend Yield</u> | <u>Average Annual Total Return<sup>(3)</sup></u> |
|------------------------------------|------------------------------------|--|-------------------------------|--|
| Bank of Montreal                   | \$45.22                            | \$2.80                                       | 6.2%                          | 9.0%   |
| Bank of Nova Scotia                | \$40.15                            | \$1.96                                       | 4.9%                          | 13.3%  |
| Canadian Imperial Bank of Commerce | \$55.51                            | \$3.48                                       | 6.3%                          | 8.1%   |
| National Bank of Canada            | \$53.02                            | \$2.48                                       | 4.7%                          | 13.9%  |
| Royal Bank of Canada               | \$45.50                            | \$2.00                                       | 4.4%                          | 14.1%  |
| Toronto-Dominion Bank              | \$58.12                            | \$2.44                                       | 4.2%                          | 7.5%   |

(1) As of June 5, 2009.

(2) Based on the last declared regular quarterly dividend per common share, annualized.

(3) From June 4, 1999 to June 5, 2009 (source: Bloomberg).

### **Voting Rights in the Common Shares of the Portfolio Companies**

Holders of Preferred Shares or Class A Shares will not have any voting rights in respect of the common shares of the Portfolio Companies held by the Company. QuadraVest will determine whether and how to vote such shares from time to time, and is responsible for advising the Company as to any voting rights it may have. See “*Proxy Voting Disclosure for Portfolio Securities Held*”.

### **Replacement of the Portfolio Companies**

QuadraVest may change the composition of the Portfolio Companies from time to time to respond to mergers, take-over bids, going private transactions, changes in financial condition or other actions affecting the Portfolio Companies as described below. The approval of holders of the Preferred Shares and Class A Shares is not required for a change in the composition of the Portfolio Companies. The Company will issue a press release in the event any changes are made by QuadraVest to the companies included in the list of Portfolio Companies.

If any Portfolio Company whose shares are held by the Company from time to time makes a special distribution to its securityholders, is a party to or affected by any reorganization, amalgamation, plan of arrangement, securities exchange take-over bid, merger or sale of material assets or any other business combination (a “Business Combination”) or a cash take-over bid is made for the securities of such Portfolio Company, QuadraVest on behalf of the Company may take such action as it considers in the best interests of the Company. In taking such action, QuadraVest shall consider the guidelines outlined below, provided that such guidelines shall not limit the general discretion conferred upon it with respect to any Portfolio Company.

Upon any subdivision, consolidation, reclassification or other similar change to any of the securities in the Portfolio (a “Reclassification”), the securities received in respect of such securities as a result of the Reclassification will, together with any residual, be treated as part of the Portfolio for all purposes relating to the Preferred Shares and the Class A Shares including the prices payable on redemption and retraction of the Preferred Shares and the Class A Shares.

Upon any distribution (an “extraordinary distribution”) by a Portfolio Company in respect of securities in the Portfolio, other than a cash dividend or a stock dividend paid in the ordinary course by a Portfolio Company, such extraordinary distribution will, together with the securities in the Portfolio in respect of which the extraordinary distribution was made, be treated in the same manner as securities received upon a Reclassification. Any other securities or property received by the Company will either be sold, in which case the Company shall use the net proceeds to acquire additional securities for the Portfolio as may be determined by QuadraVest, or may be held by the Company.

Upon the implementation of any Business Combination affecting a Portfolio Company, or to which a Portfolio Company is a party, the securities of a Portfolio Company or any successor thereto received in respect of securities in the Portfolio will, together with any residual, be treated in the same manner as securities received as a result of a Reclassification and any other securities, property or cash received in respect of securities in the Portfolio will be treated in the same manner as securities, property or cash received upon any extraordinary distribution by a Portfolio Company in respect of the Portfolio securities.

Any transferable rights issued to the Company pursuant to a rights offering by a Portfolio Company may be exercised or may be sold and the net proceeds of such sale used to purchase additional common shares of one or more Portfolio Companies which will, together with the securities in respect of which such rights were received, be treated in the same manner as securities received as the result of a Reclassification.

In the event of a take-over bid for any of the shares in the Portfolio, QuadraVest will, if it determines that such bid is in the best interests of shareholders, tender such shares to such bid.

### **INVESTMENT RESTRICTIONS**

The Company is subject to certain investment restrictions that, among other things, limit the securities the Company may acquire. The Company’s investment restrictions may not be changed without the approval of the holders of the Preferred Shares and the Class A Shares by a two-thirds majority vote at a meeting called for such purpose. See “*Securityholder Matters – Matters Requiring Securityholder Approval*”.

The Company’s investment restrictions provide that the Company may not:

- (a) purchase securities of any issuer unless, immediately after such purchase, not less than 80% of the net asset value of the Company consists of common shares of the Portfolio Companies;
- (b) purchase common shares of any Portfolio Company if, immediately after such purchase, more than 30% of the net asset value of the Company consists of common shares of such Portfolio Company (provided that if two or more of the Portfolio Companies merge, the 30% limitation shall be adjusted such that the percentage of the net asset value of the Company that may be invested in the common shares of any one Portfolio Company shall be that percentage which is equal to 30 multiplied by a fraction, the numerator of which is six and the denominator of which is the number of Portfolio Companies remaining after such merger);

- (c) purchase the equity securities of any issuer unless such securities are common shares of the Portfolio Companies or are dividend-paying equity securities rated “A” or better by DBRS Limited (“DBRS”) of other Canadian financial services corporations with a market capitalization of not less than \$500 million;
- (d) make any investment or conduct any activity that would result in the Company failing to qualify as a “mutual fund corporation” within the meaning of the Tax Act;
- (e) write a call option in respect of a Portfolio security unless such security is held by the Company at the time the option is written or dispose of such a security that is subject to a call option written by the Company unless that option has either been terminated or has expired;
- (f) enter into any arrangement (including the acquisition of securities and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Company to receive a dividend on such securities in circumstances where, under the arrangement, someone other than the Company bears the risk of loss or enjoys the opportunity for gain or profit with respect to such securities in any material respect; and
- (g) acquire or continue to hold any security that is a “specified property” as defined in subsection 18(1) of the legislative proposals to amend the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 if the total of all amounts each of which is the fair market value of a specified property would exceed 10% of the total of all amounts each of which is the fair market value of a property of the Company.

The Company has applied for an exemption from the concentration restriction in section 2.1(1) of NI 81-102 (see “*Exemptions and Approvals*”) so as to permit it to invest in the common shares of the Portfolio Companies as described in this prospectus. Otherwise, the Company has adopted the standard investment restrictions and practices set forth in NI 81-102.

## **FEES AND EXPENSES**

### **Initial Expenses**

The expenses of the Offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out of pocket expenses incurred by the Agents (as defined below) and certain other expenses) will be paid by the Company out of the gross proceeds of the Offering to a maximum of 1.5% of such gross proceeds. In addition, the Agents’ fee will be paid to the Agents from the gross proceeds as described under “*Plan of Distribution*”.

### **Management and Service Fees**

Pursuant to the Management and Investment Management Agreement, Quadravest is entitled to a management fee payable monthly in arrears at an annual rate equal to 0.95% of the Company’s net asset value calculated as at the last Valuation Date in each month, plus an amount equal to the service fee (the “Service Fee”) payable to dealers, plus applicable taxes.

Quadravest will pay the Service Fee to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.50% annually of the

value of the Class A Shares held by clients of the dealer. For these purposes, the value of a Class A Share at the end of any calendar quarter is the net asset value per Unit calculated as at such calendar quarter end less \$10.00. No Service Fee will be payable in respect of any portion of a calendar quarter in which regular monthly distributions are not paid to holders of Class A Shares in respect of such month, and in such circumstances the Service Fee shall be pro rated based on the number of months in which such regular distributions were paid.

### **Operating Expenses**

The Company will pay for all other expenses incurred in connection with the operation and administration of the Company, estimated to be approximately \$300,000 per annum. These expenses are expected to include, without limitation, mailing and printing expenses for periodic reports to shareholders; fees payable to RBC Dexia Investor Services Trust for acting as custodian of the assets of the Company and performing certain administrative services under the Custodian Agreement (as defined below); fees payable to Computershare Investor Services Inc. as registrar and transfer agent with respect to the Preferred Shares and the Class A Shares, and to Computershare Trust Company of Canada as Warrant Trustee with respect to the Warrants; fees payable to the independent directors of the Company and the fees and other expenses of the members of, and other expenses of maintaining, an independent review committee under National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”); fees payable to the auditors and legal advisors of the Company; regulatory filing and stock exchange fees (including any such fees payable by Quadravest in respect of the services it provides to the Company); and expenditures incurred upon the dissolution of the Company. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Quadravest is entitled to indemnity by the Company. See “*Organization and Management Details of the Company*”. The Company will also be responsible for all commissions and other costs of Portfolio transactions.

### **RISK FACTORS**

In addition to the risks discussed elsewhere in this prospectus, the following are certain considerations relating to an investment in Preferred Shares and Class A Shares which prospective investors should consider before purchasing such shares.

#### **Operating History and Lack of Public Trading Market**

The Company is a newly organized investment fund with no previous operating history. There is currently no public market for the Preferred Shares, Class A Shares or Warrants and there can be no assurance that an active public market will develop or be sustained after the completion of the Offering.

#### **Concentration Risk**

The assets of the Company will initially consist exclusively of common shares of the Portfolio Companies and its net asset value will always be primarily dependent upon the value of the shares of such Portfolio Companies. As a result, the Company’s portfolio is highly concentrated, both in terms of number of issuers and in the Canadian banking sector, and this lack of diversification could have a negative impact on the value of the Preferred Shares and the Class A Shares.

#### **Risks Relating to and Risk Disclosure Made by the Portfolio Companies**

Investors should consider carefully the risk disclosure made by the Portfolio Companies, as set forth in their continuous disclosure documents discussed under “*Overview of the Sector that the Company Invests In*”. In particular, investors should consider the amount of tier 1 capital raised by the Portfolio

Companies over the past months in order to meet or exceed the requirements of the Office of the Superintendent of Financial Institutions in this regard, the impact of these capital raising activities on their ability to maintain the dividends on their common shares, the amount of asset write-downs over the same period and the possibility that further write-downs could require the raising of additional capital.

### **Fluctuations in Net Asset Value**

The net asset value of the Company will vary primarily according to the value of the common shares of the Portfolio Companies it holds. The value of such shares will be influenced by factors which are not within the control of the Company, including the financial performance of the Portfolio Companies, their dividend payment policies and financial market and economic conditions generally. An investment in the Preferred Shares or Class A Shares is appropriate only for investors who have the capacity to absorb a loss of some or all of that investment. The net asset value of the Company at any time may be more or less than the issue price of the Preferred Shares and Class A Shares or the price at which an investor can purchase Preferred Shares and Class A Shares on any stock exchange on which they may be listed on or following the closing of the Offering.

