

ROC PREF III CORP.

ANNUAL INFORMATION FORM

For the year ended June 30, 2009

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1 THE COMPANY

1.1 NAME AND INCORPORATION

ROC Pref III Corp. (the “Company”) is a corporation incorporated under the laws of the Province of Ontario on January 24, 2005. The manager of the Company is Connor, Clark & Lunn Capital Markets Inc. (the “Manager”). The Manager was incorporated under the Business Corporations Act (Ontario) on January 15, 2001 and is wholly owned by Connor, Clark & Lunn Capital Markets Partnership.

The principal place of business of the Fund and the registered office of the Manager is Suite 300, 181 University Avenue, Toronto, Ontario M5H 3M7.

The Manager appointed Connor, Clark & Lunn Investment Management Ltd. (the “Investment Advisor”) as investment advisor to Credit Trust III. The Investment Advisor is responsible for the execution of the investment strategy of Credit Trust III, including determining and actively managing the CLN Portfolio in order to mitigate the risks associated with such portfolio. See “Management of Credit Trust III–The Investment Advisor”.

1.2 STATUS OF THE COMPANY

While the Company is considered to be a mutual fund corporation under the securities legislation of certain provinces in Canada, the Company is not a conventional mutual fund and has obtained exemptive relief from certain requirements of National Instrument 81-102 of the Canadian Securities Administrators (“NI 81-102”).

2 DESCRIPTION OF THE BUSINESS

2.1 ISSUE OF PREFERRED SHARES

On March 8th, 2005, preferred shares of the Company were issued and began trading on the Toronto Stock Exchange. The Company does not continuously distribute its shares and does not intend to issue any further Preferred Shares. The offering is summarized in the following table:

<i>Issue date:</i>	March 8, 2005.
<i>Redemption date:</i>	March 22, 2012.
<i>Number of preferred shares issued:</i>	10,600,000.
<i>Par value per preferred share:</i>	\$25.00.
<i>Price per preferred share:</i>	Issued at par.
<i>Total raised:</i>	\$265,000,000.
<i>Expenses of issue:</i>	\$9,055,800.
<i>Net amount raised:</i>	\$255,944,200.
<i>Trading symbol:</i>	RPB.PR.A
<i>Rating at inception:</i>	P-1 (low) by Standard & Poor’s, a division of The McGraw Hill Companies, Inc. (“S&P”)
<i>Terms:</i>	Retractable at any time, cumulative, will be redeemed at par value on the Redemption Date and otherwise only under specific circumstances as described under “Description of Share Capital – Preferred Shares”.
<i>Distributions:</i>	Quarterly fixed cumulative preferential cash distributions of \$0.2750 per preferred share to yield 4.40% on the original issue price of \$25.00.

2.2 INVESTMENT OBJECTIVES AND STRATEGY

The Company’s investment objectives are:

- (i) capital repayment: to pay to holders of Preferred Shares (“Holders”), on or about March 23, 2012 (the “Redemption Date”), an amount per Preferred Share equal to the original subscription price of \$25.00 per Preferred Share; and
- (ii) distribution: to provide Holders with quarterly fixed cumulative preferential distributions of \$0.275 per Preferred Share (\$1.10 per annum to yield 4.40% on the original subscription price of \$25.00 per Preferred Share). Preferred

share distributions consist primarily of returns of capital and may include capital gains dividends.

In support of these investment objectives, the Company entered into a forward purchase and sale agreement (the “Forward Agreement”) with TD Global Finance, a member of the TD Bank Financial Group (the “Counterparty”). The obligations of the Counterparty under the Forward Agreement are guaranteed by TD Bank. 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 a portfolio of common shares of Canadian public companies (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 a credit linked note (the “Credit Linked Note”), The Credit Linked Note was issued by The Toronto-Dominion Bank (“TD Bank”), a Canadian chartered bank whose long-term debt is currently rated AA by S&P. See “Forward Agreement”. The CLN was issued with a rating of A- and is owned by Credit Trust III, an investment trust established under the laws of Ontario. 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 a portfolio (the “CLN Portfolio”) of 124 companies (the “Reference Companies”) all of which were rated investment grade by S&P at the time the Credit Linked Note was issued. In addition, from time to time, the Company may have exposure to cash and cash equivalents.

The Company may have further exposure to cash and cash equivalents by virtue of the Forward Agreement because the Credit Linked Note pays cash distributions to Credit Trust III. Any excess amount received by Credit Trust III over what is paid out will be reinvested in Credit Trust III and held in cash, cash equivalents and other evidences of indebtedness. This amount is expected to be approximately 0.10% per annum.

2.3 THE CREDIT LINKED NOTE

The Credit Linked Note held by Credit Trust III is a seven-year senior, direct and unconditional obligation of TD Bank and has been assigned a rating of A- at date of issuance by S&P. The Credit Linked Note was issued at 97.0% of par for \$255,944,200, will mature at par value of \$263,860,000 on March 22, 2012 and is paying a fixed Canadian dollar coupon of 5.416% on the outstanding principal amount to yield 5.94% per annum. The combination of the accrual to par on the Credit Linked Note plus the amount of the coupon is expected to be sufficient to pay expenses and enable the Company to receive sufficient amounts under the Forward Agreement to fund distributions on the Preferred Shares and pay to Holders the original subscription amount of the Preferred Shares on the Redemption Date.

The Credit Linked Note does not evidence a deposit and is not insured by the Canada Deposit Insurance Corporation or any other insurer. The Credit Linked Note ranks at the same level as deposit liabilities of TD Bank (except as otherwise prescribed by law). The A- rating assigned by S&P to the Credit Linked Note has been based on a number of factors, including the diversification, credit quality and expected default and the fixed recovery rates of the CLN Portfolio as well as the level of net losses that can be experienced by the CLN Portfolio without affecting the payment of interest on and the principal value of the Credit Linked Note.

