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CAPITAL MARKETS

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ROC Pref II Corp.
Semi-Annual Report
June 30, 2009

ROC Pref II Corp. Message to Shareholders

August 25, 2009

Dear Investor,

We thank you for your investment in the preferred shares of ROC Pref II Corp. (the “Company”) and are pleased to present the Company’s semi -annual report. It has been an extremely challenging year in the financial markets. The global credit markets have gone through a crisis that has been unprecedented in many of our lifetimes. The Company has been caught up in this turmoil. The Preferred Shares are now rated at P-3 (low), and the CLN is currently rated BB- both by Standard & Poor’s. The better news is that the underlying credit link note matures in less than four months and the preferred shares mature at year end. Since inception the Company has paid all scheduled distributions, totalling \$5.52 per preferred share

The Company was constructed with exposure to a reference portfolio compromised of investment-grade companies. During the construction process the structure was stress tested to be able to withstand a significant recession. The scenarios that were used did not envision the turmoil that has occurred during the past 18 months. The model was also reviewed and subjected to testing by the rating agency and the agents. In the time period since it was launched we have seen many things happen in the fixed income markets and the general economy. We saw a period of ever expanding liquidity, very low risk premiums and a boom in leveraged buyouts with high leverage and few covenants. Many businesses/industries that were once thought to be ‘safe’ from buyouts were taken over. The process went too far and in the past year we have seen the results. There has been an unprecedented upheaval in the financial services sector. Many leading institutions no longer exist having either defaulted or been taken over by the private sector or the government. The unwinding of the leverage bubble has moved beyond the financial sector and is affecting the macro economy in a number of ways.

During the reporting period credit spreads on both investment grade and high yield bonds dropped considerably causing the TSX trading value of the preferred shares to increase from \$6.46 to \$18.19 per preferred share and the net asset value of the preferred shares to increase from \$11.53 to \$19.33 per preferred share as of December 31, 2008 and June 30, 2009, respectively. The fear of a “doomsday scenario” involving the systemic collapse of the financial system and the consequences thereof have largely gone away. The market is now assuming a more normal recession with the discussions concerning how deep it will be, when will the economy start to recover and how strong will the recovery be. A challenge for all investors, and particularly so for investors in the Company, is to determine where the problems will surface as the economy works its way out of past excesses. In this regard, two of the companies that we continue to watch closely are CIT Group Inc. and Ambac Financial Group Inc.

The Company can sustain an additional 3 defaults in the next four months and still pay the full \$25 per preferred share at maturity. When we report the number of defaults that can be sustained and still return the \$25 par value we make use of an assumption that the recovery rate for a particular default will be 40% In other words the loss realized on the credit due to the default is 60%. It is an industry convention to use this figure and is in line with long and short term averages using S&P’s database. When the recovery rate is higher than 40% then the impact of the credit event will be less than one default using the 40% assumption and if the recovery rate is lower than 40% the impact will be greater than one default under the same assumption. For example, a 70% recovery rate is equivalent to approximately 0.5 defaults at a 40% recovery rate and a 10% recovery rate is equivalent to approximately 1.5 defaults at a 40% recovery rate. In the current environment there is a greater than normal risk that the recovery rate may be lower than historical averages. We believe that recovery rates will diverge into two groups, those which fail because of leveraged buy-outs or other forms of excessive leverage (where recovery rates will be lower) and those companies which fail because their business model no longer works (for example, revenues have dropped too much) where recovery rates will be similar to historical norms. At a ten percent recovery rate the Company can sustain an additional 2 defaults.

Please check our web site (www.cclcapitalmarkets.com) for quarterly investment updates and other timely information which you may find informative.

Yours truly,



W. Neil Murdoch
Chief Executive Officer
ROC Pref II Corp.

Management Report of Fund Performance

This semi-annual management report of fund performance for ROC Pref II Corp. (the “Company”) contains financial highlights but does not contain the complete semi-annual financial statements of the Company. **The semi-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 Accepted 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’s investment objectives are to pay holders of its preferred shares (the “Preferred Shares”) an amount per Preferred Share equal to the original subscription price of \$25.00 on or about December 31, 2009 and to pay quarterly, fixed cumulative distributions of \$0.290625 per preferred share to yield 4.65% 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 Canada (“HSBC”) on October 1, 2004 matures on December 20, 2009, is currently rated BB- by Standard & Poor’s 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, portfolio of 142 companies (the “Reference Portfolio”), all of which were rated investment grade at the time the CLN was issued. The Reference Portfolio is actively managed by Connor, Clark & Lunn Investment Management Ltd. (the “Investment Manager”). Please refer to the Supplementary Financial Information - CLN Portfolio Schedule as of June 30, 2009 for listing of the Reference Portfolio.

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

- (i) Purchased a portfolio of the common shares of 12 publicly traded Canadian companies on October 1, 2004 at an aggregate cost of \$289,775,000; and
- (ii) Entered into a forward purchase and sale agreement (the “Forward Agreement”) with the HSBC Bank USA (the “Counterparty”), under which the company agreed to sell the portfolio of common shares on or prior to December 31, 2009 in exchange for the value of Credit Trust II, 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, Credit Trust II. A fee of 0.45% per annum calculated with reference to the net asset value of Credit Trust II is payable to Counterparty under the Forward Agreement.

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 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 Standard & Poor’s (“S&P”), with respect to payment of quarterly coupons and the repayment of principal at maturity. The CLN is currently rated BB- and the Preferred Shares are rated of P-3 (low), both by S&P.

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 on 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 the Counterparty or HSBC.

The net asset value of the preferred shares reflects the value of the CLN, which is provided by HSBC on the 10th and last business days of each month. Net Asset Value is the basis for the price at which investors can retract the Preferred Shares. The value of the CLN is affected by conditions in the fixed income markets including conditions specific to HSBC and may change substantially from time to time. Net Asset Value may affect the trading price of the Preferred Shares.

Based on a total actual subordination of 3.56% that was initially built into the CLN, it was estimated that the CLN can withstand 8.3 defaults (assuming a 40% average recovery rate) before the coupon or par value would be impacted. The table below shows each of the CLN's historical defaults as well as the recovery rate and the related number of defaults when compared to a 40% recovery rate. As of June 30, 2009 the Company can withstand an additional 3.0 defaults before the coupon or par value would be impacted.

Company Name	Recovery Rate	Number of Equivalent Defaults at a 40% Recovery Rate
Quebecor World	41.250%	0.9
Fannie Mae	91.510%	0.1
Lehman Brothers Holdings Inc.	8.625%	1.8
Tribune Company	1.500%	1.7
Idearc Inc.	1.750%	0.8
Total		5.3

For full disclosure of risks associated with an investment in the Preferred Shares, please refer to the Prospectus dated September 24, 2004

Results of Operations

Investments of the Company

The common share portfolio

The value of the common share portfolio increased from \$136.58 million on December 31, 2008 to \$163.15 million at June 30, 2009. This increase resulted from the combination of an increase in the market value of the portfolio of \$44.13 million, and the delivery of shares with a cost base of \$17.56 million in order to partially settle under the Forward Agreement. The details of the common share portfolio at June 30, 2009 are set out in the Summary of Investment Portfolio.