### **Class A Shares Represent a Leveraged Investment**

Holders of the Class A Shares will participate in a form of leverage, in that any capital appreciation in the common shares of the Portfolio Companies purchased with the net proceeds of the Offering represent the issue of both Preferred Shares and Class A Shares but will be for the benefit of the holders of the Class A Shares once all accrued and unpaid dividends on the Preferred Shares and the Preferred Share Repayment Amount have each been paid on the Termination Date, together with any other liabilities of the Company. In the event that the value of the common shares of the Portfolio Companies decreases, this leverage will work to the disadvantage of the holders of the Class A Shares, as any capital loss incurred by the Company on those shares will effectively first be for the account of the holders of the Class A Shares. If the net asset value of the Company on the Termination Date is equal to or less than \$10.00 plus the value of any accrued and unpaid dividends on the Preferred Shares, the Class A Shares will then have no value.

### **No Assurances of Achieving Objectives**

There is no assurance that the Company will be able to achieve its monthly dividend, distribution and long-term capital appreciation objectives. In particular, there can be no assurance that the Company will be able to pay, or in all cases be able to pay the full, targeted monthly dividends on the Preferred Shares and distributions on the Class A Shares. An investment in the Preferred Shares and Class A Shares is therefore appropriate only for investors who have the ability to withstand dividends not being paid on the Preferred Shares or distributions not being paid on the Class A Shares for any period of time.

### **Interest Rate Fluctuations**

It is anticipated that the market price of the Preferred Shares and Class A Shares will, at any time, 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 Preferred Shares and Class A Shares.

### **Use of Options**

The Company is subject to the full risk of its investment position in the common shares of the Portfolio Companies, including those shares that are subject to outstanding call options, should the market price of such shares decline. In addition, the Company will not participate in any gain on the shares that are subject to outstanding call options above the strike price of the options.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Company to write covered call options on desired terms or to close out option positions should Quadravest desire to do so. In purchasing call options, the Company is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations. The ability of the Company to close out its positions may also be affected by exchange-imposed daily trading limits on options. If the Company is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

The use of options may have the effect of limiting or reducing the total returns of the Company if Quadravest's expectations concerning future events or market conditions prove to be incorrect. If the value of the common shares of the Portfolio Companies decreases, it may be difficult for the Company to recover losses on those shares and meet its annual targeted distributions. In such an event, the Company would have to increase the number of the common shares of the Portfolio Companies that are subject to covered call options in order to meet its annual targeted distributions.

### **Reliance on the Investment Manager**

Quadravest will manage the assets of the Company in a manner consistent with the investment objectives, strategies and restrictions of the Company. The officers of Quadravest who will be primarily responsible for the management of the Company have extensive experience in managing investment portfolios. There is no certainty that such individuals will continue to be employees of Quadravest throughout the term of the Company.

### **Conflicts of Interest**

Quadravest is engaged in a variety of investment management, investment advisory and other business activities. The services of Quadravest under the Investment Management Agreement (as defined herein) are not exclusive and nothing in the Investment Management Agreement prevents Quadravest or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. Quadravest's investment decisions for the Company will be made independently of those made for its other clients and independently of its own investments. However, on occasion, Quadravest may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of Quadravest are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

### **Trading Prices of Shares**

The Preferred Shares and the Class A Shares may trade in the market at a premium or discount to the price implied by the net asset value per Unit, and there can be no assurance that such shares will together trade at a price equal to such amount. This risk is separate and distinct from the risk that the net asset value per Unit may decrease, or possibly be zero.

### **Retractions; Suspension of Retractions**

If holders of a substantial number of Preferred Shares or Class A Shares exercise their retraction rights, the number of such shares outstanding and the net asset value of the Company could be significantly reduced, with the effect of decreasing the liquidity of the Preferred Shares and Class A Shares in the market and increasing the management expense ratio of the Company. The Company may suspend the retraction of Preferred Shares and Class A Shares or payment of redemption proceeds during any period

when normal trading is suspended on any stock exchange on which the common shares of the Portfolio Companies are listed, or with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Company determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of the assets of the Company. In the event of a suspension of retractions, Shareholders would experience reduced liquidity. See *“Redemption of Securities – Suspension of Retractions or Redemptions”*.

### **Changes in Legislation**

There can be no assurance that income tax laws relating to the treatment of a mutual fund corporation under the Tax Act will not be changed in a manner which adversely affects the distributions received by the shareholders and/or the value of the Preferred Shares or Class A Shares.

### **Treatment of Proceeds of Disposition and Option Premiums**

In determining its income for tax purposes, the Company will treat gains and losses realized on the disposition of securities held by it, option premiums received on the writing of covered call options and any losses sustained on closing out options as capital gains and capital losses in accordance with the published administrative practices of the Canada Revenue Agency (“CRA”). CRA’s practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA’s published administrative practice, some or all of the transactions undertaken by the Company in respect of options were treated on income rather than capital account, the after-tax returns to holders of Class A Shares and Preferred Shares could be reduced and the Company may be subject to non-refundable income tax in respect of income from such transactions, and the Company may be subject to penalty taxes in respect of excessive capital gains dividend elections.

### **Tax Proposals Regarding Mutual Fund Corporation Status**

The tax treatment of the Company and its shareholders depends in part upon the Company being a “mutual fund corporation” for tax purposes. On September 16, 2004, the Minister of Finance for Canada released certain proposals to amend the Tax Act (the “September 2004 Tax Proposals”) pursuant to which a corporation, such as the Company, would lose its status as a mutual fund corporation if at any time after 2004 the aggregate fair market value of all issued and outstanding shares of the corporation held by one or more non-resident persons and/or by partnerships which are not Canadian partnerships for purposes of the Tax Act is more than 50% of the aggregate fair market value of all the issued and outstanding shares of the corporation unless no more than 10% (based on fair market value) of the corporation’s property is at any time taxable Canadian property and certain other types of specified property. The September 2004 Tax Proposals currently do not provide any means of rectifying the loss of mutual fund corporation status. On December 6, 2004, such Minister tabled a Notice of Ways and Means Motion to implement measures proposed in the 2004 Budget. Such Motion was incorporated into Bill C-33, which received Royal Assent on May 13, 2005. Such Notice did not include the September 2004 Tax Proposals and this fact was specifically referred to in the accompanying release.

The Preferred Shares and Class A Shares of the Company are marketed only in Canada, and provided the Company complies with its investment criteria and restrictions, it is not anticipated that more than 10% of the fair market value of the Company’s assets will at any time consist of taxable Canadian property and such other specified property, with the result that QuadraVest does not anticipate that the September 2004

Tax Proposals (even if enacted in their current form) would lead to a loss of mutual fund corporation status for the Company.

### **Risks Relating to the Warrants**

The value of a Unit will be reduced if the net asset value per Unit exceeds \$24.35 on the Warrant Exercise Date and some or all of the Warrants are exercised. If a holder of Class A Shares does not exercise Warrants in such circumstances, such holder's pro rata interest in the assets of the Company will be diluted. In order to maintain a pro rata interest in the assets of the Company, such holder will be required to pay in connection with the exercise of the Warrants an additional amount equal to the amount originally invested by such holder on closing. While a holder of Class A Shares may sell the Warrants acquired with such Class A Shares hereunder, no assurance can be given that the proceeds of such sale would compensate the shareholder for such dilution. See "*Attributes of the Securities – Description of the Warrants Distributed in this Offering – Warrant Considerations*".

## **DISTRIBUTION POLICY**

### **Preferred Shares**

The Company will pay, as and when declared by the Board of Directors of the Company, a fixed cumulative preferential monthly dividend of \$0.05833 per Preferred Share (to yield 7.00% per annum on the original issue price of a Preferred Share) to holders of Preferred Shares on the last day of each month (each a "Dividend Record Date"). The initial dividend on the Preferred Shares is expected to be paid to holders of record on ●, 2009 and, based on an anticipated closing date of ●, 2009, is expected to be \$● per Preferred Share.

Dividends that are declared by the Board of Directors of the Company will be payable to holders of Preferred Shares of record at 5:00 p.m. (Eastern Standard Time) on the applicable Dividend Record Date, with payment being made within 15 days thereafter. Each holder of Preferred Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year. See "*Income Tax Considerations*".

### **Class A Shares**

Although there can be no assurance that the Company will be able to pay distributions to holders of Class A Shares, the initial policy of the Board of Directors of the Company is to endeavour to declare and pay regular monthly distributions targeted to be \$0.0625 per Class A Share to yield 5.00% per annum on the original issue price of a Class A Share.

It is also the policy of the Board of Directors of the Company to pay dividends to the holders of Class A Shares in a year in an amount equal to all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Company in such year (net of expenses, taxes and loss carry-forwards) that are in excess of the dividends paid on the Preferred Shares. Accordingly, if any amounts remain available for the payment of dividends after payment of the dividends on the Preferred Shares and the regular monthly distributions on the Class A Shares, a special year-end dividend of such amount will be payable to holders of the Class A Shares of record on the last day of November in each year.

No regular monthly distributions will be paid on the Class A Shares in any month as long as any dividends on the Preferred Shares are then in arrears or so long as the net asset value per Unit is equal to

or less than \$17.50. Additionally, no special year-end distributions will be paid if after payment of such a distribution the net asset value per Unit would be less than \$25.00.

The amount of distributions in any particular month will be determined by the Board of Directors of the Company on the advice of Quadravest, having regard to the investment objectives of the Company, the net income and net realized capital gains of the Company during the month and in the year to date, the net income and net realized capital gains of the Company anticipated in the balance of the year, the net asset value per Unit and distributions paid in previous monthly periods.

Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Based on the current dividends paid by the Portfolio Companies on their common shares, the Company is initially expected to generate dividend income of approximately 5.29% per annum which, after deduction of expenses, will be distributed to shareholders. The Company would be required to generate an additional return of approximately 2.72% per annum, including from dividend growth, capital appreciation and option premiums, in order for the Company to maintain its targeted dividends and distributions and maintain a stable net asset value, plus approximately an additional 0.75% per annum to increase the Company's net asset value to an amount sufficient to permit the Company to return the original issue prices of the Preferred Shares and the Class A Shares on the Termination Date.

Distributions declared by the Board of Directors of the Company on the Class A Shares will be payable to holders of Class A Shares of record at 5:00 p.m. (Eastern Standard Time) on the applicable Dividend Record Date with payment being made within 15 days thereafter. Each holder of Class A Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year. See "*Income Tax Considerations*".

## **PURCHASES OF SECURITIES**

Prospective purchasers may pay the purchase price for Preferred Shares or Class A Share Units in cash from the Agents in this Offering or from an investment dealer forming part of any sub-agency group that the Agents may appoint to assist in the distribution of the Units, as discussed under "*Plan of Distribution*". The minimum purchase is ● Preferred Shares or ● Class A Share Units.