On September 9 and 11, 2008, the Company announced that the US federal government had placed government sponsored entities (“GSE’s”) known as Fannie Mae and Freddie Mac under conservatorship and that it had received notices of a credit event from TD Bank, the issuer of the CLN, in respect to these GSE’s as a result of the conservatorship of the GSE’s.

On September 15, 2008, the Company announced that Lehman Brothers Holdings Inc. (“Lehman”) had filed for bankruptcy which constituted a credit event under the CLN.

On September 25, 2008, the Company announced that Standard & Poor’s (“S&P”) lowered its ratings of the Company’s Preferred Shares from P-2 (low) to P-4 (high) and placed them on CreditWatch with negative implications.

On September 26, 2008, the Company announced the closure of Washington Mutual (“WaMu”) by the Office of Thrift Supervision and naming of the Federal Deposit Insurance Corporation (“FDIC”) as receiver which constituted a credit event.

On November 6, 2008, the Company announced the implementation of restructuring initiatives by the Manager and the Investment Manager. In this regard:

- i) the Trading Reserve Account (see the “The CLN” section for definition) has been used to buy additional subordination in the CLN;
- ii) for the three following quarters beginning on December 31, 2008, the coupons on the CLN have been sold to TD Bank in exchange for additional subordination. As a result, dividends on the preferred shares of the Company

have been suspended commencing with the December 31, 2008 dividend; and

- iii) the deferred management fee has been made available for the benefit of the preferred shareholders. In order to reflect the availability of the deferred management fee, the full amount of the deferred management fee liability was written off as of June 30, 2009.

These restructuring initiatives were reviewed and approved by the independent members of the Company's board of directors.

By press release dated November 10, 2008, the Company announced that at its request S&P has withdrawn the rating on the Company's Preferred Shares.

On December 8, 2008, the Company announced 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 would constitute a credit event.

On March 31, 2009, the Company announced Idearc Inc.'s decision to voluntarily file petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Under the terms and definitions of the CLN this has been deemed a credit event. Idearc was created through a spin-off from Verizon Communications Inc. in November 2006. The Reference Portfolios of the Company has exposure to Idearc Inc. at a half-weight as opposed to a full weight as a result of the spin-off.

These credit events reduced the number of defaults that can be sustained by the CLN in order to continue to pay regular quarterly distributions and pay full par value at maturity to approximately 2.6 defaults, based on the 40% fixed recovery rate feature of the CLN.

On July 2, 2009, the Company announced that Lear Corporation has reached agreement on a consensual debt restructuring under court supervision pursuant to a voluntary bankruptcy filing under Chapter 11 of the United States Bankruptcy Code. Under the terms and definitions of the CLN this has been deemed a credit event.

The recovery rate for the Company is fixed at 40%. As a result, the Lear credit event reduced the number of additional defaults that the Company can sustain before the payment of \$25.00 per Preferred Share at maturity is adversely affected by 1.0, thereby, reducing the number of defaults the Company can withstand to 1.6.

On September 4, 2009, the Company announced that the Preferred Share dividends will remain suspended for the quarter ending September 30, 2009. The Manager and the Investment Manager have taken this action in order to have the funds available for potential use, if necessary, as part of a restructuring plan for the Company that the Manager and Investment Manager are currently working on in conjunction with the independent members of the Board of Directors.

2.3.1 Structure of the Credit Linked Note

The return on the CLN is linked to the number of defaults experienced over the remaining term of the note among the 125 reference companies in the CLN's Reference Portfolio. Based on the Reference Portfolio's credit quality, a minimum level of subordination was set, which reflects the degree of net losses that a portfolio must be able to absorb without impacting cash flows to shareholders. If losses due to cumulative further defaults, net of the CLN's fixed recovery rate on defaults of 40%, do not exceed a total of 1.31% of the value of the Reference Portfolio during the remaining term of the CLN, Credit Trust III will receive its full coupon payments and par value on maturity. **To the extent that cumulative further defaults exceeded this amount, subsequent coupon payments and the amount that would be paid to Credit Trust III on maturity would decline. To the extent that cumulative further losses due to defaults, net of recoveries, exceeded 2.31% there would be no amount paid to Credit Trust III and the value of the preferred shares would decline to the level of remaining net assets per share, possibly zero.** Losses of 1.31% due to defaults net of recoveries (using the CLN's fixed recovery rate of 40%) would represent approximately 2.6 further defaults before the coupon or par value would be impacted which would represent 0.4 times the worst level of defaults experienced among a mix of credits comparable to that of the Reference Portfolio in any 2.7 year period based on S&P data from 1981 to 2008.

The CLN features an embedded trading reserve account (the "Trading Reserve Account"), initially in an amount of \$2.1 million, which stood at \$nil million on June 30, 2009. The Trading Reserve Account may be available to absorb net losses that might be incurred when making substitutions in the Reference Portfolio. The Trading Reserve Account was used to purchase additional subordination from TD Bank following the November restructuring initiatives.

2.3.2 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. Lower credit spread indicates less risk. The index that best corresponds to the Reference Portfolio is the Dow Jones CDX North America Investment Grade 4 Index:

	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
CDX IG 4 index	60.18	58.68	51.84	217.11	626.53
Reference Portfolio spread	52.03	90.11	94.69	376.13	960.29

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 June 30, 2005, 2006, 2007, 2008 and 2009:

Exposure to Issuers ⁽²⁾						Exposure to Issuers ⁽²⁾					
Rating ⁽¹⁾	2005	2006	2007	2008	2009	Rating ⁽¹⁾	2005	2006	2007	2008	2009
AAA	6	6	6	4	3	BB	1	2	2	2	6
AA+	0	0	0	0	1	BB-	0	1	2	2	3
AA	1	1	2	7	1	B+	0	2	2	4	1.5
AA-	3	7	12	14	6	B	0	0	2	2	1
A+	11	9	6	5	8	B-	0	0	0	1	0
A	20	23	20.5	18.5	18.5	CCC+	0	0	0	0	1
A-	26	27	24	24	21	CCC	0	0	0	0	5
BBB+	26	17	14	15	11	CC	0	0	0	0	1
BBB	21	19	20	13	22	D	0	1	1	1	6.5
BBB-	9	10	8	6	6	N/R	0	0	0	1	0
BB+	1	0	3.5	5.5	2.5	Total	125	125	125	125	125

⁽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⁾ A fractional exposure to an issuer occurs where a Company in the portfolio has split into two or more entities.

