



CONNOR, CLARK & LUNN

CAPITAL MARKETS

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ROC Pref Corp.

Annual Report

September 30, 2008

ROC Pref Corp. Message to Shareholders

December 4, 2008

Dear Investor,

We thank you for your investment in the preferred shares of ROC Pref Corp. (the “Company”) and are pleased to present the Company’s annual report.

With less than a year left in its mandate, the Company’s performance continues to be sound. The preferred shares continue to be rated P-1, a notch higher than at the time of issue. All scheduled distributions on the preferred shares have been paid and the Company is scheduled to return \$25 per preferred share to investors on September 30, 2009. With the benefit of subordination against default losses of 3.11% and the trading reserve account sufficiently funded to purchase a further 0.18% of subordination, the Company could withstand approximately 7.6 further defaults before the coupon or par value of the Preferred shares begins to be impacted (assuming the trading reserve account is used to purchase subordination). 7.6 defaults represent approximately 12.8 times the historical average rate of default on a portfolio with the same ratings distribution as the Company’s reference portfolio and 5.8 times the worst one year time period. The trading reserve account has increased from \$516,219, at inception to \$1,622,639 on September 30, 2008. Connor, Clark & Lunn Investment Management Inc. (the “Investment Manager”) is confident in the credit quality of the remaining companies in the portfolio and is also confident the Company can fulfill its investment objectives.

The global financial system is experiencing a crisis beyond our expectation, the expectations of global markets and the expectations of the various central banks. The banks and other financial institutions impacted by this crisis include those representing the cornerstones of the global financial system. There is a problem of trust between companies. This lack of trust has caused companies to be transformed from being entities that, when applying normal credit analysis, would engender a reasonable comfort level to, in a matter of days, being companies in need of a bailout or merger or on the brink of filing for bankruptcy. The first instance of this phenomenon was Bear Stearns. Since then we have seen Fannie Mae, Freddie Mac, AIG, Lehman Brothers, Washington Mutual and Merrill Lynch fall prey to this problem. As a sign of the rapidity of their demise, it is estimated that Freddie, Fannie, AIG and Lehman Brothers had a combined market value of over \$260 billion a year before their collapse. The extraordinary actions by governments around the world all serve to reintroduce confidence back into the global financial system. This is exceptionally positive for financial credits. While more banks will fail a “firewall” has been placed around the major global financial institutions. Confidence does not change overnight but over time we expect these actions to have a positive effect on most financial credits.

The Company has been caught up in this turmoil. During the quarter, the Company experienced a credit event when Lehman Brothers declared bankruptcy. The Lehman credit event had a significant impact. The recovery rate on Lehman was exceptionally low at 8.6%, which is equivalent to 1.5 defaults at a 40% recovery rate (the estimated recovery rate used in our default protection level calculations).

As the year progressed, the Investment Manager believed that there were three primary risks to the reference portfolio: i) The meltdown of the global financial system; ii) The depth and breadth of the US housing downturn; and iii) The extent and length of the US/global recession. At this point we believe that, given the extensive actions of governments across the Western world, the risk of a market meltdown has declined. If the current actions are not sufficient governments have given an indication that they are willing to take even more action. The depth and breadth of the US housing downturn is a significant risk to a number of holdings in the portfolio, but the primary risk is to financials that are exposed to the sector (MBIA and Ambac). There are extensive discussions taking place with respect to possible government and private sector actions that could materially reduce the pressures facing these businesses. The third risk, a prolonged deep recession in the United States or throughout the world continues to be very significant. This recession risk could impact a number of cyclical holdings in the portfolio such as Tribune. The spread levels in the credit markets are currently pricing default levels that are far outside the realm of the worst-case historical experiences.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
ROC Pref Corp.

P.S. There has been significant event in the Company subsequent to the letter drafted above. On December 8, 2008, the Company announced its third credit event after Tribune Company's decision to voluntarily restructure its debt obligations under the protection of Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

When it was chosen for inclusion in the Reference Portfolios, Tribune was in a stable industry with ample cash flow generation and rated A- by Standard & Poor's. In December 2007, Tribune was acquired in a leveraged buy-out which reduced its rating to B- and it needed to sell off assets in order to raise cash to pay down its large debt load. Following the acquisition, a precipitous decline in revenue and a tough economy coupled with the credit crisis that makes it extremely difficult to support its current level of debt.

Management Report of Fund Performance

This annual management report of fund performance for ROC Pref Corp. (“the Company”) contains financial highlights, but does not contain the complete annual financial statements of the Company. **The annual financial statements and accompanying notes are attached to this report.**

Note that any reference to “Net Assets” or “Net Assets per Unit” means that the value was determined in accordance with the Canadian Generally Accounting Principles for financial statements purposes. Also any reference to “Net Asset Value” or “Net Asset Value per Unit” means that the value was determined for valuation and transactional purposes. An explanation of the difference between both values can be found in note 3 to the financial statements.

Investment Objectives and Strategy

The Company was incorporated under the laws of the Province of Ontario on April 13, 2004. The Company is a mutual fund corporation whose investment portfolio (the “Common Share Portfolio”) consists of common shares of Canadian public companies that are Canadian securities for the purpose of the Income Tax Act (Canada). The Company commenced operations on June 2, 2004. The manager of the Company is Connor, Clark & Lunn Capital Markets Inc. (the “Manager”)

The Company’s investment objectives are to pay holders of preferred shares an amount per preferred share equal to the original subscription price of \$25.00 on or about September 30, 2009 and to pay quarterly, fixed cumulative distributions of \$0.26875 per preferred share to yield 4.30% per annum on the original issue price.

In order to meet its objectives, the Company’s strategy is to maintain exposure, in a tax-efficient manner, to the returns of a credit-linked note (“CLN”). The CLN was issued by HSBC Bank USA (“HSBC”) on June 7, 2004, matures on September 30, 2009, is rated A+ by Standard & Poors (“S&P”) and is structured to provide an enhanced return compared to comparably rated debt securities. The return on the CLN is linked to the performance of a globally diversified, actively managed portfolio of initially 140 companies (the “Reference Portfolio”). All of the companies in the Reference Portfolio were rated investment grade at the time the CLN was issued. The Reference Portfolio is managed by Connor, Clark & Lunn Investment Management (the “Investment Manager”). Please refer to Supplementary Financial Information - CLN Portfolio Schedule as of September 30, 2008 - for a listing of the companies in the Reference Portfolio.

In order to provide exposure to the CLN, the Company:

- (i) Purchased a portfolio of the common shares of 25 publicly traded Canadian companies on June 2, 2004 at an aggregate cost of \$57,161,000; and
- (ii) Entered into a forward purchase and sale agreement (the “Forward Agreement”) with the Bank of Nova Scotia (the “Counterparty”), under which the company agreed to sell the portfolio of common shares on or prior to September 30, 2009 in exchange for the value of the Credit Trust (“Credit Trust”), a vehicle formed to purchase a credit linked note (“CLN”) from HSBC. Sale of the common share portfolio under the Forward Agreement is intended to ensure that preferred shareholders have economic exposure to changes in the value of, and distributions effected by, the Credit Trust. A fee of 0.55% per annum calculated with reference to the net asset value of the Credit Trust and a hedging fee of 0.15% per annum calculated with reference to the value of the portfolio of common shares are payable to Counterparty under the Forward Agreement.

Recent Developments

On December 8, 2008, the Company announced its third credit event after Tribune Company’s decision to voluntarily restructure its debt obligations under the protection of Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

When it was chosen for inclusion in the Reference Portfolios, Tribune was in a stable industry with ample cash flow generation and rated A- by Standard & Poor’s. In December 2007, Tribune was acquired in a leveraged buy-out which reduced its rating to B- and it needed to sell off assets in order to raise cash to pay down its large debt load. Following the acquisition, a precipitous decline in revenue and a tough economy coupled with the credit crisis that makes it extremely difficult to support

its current level of debt.

Risk

The risks associated with an investment in the Company's preferred shares are best defined by the credit rating of the CLN and the credit rating of the Preferred Shares, which itself is largely derived from the rating of the CLN. Factors that might affect the rating of the CLN include the ratings of the companies in the Reference Portfolio and the time remaining to maturity of the CLN. Factors that influence the rating of the Preferred Shares include the rating of the CLN, the rating of the Bank of Nova Scotia, and the level of cash available to the Company. The CLN was issued with a rating of A- and the Preferred Shares were issued with a rating of P-1 low, both by S&P, with respect to payment of quarterly coupons and the re-payment of principal at maturity. On March 30, 2007, the rating of the CLN was upgraded to A+ and the rating of the Preferred Shares was upgraded to P-1.

During the year, the Reference Portfolio experienced its second default when Lehman Brothers Holdings Inc. ("Lehman Brothers") filed a petition under Chapter 11 which constitutes a credit event under the CLN's terms and conditions.