## **REDEMPTION OF SECURITIES**

### **Preferred Shares**

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. ("Computershare"), the Company's registrar and transfer agent, but will be retracted only as of the last business day of each month (a "Retraction Date"). Preferred Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date will be retracted on that Retraction Date and the holder will receive payment on or before the 15<sup>th</sup> business day following such Retraction Date (the "Retraction Payment Date"). If a holder of Preferred Shares makes such surrender after 5:00 p.m. (Eastern Standard Time) on the 20<sup>th</sup> business day immediately preceding a Retraction Date, the Preferred Shares will be retracted on the Retraction Date in the following month and the holder will receive payment for the retracted shares as of the Retraction Payment Date in respect of the Retraction Date in the following month.

Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a price per share (the "Preferred Share Retraction Price") equal to the lesser of (i) \$10.00; and (ii) 96% of the applicable net asset value per Unit determined as of the Retraction Date

(which shall be the diluted net asset value per Unit calculated as provided under “*Calculation of Net Asset Value*”, if a diluted net asset value per Unit is calculated in respect of the applicable Retraction Date) less the cost to the Company of the purchase of a Class A Share in the market for cancellation. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share and commissions and costs, if any, related to the liquidation of any portion of the Portfolio securities to fund the purchase of the Class A Share (to a maximum of 1.0% of the net asset value per Unit). Any accrued or declared and unpaid dividends payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

Commencing in 2010, Shareholders also have an annual retraction right under which they may concurrently retract an equal number of Preferred Shares and Class A Shares on the November Retraction Date in each year. The price paid by the Company for such a concurrent retraction will be equal to the net asset value per Unit calculated as of such date.

Subject to the Company’s right to require the Recirculation Agent (as defined below) to use its best efforts to find purchasers prior to the relevant Retraction Payment Date for any Preferred Shares tendered for retraction (see “*Redemption of Securities – Resale of Shares Tendered for Retraction*”) below, any and all Preferred Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the Preferred Share Retraction Price is not paid on the Retraction Payment Date, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “*Attributes of the Securities – Book-Entry System*”. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares which are not retracted by the Company on the relevant Retraction Date.

If any Preferred Shares are tendered for retraction and are not resold in the manner described below under “*Redemption of Securities – Resale of Shares Tendered for Retraction*”, the Company will, prior to the Retraction Payment Date, purchase for cancellation that number of Class A Shares which equals the number of Preferred Shares so retracted. Any Class A Shares so purchased for cancellation will be purchased in the market.

### **Class A Shares**

Class A Shares may be surrendered at any time for retraction to Computershare, but will be retracted only as of a Retraction Date. Class A Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date will be retracted on that Retraction Date and the holder will receive payment on or before the Retraction Payment Date. If a holder of Class A Shares makes such surrender after 5:00 p.m. (Eastern Standard Time) on the 20<sup>th</sup> business day immediately preceding a Retraction Date, the Class A Shares will be retracted as of the Retraction Date in the following month and the holder will receive payment for the retracted shares on the Retraction Payment Date in respect of the Retraction Date in the following month.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (the “Class A Share Retraction Price”) equal to 96% of the applicable net asset value per Unit determined as of the Retraction Date (which shall be the diluted net asset value per Unit calculated as provided under “*Calculation of Net Asset Value*”, if a diluted net asset value per Unit is calculated in respect of the applicable Retraction Date) less the cost to the Company of the purchase of a Preferred Share in the market for cancellation. For this purpose, the cost of the purchase

of a Preferred Share will include the purchase price of the Preferred Share and commissions and costs, if any, related to the liquidation of any portion of the Portfolio securities to fund the purchase of the Preferred Share (to a maximum of 1.0% of the net asset value per Unit). Any declared and unpaid dividends or distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

Commencing in 2010, Shareholders also have an annual retraction right under which they may concurrently retract one Preferred Share and one Class A Share on the November Retraction Date in each year. The price paid by the Company for such a concurrent retraction will be equal to the net asset value per Unit calculated as of such date.

Subject to the Company's right to require the Recirculation Agent to use its best efforts to find purchasers prior to the relevant Retraction Payment Date for any Class A Shares tendered for retraction (see "*Redemption of Securities – Resale of Shares Tendered for Retraction*"), any and all Class A Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the Class A Share Retraction Price is not paid on the Retraction Payment Date, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under "*Attributes of the Securities – Book-Entry System*". Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not retracted by the Company on the relevant Retraction Date.

If any Class A Shares are tendered for retraction and are not resold in the manner described below under "*Redemption of Securities – Resale of Shares Tendered for Retraction*", the Company will, prior to the Retraction Payment Date, purchase for cancellation that number of Preferred Shares which equals the number of Class A Shares so retracted. Any Preferred Shares so purchased for cancellation will be purchased in the market.

### **Resale of Shares Tendered for Retraction**

The Company has entered into an agreement dated ●, 2009 (the "Recirculation Agreement") with CIBC World Markets Inc. (the "Recirculation Agent") and Computershare whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Preferred Shares or Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the holder of the Preferred Shares or Class A Shares so tendered has not withheld consent thereto. The Company is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Preferred Shares or Class A Shares is found in this manner, the notice of retraction shall be deemed to have been withdrawn prior to the relevant Retraction Date and the Preferred Shares or Class A Shares, as the case may be, shall remain outstanding. The amount to be paid to the holder of the Preferred Shares or Class A Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares or Class A Shares less any applicable commission. Such amount will not be less than the applicable Preferred Share Retraction Price or Class A Share Retraction Price, as the case may be.

### **Suspension of Retractions or Redemptions**

The Company may suspend the retraction or redemption of Preferred Shares and Class A Shares or payment of retraction or redemption proceeds during any period when normal trading is suspended on one or more stock exchanges on which the common shares of the Portfolio Companies are listed or, with the

prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Company determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of the assets of the Company. The suspension may apply to all requests for retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All shareholders making such requests shall be advised by the Company of the suspension and that the retraction will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first 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 Company, any declaration of suspension made by the Company shall be conclusive.

### CONSOLIDATED CAPITALIZATION

The capitalization of the Company at ●, 2009 and at such date as adjusted to give effect to the issue and sale of the Preferred Shares and the Class A Shares offered under this prospectus, is set forth in the table below:

| <u>Share Capital</u> | <u>Authorized</u> | <u>Outstanding as at ●, 2009</u> | <u>To be outstanding as at ●, 2009 after giving effect to these issues<sup>(1)</sup></u><br>(unaudited) |
|----------------------|-------------------|----------------------------------|---|
| Preferred Shares     | Unlimited         | Nil                              | \$●<br>(● shares)   |
| Class A Shares       | Unlimited         | Nil                              | \$●<br>(● shares)   |
| Class B Shares       | 1,000             | \$20                             | \$20.00<br>(1,000 shares)   |
| Warrants             | Unlimited         | Nil                              | \$●<br>(● warrants)   |
| Issue Costs          |                   | Nil                              | \$(●)   |
| Total Capitalization |                   | \$20                             | \$●   |

(1) Assumes the maximum amount of the Offering.

### INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Tax Act, are resident in Canada, deal at arm's length and are not affiliated with the Company, hold their Preferred Shares, Class A Shares and Warrants as capital property and have not elected to compute their Canadian tax results using a

currency other than Canadian dollars. This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act, the regulations thereunder, and counsel's understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof and relies as to certain factual matters on certificates of an officer of the Company, Quadravest and CIBC World Markets Inc.

This summary is based on the assumptions that:

- (a) the Preferred Shares or the Class A Shares will at all times be listed on a designated stock exchange in Canada (which currently includes the TSX);
- (b) the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada and at no time will the total fair market value of the shares of the Company held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships within the meaning of the Tax Act) exceed 50% of the fair market value of all of the outstanding shares of the Company;
- (c) the issuers of securities held by the Company will not be foreign affiliates of the Company or any shareholder;
- (d) the investment strategies and investment restrictions of the Company will at all relevant times be as set out under "*Investment Strategies*" and "*Investment Restrictions*" and that the Company will at all times comply with such investment strategies and investment restrictions; and
- (e) the securities held by the Company will not be participating interests in foreign investment entities within the meaning of Bill C-10, previously before the 39<sup>th</sup> Parliament.

This summary also takes into account specific proposals to amend the Tax Act and the regulations thereunder announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (the "Proposed Amendments") and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will become law.

**This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations. This summary does not apply to shareholders that are "financial institutions" as defined in section 142.2 of the Tax Act or to shareholders an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act.**

**This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Prospective investors are advised to consult their own tax advisors with respect to their individual circumstances and in particular the draft proposals to amend the Tax Act released on October 31, 2003 relating to the deductibility of interest and other expenses (the "October 2003 Proposals").**

## **Status of the Company**

The Company will qualify, and intends at all relevant times to qualify, as a “mutual fund corporation” as defined in the Tax Act. The Company has informed counsel that it intends to file the necessary election under the Tax Act so that it will be deemed to be a “public corporation” from incorporation and therefore can qualify as a mutual fund corporation throughout its first taxation year.

### *Eligibility for Investment*

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents, each of the Preferred Shares, the Class A Shares and the Warrants, if and when listed on a designated stock exchange, 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. Prospective investors should consult their own tax advisors as to the effect of acquiring Preferred Shares or Class A Shares in a registered education savings plan. The holder of a tax-free savings account that governs a trust which holds Preferred Shares or Class A Shares will be subject to a penalty tax if the holder does not deal at arm’s length with the Company for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust with which the Company does not deal at arm’s length for purposes of the Tax Act.

## **Taxation of the Company**

As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains determined on a formula basis which is based in part on the redemption of its shares (“capital gains redemptions”). Also, as a mutual fund corporation, the Company maintains a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends (“capital gains dividends”) which are treated as capital gains in the hands of the shareholders of the Company. In certain circumstances where the Company has recognized a capital gain in a taxation year and does not have sufficient capital gains redemptions to offset tax payable on capital gains, it may elect not to pay capital gains dividends in that taxation year in respect thereof and may instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions.

The Company will be required to include in computing its income all dividends received. In computing its taxable income, the Company will generally be entitled to deduct all taxable dividends received on shares of taxable Canadian corporations (which include the Portfolio Companies).

The Company is a “financial intermediary corporation” (as defined in the Tax Act) and, as such, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Company nor is it generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Company will generally be subject to a refundable tax of 33  $\frac{1}{3}$ % under Part IV of the Tax Act on taxable dividends received during the year to the extent such dividends are deductible in computing taxable income of the Company. This tax is fully refundable upon payment of sufficient dividends other than capital gains dividends (“Ordinary Dividends”) by the Company.

The Company will purchase Portfolio securities with the objective of earning dividends thereon over the life of the Company, and intends to treat and report transactions undertaken in respect of such shares on capital account. Generally, the Company will be considered to hold such shares on capital account unless

the Company is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Company has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Company has advised counsel that it intends to elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act), which includes the common shares of the Portfolio Companies, treated as capital property. Such an election will ensure that gains or losses realized by the Company on dispositions of Canadian securities will be taxed as capital gains or capital losses.