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 period, as a result of ratings changes and trading activity, the Reference Portfolio experienced 17 reference company upgrades averaging 3.7 rating categories, or notches, per upgrade for a total 63 notch increase and 89 reference company downgrades averaging 2.4 notches per downgrade for a total 216 notch decrease. As a result, the average credit quality of the portfolio deteriorated over the period.

The companies in the Reference Portfolio are listed in the Supplementary Financial Information as at June 30, 2009.

2.3.3 CLN Portfolio

The following are the names, S&P ratings, industries and countries of origin of the Reference Companies that are included in the CLN Portfolio (the "CLN Portfolio") as at June 30, 2009.

Entity Description	SP Rating	Industry	Country
ABN Amro Bank NV	A+	Financial intermediaries	Netherlands
Air Liquide SA	A	Chemicals & plastics	France
Alltel Corporation	B+	Telecommunications	USA
Altria Group Inc.	BBB	Beverage & Tobacco	USA
Ambac Assurance Corporation	BBB	Insurance	USA
American Express Company	BBB	Financial intermediaries	USA
Amkor Technology Inc	B+	Electronics/electrical	USA
AT&T Inc.	A	Telecommunications	USA
Atlantia Spa (Autostrade Spa)	A-	Surface transport	Italy
Axis Capital Holdings Ltd	A-	Insurance	Bermuda
Bank Of America Corp	A	Financial intermediaries	USA
Barclays Bank Plc	AA-	Financial intermediaries	Britain
Bard (C.R.) Inc	A	Health care	USA
Bear Stearns Companies Inc.	A+	Brokers, Dealers & Investment houses	USA
Berkshire Hathaway Inc	AAA	Insurance	USA
Borgwarner Inc.	BBB	Automotive	USA
Bristol-Myers Squibb Company	A+	Drugs	USA
British American Tobacco Plc	BBB	Beverage & Tobacco	Britain
Brookfield Asset Management	A-	Building & Development	Canada
Canadian Natural Resources Ltd	BBB	Oil & gas	Canada
Canadian Oil Sands Limited	BBB	Oil & gas	Canada
Capital One Bank	BBB+	Financial intermediaries	USA
Carnival Corporation	BBB+	Leisure goods/activities/movies	USA
Carrefour SA	A	Food/drug retailers	France
Caterpillar Financial Services Corp	A	Industrial equipment	USA
Centex Corporation	BB	Building & Development	USA
Centrica Plc	A-	Utilities	Britain
CIT Group Inc.	BB-	Financial intermediaries	USA
Computer Sciences Corporation	A-	Electronics/electrical	USA
Countrywide Home Loans Inc.	A	Financial intermediaries	USA
Credit Agricole	AA-	Financial intermediaries	France
Credit Suisse Group	A	Financial intermediaries	Switzerland
Dana Corp.	D	Automotive	USA
Deutsche Bank Aktiengesellschaft	A-	Financial intermediaries	Germany
Deutsche Telekom AG	BBB+	Telecommunications	Germany
Domtar Inc.	BB	Forest products	Canada
Electrolux AB	BBB	Home furnishings	Sweden
Enbridge Inc	A-	Utilities	Canada
Encana Corporation	A-	Oil & gas	Canada
Erac Usa Finance Company	BBB	Equipment leasing	USA
Fairfax Financial Holdings Limited	BBB-	Insurance	Canada
Federal Home Loan Mortgage Corporation	D	U.S. Agency (Explicitly Guaranteed)	USA
Federal National Mortgage Association	D	U.S. Agency (Explicitly Guaranteed)	USA
Federal Realty Investment Trust	BBB+	REITs and REOCs	USA
Financial Security Assurance Inc	AAA	Insurance	USA
First Industrial LP	BB	REITs and REOCs	USA
Ford Motor Credit Company	CCC+	Automotive	USA

Entity Description	SP Rating	Industry	Country
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
George Weston Limited	BBB	Food products	Canada
GKN Holdings Plc	BB+	Automotive	Britain
Greater Toronto Airports Authority	A	Air transport	Canada
Hannover Rueckversicherungs-AG	AA-	Insurance	Germany
Hartford Financial Services Group Inc	BBB	Insurance	USA
Health Care REIT Inc	BBB-	REITs and REOCs	USA
Hellenic Telecommunications Organiz SA	BBB	Telecommunications	Greece
HRPT Properties Trust	BBB	REITs and REOCs	USA
HSBC Bank Plc	AA	Financial intermediaries	Britain
HSBC Finance Corp	A	Financial intermediaries	Britain
Hutchison Whampoa Limited	A-	Conglomerates	Hong Kong
Idearc Inc.	D	Telecommunications	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
Johnson Controls Inc.	BBB	Automotive	USA
Keyspan Corp	A-	Utilities	USA
Kimco Realty Corp	BBB+	REITs and REOCs	USA
Koninklijke DSM NV	A-	Chemicals & plastics	Netherlands
Koninklijke Philips Electronics NV	A-	Electronics/electrical	Netherlands
Korea Highway Corporation	A	Surface transport	South Korea
Lear Corp.	CCC	Automotive	USA
Lehman Brothers Holdings Inc.	D	Financial intermediaries	USA
Liberty Mutual Insurance Company	BBB	Insurance	USA
Loews Corporation	A	Conglomerates	USA
Macquarie Bank Ltd	A-	Financial intermediaries	Australia
Macys Retail Holdings	BBB-	Retailers (except food & drug)	USA
Magna International Inc.	BBB	Automotive	Canada
MBIA Inc.	BB	Insurance	USA
MBIA Insurance Corporation	BBB	Insurance	USA
Mcclatchy Co	CC	Publishing	USA
Merck & Co Inc	AA-	Drugs	USA
Merrill Lynch & Co. Inc.	A	Financial intermediaries	USA
Methanex Corporation	BBB-	Chemicals & plastics	Canada
MGIC Investment Corporation	CCC	Insurance	USA
Morgan Stanley	A	Brokers, Dealers & Investment houses	USA
National Rural Utilities Coop Finance Corp	A	Electronics/electrical	USA
Norbord Inc	BB-	Forest products	Canada
Prologis	BBB-	REITs and REOCs	USA
Prudential Financial Inc.	A	Insurance	USA
Qantas Airways Limited	BBB	Air transport	Australia
Quest Diagnostics Inc.	BBB+	Health care	USA
Radian Group Inc.	CCC	Insurance	USA
Residential Capital Corporation	CCC	Financial intermediaries	USA
Sabre Holdings Corporation	B	Business equipment & services	USA