Partial settlement of the Forward Agreement

Quarterly payments of the 6.867% annual coupon on the CLN and the repayment of principal at maturity on December 31, 2009 accrue to Credit Trust II. The Company partially settles the Forward Agreement from time to time, thus receiving some of the value that has built up in Credit Trust II, in order to fund distributions on the preferred shares and its own operating expenses.

During the six-month period ended June 30, 2009, the Company delivered shares with a cost base of \$17.56 million to Counterparty in exchange for \$12.43 million in cash.

Other investments of the Company

The Company has no other investments apart from cash and cash equivalents, which are held in order to fund near-term operating expenses. As at June 30, 2009 the Company held \$316,807 in cash and short-term investments on a non-consolidated basis. In order to return the full principal amount per preferred share at maturity on December 31, 2009 the

Company must have accumulated at least \$7,315,200 in cash and short-term investments on a consolidated basis by that time. Any amounts received by Credit Trust II that are not required to fund distributions and expenses are retained and invested in short-term debt instrument maturing on or before December 31, 2009. On June 30, 2009, the Company had (on consolidated basis) \$15,628,244 in cash and short-term investments.

Given the amount by which the CLN coupon exceeds the distribution and expenses requirements of the Company and Credit Trust II, the Company currently has accumulated cash and equivalents in excess of the \$7,315,200 payable on the maturity date of the preferred shares.

Investments of Credit Trust II

The CLN

Credit Trust II purchased the CLN on October 6, 2004 at par for \$289,775,000. The CLN matures on December 20, 2009, pays a coupon of 6.867% and was rated A- at inception and is currently rated BB- by S&P.

The global credit markets have gone through a crisis that has been unprecedented in many of our lifetimes. The Company has been caught up in this turmoil.

In March 2009, the CLN experienced a credit event when Idearc Inc. declared bankruptcy. Idearc was created through a spin-off from Verizon Communications Inc. in November 2006. The Reference Portfolios of the Company have exposure to Idearc Inc. at a half-weight as opposed to a full weight as a result of the spin-off. The recovery rate on Idearc was low at 1.75%, which is equivalent to 0.8 defaults at a 40% recovery rate (the estimated recovery rate the Investment Manager always uses in the default protection level calculations).

Historically, the CLN experienced four other defaults:

1. Tribune Company declared bankruptcy in December 2008. The recovery rate on Tribune was low at 1.5%, which is equivalent to 1.7 defaults at a 40% estimated recovery rate.
2. The Quebecor World credit event had a 41.3% recovery rate in early 2008.
3. The Fannie Mae credit event had a 91.5% recovery rate in September 2008.
4. The Lehman Brothers Holdings Inc. credit event had an 8.6% recovery rate in September 2008.

The impact of these credit event and its low average recovery rate have lowered the safety cushion for the CLN, but given the short time frame until maturity of the CLN (December 20, 2009) the Investment Manager remains optimistic that the investment objectives will be met. Tribune was the fourth credit event experienced by the Company since its inception

Following these events, the rating of the CLN was downgraded to BBB in November 2008, to BB in December 2008, and to BB- in February 2009. The credit rating of the Preferred Shares was also downgraded to P-2, P-3, and P-3 (low) respectively.

The return on the CLN is linked to the number of defaults experienced over the term of the note among the 142 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 its current BB- credit rating, the CLN's required level of subordination is currently 1.19%. The current actual level of subordination structured into the CLN is 1.28%. If losses due to cumulative defaults, net of recoveries do not exceed a total of 1.28% of the initial value of the Reference Portfolio during the term of the CLN, Credit Trust II 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 Credit Trust II on maturity would decline. To the extent that cumulative losses due to defaults, net of recoveries, exceeded 2.21% there would be no amount paid to Credit Trust II and the value of the Preferred Shares would decline to the level of net current assets per share, possibly zero.** Losses of 1.28% due to defaults net of recoveries (using an estimated historical recovery rate of 40%) would represent approximately 2.3 times the average level of defaults experienced among a portfolio with the same ratings characteristics to that of the Reference Portfolio over rolling one-year period from 1981

to 2008 based on S&P data.

The CLN features an embedded trading reserve account, initially in an amount of \$2,567,010, which stood at \$2,617,776 on June 30, 2009. 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 June 30, 2009 the trading reserve account would have purchased an additional 0.06% of subordination, bringing total percentage loss that could have been absorbed in the Reference Portfolio without affecting payments of interest or principal to 1.34%. 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 1.34% losses in the portfolio currently translates into a coverage ratio of 2.4 times the average level of defaults over rolling one-year periods for a portfolio with the same ratings characteristics to that of the Reference Portfolio from 1981 to 2008 based on S&P data and the assumption of 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 (as illustrated in basis points in the table below). Lower credit spread indicates less risk. The index that best corresponds to the Reference Portfolio is the Dow Jones CDX North America Investment Grade 3 Index:

	October 1, 2004⁽¹⁾	December 31, 2005	December 31, 2006	December 31, 2007	December 31, 2008	June 30, 2009
Dow Jones IG 3 index	53.57	77.36	44.06	127.64	428.59	349.34
Reference Portfolio spread	52.96	53.06	55.84	141.64	552.12	491.27

⁽¹⁾ Commencement of operations

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 the five years ended December 31, 2008 and June 30, 2009:

Exposure to Issuers							Exposure to Issuers						
Rating⁽¹⁾	2004	2005	2006	2007	2008	2009	Rating⁽¹⁾	2004	2005	2006	2007	2008	2009
AAA	3	3	4	4	2	1	BB	1	2	4.5	2.5	3	7
AA+	0	0	0	0	2	2	BB-	0	1	1	2	3	3
AA	3	3	4	9	2	1	B+	0	0	1	3.5	2.5	1.5
AA-	2	6	8	9	7	7	B	0	0	1	2	0	1
A+	17	19	16	13	13	9	B-	0	0	0	1	1.5	1
A	26	24	21.5	16.5	18.5	19.5	CCC+	0	0	0	1	1	1
A-	24	23	25.5	26	28	21	CCC	0	0	0	0	0	2
BBB+	27	30	23	27	20	21	SD ⁽³⁾	0	0	0	0	1	0
BBB	23	21	24	14	20	24	D	0	0	0	0	4	4.5
BBB-	13	5	3	8	8	8	N/R	1	0	0	0	0	0
BB+	0	3	3.5	1.5	3.5	5.5							
							Total⁽²⁾	140	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.

⁽³⁾ An 'SD' rating is assigned when Standard & Poor's believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. This is not considered a default for the purposes of the CLN. As of January 2009 S&P changed the rating of General Motors Acceptance Corporation from SD to CCC.