In computing the adjusted cost base of any particular security, the Company will generally be required to average the cost of that security with the adjusted cost base of all other identical securities owned by the Company and held as capital property at the time of acquisition.

If a Warrant expires unexercised, the Company will be deemed to have realized a capital gain equal to the proceeds received by the Company under the Offering for the Warrant.

The Company will write covered call options with the objective of increasing the yield on its assets beyond the dividends received on the common shares of the Portfolio Companies or other Portfolio securities. In accordance with CRA’s published administrative practice, transactions undertaken by the Company in respect of such options will be treated and reported for purposes of the Tax Act on capital account.

Premiums received on call options written by the Company (to the extent such call options relate to securities actually owned by the Company at the time the option is written and such securities are held on capital account as discussed above) will constitute capital gains of the Company in the year received, and gains or losses realized upon dispositions of securities owned by the Company (whether upon the exercise of call options written by the Company or otherwise) will constitute capital gains or capital losses of the Company in the year realized. Where a call option is exercised the proceeds received by the Company for the option will be included in the proceeds of disposition of the securities sold pursuant to the option and the premium received for such option will not give rise to a capital gain at the time the option is written.

To the extent that the Company earns income (other than taxable dividends from taxable Canadian corporations and taxable capital gains) (such as interest), the Company will be subject to income tax on such income and no refund will be available in respect thereof.

The October 2003 Proposals were released by the Department of Finance for public comment and propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit” from a business or property in order for a taxpayer to deduct any loss incurred by the taxpayer from the business or property, and would provide that profit, for this purpose, does not include capital gains. The October 2003 Proposals could potentially have an adverse effect on the deductibility by the Company of certain otherwise deductible expenses. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 2003 Proposals would be released for comment at an early opportunity. There can be no assurance that such alternative proposal, which has not yet been released, will not adversely affect the Company.

If the Company designates Ordinary Dividends as eligible dividends, and any portion of such designation is an “excessive eligible dividend designation” as determined by the detailed rules in the Tax Act, the Company will generally be liable to a penalty tax of 20% of the amount of such portion under Part III.1 of the Tax Act.

## **Allocation of Cost**

A holder of Class A Share Units must allocate the purchase price of each such Class A Share Unit between the Class A Share and the one-half Warrant issued under the Offering on a reasonable basis. QuadraVest has advised counsel that the Company will allocate \$● of the \$15.00 purchase price for a Class A Share Unit to each half-Warrant and the balance to each Class A Share. Such allocation is not binding on the CRA and the CRA may not agree with such allocation. For the purposes of determining the adjusted cost base to a holder, if Class A Shares or Warrants are acquired at a particular time, the cost of newly acquired Class A Shares or Warrants, as the case may be, will be averaged with the adjusted cost base of all Class A Shares or Warrants owned by the holder as capital property immediately before that time.

## **Taxation of Shareholders**

Shareholders must include in income Ordinary Dividends received from the Company. For individual shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act. An enhanced gross-up and dividend tax credit is available on “eligible dividends” received or deemed to be received from a corporation resident in Canada which are so designated by the corporation. Ordinary Dividends received by a corporation other than a “specified financial institution” (as defined in the Tax Act) will normally be deductible in computing its taxable income.

In the case of a holder that is a specified financial institution, Ordinary Dividends received on a particular class of shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire the shares in the ordinary course of its business; or (b) at the time of the receipt of the dividends by the specified financial institution the shares of that class are listed on a designated stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding shares of that class by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm’s length (within the meaning of the Tax Act). For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner’s share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

Ordinary Dividends on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Tax Act when such dividends are received by a corporation (other than a “private corporation” or a “financial intermediary corporation”, as defined in the Tax Act) to the extent that such dividends are deductible in computing the corporation’s taxable income. Such corporations should consult their own tax advisors with respect to whether Ordinary Dividends on the Class A Shares are subject to Part IV.1 tax when received by such corporations.

A shareholder which is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 33 <sup>1</sup>/<sub>3</sub>% refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Class A Shares or Preferred Shares, to the extent that such dividends are deductible in computing the corporation’s taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation, the rate of Part IV tax payable by such corporation on such dividend is reduced to 23 <sup>1</sup>/<sub>3</sub>%.

The amount of any capital gains dividend received by a shareholder from the Company will be considered to be a capital gain of the shareholder from the disposition of capital property in the taxation year of the shareholder in which the capital gains dividend is received.

The Company may make returns of capital in respect of the Class A Shares. A return of capital in respect of a Class A Share will not be included in the income of the holder of the share, but will reduce the adjusted cost base of such share. To the extent that the adjusted cost base of a Class A Share would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the shareholder from the disposition of the share and the adjusted cost base will be increased by the amount of such deemed capital gain.

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition. If the holder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. For purposes of computing the adjusted cost base of each share of a particular class, a shareholder must average the cost of such share with the adjusted cost base of any shares of that class already held as capital property.

One-half of a capital gain is included in computing income as a taxable capital gain and one-half of a capital loss may be deducted against taxable capital gains to the extent and under the circumstances prescribed in the Tax Act. A shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax of  $6\frac{2}{3}\%$  of aggregate investment income, which includes an amount in respect of taxable capital gains.

Individuals (other than certain trusts) realizing net capital gains or receiving dividends may be subject to an alternative minimum tax under the Tax Act.

The Preferred Shares and the Class A Shares (but not, for greater certainty, the Warrants) will generally qualify as “Canadian securities” for purposes of the election of guaranteed capital gains treatment provided for in certain circumstance under the Tax Act. Investors considering making such an election should consult their own tax advisors.

## **Warrants**

The exercise of Warrants will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized on the exercise of Warrants. A Preferred Share and a Class A Share acquired by a Warrant holder upon the exercise of a Warrant will have an aggregate cost to the Warrant holder equal to the aggregate of the subscription price paid for such Preferred Share and Class A Share and the adjusted cost base, if any, to the Warrant holder of the Warrant so exercised. Such aggregate cost must be allocated between the Preferred Shares and the Class A Shares so acquired on a reasonable basis. For the purpose of determining the adjusted cost base to a holder of Preferred Shares and Class A Shares acquired upon the exercise of Warrants at a particular time, the cost of the newly acquired Preferred Shares and Class A Shares will be averaged with the adjusted cost base to the holder of all of the Preferred Shares and Class A Shares, respectively, owned by the holder as capital property immediately before that time.

Upon the disposition of a Warrant by a Warrant holder (other than pursuant to the exercise thereof), the Warrant holder will realize a capital gain (or capital loss) to the extent that the Warrant holder’s proceeds of disposition (net of any reasonable costs of disposition), exceed (or are less than) the adjusted cost base,

if any, of the Warrant to the Warrant holder. Any such capital gain (or capital loss) will be treated as described above under “– *Taxation of Shareholders*”.

Upon the expiry of an unexercised Warrant, a Warrant holder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Warrant holder. Any such capital loss will be treated as described above under “– *Taxation of Shareholders*”.

### **Taxation of Registered Plans**

Each of the Preferred Shares, Class A Shares and Warrants, if and when listed on a designated stock exchange, 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 (“Registered Plans”). Prospective investors should consult their own tax advisors as to the effect of acquiring Preferred Shares or Class A Shares in a registered education savings plan. See “*Purchases of Securities – Eligibility for Investment*”. The holder of a tax-free savings account that governs a trust which holds Preferred Shares or Class A Shares will be subject to a penalty tax if the holder does not deal at arm’s length with the Company for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust with which the Company does not deal at arm’s length for purposes of the Tax Act.

Registered Plans, as holders of Preferred Shares, Class A Shares or Warrants, generally will be exempt from tax on any dividend or other income derived from such shares and on any capital gain realized upon the sale, redemption or other disposition of such shares or Warrants. If and when cash or securities are withdrawn from a Registered Plan, other than a tax-free savings account, the holder of the Registered Plan generally will be liable to pay income tax based on the amount of cash or the fair market value of the securities withdrawn, unless the cash or securities are transferred to another Registered Plan in accordance with the Tax Act.

### **Tax Implications of the Company’s Distribution Policy**

An investor who acquires Class A Shares late in a year in which the Company declares a special dividend on the Class A Shares may become taxable on income or capital gains accrued or realized before such person acquired those Class A Shares.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE COMPANY**

### **Officers and Directors of the Company**

The Board of Directors of the Company currently consists of six members. The following are the names, municipalities of residence, office and principal occupations of the directors and officers of the Company.

| <b><u>Name and Municipality of Residence</u></b>   | <b><u>Office</u></b>                                      | <b><u>Principal Occupation</u></b>   |
|--|---|--|
| S. Wayne Finch <sup>(1)</sup><br>Brampton, Ontario | Chairman, President, Chief Executive Officer and Director | Chief Executive and Chief Investment Officer, Quadravest Capital Management Inc. |
| Laura L. Johnson<br>Oakville, Ontario              | Secretary and Director                                    | Managing Director and Portfolio Manager, Quadravest Capital                      |

| <u>Name and Municipality of Residence</u>           | <u>Office</u>                           | <u>Principal Occupation</u>   |
|---|---|---|
| Peter F. Cruickshank<br>Brampton, Ontario           | Chief Financial Officer and<br>Director | Managing Director and Chief<br>Financial Officer, Quadravest<br>Capital Management Inc. |
| William C. Thornhill<br>Mississauga, Ontario        | Director                                | President, William C.<br>Thornhill Consulting Inc.                                      |
| Michael W. Sharp <sup>(1)</sup><br>Toronto, Ontario | Director                                | Partner, Blake, Cassels &<br>Graydon LLP  |
| John D. Steep <sup>(1)</sup><br>Stratford, Ontario  | Director                                | President, S Factor<br>Consulting Inc.  |

(1) Member of the Audit Committee.

All of the directors and officers of the Company have held the same principal occupation for the five years preceding the date hereof. Each serves in a similar capacity with respect to each of the other TSX-listed corporate funds established by Quadravest or its affiliates.

### **Manager and Investment Manager of the Company**

Quadravest acts as the manager and investment manager of the Company. Quadravest is the investment manager of 15 other public mutual fund corporations and one public mutual fund trust that have completed public offerings with aggregate proceeds in excess of \$2.5 billion. The principal office address of Quadravest is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7. Quadravest is controlled by Quadravest Inc., which is in turn controlled by S. Wayne Finch.