A number of events could lead to the revision of the ratings of the CLN and, correspondingly, of the Preferred Shares. These events include:

- (i) Changes in the credit ratings of the companies in the Reference Portfolio;
- (ii) Occurrence of company defaults in the Reference Portfolio, which could result in the remaining first-loss amount falling below that required to affirm the rating on the CLN, which affects the ratings on the Preferred Shares; and
- (iii) Changes to the credit ratings on HSBC or HSBC Bank Canada.

For full disclosure of risks associated with an investment in the Preferred Shares, please refer to the Prospectus dated May 27, 2004 and to the Annual Information Form dated September 30, 2008.

Results of Operations

Investments of the Company

The common share portfolio

The value of the common share portfolio increased from \$46.67 million on September 30, 2007 to \$48.11 million at September 30, 2008. The details of the common share portfolio at September 30, 2008 are set out in the Summary of Investment Portfolio.

Partial settlement of the Forward Agreement

Quarterly payments of the 7.05% annual coupon on the CLN and the repayment of principal at maturity on September 30, 2009 accrue to the Credit Trust. The Company partially settles the Forward Agreement from time to time, thus receiving some of the value that has built up in the Credit Trust, in order to fund distributions on the preferred shares and its own operating expenses.

During the year, the Company delivered shares with a cost base of \$2.70 million to Counterparty in exchange for \$2.28 million in cash.

Other investments of the Company

As at September 30, 2008 the Company held \$73,774 in cash and short-term investments. The Company has no other investments apart from cash and equivalents, which are held in order to fund near term operating expenses. In order to return the full principal amount per preferred share on September 30, 2009 the Company on a consolidated basis must have accumulated at least \$2,839,000 in cash and short-term investments by that time. On a consolidated basis, the Company had \$2,841,680 in cash, short-term notes and bond investments on September 30, 2008.

Investments of the Credit Trust

The CLN

The Credit Trust purchased the CLN on June 7, 2004 at par for \$57,161,000. The CLN matures on September 30, 2009 and pays a coupon of 7.05%. The CLN was issued with A- rating by S&P and was upgraded to A+ as of March 30, 2007. The value of the CLN at September 30, 2008 was \$50,372,655.

The return on the CLN is linked to the number of defaults experienced over the term of the note among the initially 140 reference companies in the CLN's Reference Portfolio. Based on the Reference Portfolio's credit quality, S&P assigns a minimum level of subordination, which reflects the degree of net losses that a portfolio must be able to absorb without impacting cash flows to shareholders. In order to retain an A+ credit rating, the CLN's required level of subordination is currently 2.61%. The initial subordination of the CLN was 3.90% and, as a result of Dana Corp. default in March 2006 and Lehman Brothers Holdings Inc. ("Lehman Brothers") default in September 2008, the current level of subordination structured into the CLN is 3.11%. If losses due to cumulative defaults, net of recoveries, over the full term of the CLN do not exceed a total of 3.11% of the initial value of the Reference Portfolio, the Credit Trust will receive its full coupon payments and par value on maturity. **To the extent that cumulative defaults exceeded this amount, subsequent coupon payments and the amount that would be paid to the Credit Trust on maturity would decline. To the extent that cumulative losses due to defaults, net of recoveries, exceeded 4.11% there would be no amount paid to the Credit Trust and the value of the Preferred Shares would decline to the level of net current assets per share, possibly zero.**

The CLN features an embedded trading reserve account, initially in an amount of \$516,219, which stood at \$1,622,639 on September 30, 2008. The trading reserve account is available to absorb net losses that might be incurred when the Investment Manager makes substitutions in the Reference Portfolio. The trading reserve account can also be used to purchase additional subordination from HSBC. At September 30, 2008, the trading reserve account could have purchased an additional 0.18% of subordination, bringing total percentage loss that could have been absorbed in the Reference Portfolio without affecting payments of interest or principal to 3.29%. The amount of additional subordination that can be purchased using the trading reserve account will vary in response to changing market conditions. The ability to absorb 3.29% losses in the portfolio currently translates into a coverage ratio of 12.8 times the average level of defaults for a portfolio with the same ratings characteristics and term as the Reference Portfolio based on S&P data and assuming a 40% recovery rate.

Credit quality of the Reference Portfolio

Risk in the CLN is a function of Reference Portfolio credit quality and time to maturity. As the CLN ages, the risk of default for companies with a given rating decreases. Balanced against that time benefit is the fact that credit ratings have historically moved lower over time. The composition of the Reference Portfolio is designed with the objective that the CLN will maintain its initial rating as these two effects act on the portfolio. Changes in credit quality as it is measured by the market can be seen through changes in the average credit spread of the Reference Portfolio. A good indication of the performance of the Reference Portfolio is the movement in credit spread of the Reference Portfolio versus that of a corresponding index. A lower credit spread indicates less risk. The index that best corresponds to the Reference Portfolio is the Dow Jones CDX North America Investment Grade 2 Index:

	September 30, 2004	September 30, 2005	September 30, 2006	September 30, 2007	September 30, 2008
Dow Jones IG 2 Index	54.10	66.11	65.37	87.6	314.08
Reference Portfolio Spread	49.07	61.29	80.61	95.1	378.37

Changes in the overall credit quality of the Reference Portfolio as measured by the credit ratings of its constituents may affect the rating of the CLN and of the Preferred Shares, which in turn may affect the trading price. The following table describes the Reference Portfolio's ratings characteristics on September 30, 2004, 2005, 2006, 2007 and 2008:

Exposure to Issuers											
Rating ⁽¹⁾	2004	2005	2006	2007	2008	Rating ⁽¹⁾	2004	2005	2006	2007	2008
AAA	2	1	2	2	1	BBB-	14	8	6	6	10
AA+	0	0	0	0	0	BB+	0	5	2.5	2.5	2.5
AA	2	3	3	6	1	BB	0	2	4	5.5	7
AA-	4	5	8	10	12	BB-	0	1	2	3	3
A+	10	9	10	7	7	B+	0	0	2	3	2.5
A	15	17	14	13	11	B	0	0	2	0	0
A-	28	30	29.5	28	34	B-	0	0	0	0	3
BBB+	25	28	28	31	30	D	0	0	1	1	2
BBB	40	31	25	22	14	N/R	0	0	1	0	0
Total⁽²⁾							140	140	140	140	140

⁽¹⁾ S&P's rating scale runs from AAA, indicating an extremely strong capacity to meet financial obligations, to D, indicating default. Ratings from AA to CCC may be modified by the addition of a plus or minus sign.

⁽²⁾ 142 reference companies are included in the CLN's Reference Portfolio. Four companies are included at half-weights, resulting in a total exposure to 140 issuers.

In March 2006 the portfolio experienced its first default of a reference company to date, that of Dana Corp. Dana Corp's bonds traded relatively well following the default, such that the reference portfolio recovered 75% of its potential exposure. In September 2008, Lehman Brothers announced the filing of a petition under Chapter 11 of the U.S. Bankruptcy Code which constituted a credit event under the CLN. Following this credit event, the Company will still be able to sustain approximately 7.6 Credit Events assuming a 40% recovery rate in order to pay \$25.00 per Preferred Share at maturity on September 30, 2009 and continue to pay regular quarterly distributions.

As described above, S&P's rating anticipates deterioration in the average credit rating of the companies in the Reference Portfolio over time, reflecting the fact that credit ratings tend to migrate lower over time. The rating also anticipates defaults. The rating upgrade to A+ and the increase in the CLN's cushion over the required subordination level indicate that the Reference Portfolio has performed better than required to maintain the CLN's credit rating. Since inception, as a result of ratings changes and trading activity, the Reference Portfolio experienced 71 reference company upgrades averaging 1.8 rating categories, or notches, per upgrade for a total 125 notch increase and 132 reference company downgrades averaging 1.5 notches per downgrade for a total 203 notch decreases, leaving the portfolio's average rating approximately constant. The companies in the Reference Portfolio are listed in the Supplementary Financial Information as at September 30, 2008.

Substitutions in the Reference Portfolio

The Reference Portfolio is actively managed by the Investment Manager. The Investment Manager's goal is to reduce the likelihood of having exposure to companies that default on their senior obligations. To that end, the Investment Manager can add or remove companies through a substitution process executed in accordance with the terms of the CLN. If the Investment Manager decides to remove a company that, in its judgment, has increased in risk, and to replace it with a lower risk company, there may be a net cost to the trading reserve account depending on the credit spread comparison between the companies being substituted. The trading reserve account described above is available to absorb net losses that may be incurred through these substitutions.

The Investment Manager made no substitutions during the year ended September 30, 2008 and has made a total of twenty-five substitutions in the Reference Portfolio from June 2, 2004 (inception date) to September 30, 2008.