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. Over the six month period, as a result of ratings changes and trading activity, the Reference Portfolio experienced 4 reference company upgrades averaging 1.45 rating categories, or notches, per upgrade for a total of 7 notch increases and 30 reference company

downgrades averaging 1.67 notches per downgrade for a total 50 notch decreases. The companies in the Reference Portfolio are listed in the Supplementary Financial Information as at June 30, 2009.

Substitutions in the Reference Portfolio

The Reference Portfolio is 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 38 substitutions in the Reference Portfolio from October 1, 2004 (commencement of operations) to June 30, 2009.

Value of the CLN

The CLN is valued on the 10th and last business day of each month by HSBC. 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 June 30, 2009, the CLN value was \$171.02 million, up from \$104.35 million on December 31, 2008.

Other investments of the Credit Trust II

On June 30, 2009 the Credit Trust II held \$15,311,437 in cash and short-term investments, compared to \$13,706,493 on December 31, 2008.

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 June 30, 2009, the value of the common share portfolio was \$163,150,711. Since the Company can deliver the value of the common share portfolio to HSBC in exchange for the value of Credit Trust II, the value of the Forward Agreement to the Company is equal to the value of Credit Trust II less the value of the common share portfolio. On June 30, 2009 the value of the Forward Agreement was \$23,639,546. Other liabilities net of other assets in the Company, prior to consolidation, totalled \$8,435,422 leaving a net asset value of \$178,354,835 or \$18.46 per Preferred Share. The net asset value per Preferred Share was \$10.75 on December 31, 2008. The increase in net asset value over the period is mainly attributable to the increase 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 is satisfied primarily through partial settlements under the Forward Agreement as described above. As at June 30, 2009, the Company had current assets of \$16,153,230 and current liabilities of \$8,813,345 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 annualized 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 six month period ended on June 30, 2009, was approximately 1.08%. If the fees and expenses described above exceed 1.00% of the par value of the Preferred Shares per year (currently being \$2,416,047 per year), the Manager will agree to fund such excess out of, but only to the extent of, its Deferred Management Fee (as defined below in 'Related Party Transactions – Management fees').

The annualized MER for the same period including **all distributions paid to preferred shareholders and deferred management fees** was approximately 11.03%.

Please refer to the Financial Highlights section of this document for more information.

Distributions

During the six-month period ended on June 30, 2009, the Preferred Shares paid regular quarterly distributions of \$0.290625 per share for a total of \$0.58125 per share (\$0.58125 per share for the six-month period ended on June 30, 2008), representing a yield of 4.65% on the \$25.00 par value.

Related Party Transactions

Management Fees

Pursuant to a management agreement ("the Management Agreement") the Company and Credit Trust II have retained Connor, Clark & Lunn Capital Markets Inc. ("the Manager") to act as the manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Company and Credit Trust II, 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 Credit Trust II, the Manager will also receive an annual management fee in an amount equal to 0.10% per annum of the net asset value of the Credit Trust II to be calculated and payable monthly in arrears, plus applicable taxes.

The total management fees charged to the Company and the Credit trust II for the six-month period ended on June 30, 2009 was \$229,853 (\$463,862 for the six-month period ended on June 30, 2008) including GST on a consolidated basis.

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 six-month period ended June 30, 2009 was \$409,144 (\$856,980 for the six-month period ended on June 30, 2008).

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

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee tabled no special reports and made no reportable material recommendations to management of the Company in the six-month period ended June 30, 2009.

Future accounting changes

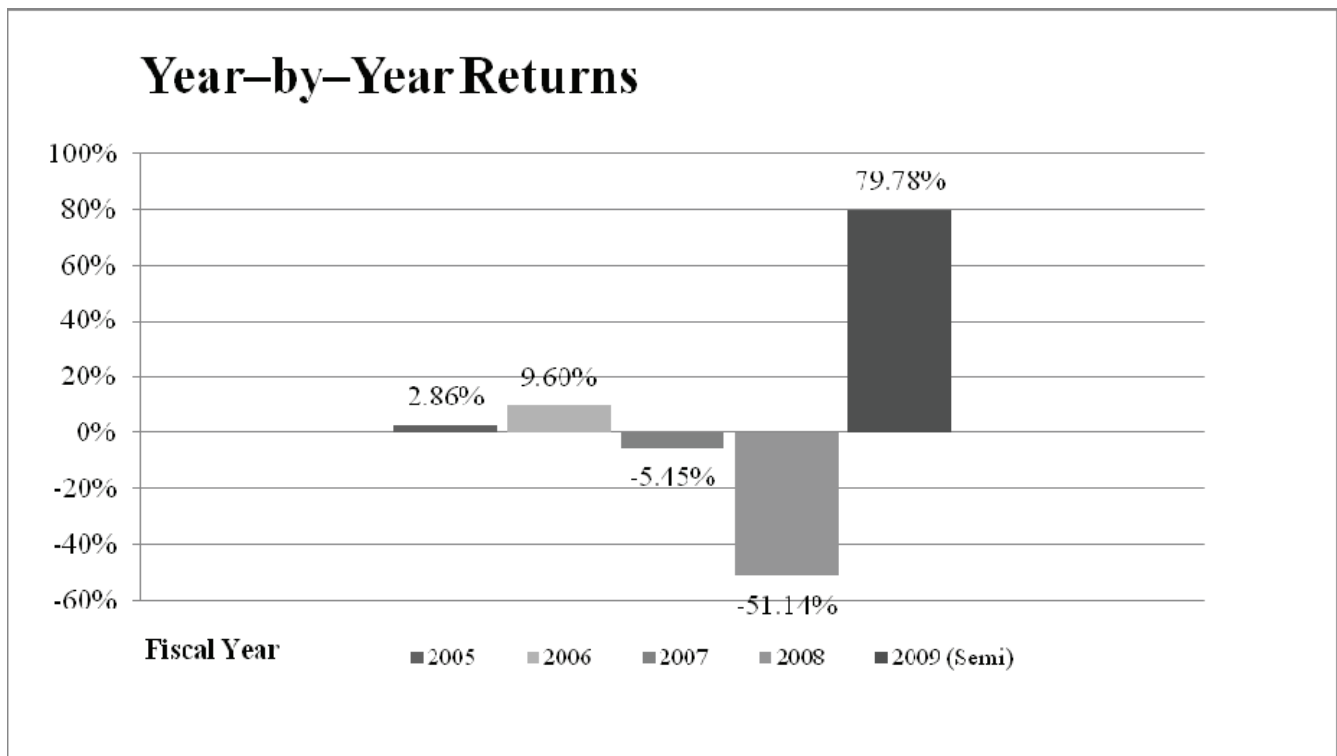
The Canadian Accounting Standards Board ("AcSB") confirmed that effective January 1, 2011; International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. IFRS will apply to fiscal years beginning on or after January 1, 2011. As of June 30, 2009 the Manager has not developed a changeover plan to IFRS nor has it assessed the impact of the move to IFRS on business arrangements, GAAP net assets per unit and accounting policies. As the Company is expected to mature in December 2009, the Manager does not expect this to impact the Company.