Entity Description	SP Rating	Industry	Country
Schering-Plough Corporation	A-	Drugs	USA
Seacor Holdings Inc.	BBB-	Oil & gas	USA
Sherwin-Williams Company	A-	Chemicals & plastics	USA
Siemens Aktiengesellschaft	A+	Conglomerates	Germany
Simon Property Group LP	A-	REITs and REOCs	USA
Societe Generale	A+	Financial intermediaries	France
Southwest Airlines Co.	BBB+	Air transport	USA
Swiss Reinsurance Co.	A+	Insurance	USA
Tesoro Corp.	BB+	Oil & gas	USA
The Export-Import Bank Of Korea	A	Uncorrelated (Corporate)	South Korea
The Goldman Sachs Group Inc.	A	Brokers, Dealers & Investment houses	USA
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
Tyson Foods Inc.	BB	Food products	USA
UST Inc.	BBB	Beverage & Tobacco	USA
Verizon Communications Inc	A	Telecommunications	USA
Vodafone Group Plc	A-	Telecommunications	Germany
Volkswagen Aktiengesellschaft	A-	Automotive	Germany
Vornado Realty LP	BBB+	REITs and REOCs	USA
Wachovia Corporation	A+	Financial intermediaries	USA
Washington Mutual Inc.	D	Financial intermediaries	USA
Wells Fargo & Company	AA-	Financial intermediaries	USA
Westfield Capital Corporation Limited	A-	REITs and REOCs	Australia
Windstream	BB+	Telecommunications	USA
XL Capital Ltd	BBB+	Insurance	Bermuda
Zurich Insurance Company	AA-	Insurance	Switzerland

2.3.4 Substitutions in the CLN 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 may be available to absorb net losses that may be incurred through these substitutions.

The Investment Manager has made 66 substitutions in the Reference Portfolio since inception at a net benefit of \$2.5 million to the Trading Reserve Account which, was used in the restructuring of the CLN.

2.3.5 Valuation of the CLN

The CLN is valued on the 10th and last business day of each month by TD Bank. 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 portfolio, and interest rates as measured by the Canadian dollar swap rate to the date of maturity of the note, as well as the value of the trading reserve account. At June 30, 2009, the CLN value was \$40.9 million, down from \$102.6 million at June 30, 2008.

2.3.6 Rating of the Credit Linked Note

The Credit Linked Note has been assigned a rating of A– at date of issuance. S&P’s rating of the Credit Linked Note addresses the likelihood of full payment of interest and payment of the principal value thereof on the maturity date. The analysis focuses on how much credit enhancement, or subordination, is needed to achieve a given level of risk. S&P also considers the transaction’s credit risk, structure and legal analysis.

S&P’s analysis with respect to credit risk includes, among other things, an assessment of the default risk of TD Bank and the Reference Companies in the CLN Portfolio, a review of the Investment Advisor and of trading criteria and restrictions and a calculation of the required level of subordination. The expected losses on the CLN Portfolio due to defaults are calculated by S&P based on the Fixed Recovery Rate.

There can be no assurance that actual defaults with respect to the Reference Companies in the CLN Portfolio to which the performance of the Credit Linked Note is linked will not exceed those assumed in S&P’s analysis in determining the credit enhancement to support the given rating. In addition, relatively few defaults by Reference Companies in the CLN Portfolio, or downgrades of the credit ratings of relatively few Reference Companies, may result in the rating on the Credit Linked Note and the Preferred Shares being lowered.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by S&P.

2.3.7 Payments on the Credit Linked Note

The Credit Linked Note has been structured to pay interest at a rate of 5.416%, for a total of \$14,290,658 per annum, payable quarterly, on the outstanding principal amount to yield 5.94% per annum. Interest is paid on the 22nd of March, June, September and December of each year, commencing on June 22, 2005.

The fixed coupon on the Credit Linked Note exceeds the amount required to fund the annual Preferred Share distributions of \$1.10 per Preferred Share and estimated annual fees and operating expenses of \$0.22 per Preferred Share by an approximate amount of \$0.03 per Preferred Share annually. This excess is invested in cash equivalents and other evidences of indebtedness, and is used first to pay any shortfall in distribution or redemption payments on the Preferred Shares, and second to fund the Deferred Management Fee (as defined below). Any excess amounts remaining after such payments forms part of the assets of Credit Trust III.

TD Bank will repay the principal amount of the Credit Linked Note outstanding on March 22, 2012 subject to reduction of the principal amount due to the occurrence of defaults with respect to the Reference Companies in the CLN Portfolio net of recoveries with respect thereto (calculated on the basis of the Fixed Recovery Rate). The actual payment of interest on and the actual principal value of the Credit Linked Note will be based on, among other things, the performance of the CLN Portfolio. At any time prior to maturity, TD Bank may make a determination that one or more defaults with respect to a Reference Company has occurred which may result in a decrease of the principal amount of, and affect the payment of interest on, the Credit Linked Note. See “Events of Default — Defaults in the CLN Portfolio” below for a description of events which constitute a default.