Value of the CLN

The CLN is valued on the 10th and last business day of each month by HSBC. The CLN value reflects the amount that HSBC is willing to pay in order to discharge its obligations under the CLN and is based on HSBC's proprietary assumptions concerning current and future market conditions and events. Factors affecting the value of the CLN include the market's assessment of overall credit quality of the Reference Portfolio as measured by the trading price of the debt (and derivatives thereof) of companies in the Reference Portfolio, interest rates as measured by the Canadian dollar swap rate to the date of maturity of the

note, the value of the trading reserve account and other factors, such as correlation, that are proprietary to HSBC. At September 30, 2008, the CLN value was \$50,372,655, down from \$58,426,640 on September 30, 2007.

Other investments of the Credit Trust

The Credit Trust held \$2,767,906 in cash and other investments on September 30, 2008 compared to \$1,984,572 on September 30, 2007.

Net Asset Value of the Preferred Shares

The net asset value of the preferred shares is calculated as: the value of the common share portfolio and any other investments held by the Company, plus the value of any gain or loss on the equity Forward Agreement, less any net liabilities of the Company, divided by the number of preferred shares outstanding.

On September 30, 2008, the value of the common share portfolio was \$48,114,529. Since the Company can deliver the value of the common share portfolio to the Counterparty in exchange for the value of Credit Trust, the value of the Forward Agreement to the Company is equal to the value of Credit Trust less the value of the common share portfolio. On September 30, 2008, the value of the Forward Agreement was \$5,139,938. Other net assets in the Company totalled \$(1,717,686) leaving a net asset value of \$51,536,781 or \$21.47 per Preferred Share. The net asset value per Preferred Share was \$24.66 on September 30, 2007. The decrease in net asset value over the period is primarily attributable to the decrease in the value of the CLN.

Liquidity and Capital Resources

The obligations of the Company include operating expenses and declared distributions to preferred shareholders. The funding of these obligations will be satisfied primarily through partial settlements under the Forward Agreement as described in note 7 above. As at September 30, 2008, the Company and the Credit Trust had current assets of \$37,882,155 and current liabilities of \$35,885,976 on a consolidated basis.

Management Expense Ratio

The management expense ratio (MER) represents the ratio of annual expenses that are required to operate the company to the value of issued Preferred Share capital. The MER excluding all distributions paid to preferred shareholders and deferred management fees, which are only payable after full repayment of the original preferred share issue price, for the year ended September 30, 2008 was approximately 1.25%. The MER for the same period including all distributions paid to preferred shareholders and deferred management fees was approximately 6.54%. Please refer to the Financial Highlights section of this document for more information.

Distributions

During the year ended September 30, 2008, the Preferred Shares paid regular quarterly distributions of \$0.26875 per share for a total of \$1.075 per share, representing a yield of 4.30% on the \$25.00 par value.

Related Party Transactions

Management Fees

As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Company and the Credit Trust, the Manager receives an annual management fee in an amount equal to 0.25% per annum of the net asset value of the Company to be calculated and payable monthly in arrears, plus applicable taxes.

As compensation for management services rendered to the Credit Trust, the Manager also receives an annual management fee in an amount equal to 0.10% per annum of the net asset value of the Credit Trust, calculated and payable monthly in arrears, plus applicable taxes.

The total management fees charged to the Company on a consolidated basis for the year ended September 30, 2008 were \$205,303 (\$221,189 for the year ended September 30, 2007).

To the extent that any assets remain after the original issue price of the preferred shares of the Company, together with any accrued and unpaid distributions, have been paid to shareholders, the Manager will be paid an amount equal to any fees and expenses funded by the Manager on behalf of the Company and an additional one-time deferred management fee payable on redemption of the preferred shares of up to 0.65% per annum, calculated based on quarterly NAV of the Company. The deferred management fees accrued for the year ended September 30, 2008 were \$385,044 (\$709,032 for the year ended September 30, 2007).

The Manager pays the Investment Manager out of the above management fees.

Recommendations or Reports by the Independent Committee

The Independent Committee of the Board of Directors tabled no reports and made no material recommendations to management of the Company during the year ended September 30, 2008.

Financial Highlights

The following tables show selected key financial information about the Company and are intended to help explain the Company's financial performance since inception. This information is derived from the Company's audited annual financial statements:

The Company's Net Assets per Preferred share:

	September 30, 2008	September 30, 2007	September 30, 2006	September 30, 2005	September 30, 2004 ⁽²⁾
Net Assets, beginning of period	24.66	25.16	24.12	23.81	25.00
Increase (decrease) from operations:					
Total revenues	–	–	–	–	0.01
Total expenses	(0.45)	(0.61)	(0.43)	(0.40)	(0.15)
Share issue expense ⁽³⁾	–	–	–	–	(1.17)
Realized gains (losses) for the period	3.39	1.33	0.54	(1.15)	(0.03)
Unrealized gains (losses) for the period	(5.05)	(0.15)	2.00	2.90	0.55
Total increase (decrease) from operations⁽⁴⁾	(2.11)	0.57	2.11	1.38	(0.84)
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(1.07)	(1.07)	(1.07)	(1.07)	(0.35)
Total Annual Distributions⁽⁵⁾	(1.07)	(1.07)	(1.07)	(1.07)	(0.35)
Net Assets, end of period⁽⁶⁾	21.47	24.66	25.16	24.12	23.81

(1) This information is derived from the Company's audited annual financial statements. The net assets per unit presented in the financial statements may differ from the net asset value calculated for the Company's pricing purposes. An explanation of these differences can be found in the notes to the financial statements. The difference between the net asset value per unit and the net assets per unit as shown on the Statement of Net Assets (if any) is due to the different pricing methodology discussed in note 3 to the financial statements.

(2) Results for the period June 2, 2004 (Inception date) to September 30, 2004.

(3) Issue expense of \$2,812,422 incurred in connection with the share issuance, principally consisting of Agents' fees and other offering expenses, which has been charged to retained earnings prior to calculating the opening net assets per share of \$23.83.

(4) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(5) Distributions were paid in cash.

(6) This is not a reconciliation between the opening and the closing net assets per Share.

Ratios and Supplemental Data:

	September 30, 2008	September 30, 2007	September 30, 2006	September 30, 2005	September 30, 2004 ⁽¹⁾
Net asset value (000's)	51,537	59,193	60,395	57,891	57,149
Number of Preferred shares outstanding	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Base Management expense ratio ⁽²⁾	1.25%	1.28%	1.31%	1.17%	1.49%
Management expense ratio including distributions on preferred shares,					
deferred management fees and issue expenses ⁽²⁾⁽³⁾	6.54%	6.80%	6.23%	6.06%	11.59%
before waivers or absorptions ⁽³⁾	6.54%	6.80%	6.23%	6.06%	11.59%
Portfolio turnover rate ⁽⁴⁾	128.36%	56.03%	19.89%	15.81%	5.93%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Closing market price (TSX)	16.50	23.25	24.10	25.00	24.95

(1) Results for the period June 2, 2004 (Inception date) to September 30, 2004.

(2) A separate base management expense ratio has been presented to include the normal operating expenses of the Fund and exclude (i) deferred management fees (which are only payable on the maturity date), (ii) **distributions on preferred shares** and (iii) the one time initial share offering issue expenses.

(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period ending September 30, 2004 annualizes expenses incurred from commencement of operations on June 2, 2004 to September 30, 2004 and it also includes all Agents' fees and other offering expenses, which are one time expenses and therefore not annualized. To the extent that assets remain in the Company after the original issue price of the Preferred Shares together with any accrued and unpaid distributions have been paid to Shareholders, the Manager is entitled to: (a) an additional one-time management fee, the "Deferred Management Fee", payable on the Redemption Date and calculated on the quarterly net asset value of the Company on an effective basis of up to 0.65% per annum; and (b) to recover any fees and expenses funded by it on behalf of the Company, plus applicable taxes.

(4) The Company's turnover rate indicates how actively the Company's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company's buying and selling all of the securities in its portfolio once in the course of the year. In the case of the Company, a high turnover rate may lead to a marginal increase in trading costs and may increase the chance of an investor receiving taxable capital gains in that year. There is not necessarily a relationship between turnover rate and the performance of the Company.