In March 2009, the Canadian Accounting Standards Board announced it has agreed to adopt recent amendments to IFRS

7, “Financial Instruments: Disclosures”, into Section 3862, “Financial Instruments – Disclosures”. The final amended version to IFRS 7 will also be subsequently incorporated into Canadian GAAP. The amendments to Section 3862 will apply to annual financial statements for years ending after September 30, 2009. The amendments require that an entity disclose the classification, for each class of financial instrument, of fair value measurements within a fair value hierarchy. The hierarchy includes three levels: Level 1 – quoted prices in active markets, Level 2 – measurements determined using valuation models that employ observable inputs and Level 3 – measurements determined using valuation models that employ unobservable inputs. As the Company is expected to mature in December 2009, the Manager does not expect this to impact the Company.

Past Performance

The following bar chart shows the Company’s annual performance for the years ended December 31, 2005, 2006, 2007 and 2008. It also shows the semi annual performance for the six-month period ended June 30, 2009 assuming all the distributions made by the Company during the periods shown were reinvested. This bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



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 for the years ended December 31, 2005, 2006, 2007 and 2008 and also from unaudited semi annual financial statements for the six-month period ended June 30, 2009:

The Company's Net Asset Value per share:

	2009 ⁽¹⁾	2008	2007	2006	2005
Net Assets, beginning of period	10.75	23.64	26.18	24.99	25.39
Increase (decrease) from operations:					
Total revenues	—	—	—	—	—
Total expenses	(0.11)	(0.29)	(0.38)	(0.39)	(0.37)
Issue expenses ⁽²⁾	—	—	—	—	—
Realized gains (losses) for the period	(0.53)	(0.84)	0.26	0.21	(0.11)
Unrealized gains (losses) for the period	8.79	(10.59)	(1.26)	2.53	1.25
Total increase (decrease) from operations ⁽³⁾	8.15	(11.72)	(1.38)	2.35	0.77
Distributions:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	(0.58)	(1.16)	(1.16)	(1.16)	(1.16)
Total Annual Distributions ⁽⁴⁾	(0.58)	(1.16)	(1.16)	(1.16)	(1.16)
Net Assets, end of period ⁽⁵⁾	18.46	10.75	23.64	26.18	24.99

⁽¹⁾ Results for the six months period ended June 30, 2009.

⁽²⁾ Issue expense of \$10,213,702 incurred in connection with the Share issuance, which has been treated as a reduction of capital.

⁽³⁾ 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.

⁽⁴⁾ Distributions were paid in cash.

⁽⁵⁾ This is not reconciliation between the opening and the closing net assets per Share.

Ratios and Supplemental Data:

	2009 ⁽¹⁾	2008	2007	2006	2005
Net asset value (000's)	178,355	110,552	283,131	314,171	299,856
Number of Preferred Shares outstanding	9,664,188	10,288,393	11,978,400	12,000,000	12,000,000
Base Management expense ratio ⁽²⁾	1.08%	0.87%	0.83%	0.85%	0.79%
Management expense ratio including distributions on Preferred Shares, deferred management fees and issue expenses ⁽²⁾⁽³⁾	11.03%	7.70%	6.14%	6.12%	6.15%
Management expense ratio before waivers or absorptions ⁽²⁾⁽³⁾	11.03%	7.70%	6.14%	6.12%	6.15%
Portfolio turnover rate ⁽⁴⁾	113.95%	74.92%	15.20%	19.84%	50.08%
Trading expense ratio ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share	18.46	10.75	23.64	26.18	24.99
Closing market price (TSX)	18.19	6.46	22.30	23.65	24.60

⁽¹⁾ Results for the six months period ended October June 30, 2009.

⁽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 (payable on 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 assets during the period. The MER for the period ending December 31, 2004 annualizes expenses incurred from commencement of operations on October 1, 2004 to December 31, 2004 and it also includes all Agents' fees and other offering expenses, which are onetime 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.

Summary of Investment Portfolio as of June 30, 2009

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

	Fair Value \$	% of NAV
Portfolio by Category		
Materials	68,241,365	38.3%
Energy	25,114,366	14.1%
Information Technology	24,942,756	14.0%
Equity Derivatives	23,283,307	13.1%
Consumer Discretionary	17,263,211	9.7%
Industrials	13,866,052	7.8%
Consumer Staples	7,687,362	4.3%
Health Care	6,391,838	3.6%
Cash and Cash Equivalents	316,807	0.2%
Top 25 Holdings		
Equity Derivatives	23,283,307	13.1%
Rona Inc.	14,752,834	8.2%
Research In Motion Ltd.	11,674,995	6.4%
Alamos Gold Inc.	10,157,452	5.6%
Eldorado Gold Corp.	9,276,938	5.1%
Kinross Gold Corp.	8,826,429	4.8%
Agnico-Eagle Mines Limited	8,529,090	4.7%
Barrick Gold Corp.	8,457,183	4.6%
Nexen Inc.	8,425,372	4.6%
Talisman Energy Inc.	8,365,527	4.6%
Imperial Oil Limited	8,323,467	4.6%
Teck Cominco Ltd.	8,278,104	4.5%
Agrium Inc.	8,000,966	4.4%
Stantec Inc.	7,986,163	4.4%
CGI Group - Class A	7,881,159	4.3%
Viterra Inc.	7,687,362	4.2%
SXC Health Solutions Corp.	6,391,838	3.5%
Westjet Airlines Ltd.	5,879,889	3.2%
Sino-Forest Corporation - Class A	5,430,183	2.9%
MacDonald Dettwiler & Associates Ltd.	5,386,602	2.9%
Gildan Activewear Inc. - Class A	2,510,377	1.3%
Ivanhoe Mines Ltd.	805,986	0.4%
Red Back Mining Inc.	479,034	0.2%
Cash and Cash Equivalents	316,807	0.1%
Net asset value (NAV)	178,354,835	

Supplementary Financial Information

The following is a listing of CLN Portfolio (Reference Portfolio) as at June 30, 2009:

Entity Description	SP Rating	Industry	Country
3I Group Plc	BBB+	Brokers, Dealers & Investment houses	Britain
Accor	BBB	Lodging & casinos	France
Alcan Inc.	BBB	Nonferrous metals/minerals	Canada
Allstate Corp.	A-	Insurance	USA
Alltel Corporation	B+	Telecommunications	USA
Altria Group Inc.	BBB	Beverage & Tobacco	USA
Ambac Financial Group Inc.	BBB	Insurance	USA
American Standard Inc	BBB-	Industrial equipment	USA
Amgen Inc.	A+	Drugs	USA
Anglo American Plc	BBB	Nonferrous metals/minerals	Britain
Anheuser-Busch Companies Inc	BBB+	Beverage & Tobacco	USA
Aon Corporation	BBB+	Insurance	USA
Atlantia SPA	A-	Surface transport	Italy
Bank of America Corp.	A	Financial intermediaries	USA
Barclays Bank Plc	AA-	Financial intermediaries	Britain
Barrick Gold Corporation	A-	Nonferrous metals/minerals	Canada
Bayer Aktiengesellschaft	A-	Chemicals & plastics	Germany
Bear Stearns Companies Inc.	A+	Brokers, Dealers & Investment houses	USA
Bhp Billiton Ltd.	A+	Nonferrous metals/minerals	Australia
Bombardier Inc.	BB+	Aerospace & Defence	Canada
Borgwarner Inc.	BBB	Automotive	USA
British American Tobacco Plc	BBB	Beverage & Tobacco	Britain
Brookfield Asset Management	A-	Building & Development	Canada
Cameco Corporation	BBB+	Nonferrous metals/minerals	Canada
Cargill Incorporated	A	Farming/agriculture	USA
Carrefour SA	A	Food/drug retailers	France
Caterpillar Financial Services Corp.	A	Industrial equipment	USA
Centex Corporation	BB	Building & Development	USA
Centurytel Inc.	BBB-	Telecommunications	USA
Cingular Wireless LLC	A	Telecommunications	USA
Cit Group Inc.	BB-	Financial intermediaries	USA
Citigroup Inc.	A	Financial intermediaries	USA
Coca-Cola Enterprises Inc.	A	Beverage & Tobacco	USA
Comcast Cable Communications Inc.	BBB+	Cable & satellite television	USA
Compass Group Plc	BBB+	Food service	Britain
Computer Sciences Corporation	A-	Electronics/electrical	USA
Constellation Energy Group Inc.	BBB	Utilities	USA
Countrywide Home Loans Inc.	A	Financial intermediaries	USA
Credit Suisse Group	A	Financial intermediaries	Switzerland
Daimlerchrysler AG	BBB+	Automotive	Germany
Deutsche Bank Aktiengesellschaft	A-	Financial intermediaries	Germany
Deutsche Lufthansa AG	BBB	Air transport	Germany
Deutsche Telekom AG	BBB+	Telecommunications	Germany
Domtar Inc.	BB	Forest products	Canada
Dte Energy Co.	BBB	Utilities	USA
Duke Capital LLC	BBB+	Utilities	USA

Entity Description	SP Rating	Industry	Country
Emi Group Plc	B+	Leisure goods/activities/movies	Britain
Enbridge Inc.	A-	Utilities	Canada
Encana Corporation	A-	Oil & gas	Canada
Erac Usa Finance Company	BBB	Equipment leasing	USA
European Aeronautic Defense And Space Company Eads NV	BBB+	Aerospace & Defence	Netherlands
Exelon Generation Co. LLC	BBB	Utilities	USA
Federal National Mortgage Association	D	U.S. Agency	USA
Financial Security Assurance Inc.	AAA	Insurance	USA
Ford Motor Credit Company	CCC+	Automotive	USA
France Telecom	A-	Telecommunications	France
Gannett Co. Inc.	BB	Publishing	USA
General Electric Capital Corporation	AA+	Conglomerates	USA
General Motors Acceptance Corporation	CCC	Automotive	USA
Hannover Rueckversicherungs-AG	AA-	Insurance	Germany
Hellenic Telecommunications Organiz SA	BBB	Telecommunications	Greece
Hutchison Whampoa Limited	A-	Conglomerates	Hong Kong
Idearc Inc.	D	Telecommunications	USA
ING Bank NV	AA-	Financial intermediaries	Netherlands
International Business Machines Corporation	A+	Electronics/electrical	USA
International Lease Finance Corporation	BBB+	Equipment leasing	USA
Israel Electric Corp Ltd	BBB	Utilities	Israel
J.P. Morgan Chase & Co.	A+	Financial intermediaries	USA
Kimco Realty Corp.	BBB+	REITs and REOCs	USA
Kinder Morgan Energy Partners LP	BBB	Utilities	USA
Korea Electric Power Corporation	A	Utilities	South Korea
Korea Telecom	A-	Telecommunications	South Korea
Lehman Brothers Holdings Inc.	D	Financial intermediaries	USA
Loews Corporation	A	Conglomerates	USA
Macys Incorporated	BB	Retailers (except food & drug)	USA
Marriott International Inc.	BBB-	Lodging & casinos	USA
MBIA Inc.	BB	Insurance	USA
Meadwestvaco Corporation	BBB	Forest products	USA
Merck & Co. Inc.	AA-	Drugs	USA
Merrill Lynch & Co. Inc.	A	Financial intermediaries	USA
MGIC Investment Corporation	CCC	Insurance	USA
Morgan Stanley	A	Brokers, Dealers & Investment houses	USA
Motorola Inc.	BB+	Telecommunications	USA
MTR Corporation Ltd	AA+	Rail industries	Hong Kong
Muenchener Rueckversicherungs-Gesellschaft AG	A	Insurance	Germany
Nabors Industries Inc.	BBB+	Oil & gas	USA
Newell Rubbermaid Inc.	BBB-	Home furnishings	USA
Norbord Inc.	BB-	Forest products	Canada
Nordstrom Inc.	BBB+	Retailers	USA
Novartis AG	AA-	Drugs	Switzerland
Odyssey Re Holdings Corp.	BBB-	Insurance	USA
Omnicom Group Inc.	A-	Business equipment & services	USA
Pccw - Hkt Telephone Limited	BBB	Telecommunications	Hong Kong
Petroliam Nasional Berhad	A-	Oil & gas	Malaysia
Pitney Bowes Credit Corporation	A	Business equipment & services	USA