#### *Duties and Services to be Provided by Quadravest*

Pursuant to an agreement between the Company and Quadravest dated ●, 2009 (the “Management and Investment Management Agreement”), Quadravest was appointed to act as the manager of the Company and, as such, is responsible for providing or arranging for administrative services required by the Company including, without limitation, authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial statements and financial and accounting information as required by the Company; ensuring that shareholders are provided with such financial statements (including semi-annual and annual financial statements) as they have requested and such other reports as are from time to time required by applicable law; ensuring that the Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Company’s reports to shareholders and the Canadian securities regulatory authorities; determining the amount of dividends to be paid by the Company; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Quadravest also acts as the Company’s investment manager under the Management and Investment Management Agreement. Quadravest will manage the Company’s investment portfolio in a manner consistent with the investment objectives, strategy and restrictions of the Company. Investment assets are generally managed by Quadravest to meet specific absolute return objectives rather than taking on the additional risk of targeting relative returns. As a result of the dual focus of absolute returns and capital

preservation, Quadravest is able to adopt a more defensive approach in implementing its investment strategies than would be the case if it focused on relative returns. Quadravest relies on fundamental analysis in managing equity portfolios, such that it focuses on a company's earnings history, relative price-earnings multiple, cash flow, dividend yield, market position and growth prospects.

The services to be provided by Quadravest as investment manager pursuant to the Management and Investment Management Agreement will include the making of all investment decisions for the Company and managing the Company's covered call option writing in accordance with the investment objectives, strategy and restrictions of the Company. Decisions as to the purchase and sale of securities for the Company and as to the execution of all portfolio and other transactions will be made by Quadravest. In the purchase and sale of securities for the Company and the writing of options contracts, Quadravest will seek to obtain overall services and prompt execution of orders on favourable terms.

#### *Details of the Management and Investment Management Agreement*

Quadravest is required to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of shareholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager and investment manager would exercise in similar circumstances. The Management and Investment Management Agreement provides that Quadravest will not be liable in any way for any default, failure or defect in or diminution in the value of any of the securities held by the Company if it has satisfied the standard of care, diligence and skill set forth above. Quadravest will incur liability for wilful misconduct, bad faith, negligence or other breach of this standard of care.

Quadravest may resign upon 60 days notice to shareholders and the Company or such lesser notice as the Company may accept. If Quadravest resigns, it may appoint its successor, but its successor must be approved by shareholders unless it is an affiliate of Quadravest. If Quadravest commits certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Management and Investment Management Agreement and such breach or default has not been cured within 30 days after notice of same has been given to Quadravest, the Company shall give notice thereof to shareholders and the shareholders may remove Quadravest and appoint a successor or successors as manager and investment manager. Except as described above, Quadravest cannot be terminated as manager or investment manager of the Company.

Quadravest is entitled to fees for its services under the Management and Investment Management Agreement as described under "*Fees and Expenses*" and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of the Company. In addition, Quadravest and each of its directors, officers, employees and agents will be indemnified by the Company from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by Quadravest or any of its officers, directors, employees or agents in the exercise of its duties as manager and/or investment manager, unless those fees, judgments or amounts paid in settlement were incurred as a result of a breach by Quadravest of the standard of care described above and provided the Company has reasonable grounds to believe that the action or inaction that caused the payment of fee, judgment or amount paid in settlement was in the best interests of the Company.

The services of Quadravest under the Management and Investment Management Agreement are not exclusive and nothing in the Management and Investment Management Agreement prevents Quadravest from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities.

### *Officers and Directors of Quadravest*

The name and municipality of residence of each of the directors and officers of Quadravest are as set out below.

| <u>Name and Municipality of Residence</u> | <u>Office</u>  |
|---|--|
| S. Wayne Finch<br>Brampton, Ontario       | Chairman, President, Secretary, Chief Executive Officer, Chief Investment Officer and Director |
| Laura L. Johnson<br>Oakville, Ontario     | Managing Director and Portfolio Manager  |
| Peter F. Cruickshank<br>Brampton, Ontario | Managing Director and Chief Financial Officer  |

Wayne Finch is the Chairman and Chief Investment Officer of Quadravest. Mr. Finch has over 22 years of experience in designing and managing investment portfolios. Prior to forming Quadravest in 1997, Mr. Finch was Vice-President at another investment management firm where he was a portfolio manager of a number of publicly traded investment vehicles employing investment strategies similar to those of the Company, and prior to that was a portfolio manager in the treasury operations of a major Canadian trust company where he managed a number of common and preferred share portfolios and mutual funds.

Laura L. Johnson is the Portfolio Manager and Managing Director of Quadravest. Ms. Johnson has over 16 years of experience in the financial services industry, including extensive experience with investment products employing investment strategies similar to those of the Company. Prior to forming Quadravest with Mr. Finch, Ms. Johnson was employed in the structured finance, equity and fixed income areas at another investment management firm where she worked extensively on investment products.

Peter F. Cruickshank is the Chief Financial Officer and Managing Director of Quadravest. Mr. Cruickshank is a chartered accountant who has spent the last 23 years of his career in the investment industry. Prior to joining Quadravest, he was a director and the chief financial officer of another investment management firm from 1986 to 1999.

### **Conflicts of Interest**

Quadravest is engaged in a variety of investment management, investment advisory and other business activities. The services of Quadravest under the Management and Investment Management Agreement are not exclusive and nothing in the Management and Investment Management Agreement prevents Quadravest or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. Quadravest's investment decisions for the Company will be made independently of those made for its other clients and independently of its own investments. However, on occasion, Quadravest may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of Quadravest are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

### **Independent Review Committee**

As required by NI 81-107, the Company has established an independent review committee ("IRC"). Messrs. Thornhill and Steep, two of the independent directors of the Company, have agreed to serve as

members of the IRC, together with Gordon Currie, who acts as the chair of the IRC. Quadravest and its affiliates have established a single IRC which is responsible for all of the public investment funds which they manage.

William C. Thornhill is currently the President of William C. Thornhill Consulting Inc. Until July 2005, he was the Vice-Chairman of Quadravest. Prior to joining Quadravest, Mr. Thornhill spent over 30 years in the financial services business and held a number of senior positions at a major Canadian trust company including Executive Vice-President, Products, Senior Vice-President, Finance, and Vice-President, Treasury and Corporate Investments.

John D. Steep is currently the President of S Factor Consulting Inc. Prior to retiring in 2002, Mr. Steep spent over 30 years in the financial services business and retired as a Senior Vice-President at a major Canadian chartered bank.

Gordon A. M. Currie is the Executive Vice President, Secretary and General Counsel of George Weston Limited, which he joined in 2005. Prior to that, he was the General Counsel of Direct Energy, the North American subsidiary of Centrica plc. Prior to that, he was a partner at Blake, Cassels & Graydon LLP, specializing in securities law, having joined the firm in 1983.

Under NI 81-107, Quadravest must refer conflict of interest matters for review or approval to the IRC, and imposes obligations upon Quadravest to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide assistance to the IRC in carrying out its functions. Each of the three executive officers of Quadravest work with the IRC in respect of these matters.

The IRC will conduct regular assessments and provide reports to Quadravest and to shareholders on an annual basis in respect of its functions. Its initial annual report to shareholders, in respect of its activities on behalf of the Company to November 30, 2009, will be available at the time the annual financial statements of the Company for that fiscal year are made public. This report is required to be filed on SEDAR (the System for Electronic Document Analysis and Retrieval, found at [www.sedar.com](http://www.sedar.com)) and on the Company's website at [www.canadianbancsplit.com](http://www.canadianbancsplit.com). The Company will provide a copy of this report to securityholders of the Company free of charge upon request to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario M5K 1K7 or by emailing the Company at [info@quadravest.com](mailto:info@quadravest.com).

Members of the IRC currently receive aggregate annual compensation of \$55,000 plus reimbursement of expenses. These fees are apportioned among the various funds for which the IRC acts, including the Company, in Quadravest's discretion.

### **Custodian**

Pursuant to an agreement (the "Custodian Agreement") to be entered into on or before the closing of this Offering, RBC Dexia Investor Services Trust ("RBC Dexia") will be the custodian of the assets of the Company and is also responsible for certain aspects of the day-to-day administration of the Company, including processing retractions, calculating net asset value and maintaining the fund valuation books and records of the Company. The address of RBC Dexia is 77 King Street West, 11th Floor, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5W 1P9, Attention: International Investment Products. RBC Dexia will not have any responsibility or liability for any assets of the Company which it does not directly hold or have control over (including through its sub-custodians), including, without limitation, any assets of the Company pledged to a counterparty pursuant to derivatives transactions entered into by the Company, if any. RBC Dexia is entitled to receive fees from the Company and to be

reimbursed for all expenses and liabilities which are properly incurred by RBC Dexia in connection with the activities of the Company.

### **Auditors**

The auditors of the Company are PricewaterhouseCoopers LLP, 77 King Street West, Toronto, Ontario, M5K 1G8.

### **Warrant Trustee**

Under the Warrant Indenture, Computershare Trust Company of Canada has been appointed the Warrant Trustee in respect of the Warrants.

### **Transfer Agent and Registrar**

Pursuant to a Transfer Agent, Registrar and Dividend Disbursing Agent Agreement to be entered into on or before the closing of this Offering, Computershare, at its principal office in Toronto has been appointed the registrar and transfer agent for the Preferred Shares, the Class A Shares and the Warrants.

### **Promoter**

QuadraVest has taken the initiative in organizing the Company and accordingly is a “promoter” of the Company within the meaning of applicable securities legislation. QuadraVest will receive fees from the Company and will be entitled to reimbursement of expenses incurred in relation to the Company as described under “*Fees and Expenses*”.

## **CALCULATION OF NET ASSET VALUE**

The net asset value of the Company will be calculated by RBC Dexia as of each Retraction Date (as defined below) and as of the fifteenth day of each month or if the fifteenth day of each month is not a Business Day then the immediately preceding Business Day (each, a “Valuation Date”) by subtracting the aggregate amount of the Company’s liabilities from its total assets.

The basic net asset value per Unit on any Valuation Date shall be calculated by dividing the net asset value on such Valuation Date by the total number of Units then issued and outstanding. Where as a result of such calculation the basic net asset value per Unit is greater than \$24.35 (the Subscription Price of the Warrants less the Warrant exercise fees to be paid by the Company), then a diluted net asset value per Unit shall also be calculated. The diluted net asset value per Unit shall be calculated by adding to the denominator the total number of Warrants then outstanding and by adding to the numerator the product of such number of Warrants and \$24.35. The diluted net asset value per Unit shall be deemed to be the resulting quotient.

### **Valuation Policies and Procedures of the Company**

The Company is required under National Instrument 81-106 Investment Fund Continuous Disclosure to calculate its net asset value using “fair value”. The Company’s assets are valued by RBC Dexia in accordance with its usual policies in this regard, which QuadraVest believes will result in a calculation of the fair value of the Company. For financial statements reporting purposes, on the other hand, the Company is required to follow Canadian generally accepted accounting principles, which include Section 3855 “Financial Instruments – Recognition and Measurement” of the Handbook of the Canadian Institute of Chartered Accountants. This may result in a calculation of a different net asset value for transaction

purposes (such as retracting Preferred Shares or Class A Shares) than for financial statement reporting purposes. The notes to the Company's financial statements will include a reconciliation of the net asset values calculated for purposes of determining the retraction price of a Unit and the net asset values calculated for financial statement reporting purposes.