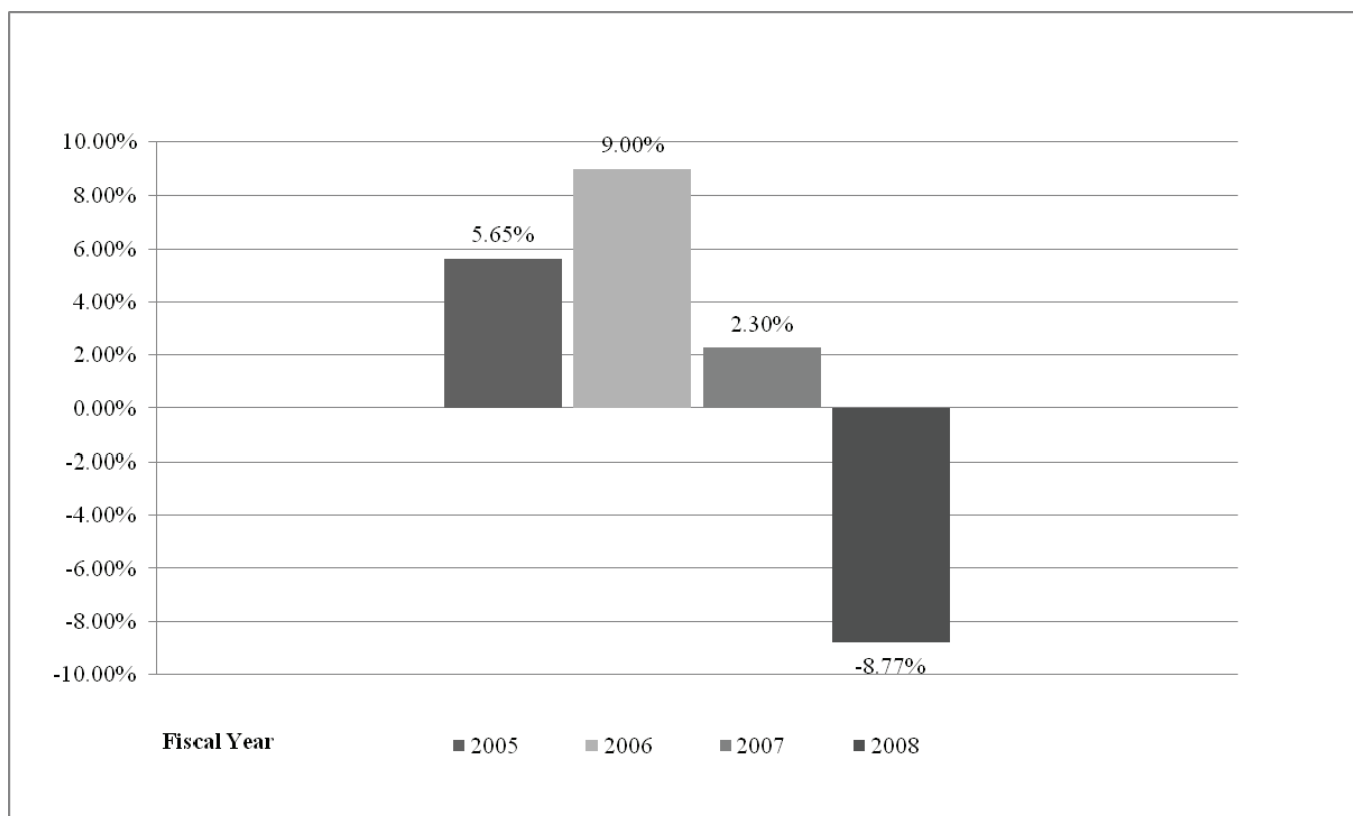
(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

Past Performance

The following bar chart and table indicate the performance of the preferred shares by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Company in the periods shown were reinvested. Past performance is not necessarily indicative of future performance.

Year – by –Year Returns

The following bar chart shows the Company’s annual performance for the years shown. This bar chart shows, in percentage terms, how much an investment made on the first day of the financial year would have grown or decreased by the last day of the financial year.



Annual Compound Returns

The following table shows the annualized compound return on the preferred shares for the periods indicated.

	Past Year	Three Years ⁽¹⁾	Since Inception ⁽¹⁾
Based on NAV	-8.77%	0.57%	2.04%
Based on TSX share price	-25.36%	-8.81%	-4.87%
Bloomberg / EFFAS ⁽²⁾ Canada Government 1-3 year Index	5.82%	4.21%	3.93%

(1) Annualized.

(2) Index of Canadian Government bonds with 1 to 3 years to maturity. EFFAS: European Federation of Financial Analyst Societies.

Summary of Investment Portfolio as of September 30, 2008

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.cclcapitalmarkets.com and at www.sedar.com.

	Market value \$	% of NAV
Portfolio by Category		
Energy	15,593,839	30.2%
Materials	9,621,579	18.7%
Information Technology	9,046,704	17.6%
Equity Derivatives	5,139,938	10.0%
Consumer Staples	4,847,866	9.4%
Industrials	4,564,523	8.9%
Consumer Discretionary	4,440,018	8.6%
Cash & Cash Equivalents	73,774	0.1%
Top 25 Holdings		
Equity Derivatives	5,139,938	10.0%
Viterra Inc.	4,847,866	9.4%
TriStar Oil and Gas Ltd.	4,775,380	9.3%
Iteration Energy Ltd.	4,663,301	9.0%
Westjet Airlines Ltd.	4,564,523	8.9%
Pan American Silver Corp.	4,514,053	8.8%
Rona Inc.	4,440,018	8.6%
Canadian Hydro Developers Inc.	4,175,385	8.1%
Eldorado Gold Corp.	3,172,906	6.2%
MacDonald Dettwiler & Associates Ltd.	3,151,667	6.1%
Celestica Inc.	2,694,992	5.2%
Petrobank Energy	1,979,773	3.8%
Sino-Forest Corporation - Class A	1,934,620	3.8%
CGI Group Class A	1,869,114	3.6%
Tundra Semiconductor Corp.	1,330,931	2.6%
Cash & Cash Equivalents	73,774	0.1%
Net asset value (NAV)	\$ 51,536,781	

Supplementary Financial Information

The following is an unaudited listing of the CLN Portfolio (Reference Portfolio) as at September 30, 2008:

Entity Description	SP Rating	Industry	Country
Accor	BBB	Lodging & casinos	France
Agrium Inc.	BBB	Farming/agriculture	Canada
Air Liquide SA	A	Chemicals & plastics	France
Albertson's Inc.	BB-	Food/drug retailers	USA
Alcan Inc.	BBB+	Nonferrous metals/minerals	Canada
Alltel Corporation	B+	Telecommunications	USA
Altria Group Inc.	BBB+	Beverage & Tobacco	USA
Ambac Financial Group Inc.	A	Insurance	USA
American International Group Inc.	A-	Insurance	USA
Aon Corporation	BBB+	Insurance	USA
Arcelor Finance	BBB+	Steel	Luxembourg
Avis Budget Car Rental Inc.	BB	Lodging & casinos	USA
BAA Ltd	BB-	Air transport	Britain
BAE Systems Plc	BBB+	Aerospace & Defence	Britain
Bank of America Corp	AA-	Financial intermediaries	USA
Barrick Gold Corporation	A-	Nonferrous metals/minerals	Canada
Baxter International Inc.	A+	Health care	USA
Bayer Aktiengesellschaft	A-	Chemicals & plastics	Germany
BCE Inc.	BB-	Telecommunications	Canada
Bear Stearns Companies Inc.	AA-	Brokers, Dealers & Investment houses	USA
Boeing Capital Corporation	A+	Air transport	USA
Bombardier Inc.	BB+	Aerospace & Defence	Canada
Borgwarner Inc.	A-	Automotive	USA
Bristol-Myers Squibb Company	A+	Drugs	USA
British American Tobacco Plc	BBB+	Beverage & Tobacco	Britain
British Telecommunications Public Limited Company	BBB+	Telecommunications	Britain
Brookfield Asset Management	A-	Building & Development	Canada
Burlington Northern Santa Fe Corporation	BBB	Rail industries	USA
Cargill Incorporated	A	Farming/agriculture	USA
Casino Guichard-Perrachon	BBB-	Food/drug retailers	France
Centex Corporation	BB	Building & Development	USA
Centurytel Inc.	BBB-	Telecommunications	USA
Cingular Wireless LLC	A	Telecommunications	USA
CIT Group Inc.	A-	Financial intermediaries	USA
Citigroup Inc.	AA-	Financial intermediaries	USA
Comcast Cable Communications Inc.	BBB+	Cable & satellite television	USA
Compagnie De Saint-Gobain	BBB+	Building & Development	France
Compagnie Financiere Michelin	BBB	Automotive	Switzerland
Compass Group Plc	BBB+	Food service	Britain
Computer Associates International Inc.	BB+	Electronics/electrical	USA
Computer Sciences Corporation	A-	Electronics/electrical	USA
Constellation Energy Group Inc.	BBB	Utilities	USA
Continental AG	BBB-	Automotive	Germany
Countrywide Home Loans Inc.	AA	Financial intermediaries	USA
CSX Corporation	BBB-	Surface transport	USA