2.3.8 Events of Default

2.3.8.1 Acceleration of Payments

The repayment of principal of, and payment of interest on, the Credit Linked Note may be accelerated following the occurrence of one or more of the following events of default (each an “Event of Default”): (i) a default in the payment of interest in respect of the Credit Linked Note which continues for a period of 30 days following the date on which notice thereof has been given to TD Bank, (ii) a default in the performance of, or a breach of any covenant, undertaking or other agreement in respect of, the Credit Linked Note by TD Bank and such default or breach continues for a period of 45 days following the date on which notice thereof has been given to TD Bank; and (iii) TD Bank becomes insolvent or bankrupt or if a liquidator, receiver, receiver and manager or an examiner of TD Bank, or any other officer with similar powers, is appointed. The amount payable upon acceleration of the Credit Linked Note following an Event of Default will be equal to the nominal amount (or face amount) of the Credit Linked Note, plus any accrued but unpaid interest up to but excluding the acceleration date, plus the value of the Trading Reserve Account, less any reduction to the value of the Credit Linked Note as a result of cumulative losses

incurred as a result of defaults in excess of 1.31%.

2.3.8.2 Defaults in the CLN Portfolio

The following summarizes what constitutes a default (also referred to as a credit event) with respect to the Reference Companies in the CLN Portfolio:

Bankruptcy, with respect to a Reference Company, occurs if the Reference Company (a) is dissolved; (b) becomes insolvent or is unable to pay its debts; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, which (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up or liquidation; (f) seeks or becomes subject to the appointment of a receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution or other legal process enforced against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

Failure to Pay means, after the expiration of any applicable grace period (after the satisfaction of any conditions precedent to the commencement of such grace period), the failure by a Reference Company to make, when and where due, any payments in an aggregate amount of not less than the payment requirement under one or more obligations, in accordance with the terms of such obligations at the time of such failure.

Restructuring means, with respect to one or more debt obligations of the Reference Companies, under certain circumstances specified in the terms of the Credit Linked Note, any adverse change is made with respect to the obligation, including in respect of the amount of principal or premium payable at maturity or on the scheduled redemption date, the rate or amount of interest payable or the amount of scheduled interest accruals or the ranking in priority of payment, a postponement or other deferral of a date or dates for either the payment or accrual of interest or the payment of principal or premium or any change in the currency or composition of any payment of interest or principal to any currency which is not a permitted currency, in a form that binds all holders of such obligation, and such event is not expressly provided for under the terms of such obligation in effect as of the later of the issue date of the Credit Linked Note and the date as of which such obligation is issued or incurred.

In addition, with respect to Reference Companies that are Middle Eastern or sovereigns, additional events of default apply, such as obligation acceleration and repudiation/moratorium.

TD Bank has discretion to determine the occurrence of a default in respect of a Reference Company which can involve a high degree of subjective judgment by TD Bank. TD Bank will be required to deliver to Credit Trust III an irrevocable notice describing, in reasonable detail, the facts relevant to the determination that a default has occurred, together with an irrevocable notice that cites publicly available information confirming the occurrence of the default. Such notices may be delivered by TD Bank up to 14 days following the scheduled maturity date of the Credit Linked Note. If the default is the result of a restructuring, TD Bank must also provide reasonable evidence that, as a result of such restructuring, a credit event has been called by another entity under a credit default swap, credit linked note or other similar instrument where the payment (or payment equivalent) from one party to the other party is not calculated on a fixed recovery value basis.

Upon the determination by TD Bank of the occurrence of a default with respect to any of the Reference Companies, TD Bank will calculate the resulting net loss amount, which will be equal to the full par amount of the Reference Company's representation in the CLN Portfolio multiplied by 60.0% (based on the 40.0% Fixed Recovery Rate). Such losses will affect the maturity value of the Credit Linked Note if, in the aggregate, they exceed 1.31% of the initial value of the CLN Portfolio.

2.3.9 Liquidity of the Credit Linked Note

TD Bank has entered into an agreement (the "Note Repurchase Agreement") with Credit Trust III pursuant to which TD Bank has agreed to repurchase all or a portion of the Credit Linked Note once a month in the event that Preferred Shares are retracted at any time. Upon receipt of retraction notices with respect to the Preferred Shares, Credit Trust III may deliver a note

repurchase request to TD Bank setting forth the outstanding principal amount of the Credit Linked Note to be repurchased. The outstanding principal amount of the Credit Linked Note to be repurchased by TD Bank pursuant to the terms of the Note Repurchase Agreement must be at least \$75,000, and any amount in excess thereof must be in increments of \$5,000. TD Bank will determine the price for the portion of the Credit Linked Note to be repurchased, provided that such price will not be lower than the indicative price provided by TD Bank to Credit Trust III at the end of the month immediately preceding the repurchase, less (a) the present value of 0.60% per annum of the outstanding principal amount of the Credit Linked Notes being repurchased, if such outstanding principal amount is less than or equal to \$5,000,000, or (b) the present value of 0.75% per annum of the outstanding principal amount of the Credit Linked Note being repurchased on such repurchase date (each calculated for the period from the date of such repurchase to the scheduled maturity date of the Credit Linked Note). The repurchase obligation of TD Bank under the Note Repurchase Agreement may be suspended during the occurrence and continuance of a Force Majeure Event and will resume immediately upon the termination of such event.

In addition to the liquidity provided by the Note Repurchase Agreement, based on the provisions of the Credit Linked Note, Credit Trust III has the ability to assign and sell all or a portion of the Credit Linked Note.