Entity Description	SP Rating	Industry	Country
Placer Dome Inc.	A-	Nonferrous metals/minerals	Canada
Prologis	BBB-	REITs and REOCs	USA
Qantas Airways Limited	BBB	Air transport	Australia
Quebecor World Inc.	D	Publishing	Canada
Radioshack Corporation	BB	Retailers (except food & drug)	USA
Reuters Group Plc	A-	Business equipment & services	Britain
Sabre Holdings Corporation	B	Business equipment & services	USA
Sara Lee Corp.	BBB+	Food products	USA
Schering-Plough Corporation	A-	Drugs	USA
Scor	A	Insurance	France
Sealed Air Corp.	BB+	Containers & glass products	USA
Sherwin-Williams Company	A-	Chemicals & plastics	USA
Siemens Aktiengesellschaft	A+	Conglomerates	Germany
Simon Property Group LP	A-	REITs and REOCs	USA
SLM Corporation	BBB-	Financial intermediaries	USA
Sodexo Alliance SA	BBB+	Food service	France
Southwest Airlines Co.	BBB+	Air transport	USA
Takefuji Corporation	BB+	Financial intermediaries	Japan
Target Corporation	A+	Retailers (except food & drug)	USA
Telecom Italia Spa	BBB	Telecommunications	Italy
Telus Corporation	BBB+	Telecommunications	Canada
Textron Financial Corporation	BB+	Financial intermediaries	USA
The Dow Chemical Company	BBB-	Chemicals & plastics	USA
The Export-Import Bank Of Korea	A	Uncorrelated (Corporate)	South Korea
The Goldman Sachs Group Inc.	A	Brokers, Dealers & Investment houses	USA
The Royal Bank Of Scotland Public Limited Company	A	Financial intermediaries	Britain
The Ryland Group Inc.	BB-	Building & Development	USA
Time Warner Inc.	BBB	Leisure goods/activities/movies	USA
Transalta Corp.	BBB	Utilities	Canada
Transocean Inc.	BBB+	Oil & gas	USA
Tribune Company	D	Publishing	USA
TXU Corporation	B-	Utilities	USA
Tyson Foods Inc.	BB	Food products	USA
Unilever N.V.	A+	Food products	Netherlands
UST Inc.	BBB	Beverage & Tobacco	USA
Verizon Communications Inc	A	Telecommunications	USA
Viacom Inc.	BBB	Radio & Television	USA
Vodafone Group Plc	A-	Telecommunications	Germany
Volkswagen Aktiengesellschaft	A-	Automotive	Germany
Wal-Mart Stores Inc.	AA	Retailers	USA
Wells Fargo & Company	AA-	Financial intermediaries	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	BBB+	Insurance	Bermuda
Zurich Insurance Company	AA-	Insurance	Switzerland

ROC Pref II Corp.

Financial Statements (Unaudited)

June 30, 2009

Notice to Reader:

These interim financial statements and related notes for the six month period ended June 30, 2009 have been prepared by Management of Connor, Clark & Lunn Capital Markets Inc. The auditors of the Company have not audited or reviewed these interim financial statements.

ROC Pref II Corp.

Statements of Financial Position (Unaudited)

As at June 30, 2009 and December 31, 2008

	2009	2008
	\$	\$
Assets		
Cash	16,987	17,178
Short-term investments	299,820	298,956
Investments at market value (cost - \$175,166,906; December 31, 2008 - \$192,733,816)	163,150,711	136,584,982
Interest receivable	15	115
Unrealized gain on forward agreement	23,639,546	-
Prepaid expenses	36,890	33,454
	<u>187,143,969</u>	<u>136,934,685</u>
Liabilities		
Accounts payable and accrued liabilities	57,789	75,164
Management fees payable	35,206	46,544
Deferred management fees payable (note 9)	8,696,039	8,286,896
Unrealized loss on forward agreement	-	17,974,046
Preferred share capital (note 6)	178,354,835	110,551,935
	<u>187,143,869</u>	<u>136,934,585</u>
Shareholders' Equity		
Share capital (note 5)	100	100
Retained earnings	-	-
	<u>100</u>	<u>100</u>
Total Liabilities and Shareholders' Equity	<u>187,143,969</u>	<u>136,934,685</u>
Number of Preferred Shares outstanding (note 6)	<u>9,664,188</u>	<u>10,288,393</u>
Net Asset Value per Preferred Share outstanding	<u>18.46</u>	<u>10.75</u>
Number of Class A Shares outstanding (note 5)	<u>100</u>	<u>100</u>
Net Asset Value per Class A Share outstanding	<u>1.00</u>	<u>1.00</u>

Approved on behalf of the Manager,
Connor, Clark & Lunn Capital Markets Inc.



Director



Director

ROC Pref II Corp.

Statements of Operations (Unaudited)

For the six month period ended June 30, 2009 & 2008

	2009	2008
	\$	\$
Revenue		
Interest	818	3,612
Expenses		
Deferred management fees (note 9)	409,144	856,980
Forward fees	279,692	565,042
Management fees	163,098	334,067
Legal fees	79,939	4,363
Insurance Premiums	23,073	19,066
Rating agency fees	21,224	21,341
Audit fees	16,951	37,339
Other fees	14,476	5,923
Transfer agent fees	13,180	4,643
Printing and mailing charges	11,805	7,877
Sustaining fees	10,792	15,044
Directors' fees	10,133	10,335
Custodial fees	9,194	10,916
IRC fees	1,441	-
Capital tax expense	-	108,604
	<u>1,064,142</u>	<u>2,001,540</u>
Net investment income before distributions on Preferred Shares	(1,063,324)	(1,997,928)
Distributions paid on Preferred Shares (note 8)	<u>(5,627,751)</u>	<u>(6,945,234)</u>
Net investment income	(6,691,075)	(8,943,162)
Net realized gain (loss) on investments (note 7)	(5,140,906)	434,320
Unrealized gain (loss) on Forward Agreement (notes 2 and 7)	41,613,592	36,843,624
Change in unrealized gain (loss) on investments	<u>44,132,639</u>	<u>(67,098,901)</u>
Increase (decrease) in net assets from operations	<u>73,914,250</u>	<u>(38,764,119)</u>
Increase (decrease) in net assets from operations per preferred share	<u>8.15</u>	<u>(2.66)</u>
Total distributions paid per Preferred Share (Return of Capital)	<u>0.58</u>	<u>0.58</u>

(See accompanying notes to financial statements)

ROC Pref II Corp.

Statements of Changes in Shareholders' Equity and Retained Earnings (Unaudited)

For the six month period ended June 30, 2009 & 2008

	2009	2008
	\$	\$
Changes in shareholders' equity		
Share capital - beginning of period	100	100
Proceeds from issuance of class A shares	<u>-</u>	<u>-</u>
Share capital - end of period	<u>100</u>	<u>100</u>
Changes in Retained Earnings		
Retained earnings - beginning of period	-	-
Increase (decrease) in net assets from operations	73,914,250	(38,764,119)
(Surplus) deficit attributable to preferred shareholders (note 6)	<u>(73,914,250)</u>	<u>38,764,119</u>
Retained earnings - end of period	<u>-</u>	<u>-</u>

ROC Pref II Corp.

Statements of Cash Flows (Unaudited)

For the six month period ended June 30, 2009 & 2008

	2009	2008
	\$	\$
Operating Activities		
Increase (decrease) in net assets from operations	73,914,250	(38,764,119)
Items not affecting cash:		
Net realized (gain) loss on investments	5,140,906	(434,320)
Unrealized (gain) loss on Forward Agreement (notes 2 and 7)	(41,613,592)	(36,843,624)
Change in unrealized (gain) loss on investments	(44,132,639)	67,098,901
Changes in non-cash working capital		
(Increase) decrease in interest receivable	100	163
(Increase) decrease in prepaid expenses	(3,436)	(43,570)
Increase (decrease) in accounts payable and accrued liabilities	(17,375)	20,110
Increase (decrease) in management fees payable	(11,338)	43,192
Increase (decrease) in deferred management fees payable	409,143	856,980
Purchase of investments	(167,470,868)	(46,032,393)
Proceeds on disposition of investments	179,896,872	54,726,454
Net cash flow provided by operating activities	<u>6,112,023</u>	<u>627,774</u>
Financing Activities		
Payments on redemptions of preferred shares	(6,111,350)	(684,698)
Net cash flow provided by financing activities	<u>(6,111,350)</u>	<u>(684,698)</u>
Net increase in cash and short-term investments	673	(56,924)
Cash and short-term investments - beginning of period	<u>316,134</u>	<u>222,600</u>
Cash and short-term investments - end of period	<u>316,807</u>	<u>165,676</u>

(See accompanying notes to financial statements)

ROC Pref II Corp.