Entity Description	SP Rating	Industry	Country
CVS Corporation	BBB+	Food/drug retailers	USA
Daimlerchrysler AG	A-	Automotive	Germany
Dana Corp.	D	Automotive	USA
Deere & Company	A	Farming/agriculture	USA
Deutsche Bank Aktiengesellschaft	AA-	Financial intermediaries	Germany
Deutsche Lufthansa AG	BBB	Air transport	Germany
Deutsche Telekom AG	BBB+	Telecommunications	Germany
Diamond Offshore Drilling Inc.	A-	Oil & gas	USA
Domtar Inc.	BB	Forest products	Canada
Duke Capital LLC	BBB+	Utilities	USA
Eastman Chemical Company	BBB	Chemicals & plastics	USA
Eastman Kodak Company	B+	Leisure goods/activities/movies	USA
Emi Group Plc	B+	Leisure goods/activities/movies	Britain
Endesa SA	A-	Utilities	Spain
European Aeronautic Defense And Space Company Eads NV	BBB+	Aerospace & Defence	Netherlands
Firstenergy Corp.	BBB	Utilities	USA
France Telecom	A-	Telecommunications	France
Gannett Co. Inc.	BBB+	Publishing	USA
General Electric Capital Corporation	AAA	Conglomerates	USA
General Motors Acceptance Corporation	B-	Automotive	USA
Hannover Rueckversicherungs-AG	AA-	Insurance	Germany
Hongkong Land Company Limited	BBB+	Building & Development	Hong Kong
Hutchison Whampoa Limited	A-	Conglomerates	Hong Kong
Imperial Chemical Industries Plc	A-	Chemicals & plastics	Britain
Ingersoll-Rand Company	BBB+	Industrial equipment	USA
International Business Machines Corporation	A+	Electronics/electrical	USA
International Lease Finance Corporation	A-	Equipment leasing	USA
International Paper Company	BBB	Forest products	USA
J.P. Morgan Chase & Co.	AA-	Financial intermediaries	USA
Johnson Controls Inc.	A-	Automotive	USA
Koninklijke DSM NV	A-	Chemicals & plastics	Netherlands
Koninklijke KPN NV	BBB+	Telecommunications	Netherlands
Korea Electric Power Corporation	A	Utilities	South Korea
Korea Telecom	A-	Telecommunications	South Korea
Kraft Foods Inc.	A-	Food products	USA
Kroger Co.	BBB-	Food/drug retailers	USA
Land Securities Plc	A-	Building & Development	Britain
Lehman Brothers Holdings Inc.	D	Financial intermediaries	USA
Lockheed Martin Corporation	A-	Aerospace & Defence	USA
Loews Corporation	A	Conglomerates	USA
Macy's Incorporated	BBB-	Retailers (except food & drug)	USA
Macy's Retail Holdings	BBB-	Retailers (except food & drug)	USA
Marriott International Inc.	BBB	Lodging & casinos	USA
Marsh & McLennan Companies Inc.	BBB-	Insurance	USA
Mbia Inc.	A-	Insurance	USA
Meadwestvaco Corporation	BBB	Forest products	USA
Merck & Co Inc.	AA-	Drugs	USA
Merrill Lynch & Co. Inc.	A	Financial intermediaries	USA
Metro AG	BBB+	Retailers (except food & drug)	Germany

Entity Description	SP Rating	Industry	Country
Monsanto Company	A	Farming/agriculture	USA
Morgan Stanley	A+	Brokers, Dealers & Investment houses	USA
Muenchener Rueckversicherungs-Gesellschaft Ag In Muenchen	AA-	Insurance	Germany
Nabors Industries Inc.	BBB+	Oil & gas	USA
Newell Rubbermaid Inc.	BBB+	Home furnishings	USA
Newmont Mining Corporation	BBB+	Nonferrous metals/minerals	USA
News America Incorporated	BBB+	Publishing	USA
Nordstrom Inc.	A-	Retailers (except food & drug)	USA
Novartis AG	AA-	Drugs	Switzerland
Omnicom Group Inc.	A-	Business equipment & services	USA
PCCW - HKT Telephone Limited	BBB	Telecommunications	Hong
Petroliam Nasional Berhad	A-	Oil & gas	Malaysia
Pulte Homes Inc.	BB	Building & Development	USA
Qantas Airways Limited	BBB+	Air transport	Australia
Radioshack Corporation	BB	Retailers (except food & drug)	USA
Reuters Group Plc	A-	Business equipment & services	Britain
Schering-Plough Corporation	A-	Drugs	USA
Scor	A-	Insurance	France
Securitas AB	BBB+	Business equipment & services	Sweden
Sherwin-Williams Company	A-	Chemicals & plastics	USA
Siemens Aktiengesellschaft	AA-	Conglomerates	Germany
Southwest Airlines Co.	A-	Air transport	USA
Sprint Corporation	BB	Telecommunications	USA
Stmicroelectronics NV	A-	Electronics/electrical	Switzerland
Suez	A-	Utilities	France
Swiss Reinsurance Co.	AA-	Insurance	USA
Target Corporation	A+	Retailers (except food & drug)	USA
Teco Energy Inc.	BBB-	Utilities	USA
Telecom Italia Spa	BBB	Telecommunications	Italy
The Dow Chemical Company	A-	Chemicals & plastics	USA
The Goldman Sachs Group Inc.	AA-	Brokers, Dealers & Investment houses	USA
Time Warner Inc.	BBB+	Leisure goods/activities/movies	USA
Transocean Inc.	BBB+	Oil & gas	USA
Tribune Company	B-	Publishing	USA
TXU Corporation	B-	Utilities	USA
Tyson Foods Inc.	BB	Food products	USA
Union Fenosa SA	BBB+	Utilities	Spain
Universal Corp.	BBB-	Beverage & Tobacco	USA
UST Inc.	A	Beverage & Tobacco	USA
Volkswagen Aktiengesellschaft	A-	Automotive	Germany
Walt Disney Company	A	Leisure goods/activities/movies	USA
Weyerhaeuser Company	BBB	Forest products	USA
Windstream	BB+	Telecommunications	USA
Wolters Kluwer NV	BBB+	Publishing	Netherlands
WPP Group Plc	BBB+	Business equipment & services	Britain
Wyeth	A+	Drugs	USA
XL Capital Ltd	A-	Insurance	Bermuda

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of ROC Pref Corp. and all the information in this annual report are the responsibility of management and will be submitted for approval by the Board of Directors (the "Board") on December 18, 2008.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the shareholders.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these responsibilities through its Audit Committee (the "Committee").

The Committee is appointed by the Board. The Committee meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings semi-annually to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the voting shareholders, the engagement or re-appointment of the external auditors. PricewaterhouseCoopers LLP has full and free, independent access to the Committee.



W. Neil Murdoch
President and Chief Executive Officer



Philip Gow
Chief Financial Officer

Toronto, Canada
December 18, 2008

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December 18, 2008

Auditors' Report

To the Shareholders of ROC Pref Corp.

We have audited the statement of investments of **ROC Pref Corp.** (the Company) as at September 30, 2008, the statements of financial position as at September 30, 2008 and 2007 and the statements of operations, changes in shareholders' equity and retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

ROC Pref Corp.

Statements of Financial Position
As at September 30, 2008 and 2007

	2008	2007
	\$	\$
Assets		
Cash	73,774	67,566
Receivable from investment sales	35,776,884	-
Prepaid expenses	30,477	31,558
Investments pledged to counter party under forward agreement (cost - 2008 - \$52,668,163; 2007 - \$47,812,717)	48,114,529	46,671,733
Unrealized gain on forward agreement (note 7)	5,139,938	13,854,381
	<u>89,135,602</u>	<u>60,625,238</u>
Liabilities		
Payable for investment purchases	35,774,815	-
Accounts payable and accrued liabilities	55,665	72,372
Management fees payable	36,198	12,568
Preferred share capital (note 6)	51,536,781	59,193,199
Deferred management fees payable (note 9)	1,732,043	1,346,999
	<u>89,135,502</u>	<u>60,625,138</u>
Shareholders' Equity		
Share capital (note 5)	100	100
Retained earnings	-	-
	<u>100</u>	<u>100</u>
Total Liabilities and Shareholders' Equity	<u>89,135,602</u>	<u>60,625,238</u>
Number of Preferred Shares outstanding (note 6)	2,400,000	2,400,000
Value per Preferred Shares outstanding	<u>21.47</u>	<u>24.66</u>
Number of Class A Shares outstanding (note 5)	100	100
Value per Class A Shares outstanding	<u>1.00</u>	<u>1.00</u>

On behalf of the Board:



Director



Director

ROC Pref Corp.