The Note Repurchase Agreement and each pending repurchase of all or a portion of the Credit Linked Note thereunder will terminate upon the occurrence of any of the following events: (a) Credit Trust III transfers the Credit Linked Note to any other person; (b) the Holders cease to have retraction rights or the terms of the Preferred Shares are varied or amended without the written consent of TD Bank; (c) the Manager ceases to be the manager of Credit Trust III or the Company, unless a successor is appointed, in each case, with the prior written approval of TD Bank, which approval shall not be unreasonably withheld; or (d) the Investment Advisor ceases to act as the investment advisor to Credit Trust III, unless a successor is appointed with the prior written approval of TD Bank, which approval shall not be unreasonably withheld. A termination as a result of the event described in (a) above shall apply only in respect of the portion of the Credit Linked Note being transferred.

2.3.10 TD Bank

TD Bank is a Canadian chartered bank subject to the provisions of the Bank Act (Canada) and was formed on February 1, 1955 through the amalgamation of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869).

TD Bank's head office and registered office are located in the Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1A2.

2.4 INVESTMENTS OF THE COMPANY

2.4.1 Investment Restrictions of the Company

The investment activities of the Company are to be conducted in accordance with, among other things, the following investment restrictions:

- (i) **Investment in Canadian Securities.** In respect of the Common Share Portfolio, the Company will restrict its investments to common shares of Canadian public companies that are "Canadian securities" for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"). The Company will not make or retain investments that would render the Preferred Shares "foreign property" for purposes of Part XI of the Tax Act. The Company will not acquire an investment that is "taxable Canadian property" to the Company for the purposes of the Tax Act.
- (ii) **Other Investments.** The Company may invest a portion of its assets in cash, cash equivalents, or other evidences of indebtedness. Such instruments must be rated a minimum of A- by S&P (or an equivalent rating from another recognized rating agency) at the time of investment.
- (iii) **Concentration.** The Company will restrict its investments in any one issuer to no more than 10% of its total assets at the time of investment in such issuer (including any exposure obtained through derivatives linking the credit of one issuer to another).
- (iv) **Foreign Currency.** The Company will invest in securities denominated in Canadian dollars only.
- (v) **Mutual Fund Status.** The Company will manage its investments and affairs to ensure that it will be a mutual fund corporation for the purposes of the Tax Act.

The Company entered into the Forward Agreement and may engage in securities lending as described under and in accordance with “Investments of the Company — Forward Agreement” and “Investments of the Company — Securities Lending”. Except as set forth hereunder, the Company will not invest in any other securities or assets.

2.4.2 Forward Agreement

On March 8th, 2005, the Company entered into the Forward Agreement. The Forward Agreement is intended to provide the Company with a payment on or about the Redemption Date of an amount equal to the redemption proceeds paid by Credit Trust III to holders of a corresponding number of units of Credit Trust III in exchange for the Common Share Portfolio. Amounts paid by Credit Trust III to its unitholders will be funded by the proceeds received on the maturity of the Credit Linked Note held by Credit Trust III and any cash or cash equivalents held by Credit Trust III at such time (after satisfying its liabilities, if any).

Under the terms of the Forward Agreement, the Company and the Counterparty have agreed that their settlement obligations under the Forward Agreement with respect to the Common Share Portfolio securities will be discharged, at the election of the Company, either by physical delivery of the Common Share Portfolio securities by the Company to the Counterparty against cash payment or by the making of a net cash payment to the appropriate party. The amount payable by the Counterparty for physical delivery of the Common Share Portfolio may be more or less than the original subscription price of the Preferred Shares. If the Company elects physical delivery of the Common Share Portfolio under the Forward Agreement, the Counterparty will pay to the Company on or about the Redemption Date as the purchase price for the Common Share Portfolio an amount equal to the redemption proceeds for a corresponding number of units of Credit Trust III. Prior to the Redemption Date, Common Share Portfolio securities or other acceptable securities will be pledged to and may be held by the Counterparty as security for the obligations of the Company under the Forward Agreement.

If the mark-to-market value of the exposure of the Company to the Counterparty under the Forward Agreement exceeds 30% of the Company’s net assets for a period of 60 days or more, the Company may seek to amend the terms of the Forward Agreement, partially settle the Forward Agreement and enter into a replacement forward purchase and sale agreement, or enter into forward or other derivative transactions with other counterparties or take other actions intended to preserve the original objectives of the Forward Agreement. If the Company is not able to take any such action, the Forward Agreement may be settled in part in order to lower the mark-to-market value of the Company’s exposure to the Counterparty.

The terms of the Forward Agreement provide that the Forward Agreement may be partially settled prior to the Redemption Date by the Company tendering to the Counterparty securities of the Common Share Portfolio or by the making of a net cash payment to the appropriate party. The Company partially settles 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 a portion 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, invest the proceeds from such disposition and adjust the Forward Agreement or enter into additional forward purchase and sale agreements to provide additional exposure to the Credit Linked Note.

Under the Forward Agreement, the forward purchase price may be reduced for all dividends and distributions, including extraordinary distributions, declared and paid on the Common Share Portfolio securities to the Company as owner of the Common Share Portfolio. If any such dividends or distributions are to be received by the Company, the Forward Agreement will provide that replacement securities acceptable to the Counterparty may be substituted for shares in respect of which the dividend or distribution has been declared. In the event that such replacement securities are not available, the Company may consider contributing additional securities to the Common Share Portfolio and/or entering into additional forward, derivative or other transactions. The Forward Agreement have similar provisions designed to avoid adjustments of the amount to be paid on or about the Redemption Date which might otherwise be required if the Company receives consideration as a consequence of a merger transaction involving any of the securities in the Common Share Portfolio. The Company may also reinvest excess cash from time to time by contributing additional securities to the Common Share Portfolio and/or entering into additional forward, derivative or other transactions.

Before amending the Forward Agreement, the Company will seek confirmation from S&P that the rating assigned to the Preferred Shares will not be lowered or withdrawn. The Forward Agreement may be terminated prior to the Redemption Date in certain circumstances including: (i) by the Counterparty if it determines in its sole discretion that it is unable to hedge its

position under the Forward Agreement on commercially reasonable terms; or (ii) by the Counterparty if the Company fails to pay the quarterly fee under the Forward Agreement (the “Forward Fee”).