### **Reporting of Net Asset Value**

The basic net asset value per Unit and, when applicable, the diluted net asset value per Unit, as of the most recent mid-month or month-end Valuation Date, will be provided by Quadravest to shareholders on request and will be available at any time to shareholders via the Company's website at [www.canadianbancsplit.com](http://www.canadianbancsplit.com), together with an explanation of a difference between the two figures if both a basic and a diluted net asset value are then being calculated.

## **ATTRIBUTES OF THE SECURITIES**

### **Description of Preferred Shares Distributed in this Offering**

The Preferred Shares are non-voting, except as required by the provisions of the *Business Corporation Act* (Ontario), the provisions of NI 81-102 or other applicable law, or the provisions of the Company's articles of incorporation. For a summary of the situations in which the holders of the Preferred Shares may be entitled to vote, see "*Securityholder Matters – Matters Requiring Securityholder Approval*" below.

The Preferred Shares are entitled to fixed cumulative preferential cash dividends, as described under "*Distribution Policy*". The retraction rights attached to the Preferred Shares are described under "*Redemption of Securities – Preferred Shares*". Rights on termination of the Company are described under "*Termination of the Company – Payments on Termination – Preferred Shares*".

The Preferred Shares rank in priority to the Class A Shares with respect to the payment of dividends and in priority to the Class A Shares and the Class B Shares with respect to the repayment of capital on the dissolution, liquidation or winding-up of the Company.

### *Rating*

The Preferred Shares have been provisionally rated Pfd-2 (low) by DBRS. Preferred shares rated Pfd-2 are of satisfactory credit quality. Generally, Pfd-2 ratings correspond with companies whose senior bonds are rated in the "A" category. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by DBRS. In the event that the Company calls a meeting of shareholders to consider any of the matters set forth under "*Securityholder Matters – Matters Requiring Securityholder Approval*", Quadravest has agreed to provide DBRS with such information regarding such meeting as is provided to shareholders.

### *Book-Based System*

Registration of interests in and transfers of the Preferred Shares will be made only through a book-entry system administered by CDS (the "book-based system"). On the closing of the Offering, the Company will deliver to CDS a certificate evidencing the aggregate Preferred Shares subscribed for under the Offering. Preferred Shares must be purchased, transferred and as applicable surrendered for exercise or for retraction or redemption through a CDS Participant. All rights of an owner of Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares. Upon

the purchase of any Preferred Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such securities.

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

An owner of Preferred Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to retract shares, no later than 5:00 p.m. (Eastern Standard Time) on the relevant notice date. An owner who desires to retract Preferred Shares should ensure that the CDS Participant is provided with notice (the "Retraction Notice") of his intention to exercise his retraction privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare, the Company's transfer agent and registrar. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to retract shares, an owner shall be deemed to have irrevocably surrendered his shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

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

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

### **Description of Class A Shares Distributed in this Offering**

The Class A Shares are non-voting, except as required by the provisions of the *Business Corporation Act* (Ontario), the provisions of NI 81-102 or other applicable law, or the provisions of the Company's articles of incorporation. For a summary of the situations in which the holders of the Class A Shares may be entitled to vote, see "*Securityholder Matters – Matters Requiring Securityholder Approval*" below.

The Class A Shares are entitled to such dividends or other distributions as the Board of Directors of the Company may determine, consistent with the policies of the Company in this regard as described under "*Distribution Policy*". The retraction rights attached to the Class A Shares are described under "*Redemption of Securities – Class A Shares*". Rights on termination of the Company are described under "*Termination of the Company – Payments on Termination – Class A Shares*".

The Class A Shares rank subordinate to the Preferred Shares with respect to the payment of dividends and subordinate to the Preferred Shares and the Class B Shares with respect to the repayment of capital on the dissolution, liquidation or winding-up of the Company.

### *Book-Based System*

Registration of interests in and transfers of the Class A Shares will be made only through CDS' book-based system. On the closing of the Offering, the Company will deliver to CDS a certificate evidencing the aggregate Class A Shares subscribed for under the Offering. Class A Shares must be purchased, transferred and as applicable surrendered for exercise or for retraction or redemption through a CDS Participant. All rights of an owner of Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Class A Shares. Upon the purchase of any Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such securities.

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

An owner of Class A Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to retract shares, no later than 5:00 p.m. (Eastern Standard Time) on the relevant notice date. An owner who desires to retract Class A Shares should ensure that the CDS Participant is provided with a Retraction Notice sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare, the Company's transfer agent and registrar. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to retract shares, an owner shall be deemed to have irrevocably surrendered his shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

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

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

### **Description of Warrants Distributed in this Offering**

The following is a summary only and subject to, and is qualified in its entirety by reference to, the detailed provisions in the warrant indenture (the "Warrant Indenture") to be dated the date of the closing of the Offering between the Company and Computershare Trust Company of Canada (the "Warrant Trustee").

### *Subscription Basis and Warrant Expiry Time*

Each whole Warrant entitles the holder to purchase one Preferred Share and one Class A Share (together, a “Unit”) at the Subscription Price of \$25.00 on September 30, 2010 (the “Warrant Exercise Date”). **Warrants not exercised by or before 5:00 p.m. (Toronto time) (the “Warrant Expiry Time”) on the Warrant Exercise Date will be void and of no value.** Upon the exercise of a Warrant, the Company will pay a fee equal to \$0.42 per Warrant to the broker whose client is exercising the Warrant and \$0.23 per Warrant to the Agents.

### *The Warrant Trustee*

The Warrant Trustee has been appointed the agent of the Company to receive subscriptions and payments from holders of Warrants, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants pursuant to the Warrant Indenture. Holders of Warrants desiring to exercise such Warrants and purchase Preferred Shares and Class A Shares should ensure that subscriptions and payment in full of the subscription price therefor is received prior to the Warrant Expiry Time by the Warrant Trustee.

### *Delivery Form and Denomination of the Warrants*

One global warrant certificate representing the Warrants will be issued in registered form to CDS and will be deposited with CDS on the date of the closing of the Offering. The Company expects that each purchaser of Class A Share Units under the Offering will receive a confirmation of the number of Warrants issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-based accounts for its participants holding Warrants. Certificates evidencing Warrants will not be issued.

None of the Company, Quadravest, the Agents or the Warrant Trustee will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the book-based accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants, or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in the Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holders must arrange purchases or transfers of Warrants through CDS Participants.

### *Subscription Right*

A subscriber may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the CDS Participant holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price of \$25.00 per Warrant for each Unit subscribed for in accordance with the terms of this Offering to the CDS Participant which holds the subscriber’s Warrants.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber’s brokerage account, or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be

paid at the time of subscription and must be received by the Warrant Trustee prior to the Warrant Expiry Time. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Warrant Exercise Date to allow the CDS Participant to properly exercise the Warrants on its behalf. Warrantholders are encouraged to contact their broker or other CDS Participant as each CDS Participant may have a different cut-off time.

Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Units for resale to any such person.

**Subscriptions for Units made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.**

**Holders of Warrants who wish to exercise their Warrants and receive Preferred Shares and Class A Shares are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Preferred Shares and Class A Shares issuable upon the exercise thereof are issued to the holder.**

#### *Sale or Transfer of Warrants*

Holders of Warrants in Canada may, instead of exercising their Warrants to subscribe for Preferred Shares and Class A Shares, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Class A Shares; namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant.

#### *Adjustments*

The subscription rights in effect under the Warrants for Preferred Shares and Class A Shares issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the Warrant Expiry Time, the Company shall:

- (a) subdivide, re-divide or change its outstanding Preferred Shares and Class A Shares into a greater number of shares;
- (b) reduce, combine or consolidate its outstanding Preferred Shares and Class A Shares into a smaller number of shares;
- (c) distribute to holders of all or substantially all of the outstanding Preferred Shares and/or Class A Shares any securities of the Company including rights, options or warrants to acquire Preferred Shares and/or Class A Shares or securities convertible into or exchangeable for Preferred Shares and/or Class A Shares or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassify the Preferred Shares and/or Class A Shares or otherwise reorganize the capital of the Company; or
- (e) consolidate, amalgamate, or merge the Company with or into any other investment fund or other entity, or sell or convey the property and assets of the Company as an entirety or

substantially as an entirety (other than in connection with the redemption or retraction of Preferred Shares or Class A Shares).

*Warrant Considerations*

Each investor in this Offering who purchases Class A Units, each of which consists of one Class A Share and one Warrant. Once the Class A Shares and the Warrants start trading separately, the Class A Shares and the Warrants may be dealt with separately by the investor, with the result that the investor may retain both securities or may elect to sell some or all of their Class A Shares or Warrants.

The value of a Unit will be reduced if the net asset value per Unit exceeds \$24.35 (being the Subscription Price payable on the exercise of a Warrant less the Warrant exercise fees) on the Warrant Exercise Date and some or all of the Warrants are exercised. If the net asset value per Unit on the Warrant Exercise Date exceeds \$24.35, then a holder of Class A Shares will face dilution of its investment to the extent holders of Warrants prior to the Warrant Expiry Time have an economic incentive to exercise their Warrants and acquire Preferred Shares and Class A Shares. If a holder of Class A Shares does not exercise Warrants in such circumstances, such holder’s pro rata interest in the assets of the Company will be diluted. In order to exercise a Warrant, the holder must pay the exercise price of \$25.00. While a holder of Class A Shares may sell the Warrants acquired with such Class A Shares hereunder, no assurance can be given that the proceeds of such sale would compensate the shareholder for such dilution.

As the number of Warrants equal the number the Units, the potential dilution per Unit is up to one-half of all gains in the net asset value per Unit in excess of \$24.35. The potential dilution per Unit, assuming the Warrants are exercised in full, is illustrated in the following table:

| <b>Pro Forma Dilution Per Unit</b>  |         |         |         |         |
|---|---------|---------|---------|---------|
| <u>Non-diluted net asset value of the Company before the Exercise of Warrants</u> |         |         |         |         |
|   | \$25.00 | \$26.00 | \$27.00 | \$28.00 |
| <b>Dilution</b>   | \$0.325 | \$0.825 | \$1.325 | \$1.825 |

**Due to the dilutive effect on the value of the Units when Warrants are exercised, any investor in this Offering should carefully consider the exercise of the Warrants or the sale of the Warrants, prior to the Warrant Expiry Time, and the failure to take either such action in these circumstances will result in the loss of value to an investor. While a holder may sell the Warrants acquired hereunder, no assurance can be given that the proceeds of such sale would compensate the holder for such dilution. The factors that would be expect to influence the price of a Warrant include the difference between the Subscription Price and the fully diluted net asset value per Unit, price volatility, distributions payable on the Class A Shares and the remaining time to expiry of the Warrant.**

The net asset value per Unit on any day will be obtained by dividing the net asset value of the Company on such day by the number of Units then outstanding (the “basic” net asset value per Unit); provided, however, that where as a result of such calculation on the basic net asset value per Units is greater than \$24.35 then a diluted net asset value per Unit will be calculated. The diluted net asset value per Unit shall be calculated by adding to the denominator the total number of Units issuable pursuant to Warrants then outstanding and by adding to the numerator the product of such number of Warrants and the net proceeds realized by the Company pursuant to the exercise of the Warrants. See “*Calculation of Net Asset Value*”.