Statements of Operations

For the years ended September 30, 2008 and 2007

	2008	2007
	\$	\$
Revenue		
Interest	1,537	7,479
Expenses		
Forward and hedging fees	370,645	388,741
Deferred management fees	385,044	709,032
Management fees	146,513	157,124
Rating agency fees	37,654	37,449
Directors' fees	31,105	31,447
Administrative fees	25,750	20,107
Custodial fees	16,220	26,365
Audit fees	21,315	21,288
Legal fees	-	19,261
Sustaining fees	12,955	12,849
Transfer agent fees	11,857	11,577
Printing and mailing charges	4,019	5,691
Capital tax expense	-	11,735
Other	20,374	17,365
	1,083,451	1,470,031
Net investment income (loss) before the undernoted	(1,081,914)	(1,462,552)
Distributions to Preferred shareholders (note 8)	(2,580,000)	(2,580,000)
Net investment income (loss)	(3,661,914)	(4,042,552)
Net realized gain (loss) on investments	8,132,589	3,202,264
Net realized gain (loss) on foreign exchange	-	(2,163)
Change in unrealized gain (loss) on forward agreement (notes 2 and 7)	(8,714,443)	(4,128,265)
Change in unrealized gain (loss) on investments	(3,412,650)	3,769,570
Increase (decrease) in net assets from operations	(7,656,418)	(1,201,146)
Increase (decrease) in net assets from operations per Preferred share*	(3.19)	(0.50)

* (based on average number of shares outstanding during the year)

ROC Pref Corp.

Statements of Changes in Shareholders' Equity and Retained Earnings For the years ended September 30, 2008 and 2007

	2008	2007
	\$	\$
Changes in shareholders' equity		
Share capital - beginning of year	100	100
Proceeds from issuance of class A shares	<u>-</u>	<u>-</u>
Share capital - end of year	<u>100</u>	<u>100</u>
Changes in Retained Earnings		
Retained earnings - beginning of year	-	-
Increase (decrease) in net assets from operations	(7,656,418)	(1,201,146)
Deficit (surplus) attributable to preferred shareholders (note 6)	<u>7,656,418</u>	<u>1,201,146</u>
Retained earnings - end of year	<u>-</u>	<u>-</u>

ROC Pref Corp.

Statements of Cash Flow

For the years ended September 30, 2008 and 2007

	2008	2007
	\$	\$
Operating Activities		
Increase (decrease) in net assets from operations	(7,656,418)	(1,201,146)
Items not affecting cash:		
Net realized (gain) loss on investments	(8,132,589)	(3,202,264)
Change in unrealized (gain) loss on forward agreement	8,714,443	4,128,265
Change in unrealized (gain) loss on investments	3,412,650	(3,769,570)
Changes in non-cash working capital		
(Increase) decrease in prepaid expenses	1,081	(744)
Increase (decrease) in accounts payable and accrued liabilities	(16,707)	(10,845)
Increase (decrease) in deferred management fees payable	385,044	709,032
Increase (decrease) in management fees payable	23,630	(963)
Net cash flow provided by (used in) operating activities	<u>(3,268,866)</u>	<u>(3,348,235)</u>
Investing Activities		
Purchase of common stocks	(18,569,778)	(27,330,172)
Proceeds on disposition of investments	<u>21,844,852</u>	<u>30,582,417</u>
Net cash provided by (used in) investing activities	<u>3,275,074</u>	<u>3,252,245</u>
Net increase (decrease) in cash	6,208	(95,990)
Cash - beginning of year	<u>67,566</u>	<u>163,556</u>
Cash - end of year	<u>73,774</u>	<u>67,566</u>
Supplemental cash flow information:		
Distributions to Preferred shareholders	2,580,000	2,580,000

ROC Pref Corp.
Statement of Investments
As at September 30, 2008

	Number of shares	Average cost \$	Market value \$	% of Portfolio
Investments				
Canadian common stocks (pledged to the Counterparty under the forward agreement)				
Energy				
Canadian Hydro Developers Inc.	1,010,989	4,600,000	4,175,385	8.7%
Iteration Energy Ltd.	1,243,547	4,663,301	4,663,301	9.7%
Petrobank Energy	49,065	2,575,913	1,979,773	4.1%
TriStar Oil and Gas Ltd.	307,692	4,599,995	4,775,380	9.9%
		<u>16,439,209</u>	<u>15,593,839</u>	<u>32.4%</u>
Materials				
Eldorado Gold Corp.	478,568	3,140,985	3,172,906	6.6%
Pan American Silver Corp.	195,329	4,599,998	4,514,053	9.4%
Sino-Forest Corporation - Class A	144,267	2,732,419	1,934,620	4.0%
		<u>10,473,402</u>	<u>9,621,579</u>	<u>20.0%</u>
Industrials				
Westjet Airlines Ltd.	394,173	4,599,999	4,564,523	9.5%
Consumer Discretionary				
Rona Inc.	361,565	4,774,773	4,440,018	9.2%
Consumer Staples				
Viterra Inc.	476,683	4,599,991	4,847,866	10.0%
Information Technology				
CGI Group Class A	200,764	1,660,318	1,869,114	3.9%
MacDonald Dettwiler & Associates Ltd.	146,521	4,728,915	3,151,667	6.6%
Celestica Inc.	405,262	3,847,676	2,694,992	5.6%
Tundra Semiconductor Corp.	354,915	1,543,880	1,330,931	2.8%
		<u>11,780,789</u>	<u>9,046,704</u>	<u>18.9%</u>
Total investments		<u>52,668,163</u>	<u>48,114,529</u>	<u>100.0%</u>

(See accompanying notes to financial statements)

ROC Pref Corp.

Notes to Financial Statements

September 30, 2008

1 Corporate Activities

ROC Pref Corp. (the "Company") was incorporated under the laws of the Province of Ontario on April 13, 2004. The Company is a mutual fund corporation whose investment portfolio (the "Common Share Portfolio") consists of common shares of Canadian public companies that are Canadian securities for the purpose of the Income Tax Act (Canada) (the "Tax Act"). The Company commenced operations on June 2, 2004.

2 Investment objectives

The Company's investment objectives as set out in the Prospectus dated May 27, 2004 are (i) to pay to holders of Preferred Shares ("Shareholders"), on or about September 30, 2009 (the "Redemption Date"), an amount per Preferred Share equal to the original subscription price of \$25.00 per Preferred Share; and (ii) to provide Shareholders with quarterly fixed cumulative preferential distributions of \$0.26875 per Preferred Share (\$1.075 per annum to yield 4.30% on the original subscription price of \$25.00 per Preferred Share). Preferred Share distributions will consist primarily of returns of capital and may include capital gains dividends.

In order to meet its investment objectives, the Company has entered a forward purchase and sale agreement (the "Forward Agreement") (note 7) with the Bank of Nova Scotia (the "Counterparty") (whose long-term debt is currently rated AA- by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P")), which will provide the Company with the economic return generated by a credit-linked note ("Credit-Linked Note"). Under the terms of the Forward Agreement, the Counterparty has agreed to pay to the Company on or about the Redemption Date, as the purchase price for the Common Share Portfolio acquired by the Company with the net proceeds of the offering of Preferred Shares (the "Offering"), the economic return provided by the Credit-Linked Note.

The Credit-Linked Note is owned by the Credit Trust ("Credit Trust"), which was established under the laws of Ontario as of May 27, 2004 by a Trust Agreement (the "Trust Agreement") made by Connor, Clark & Lunn Capital Markets Inc. (the "Manager") and RBC Dexia Investor Services Trust ("RBC Dexia") (formerly "The Royal Trust Company") as trustee of the Credit Trust. The Credit-Linked Note has been issued by HSBC Bank USA ("HSBC"). The Credit-Linked Note is issued at par, will mature on September 30, 2009 and pays a Canadian dollar coupon of 7.05% per annum on the outstanding principal amount. The return on the Credit-Linked Note is linked to the number of defaults experienced over the term of the Credit-Linked Note among companies in an equally weighted portfolio (the "CLN Portfolio") of initially 140 companies (the "Reference Companies") all of which were rated investment grade by S&P as of the issue date of the Credit-Linked Note on June 2, 2004.

In the event HSBC determines that a default has occurred in respect of one or more Reference Companies in the CLN Portfolio and the market value of any of such company's debt obligations, as selected by HSBC, has declined as compared to their par value, a loss amount will be calculated in respect of such decline in value. A default in respect of the Reference Companies in the CLN Portfolio includes the occurrence of bankruptcy, failure to pay or restructuring. The principal amount of the Credit-Linked Note will be reduced to the extent that the aggregate of all such loss amounts exceeds 3.75% of the initial value of the CLN portfolio. As a result, the amount payable upon redemption of the Credit-Linked Note may be substantially less than the initial principal amount thereof and, in some cases, may be nil. In addition, interest on the Credit-Linked Note will cease to accrue on the portion of the principal amount of the Credit-Linked Note that has been reduced.

The Company may have exposure to cash and short term investments by virtue of the Forward Agreement because the Credit-Linked Note pays cash distributions to the Credit Trust. Any excess received by the Credit Trust over what is paid out will be reinvested by the Credit Trust and held in cash, cash equivalents and other evidences of indebtedness.