Statement of Investments (Unaudited)

As at June 30, 2009

	Maturity date	Number of shares or par value	Average cost \$	Fair value \$	% of portfolio
Short-term investments					
Government Treasury Bills					
Ontario Treasury Bills	9/16/2009	300,000	299,820	299,820	100.0%
Total short-term investments			<u>299,820</u>	<u>299,820</u>	<u>100.0%</u>
Investments					
Canadian common stocks (pledged to the Counterparty under the Forward Agreement)					
Energy					
Imperial Oil Limited		184,474	8,135,302	8,286,573	5.1%
Nexen Inc.		333,414	8,135,302	8,425,372	5.2%
Talisman Energy Inc.		500,630	8,135,237	8,365,527	5.1%
			<u>24,405,841</u>	<u>25,077,472</u>	<u>15.4%</u>
Materials					
Agnico-Eagle Mines Limited		139,205	9,452,018	8,529,090	5.2%
Agrium Inc.		172,249	8,135,320	8,000,966	4.9%
Alamos Gold Inc.		1,062,495	7,851,838	10,136,202	6.2%
Barrick Gold Corp.		216,020	8,135,313	8,431,261	5.2%
Eldorado Gold Corp.		885,204	7,187,856	9,206,122	5.6%
Ivanhoe Mines Ltd.		124,959	1,691,945	805,986	0.5%
Kinross Gold Corp.		416,341	8,135,303	8,826,429	5.4%
Red Back Mining Inc.		47,242	326,915	479,034	0.3%
Sino-Forest Corporation - Class A		437,918	8,473,713	5,412,666	3.3%
Teck Cominco Ltd.		446,259	8,135,302	8,278,104	5.1%
			<u>67,525,523</u>	<u>68,105,860</u>	<u>41.7%</u>
Industrials					
Stantec Inc.		285,322	9,775,132	7,943,364	4.9%
Westjet Airlines Ltd.		570,863	6,746,905	5,839,928	3.6%
			<u>16,522,037</u>	<u>13,783,292</u>	<u>8.5%</u>
Consumer Discretionary					
Gildan Activewear Inc. - Class A		145,698	5,431,621	2,510,377	1.5%
Rona Inc.		1,157,085	25,421,157	14,706,550	9.0%
			<u>30,852,778</u>	<u>17,216,927</u>	<u>10.5%</u>
Consumer Staples					
Viterra Inc.		761,125	10,305,632	7,687,363	4.7%
Health Care					
SXC Health Solutions Corp.		215,431	3,888,530	6,357,369	3.9%
Information Technology					
CGI Group - Class A		762,201	5,770,830	7,881,158	4.8%
MacDonald Dettwiler & Associates Ltd.		203,268	9,775,158	5,366,275	3.3%
Research In Motion Ltd.		141,207	6,120,577	11,674,995	7.2%
			<u>21,666,565</u>	<u>24,922,428</u>	<u>15.3%</u>
Total investments			<u>175,166,906</u>	<u>163,150,711</u>	<u>100.0%</u>

(See accompanying notes to financial statements)

ROC Pref II Corp.

Notes to Financial Statements (Unaudited)

June 30, 2009

1 Corporate Activities

ROC Pref II Corp. (the "Company") was incorporated under the laws of the Province of Ontario on August 23, 2004, as 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").

Connor, Clark & Lunn Capital Markets Inc. (the "Manager") acts as manager of the Company and RBC Dexia Investor Services Trust ("RBC Dexia" or "Trustee") acts as trustee of the Company. The Company will terminate on or about December 31, 2009 (the "Termination Date") if not terminated earlier in accordance with its terms. The Company commenced operations on October 1, 2004.

2 Investment objectives

The Company's investment objectives as set out in the Prospectus dated September 24, 2004 are (i) to pay to holders of Preferred Shares ("Shareholders"), on or about December 31, 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 \$0.290625 per Preferred Share (\$1.1625 per annum to yield 4.65% 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.

The Company will meet its investment objectives through a forward purchase and sale agreement (the "Forward Agreement") (note 7) with HSBC Bank USA (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 Credit Trust II. The Credit-Linked Note has been issued by HSBC Bank Canada ("HSBC"). The Credit-Linked Note is issued at par, will mature on December 20, 2009 and pays a Canadian dollar coupon of 6.867% 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 approximately 140 companies (the "Reference Companies") all of which were rated investment grade by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P") as of the issue date of the Credit-Linked Note on October 1, 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 companies' 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 to 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 3.03% 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 cash equivalents by virtue of the Forward Agreement because the Credit-Linked Note pays cash distributions to Credit Trust II. Any excess received by Credit Trust II over what is paid out will be reinvested by Credit Trust II 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.

Future accounting changes

The Canadian Accounting Standards Board ("AcSB") confirmed that effective January 1, 2011; International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. IFRS will apply to fiscal years beginning on or after January 1, 2011. As of June 30, 2009 the Manager has not developed a changeover plan to IFRS nor has it assessed the impact of the move to IFRS on business arrangements, GAAP net assets per unit and accounting policies. As the Company is expected to mature in December 2009, the Manager does not expect this to impact the Company.

In March 2009, the Canadian Accounting Standards Board announced it has agreed to adopt recent amendments to IFRS 7, "Financial Instruments: Disclosures", into Section 3862, "Financial Instruments – Disclosures". The final amended version to IFRS 7 will also be subsequently incorporated into Canadian GAAP. The amendments to Section 3862 will apply to annual financial statements for years ending after September 30, 2009. The amendments require that an entity disclose the classification, for each class of financial instrument, of fair value measurements within a fair value hierarchy. The hierarchy includes three levels: Level 1 – quoted prices in active markets, Level 2 – measurements determined using valuation models that employ observable inputs and Level 3 – measurements determined using valuation models that employ unobservable inputs. As the Company is expected to mature in December 2009, the Manager does 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.

On January 1, 2007, 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. 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.

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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 six month period ended June 30, 2009 or during the year ended December 31, 2008.

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.

Net assets per Preferred Share

The Net assets per Preferred Share presented in the Statement of Financial Position 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 a custodian agreement ("the Custodian Agreement"), the Company has retained RBC Dexia ("the Custodian") to act as custodian of the assets of the Company. The Custodian is also responsible for certain aspects of the Company's day-to-day operations. In consideration for these services, the Company pays a fee to the Custodian.