Purchasers of Preferred Shares will not receive any Warrants. The exercise of Warrants by the holders thereof should not dilute the interests of the holders of the Preferred Shares in the Company. Such exercise could reduce the then current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the initial asset coverage ratio that will apply immediately following the closing of the Offering.

## SECURITYHOLDER MATTERS

### Meetings of Securityholders

Except as required by law or set out below, holders of Preferred Shares and Class A Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company.

### Matters Requiring Securityholder Approval

The following matters require the approval of the holders of Preferred Shares and Class A Shares by a two-thirds majority vote (other than matters referred to in paragraphs (c), (l) and (m), which require approval of a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives of the Company;
- (b) a change in the investment restrictions of the Company as described under “*Investment Restrictions*”;
- (c) the entering into by the Company of transactions involving derivatives, other than the use of options or forward agreements as described in this prospectus and any other use of derivatives permitted under NI 81-102;
- (d) any change in the basis of calculating fees or other expenses that are charged to the Company which could result in an increase in charges to the Company;
- (e) the introduction of a fee or expense to be charged to the Company or directly to shareholders by the Company or Quadravest that could result in an increase in charges to the Company or its shareholders;
- (f) the approval to the appointment of a successor to Quadravest as the manager and investment manager of the Company following its resignation or assignment of the Management and Investment Management Agreement, unless an affiliate is appointed;
- (g) the removal of Quadravest as the manager and investment manager of the Company and the appointment of a successor or successors in the event Quadravest is insolvent, or is in breach or default of its obligations under the Management and Investment Management Agreement and such breach or default is not cured within 30 days of notice of such breach or default being given to Quadravest;
- (h) any other change of the manager of the Company unless an affiliate of Quadravest becomes the manager;
- (i) a decrease in the frequency of calculating the net asset value;

- (j) any merger of the Company for which shareholder approval under NI 81-102 would be required;
- (k) any change to the Termination Date; and
- (l) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares, Class A Shares or Class B Shares or any other matter for which the approval of the holders of the Preferred Shares or Class A Shares is required under the provisions of the *Business Corporations Act* (Ontario).

Each Preferred Share and Class A Share will have one vote at such a meeting and will not vote separately as a class in respect of any vote taken (except for a vote in respect of the matters referred to in paragraphs (a), (b), (k) and (l) above and any other matters referred to above if a class is affected by the matter in a manner different from the other classes of shares of the Company). Ten per cent of the outstanding Preferred Shares and Class A Shares, respectively, represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the holders of Preferred Shares and Class A Shares then present will constitute a quorum at an adjourned meeting.

### **Reporting to Securityholders**

The Company will deliver (or, to the extent permitted by law, make available) to each shareholder annual and semi-annual financial statements of the Company and an annual and semi-annual management report of fund performance.

### **TERMINATION OF THE COMPANY**

The articles of incorporation of the Company as amended provide that the Termination Date of the Company is December 1, 2016. Any decision to change the Termination Date requires the approval of the holders of the Preferred Shares and Class A Shares. See “*Securityholder Matters – Matters Requiring Securityholder Approval*”.

### **Payments on Termination – Preferred Shares**

All Preferred Shares outstanding on the Termination Date will be redeemed by the Company on such date. Immediately prior to the Termination Date, the Company will, to the extent possible, convert the common shares of the Portfolio Companies or other assets of the Company to cash and will pay or make adequate provision for all of the Company’s liabilities. The Company will, to the extent possible, after receipt of the net cash proceeds of the liquidation of its assets, distribute the Preferred Share Repayment Amount of \$10.00 per Preferred Share to holders of Preferred Shares through the redemption of the Preferred Shares as soon as practicable after the Termination Date.

### **Payments on Termination – Class A Shares**

All Class A Shares outstanding on the Termination Date will be redeemed by the Company on such date. Immediately prior to the Termination Date, the Company will, to the extent possible, convert the common shares of the Portfolio Companies or other assets of the Company to cash and pay or make provision for all of the Company’s liabilities and will, to the extent possible, distribute to holders of the Preferred Shares the original investment amount for each Preferred Share then outstanding through the redemption of the Preferred Shares and return to holders of Class B Shares their aggregate initial investment amount of \$20.00 (\$0.02 per Class B Share). The Company will thereafter distribute to holders of the Class A Shares, the remaining assets of the Company, if any, as soon as practicable after the Termination Date.

## USE OF PROCEEDS

The net proceeds from the issue of the Preferred Shares and Class A Share Units offered hereby (after payment of the Agents' fee and expenses of the issue) are estimated to be \$● (assuming the minimum Offering) and \$● (assuming the maximum Offering and assuming in each case that the Over-Allotment Option (as defined under "*Plan of Distribution*" below) is not exercised). These net proceeds will be used to invest in the common shares of the Portfolio Companies in accordance with the investment objectives, strategy and restrictions of the Company as described under "*Investment Objectives*", "*Investment Strategies*", and "*Investment Restrictions*".

The proceeds of the Offering (assuming the Over-Allotment Option (as defined below) is not exercised) will be as follows:

|                                  | <u>Minimum Offering</u> | <u>Maximum Offering</u> |
|----------------------------------|-------------------------|-------------------------|
| Gross proceeds to the Company    | \$●                     | \$●                     |
| Agents' fees                     | \$●                     | \$●                     |
| Expenses of Issue <sup>(1)</sup> | \$●                     | \$●                     |
| Net proceeds to the Company      | \$●                     | \$●                     |

- 
- (1) The maximum expenses of the Offering to be borne by the Company are equal to 1.5% of the gross proceeds of the Offering.

## PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of ●, 2009 (the "Agency Agreement") between Quadravest, the Company and CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Manulife Securities Incorporated, Richardson Partners Financial Limited, Wellington West Capital Markets Inc. and Desjardins Securities Inc. (the "Agents"), the Agents have agreed to offer the Preferred Shares and Class A Share Units for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The offering prices for the Preferred Shares and the Class A Share Units were established by negotiation between the Company and the Agents. The Agents will receive a fee equal to \$0.30 (3.0%) for each Preferred Share and \$0.90 (6.0%) for each Class A Share Unit sold and will be reimbursed for out of pocket expenses incurred. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fee. While the Agents have agreed to use their best efforts to sell the Preferred Shares and Class A Share Units offered under this prospectus, the Agents will not be obligated to purchase Preferred Shares and Class A Share Units which are not sold.

The Company has granted the Agents an option (the "Over-Allotment Option") to offer up to ● additional Preferred Shares and ● additional Class A Share Units, which Preferred Shares and Class A Share Units are qualified for sale under this prospectus. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30<sup>th</sup> day following the closing of the Offering and, to the extent the Over-Allotment Option is exercised, the additional Preferred Shares and Class A Share Units will be offered by the Agents at the offering price under this prospectus and the Agents will be entitled to receive a fee of \$0.30 (3.0%) for each Preferred Share and \$0.90 (6.0%) for each Class A Share Unit sold.

The Class A Shares and the Warrants will be issued together as a Class A Share Unit, and will begin to trade separately as Class A Shares and Warrants upon the earlier of the closing of the Over-Allotment Option and the 30<sup>th</sup> day following the closing of the Offering.

Proceeds from subscriptions received by the Company will be held in trust in segregated accounts by Computershare until the minimum amount of the Offering has been obtained. In the event that the minimum amount is not obtained, and the closing does not occur, subscription proceeds received from prospective purchasers will be returned promptly without interest or deduction. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Preferred Shares and Class A Share 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. Closing is expected to occur on ●, 2009, but in any event no later than ●, 2009.

The Preferred Shares and Class A Share Units have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “U.S. Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. The Agents have agreed that, except as permitted by the Agency Agreement, they will not offer or sell the Preferred Shares or Class A Share Units within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Preferred Shares and Class A Share Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares and Class A Share Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares and Class A Share Units at levels other than those which might otherwise prevail on the open market. In such event, an equal number of Preferred Shares and Class A Share Units will be maintained. Such transactions, if commenced, may be discontinued at any time.

#### **PRINCIPAL HOLDERS OF SECURITIES OF THE COMPANY**

Only Class B Shares have currently been issued by the Company. The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares will be entitled to one vote per share. The Class B Shares are retractable at a price of \$0.02 per share and have a liquidation entitlement of \$0.02 per share. The Class B Shares rank subsequent to the Preferred Shares and prior to the Class A Shares with respect to such nominal liquidation entitlement on the dissolution, liquidation or winding-up of the Company.

The Canadian Chartered Banc Split Corp. Holding Trust (the “Holding Trust”), an Ontario trust of which S. Wayne Finch is the trustee, owns all of the issued and outstanding Class B Shares of the Company. S. Wayne Finch is the trustee of the Holding Trust and the beneficiaries are the holders of the Preferred Shares and Class A Shares outstanding from time to time. The Class B Shares will be held in escrow by RBC Dexia pursuant to an agreement to be entered into on or before Closing (the “Escrow Agreement”) between the Holding Trust, RBC Dexia and the Company and will not be disposed of or dealt with in any

manner until all the Preferred Shares and Class A Shares have been retracted or redeemed, except in certain circumstances contemplated by the Escrow Agreement.

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

Quadravest will receive the fees described under “*Fees and Expenses*” for its services to the Company and will be reimbursed by the Company for all expenses incurred in connection with the operation and administration of the Company. In accordance with the requirements of the provincial securities regulatory authorities in connection with the Offering, Quadravest and its affiliates have undertaken to file, and have agreed to cause their directors and senior officers to file, insider trading reports as if the Company was not a mutual fund, in accordance with applicable securities legislation in respect of trades made by it or those directors and senior officers in shares of the Company.

The senior officers and directors of the Company have also undertaken to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation, for themselves. The Company has undertaken that it will not elect or appoint any person in the future as a senior officer or director unless such person undertakes to file insider trading reports as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation and to deliver to each applicable provincial securities regulatory authority an undertaking to file insider trading reports in accordance with applicable provincial securities legislation. The foregoing undertakings shall remain in full force until such time as, in the case of the undertaking of Quadravest, it ceases to act as the manager and investment manager of the Company; in the case of the undertakings of a director or senior officer of the Company, such person ceases to be a director or officer of the Company; or in each case all of the Preferred Shares and Class A Shares have been redeemed or retracted.