3 Summary of significant accounting policies

Basis of presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Company.

Recent accounting pronouncements

On October 1, 2007, the Company adopted Section 1506 of the CICA Handbook, Accounting Changes, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the Company's financial position or results of operations.

On October 1, 2007, the Company adopted Section 1535 of the CICA Handbook, Capital Disclosures, which requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacted the Company's disclosure provided but did not affect the Company's results or financial position.

On October 1, 2007, the Company adopted CICA Sections 3862, Financial Instruments – Disclosures ("Section 3862"), and 3863, Financial Instruments – Presentation (Section 3863"), which replaced Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. This standard impacted the Company's disclosure provided but did not affect the Company's results or financial position.

The Canadian Accounting Standards Board confirmed that effective January 1, 2011, International Financial Reporting Standards will be adopted as Canadian GAAP for publicly accountable enterprises, including investment funds. As the Company is expected to mature on September 30, 2009, we do not expect this to impact the Company.

Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with CICA 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and therefore are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded. Should the quoted value for a security, in the opinion of the Managers, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Managers on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred.

ROC Pref Corp.

Notes to Financial Statements

September 30, 2008

On October 1, 2006, the Company adopted Section 3855 on a prospective basis for financial reporting purposes ("GAAP Net Assets"). Section 3855 requires that the fair value of financial instruments which are actively traded be measured based on the bid price for the security. Until September 30, 2006, fair value for GAAP was based on the last traded price for the day, when available. In addition, Section 3855 requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company be charged to net income in the period. Until September 30, 2006, the Company's policy had been to add these expenses to the cost of the securities purchased or deduct from the proceeds of sale.

On September 8, 2008, the Canadian Securities Administration issued the amended National Instrument 81-106 ("NI 81-106"), Section 14.2 of this amended NI 81-106 requires an investment fund to calculate its daily Net Asset Value for the purchase and redemption of units ("Transactional NAV") based on the fair value of the investment fund's assets and liabilities (being the last traded price for the day). The Company did not change its methodology in this respect.

There were no differences between the Transactional NAV and the GAAP Net Assets during the year ended September 30, 2008 and 2007.

Cash

Cash is deemed to be held for trading and therefore carried at fair value.

Income recognition

Income from investments is recognized on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash) are attributable to investments and derivatives which are deemed held for trading.

Forward contracts

Forward contracts entered into by the Company are valued at an amount that is equal to the gain or loss that would be realized if the position were to be closed out, which is equivalent to the difference between the deliverable asset and the value of the asset to be received. Changes in the value of a forward contract or the assets deliverable under such a contract are included as unrealized gains or losses on forward agreements.

Preferred share capital

The Company accounts for preferred share capital and retained earnings attributable to preferred shareholders as a financial liability, in accordance with the recommendations contained in section 3863 of the Handbook of the Canadian Institute of Chartered Accountants.

Value per preferred share

The value per preferred share presented in the statement of net assets represents the assets of the Company less its liabilities (excluding preferred share capital) and the value of Class A shares outstanding, divided by the number of preferred shares outstanding.

4 Custodian

Pursuant to the Custodial Agreement ("the Custodial Agreement") dated June 2, 2004 RBC Dexia acts as custodian of the assets of the Company. RBC Dexia is also responsible for certain aspects of the Company's day-to-day operations, including calculating NAV, net income and net realized capital gains and maintaining the books and records of the Company. In consideration for these services, the Company pays a fee to RBC Dexia.

5 Share capital

The Company is authorized to issue an unlimited number of redeemable, retractable cumulative Class A Shares. The holders of Class A Shares are entitled to receive dividends as and when declared by the board of directors of the Company in their discretion. However, holders of Class A Shares are not entitled to receive any dividends on the Class A Shares at any time when there are Preferred Shares outstanding.

The holders of the Class A Shares will be entitled to one vote per share. The Class A Shares are retractable at any time. For retractions occurring at a time when any Preferred Shares are outstanding prior to the Redemption Date, the retraction will be \$1.00 per share; for other retractions, the retraction price will be based on the net asset value of the Company. The Class A Shares are redeemable by the Company at any time for a redemption price equal to \$1.00 per share when any Preferred Shares are outstanding; for other redemptions, the redemption price will be based on the net asset value of the Company. The Class A Shares rank subsequent to the Preferred Shares with respect to dividends, distributions on retractions and redemptions, and distributions on the dissolution, liquidation or winding-up of the Company. Each Class A Share entitles the holder thereof to participate in the distribution of the remaining net assets of the Company on a dissolution, liquidation or winding-up of the Company.

On April 13, 2004, the Company issued 100 Class A Shares for cash consideration of \$100.

A trust, a related party to the manager, was established for the benefit of the Class A Shareholders and owns all of the issued and outstanding Class A Shares of the Company.

The Company considers capital to include share capital and the preferred shares. The Company manages their capital in accordance with the objectives outlined in Note 2.

6 Preferred Shares

The Company is authorized to issue an unlimited number of redeemable, retractable cumulative preferred shares (the "Preferred Shares"). The holders of Preferred Shares are entitled to receive quarterly fixed cumulative preferential cash distributions of \$0.26875 per Preferred Share on the last business day of March, June, September and December in each year (each, a "Distribution Payment Date").

Preferred Shares may be surrendered at any time for retraction to the Company's registrar and transfer agent, but will be retracted only on the last day of the month (a "Valuation Date"). On retraction, holders will be entitled to receive a retraction price per share ("Preferred Share Retraction Price") equal to 95% of the net asset value per

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Preferred Share determined as of the relevant Valuation Date less \$0.25. Any declared and unpaid distributions payable to holders of record on or before a Valuation Date in respect of Preferred Shares tendered for retraction on such Valuation Date will also be paid on the retraction payment date.

For purposes of determining the Preferred Share Retraction Price, the net asset value per Preferred Share will be equal to the aggregate value of (i) the Forward Agreement, and (ii) any other assets of the Company, less liabilities of the Company (excluding preferred share capital) and less the amount paid for the Company's Class A Shares, divided by the number of Preferred Shares outstanding.

Preferred Shares will be redeemed by the Company on the Redemption Date at a price per Preferred Share (the "Preferred Share Redemption Price") equal to the lesser of (i) \$25.00 plus the Residual Amount, if any, and (ii) the amount received on settlement of the Forward Agreement (which will be an amount equal to the maturity value of the Credit-Linked Note) less liabilities of the Company (excluding preferred share capital) and less the amount paid for the Company's Class A Shares, divided by the number of Preferred Shares outstanding. The Residual Amount is equal to the amount, if any, remaining after payment of \$25.00 per Preferred Share issued and outstanding on the Redemption Date together with any accrued and unpaid distributions, setting aside of the amount payable on the Company's Class A Shares and payment to the Manager of any deferred management fees and any fees and expenses previously funded by the Manager on behalf of the Company.

On June 2, 2004, the Company issued 2,400,000 Preferred Shares at a price of \$25.00 per Preferred Share for aggregate gross proceeds of \$60 million. Issue costs of \$2,812,422 incurred in connection with the share issuance have been charged against retained earnings. No Preferred Shares were retracted or redeemed during the period from June 2, 2004 (inception date) to September 30, 2008.

7 Forward Agreement and Common Share Portfolio

On September 30, 2008, the value of the common share portfolio was \$48,114,529. Since the Company can deliver the value of the common share portfolio to the Counterparty in exchange for the value of Credit Trust, the value of the Forward Agreement to the Company is equal to the value of Credit Trust less the value of the common share portfolio. On September 30, 2008, the value of the Forward Agreement was \$5,139,938. Other net liabilities in the Company totalled \$(1,717,686) leaving a net asset value of \$51,536,781 or \$21.47 per Preferred Share.

The Company will partially settle the Forward Agreement prior to the Redemption Date in order to fund quarterly distributions as well as retractions of Preferred Shares by holders and expenses and other liabilities of the Company. In addition, the Manager may, on behalf of the Company, settle all or part of the Forward Agreement prior to the Redemption Date and invest the net proceeds (after any distributions to holders necessary to ensure that the Company is not liable for income tax) in additional investments such as cash and cash equivalents. Similarly, the Manager may, on behalf of the Company, dispose of securities in the Common Share Portfolio and reinvest the proceeds in the Common Share Portfolio or adjust the Forward Agreement and enter into additional forward purchase and sale agreements to provide exposure to the Credit Trust.

The payment obligations of the Counterparty to the Company under the Forward Agreement will be determined by reference to the performance of the Credit Trust. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of the Credit Trust. While the value of the Forward Agreement will be based primarily on the value of the Credit-Linked Note, the Counterparty will have no involvement in the pricing or valuation of the Credit-Linked Note.