The payment obligations of the Counterparty to the Company under the Forward Agreement are determined by reference to the performance of Credit Trust III. The Counterparty may hedge its exposure under the Forward Agreement to the economic performance of Credit Trust III. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Company is exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

Under the terms of the Forward Agreement, the long-term debt of the Counterparty, or any guarantor thereof, must be rated at least A by S&P (the “Approved Rating”). If the long-term debt of the Counterparty or its guarantor is no longer so rated, the Company may replace the Counterparty with a counterparty with long-term debt rated at the Approved Rating.

While the value of the Forward Agreement is based primarily on the value of the Credit Linked Note, the Counterparty is not involved in the pricing or Valuation of the CLN.

The Counterparty is a member of the TD Bank Financial Group. The obligations of the Counterparty under the Forward Agreement are guaranteed by TD Bank, whose long-term debt is currently rated AA by S&P.

2.4.3 Securities Lending

In order to generate additional returns, the Company may lend portfolio securities in accordance with the requirements of NI 81-102, or as the Company may otherwise be exempted therefrom. Portfolio securities will be lent to securities borrowers acceptable to the Company pursuant to the terms of a securities lending agreement between the Company and any such borrower (each, a “Securities Lending Agreement”). Under a Securities Lending Agreement: (i) the borrower will pay to the Company a negotiated securities lending fee and will make compensation payments to the Company equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Company will receive prescribed collateral security.

2.4.4 Exemptions

The Company obtained exemptions from the following requirements of NI 81-102:

- (a) section 2.1(1) – to permit the Company to enter into and maintain a position in the Forward Agreement for which the payment obligations of the Counterparty will be determined by reference to the performance of Credit Trust III;
- (b) subsection 2.4(2) and (3) – to permit the Company’s exposure under the Forward Agreement (and any replacement or assignment of the agreement) to exceed the limitation related to investment in illiquid assets, provided that the mark-to-market exposure to the Counterparty under the Forward Agreement (and any replacement or assignment of that agreement). For a period of 60 days or more, shall not exceed 30 percent of assets of the Company;
- (c) section 2.5(2)(a) and (c) – to permit the Company to enter into and maintain a position in the Forward Agreement for which the payment obligations of the Counterparty will be determined by reference to the performance of Credit Trust III, in order to provide the Company with exposure to the Credit Linked Note ;
- (d) subclause 2.6(a)(ii) – to permit the Company to provide a security interest in its portfolio assets to the Counterparty in connection with the Forward Agreement and any replacement or assignment of that agreement, in accordance with industry practice with respect to this type of transaction;
- (e) subclause 2.7(1)(a) – to permit the Company to enter into the Forward Agreement (and any replacement or assignment of that agreement) that has a remaining term to maturity of greater than five years on the condition that the Company does not and will not enter into any other specified derivative transaction that does not satisfy the requirement of subclause 2.7(1)(a);
- (f) subsection 2.7(4) – to exempt the Company from the prescribed exposure limit under the Forward Agreement (and any replacement or assignment of that agreement), provided that the mark-to-market exposure to the Counterparty under the Forward Agreement (and any replacement or assignment of that agreement) shall not exceed, for a period of 60 days or more, 30 percent of the net assets of the Company;

- (g) section 3.3 – so that the organizational costs and expenses of the initial public offering could be borne by the Company;
- (h) section 10.3 – to permit the Company to calculate the retraction price of the Preferred Shares in accordance with their terms, following the surrender of Preferred Shares for retraction;
- (i) section 10.4 – to permit the Company to pay the retraction price of the Preferred Shares on the Retraction Payment Date;
- (j) section 12.1 – to relieve the Company from the requirement to file the prescribed compliance report;
- (k) clause 13.1(b) – to permit the Company to calculate its net asset value and publish its net asset value twice a month provided
 - i. that the net asset value calculation is available to the public upon request, and
 - ii. a website that the public can access for this purpose; and
- (l) section 14.1 – to relieve the Company from the requirement related to the record date for payment of dividends or other distributions of the Company, provided that it complies with the applicable requirements of the TSX.

2.5 STRUCTURE OF THE COMPANY AND CREDIT TRUST III

The following diagrams indicate the relationship between Holders, the Company and the Counterparty in the first diagram and between the Counterparty and Credit Trust III at closing in the second diagram.

Diagram 1

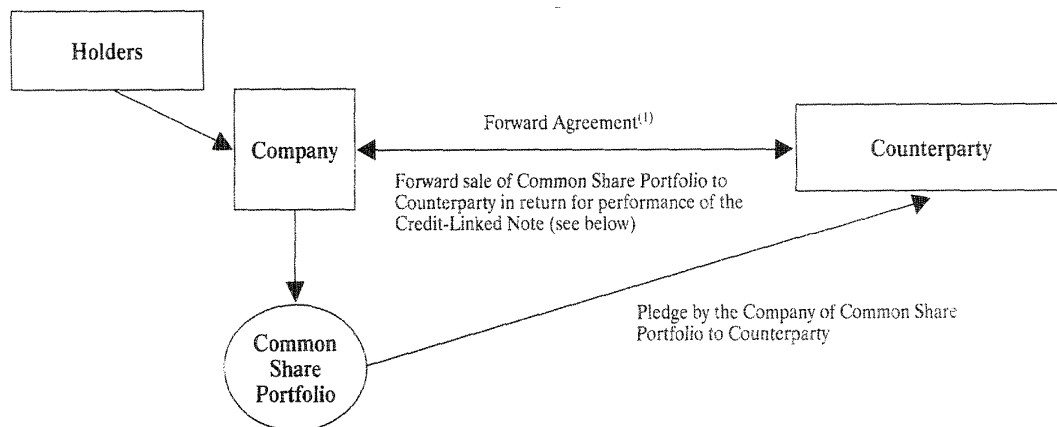
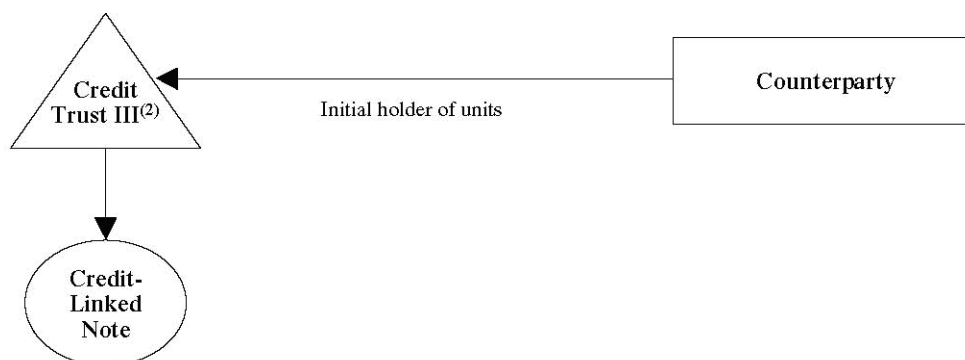