### **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

Under the proxy voting policies and procedures adopted by the Company, Quadravest is required to vote (or decide to refrain from voting) all common shares of the Portfolio Companies or other voting securities of the Company in accordance with its best judgement in this regard; provided that Quadravest receives the proxy and related materials from the issuer or otherwise in sufficient time to cast such vote. Quadravest will consider each such proposal on its merits in light of the best interests of the Company and its shareholders. In order to aid in the evaluation process for each proxy proposal, Quadravest subscribes to the research services of Institutional Shareholder Services, a leading provider of proxy analysis and recommendations.

Where RBC Dexia as custodian must vote such securities in accordance with the instructions of Quadravest in this regard, Quadravest shall ensure that instructions are provided to RBC Dexia in accordance with its corporate action requirements in this regard.

Quadravest will maintain a proxy voting record which includes, each time the Company receives proxy voting materials, the name of the issuer in question; the stock exchange on which the securities are listed and the ticker symbol for such securities; the CUSIP number for the securities; the meeting date and whether the meeting was called by management or otherwise; a brief identification of the matters to be voted on at the meeting; whether, and if so how, the Company voted on such matters; and whether the votes cast by the Company were for or against the recommendations of management of the issuer.

The Company prepares by August 31 in each year a proxy voting record for the one-year period ending on June 30 of that year, and posts such record on its website. Upon request made by a shareholder by calling 1-877-478-2372 or writing to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario M5K 1K7, the Company will deliver a copy of its most

recent proxy voting record, or a copy of its policies and procedures with respect to proxy voting, to such shareholder without charge.

### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Preferred Shares and Class A Share Units:

- (a) the articles of incorporation of the Company, as amended, described under “*Overview of the Legal Structure of the Company*”;
- (b) the Warrant Indenture, described under “*Attributes of the Securities – Description of the Warrants Distributed in this Offering*”;
- (c) the Management and Investment Management Agreement, described under “*Organization and Management Details of the Company – The Manager and Investment Manager*”;
- (d) the Agency Agreement, described under “*Plan of Distribution*”;
- (e) the Recirculation Agreement, referred to under “*Redemption of Securities – Resale of Shares Tendered for Retraction or Redemption*”;
- (f) the Escrow Agreement, referred to under “*Principal Holders of Securities of the Company*”; and
- (g) the Custodian Agreement referred to under “*Organization and Management Details of the Company – Custodian*”.

Copies of the foregoing agreements, after they have been signed, may be inspected during business hours at the principal office of the Company during the course of distribution of the Preferred Shares and Class A Share Units offered under this prospectus.

### **EXPERTS**

The following is a list of the persons or companies who have prepared or certified a report, statement or opinion in this prospectus:

- (a) Blake, Cassels & Graydon LLP, counsel to the Company;
- (b) McCarthy Tétrault LLP, counsel to the Agents; and
- (c) PricewaterhouseCoopers LLP, the auditors of the Company.

One of the directors of the Company is a partner at Blake, Cassels & Graydon LLP. The Corporation’s auditors are PricewaterhouseCoopers LLP, who have prepared an independent auditors’ report dated ●, 2009 in respect of the Company’s financial statement as at ●, 2009. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **EXEMPTIONS AND APPROVALS**

Although the Company is considered to be a mutual fund under applicable securities legislation, it has applied to be exempted from certain of the requirements of NI 81-102 and National Instrument 81-106 Investment Fund Continuous Disclosure (“NI 81-106”) of the Canadian Securities Administrators, so as to permit the Company to conduct its operations as described in this prospectus. In particular, the Company is seeking to be exempted from certain of the provisions of Part 2 of NI 81-102 in order to be permitted to concentrate its Portfolio in Shares of the Portfolio Companies, and from section 3.3 in order that the costs of the initial incorporation of the Company and the initial prospectus be borne by the Company, among other sections of NI 81-102. The Company is also seeking to be exempted from the application of clause 14.2(3)(b) of NI 81-106, so as to permit the Company to calculate its net asset value on a bi-monthly basis rather than daily.

## **LEGAL OPINIONS**

The matters referred to under “*Income Tax Considerations*” and certain other legal matters relating to the securities offered hereby will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Company, and McCarthy Tétrault LLP, on behalf of the Agents.

## **PURCHASER’S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in several of the provinces of Canada provides a purchaser with the right to withdraw from an agreement to purchase mutual fund securities within two business days after receipt or deemed receipt of a prospectus and any amendment or within 48 hours after receipt of a confirmation of a purchase of such securities. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions to the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided such remedies for rescission, revision of price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of Canadian Chartered Banc Split Corp. (the "Company") dated ●, 2009 relating to the offering of up to ● Preferred Shares and up to ● Class A Share Units. 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 Board of Directors of the Company on the statement of financial position of the Company as at ●, 2009. Our report is dated ●, 2009.

Toronto, Ontario  
●, 2009

(Signed) ● LLP  
Chartered Accountants, Licensed Public Accountants

## AUDITORS' REPORT

To the Board of Directors of  
CANADIAN CHARTERED BANC SPLIT CORP.:

We have audited the statement of financial position of Canadian Chartered Banc Split Corp. (the "Company") as at ●, 2009. This statement of financial position is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

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

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Company as at ●, 2009 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
●, 2009

(Signed) ● LLP  
Chartered Accountants, Licensed Public Accountants

**CANADIAN CHARTERED BANC SPLIT CORP.**

**STATEMENT OF FINANCIAL POSITION**

**•, 2009**

**ASSETS**

|      |         |
|------|---------|
| Cash | \$20.00 |
|------|---------|

**SHAREHOLDER'S EQUITY**

|  |         |
|--|---------|
| Class B Shares (1,000 shares) (Note 1) | \$20.00 |
|--|---------|

Approved by the Board of Directors:

(Signed) •  
Director

(Signed) •  
Director

*The accompanying notes are an integral part of this statement of financial position*

**CANADIAN CHARTERED BANC SPLIT CORP.**

**NOTES TO STATEMENT OF FINANCIAL POSITION**

**As at ●, 2009**

**1. ORGANIZATION AND SHARE CAPITAL**

Canadian Chartered Banc Split Corp. (the “Company”) was established under the laws of the Province of Ontario by certificate and articles of incorporation dated June 5, 2009.

The Company is authorized to issue an unlimited number of Preferred Shares, an unlimited number of Class A Shares and 1,000 Class B Shares. On June 5, 2009, the Company issued 1,000 Class B Shares for \$20.00 cash. On the closing of the offering made under the prospectus referred to in Note 2, such shares will be held by Canadian Chartered Banc Split Corp. Holding Trust, a trust of which S. Wayne Finch is the trustee and the holders of the Preferred Shares and Class A Shares are the beneficiaries.

**2. AGENCY AND CUSTODIAN AGREEMENTS**

The Company has engaged CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Blackmont Capital Inc., Manulife Securities Incorporated, Richardson Partners Financial Limited, Wellington West Capital Markets Inc. and Desjardins Securities Inc. to offer for sale to the public pursuant to a prospectus dated ●, 2009 Preferred Shares and Class A Share Units. Each Class A Share Unit consists of one transferable Class A Share and one-half share purchase warrant (the “Warrant”).

The Company will retain RBC Dexia Investor Services Trust (the “Custodian”) under a custody agreement to act as custodian of the assets of the Company and to be responsible for certain aspects of the Company’s day-to-day operations. In consideration for the services provided by the Custodian, the Company will pay the Custodian a monthly fee as set out in the custody agreement.

**3. MANAGEMENT AND INVESTMENT MANAGEMENT AGREEMENTS**

The Company has retained Quadravest Capital Management Inc. (“Quadravest”) under a management and investment management agreement dated as of ●, 2009 to act as the manager and investment manager of the Company. Pursuant to such agreement, Quadravest is entitled to a management fee payable monthly in arrears at an annual rate of 0.95% of the net asset value of the Company calculated as at the last valuation date in each month, plus applicable taxes, and an amount equal to the service fee (the “Service Fee”) discussed below.

In addition to the management fee, the Company will pay to Quadravest an amount equal to the Service Fee, to be paid by Quadravest to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.50% annually of the value of the Class A Shares held by clients of the dealer. For these purposes, the value of a Class A Share is the net asset value per Unit less \$10.00. No Service Fee will be payable in respect of any portion of a calendar quarter in which regular monthly dividends are not paid to holders of Class A Shares in respect of such month, and in such circumstances the Service Fee shall be pro rated based on the number of months in which such regular dividends were paid.

**CERTIFICATES OF THE COMPANY, THE MANAGER AND THE PROMOTER**

Dated: June 9, 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 each of the Provinces of Canada.

**CANADIAN CHARTERED BANC SPLIT CORP.**

(Signed) S. WAYNE FINCH  
President and Chief Executive Officer

(Signed) PETER F. CRUICKSHANK  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) LAURA L. JOHNSON  
Director

(Signed) WILLIAM C. THORNHILL  
Director

**QUADRAVEST CAPITAL MANAGEMENT INC.**

As Manager and Promoter

(Signed) S. WAYNE FINCH  
President and Chief Executive Officer

(Signed) PETER F. CRUICKSHANK  
Chief Financial Officer

(Signed) S. WAYNE FINCH  
Director

(Signed) LAURA L. JOHNSON  
Director

(Signed) PETER F. CRUICKSHANK  
Director

**CERTIFICATE OF THE AGENTS**

Dated: June 9, 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 each of the Provinces of Canada.

**CIBC WORLD MARKETS INC.**

(Signed) MICHAEL D. SHUH

**RBC DOMINION SECURITIES INC.**

(Signed) EDWARD V. JACKSON

**SCOTIA CAPITAL INC.**

(Signed) BRIAN D. MCCHESENEY

**BMO NESBITT BURNS INC.**

(Signed) ROBIN G. TESSIER

**TD SECURITIES INC.**

(Signed) CAMERON GOODNOUGH

**CANACCORD CAPITAL  
CORPORATION**

(Signed) RON SEDRAN

**DUNDEE SECURITIES  
CORPORATION**

(Signed) VILMA JONES

**HSBC SECURITIES  
(CANADA) INC.**

(Signed) BRENT  
LARKAN

**RAYMOND JAMES LTD.**

(Signed) J. GRAHAM  
FELL

**BLACKMONT CAPITAL  
INC.**

(Signed) CHARLES  
A.V. PENNOCK

**MANULIFE SECURITIES  
INCORPORATED**

(Signed) DAVID  
MACLEOD

**RICHARDSON  
PARTNERS FINANCIAL  
LIMITED**

(Signed) BENNETT D.  
MACINNIS

**WELLINGTON WEST  
CAPITAL MARKETS  
INC.**

(Signed) SCOTT D.  
LARIN

**DESJARDINS SECURITIES INC.**

(Signed) BETH SHAW











CANADIAN CHARTERED BANC

SPLIT CORP