The Company pays to the Counterparty a fee under the Forward Agreement of approximately 0.55% per annum of the net asset value of the Credit Trust, plus a fee related to share borrow costs incurred by the Counterparty which is approximately 0.15% of the market value of the Common Share Portfolio, calculated and payable quarterly in arrears.

8 Distributions

Quarterly distributions are \$0.26875 per Preferred Share. During the year ended September 30, 2008, the Company made its quarterly distributions, paying total distributions of \$2,580,000, or \$1.075 per unit (During the year ended September 30, 2007 the Company paid \$2,580,000, or \$1.075 per share), representing return of capital to holders of Preferred Shares.

9 Management fee and deferred management fee

Pursuant to a management agreement ("the Management Agreement") the Company has retained Connor, Clark & Lunn Capital Markets Inc. ("the Manager") to act as manager. As compensation for management services rendered to the Company, the Manager receives an annual management fee in an amount equal to 0.25% of the net asset value of the Company's preferred shares, calculated and payable monthly in arrears, plus applicable taxes.

As compensation for management services rendered to the Credit Trust, the Manager also receives an annual management fee in an amount equal to 0.10% of the net asset value of the Credit Trust, calculated and payable monthly in arrears, plus applicable taxes.

The Manager is entitled to an additional one-time management fee, the "Deferred Management Fee", payable on the Redemption Date and calculated on the quarterly net asset value of the Company on an effective basis of up to 0.65% per annum together with any fees and expenses funded by the Manager, on behalf of the Company, plus applicable taxes, to be paid after the original issue price of the Preferred Shares together with any accrued and unpaid distributions have been paid to Shareholders.

10 Income taxes

The Company qualifies as a mutual fund corporation as defined by the Income Tax Act (Canada). As a mutual fund corporation the Company is entitled to capital gains refunds in respect of (i) capital gains dividends paid by it; and (ii) qualifying redemptions to the extent that the Company has paid or is liable to pay Canadian federal income tax on its taxable capital gains. As a result thereof, and of the deduction of expenses in computing its taxable income, no provisions for income taxes are made in the financial statements.

As at taxable year end September 30, 2008, the Company had net capital losses of \$nil (2007 - \$2,828,914), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of \$1,217,470 (2007 - \$2,594,474), which expire within the next ten years.

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11 Financial instrument risk

The risks associated with an investment in the Company's preferred shares are best defined by the credit rating of the CLN and the credit rating of the Preferred Shares, which itself is largely derived from the rating of the CLN. Factors that might affect the rating of the CLN include the ratings of the Reference Companies in the CLN Portfolio and the time remaining to maturity of the CLN. Factors that influence the rating of the Preferred Shares include the rating of the CLN and the level of cash available to the Company.

The CLN was issued with a rating of A- and the Preferred Shares were issued with a rating of P-1 low, both by S&P, with respect to payment of quarterly coupons and the repayment of principal at maturity. On March 30, 2007, the rating of the CLN was upgraded to A+ and the rating of the Preferred Shares was upgraded to P-1. Both are currently maintaining the same rating.

A number of events could lead to the revision of the ratings on the CLN and, correspondingly, on the Preferred Shares. These events include:

- (i) Changes in the credit ratings of the Reference Companies in the CLN Portfolio;
- (ii) Occurrence of company defaults in the CLN Portfolio, which could result in the remaining first-loss amount falling below that required to affirm the rating on the CLN, which affects the ratings on the Preferred Shares; and
- (iii) Changes to the credit ratings on HSBC.

The CLN Portfolio is actively managed by the Connor, Clark & Lunn Investment Management Ltd. (the "Investment Advisor"). The Investment Advisor's goal is to reduce the likelihood of having exposure to companies that default on their senior obligations. To that end, the Investment Advisor can add or remove companies through a substitution process executed in accordance with the terms of the CLN. If the Investment Advisor decides to remove a company that, in its judgment, has increased in risk, and to replace it with a lower risk company, there may be a net cost to the trading reserve account (the account which is available to absorb net losses that might be incurred when the Investment Advisor makes substitutions in the reference Portfolio depending on the credit spread comparison between the companies being substituted). The trading reserve account described above is available to absorb net losses that may be incurred through these substitutions.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. The Company is exposed to the interest risk of the CLN held by the Credit Trust. The table below summarizes the Company's exposure to interest rate risks by consolidating the holdings of the Company and the Credit Trust categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	51,272,745	—	—	—	—	51,272,745
Cash and cash equivalents	1,836,733	—	—	—	106,926	1,943,659
Other assets	—	—	—	—	163,681	163,681
Liabilities	—	—	—	—	(1,843,304)	(1,843,304)
Net assets value (Preferred share capital)						51,536,781

As at September 30, 2008, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$464,000.

Credit risk

The credit risk in the CLN is a function of credit quality of the Reference Companies and time to maturity. As the CLN ages, the risk of default for companies with a given rating decreases. Balanced against that time benefit is the fact that credit ratings have historically moved lower over time. The composition of the CLN Portfolio is designed with the objective that the CLN will maintain its initial rating as these two effects act on the portfolio. Changes in credit quality as it is measured by the market can be seen through changes in the average credit spread of the CLN Portfolio. The Reference portfolio average credit spread as of September 30, 2008 was 378.37.

As at September 30, 2008, had prevailing average spreads raised or lowered by 100 basis points with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$3,315,000.

If losses due to cumulative defaults, net of recoveries, over the full term of the CLN do not exceed a total of 3.11% of the initial value of the Reference Portfolio, the Credit Trust will receive its full coupon payments and par value on maturity. To the extent that cumulative defaults exceeded this amount, subsequent coupon payments and the amount that would be paid to the Credit Trust on maturity would decline. **To the extent that cumulative losses due to defaults, net of recoveries, exceeded 4.11% there would be no amount paid to the Credit Trust and the value of the Preferred Shares would decline to the level of net current assets per share, possibly zero.**

Changes in the overall credit quality of the Reference Portfolio as measured by the credit ratings of its constituents may affect the rating of the CLN and of the Preferred Shares, which in turn may affect the trading price. The following table describes the Reference Portfolio's S&P ratings characteristics on September 30, 2004, 2005, 2006, 2007 and 2008:

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Rating ⁽¹⁾	Exposure to Issuers					Rating ⁽¹⁾	2004	2005	2006	2007	2008
	2004	2005	2006	2007	2008						
AAA	2	1	2	2	1	BBB-	14	8	6	6	10
AA+	0	0	0	0	0	BB+	0	5	2.5	2.5	2.5
AA	2	3	3	6	1	BB	0	2	4	5.5	7
AA-	4	5	8	10	12	BB-	0	1	2	3	3
A+	10	9	10	7	7	B+	0	0	2	3	2.5
A	15	17	14	13	11	B	0	0	2	0	0
A-	28	30	29.5	28	34	B-	0	0	0	0	3
BBB+	25	28	28	31	30	D	0	0	1	1	2
BBB	40	31	25	22	14	N/R	0	0	1	0	0
						Total ⁽²⁾	140	140	140	140	140

⁽¹⁾ S&P's rating scale runs from AAA, indicating an extremely strong capacity to meet financial obligations, to D, indicating default. Ratings from AA to CCC may be modified by the addition of a plus or minus sign.

⁽²⁾ 142 reference companies are included in the CLN's Reference Portfolio. Four companies are included at half-weights, resulting in a total exposure to 140 issuers.

Liquidity risk

The obligations of the Company include operating expenses and declared distributions to preferred shareholders. The funding of these obligations will be satisfied primarily through partial settlements under the Forward Agreement as described in note 7 above. As at September 30, 2008, the Company and the Credit Trust had current assets of \$37,882,155 and current liabilities of \$35,885,976 on a combined basis.

The Company will partially settle the Forward Agreement prior to the Redemption Date in order to fund retractions of Preferred Shares.

Concentration Risk

If HSBC, as the issuer of the CLN were to default on its senior debt (refer to note 2 and 7), the Credit Trust, and by virtue of the Forward Agreement, the Company would have, assuming no recovery, little or no assets to meet its obligations to the Preferred Shareholders.

12 Subsequent events

On December 8, 2008, the Company announced its third credit event after Tribune Company's decision to voluntarily restructure its debt obligations under the protection of Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.

When it was chosen for inclusion in the Reference Portfolios, Tribune was in a stable industry with ample cash flow generation and rated A- by Standard & Poor's. In December 2007, Tribune was acquired in a leveraged buy-out which reduced its rating to B- and it needed to sell off assets in order to raise cash to pay down its large debt load. Following the acquisition, a precipitous decline in revenue and a tough economy coupled with the credit crisis that makes it extremely difficult to support its current level of debt.

The net asset value of the preferred shares published by the Company at December 12, 2008 was \$34,679,206 or \$15.08 per preferred share.