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 subordinate 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 August 23, 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 its 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 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.

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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 CLN) 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 October 1, 2004, the Company issued 12,000,000 Preferred Shares at a price of \$25.00 per Preferred Share for aggregate gross proceeds of \$300 million. Issue costs of \$10,213,702 incurred in connection with the share issuance have been charged against retained earnings. During the six month period ended June 30, 2009, the Company paid \$6,111,350 to redeem 624,205 Preferred Shares (\$22,461,167 were paid to redeem 1,690,007 Preferred Shares during the year ended December 31, 2008). Changes in outstanding units are summarized as follows:

	Number of units	
	June 30, 2009	December 31, 2008
Balance - Beginning of period / year	10,288,393	11,978,400
Units redeemed	(624,205)	(1,690,007)
Balance - End of period / year	9,664,188	10,288,393

7 Forward Agreement and Common Share Portfolio

On June 30, 2009, the value of the common share portfolio was \$163,150,711. Since the Company can deliver the value of the common share portfolio to HSBC in exchange for the value of Credit Trust II, the value of the Forward Agreement to the Company is equal to the value of Credit Trust II less the value of the common share portfolio. On June 30, 2009 value of the Forward Agreement was \$23,639,546. Other liabilities net of other assets in the Company, prior to consolidation, totalled \$8,435,422 leaving a net asset value of \$178,354,835 or \$18.46 per Preferred Share. The net asset value per Preferred Share was \$10.75 on December 31, 2008.

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 II.

The payment obligations of the Counterparty to the Company under the Forward Agreement will be determined by reference to the performance of Credit Trust II. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of the Credit Trust II. 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 0.45% per annum of the net asset value of Credit Trust II, calculated and payable quarterly in arrears.

8 Distributions

Targeted quarterly distributions are \$0.290625 per Preferred Share. During the six-month period ended on June 30, 2008 the Company met its targeted quarterly distribution and paid total distributions of \$5,627,751 or \$0.58125 per unit (\$0.290625 per quarter), representing return of capital to holders of Preferred Shares (\$6,945,234 or \$0.58125 per unit for the six month period ended on June 30, 2008).

9 Management fees and other expenses

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 will receive an annual management fee in an amount equal to 0.25% 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 Credit Trust II, the Manager will also receive an annual management fee in an amount equal to 0.10% of the net asset value of Credit Trust II, to be 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.

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11 Broker commission charges and soft dollar services

There were \$nil broker commissions paid during the six month periods ended June 30, 2009 and 2008 in connection with portfolio transactions. No soft dollar services were included in the broker commission charges.

12 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. Following the default of Quebecor World Inc., Fannie Mae, Lehman Brothers and Tribune Company, the rating of the CLN was downgraded to BBB on November 14, 2008, to BB on December 22, 2008 and to BB- on February 5, 2009. The credit rating of the Preferred Shares was also downgraded to P-2, P-3 and P-3 (low) respectively. Both maintain the same rating on June 30, 2009.

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 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 (the account which is available to absorb net losses that might be incurred when the Investment Manager 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. At June 30, 2009, the balance of the trading reserve account stood at \$2,617,776.

The net asset value of the preferred shares reflects the value of the CLN, which is provided by HSBC on the 10th and last business days of each month. Net Asset Value is the basis for the price at which investors can retract the Preferred Shares. The value of the CLN is affected by conditions in the fixed income markets including conditions specific to HSBC and may change substantially from time to time. Net Asset Value may affect the trading price of the Preferred Shares.

Based on a total actual subordination of 3.56% that was initially built into the CLN, it was estimated that the CLN could withstand 8.3 defaults (assuming a 40% average recovery rate) before the coupon or par value would be impacted. The table below shows each of the CLN's historical defaults as well as the recovery rate and the related number of defaults when compared to a 40% recovery rate. As of June 30, 2009 the Company can withstand an additional 3.0 defaults before the coupon or par value would be impacted.

Company Name	Recovery Rate	Number of Equivalent Defaults at a 40% Recovery Rate
Quebecor World	41.250%	0.9
Fannie Mae	91.510%	0.1
Lehman Brothers Holdings Inc.	8.625%	1.8
Tribune Company	1.500%	1.7
Idearc Inc.	1.750%	0.8
Total		5.3

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 II. The table below summarizes the Company's exposure to interest rate risks by consolidating the holdings of the Company and the Credit Trust II 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	171,015,050	—	—	—	—	171,015,050
Cash and short-term investments	15,589,112	—	—	—	39,132	15,628,244
Other assets	—	—	—	—	524,986	524,986
Liabilities	—	—	—	—	(8,813,345)	(8,813,345)
Net assets (Preferred share capital and Class A Capital)						178,354,935

As at June 30, 2009, 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 \$691,000.

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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 June 30, 2009 was 491.27 basis points (December 31, 2008 – 552.12 and June 30, 2008 – 225.59).

As at June 30, 2009, 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 \$5,474,000.

If losses due to cumulative defaults, net of recoveries do not exceed a total of 1.28% of the initial value of the Reference Portfolio during the remaining term of the CLN, Credit Trust II 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 Credit Trust II on maturity will decline. **To the extent that cumulative losses due to defaults, net of recoveries, exceeded 2.21% there would be no amount paid to Credit Trust II 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 ratings characteristics on the five years ended December 31, 2008 and June 30, 2009:

Exposure to Issuers							Exposure to Issuers						
Rating ⁽¹⁾	2004	2005	2006	2007	2008	2009	Rating ⁽¹⁾	2004	2005	2006	2007	2008	2009
AAA	3	3	4	4	2	1	BB	1	2	4.5	2.5	3	7
AA+	0	0	0	0	2	2	BB-	0	1	1	2	3	3
AA	3	3	4	9	2	1	B+	0	0	1	3.5	2.5	1.5
AA-	2	6	8	9	7	7	B	0	0	1	2	0	1
A+	17	19	16	13	13	9	B-	0	0	0	1	1.5	1
A	26	24	21.5	16.5	18.5	19.5	CCC+	0	0	0	1	1	1
A-	24	23	25.5	26	28	21	CCC	0	0	0	0	0	2
BBB+	27	30	23	27	20	21	SD ⁽³⁾	0	0	0	0	1	0
BBB	23	21	24	14	20	24	D	0	0	0	0	4	4.5
BBB-	13	5	3	8	8	8	N/R	1	0	0	0	0	0
BB+	0	3	3.5	1.5	3.5	5.5							
							Total ⁽²⁾	140	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.

⁽³⁾ An 'SD' rating is assigned when Standard & Poor's believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner. This is not considered a default for the purposes of the CLN. As of January 2009 S&P changed the rating of General Motors Acceptance Corporation from SD to CCC

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.

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 II, 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.