Diagram 2



(1) See “Investments of the Company — Forward Agreement”.

(2) See “Credit Trust III”.

2.6 CREDIT TRUST III

Credit Trust III was established under the laws of Ontario pursuant to a trust agreement dated February 28, 2005 (the “Trust Agreement”) between the Manager and RBC Dexia Investor Services Trust (formerly “The Royal Trust Company”), as trustee. The holder of units of Credit Trust III is the Counterparty.

Credit Trust III distributes all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for income tax under Part I of the Tax Act except to the extent any such liability may be offset by tax credits available to it in respect of foreign taxes paid by it (if any).

Units of Credit Trust III are redeemable at the demand of its unitholders on a daily basis.

Credit Trust III will terminate on the Redemption Date if not terminated earlier in accordance with its terms. On termination, Credit Trust III will pay to unitholders the net proceeds of the amounts received on maturity of the Credit Linked Note together with any other assets, after payment or satisfaction of all liabilities of Credit Trust III. Any amendment to the Trust Agreement which would have an adverse effect on the ability of Credit Trust III to perform any of its material obligations under any material agreements to which it is a party requires the prior written consent of TD Bank, which consent shall not be unreasonably withheld or delayed.

The Manager performs management services for Credit Trust III and has appointed the Investment Advisor as investment advisor to Credit Trust III to construct the CLN Portfolio and actively manage the Reference Companies in the CLN Portfolio to which the return on the Credit Linked Note is linked in order to mitigate the risks associated with such portfolio pursuant to an investment advisory agreement (the “Credit Trust III Investment Advisory Agreement”) between Credit Trust III and the Investment Advisor. See “Investment Advisor — The Credit Trust III Investment Advisory Agreement”.

2.6.1 Investment Restrictions of Credit Trust III

The investment activities of Credit Trust III are to be conducted in accordance with, among other things, the following investment restrictions:

- (i) **Investments.** Credit Trust III invests in the Credit Linked Note. Credit Trust III may also invest a portion of its assets in cash, cash equivalents or other evidences of indebtedness. Such instruments must be (a) rated AAA by S&P, or (b) issued by a Schedule I Canadian chartered bank.
- (ii) **Foreign Currency.** Credit Trust III invests in securities denominated in Canadian dollars only.
- (iii) **Foreign Issuers.** Credit Trust III does not invest in securities of any foreign issuer if distributions to Credit Trust III from such issuer would be subject to any foreign taxes or foreign withholding taxes that would not be

recoverable by it or in respect of which it would not be entitled to receive a compensatory “gross-up” payment.

3 DESCRIPTION OF SHARE CAPITAL

3.1 PREFERRED SHARES

The following is a summary of certain provisions of the Preferred Shares:

3.1.1 Distributions

Holders are entitled to receive quarterly fixed cumulative preferential cash distributions of \$0.275 per Preferred Share on the last Business Day of March, June, September and December in each year (each, a “Distribution Payment Date”). On an annualized basis, this would represent a yield on the offering price of the Preferred Shares of 4.40%.

The preferred shares paid the regular quarterly distribution of \$0.28 per share on September 30, 2008. As part of the Company’s restructuring initiatives, the Company did not make its scheduled quarterly distribution on December 31, 2008, March 31, 2009 or June 30, 2009 (\$11,380,958, or \$1.10 per unit for the year ended June 30, 2008)(see “Investment Objectives and Strategy” above). Regular quarterly dividends are expected to be re-instated in respect of the quarter ending September 30, 2009.

Preferred Share distributions are expected to consist primarily of returns of capital (which are generally not subject to tax upon receipt, but which would reduce the adjusted cost base of the Holder’s Preferred Shares), and may include capital gains dividends. See “Canadian Federal Income Tax Considerations”.

3.1.2 Retraction

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. (“Computershare”), the Company’s registrar and transfer agent, but will be retracted only on the last day of the month (a “Valuation Date”) commencing June 30, 2005. Preferred Shares surrendered for retraction by a Holder at least five Business Days prior to a Valuation Date will be retracted on such Valuation Date and the holder will receive payment on or before the tenth Business Day following such Valuation Date (the “Retraction Payment Date”). If a Holder makes such surrender after 5:00 p.m. (Toronto time) on the fifth Business Day immediately preceding a Valuation Date, the Preferred Shares will be retracted on the Valuation Date in the following month and the Holder will receive payment for the retracted shares on the Retraction Payment Date in respect of such Valuation Date.

On a 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. As this Preferred Share Retraction Price may be less than \$25.00 and will vary depending on the net asset value at the time of retraction, the S&P rating of the Preferred Shares does not extend to the amount payable on a retraction. 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 and less the amount paid for the Company’s Class A Shares, divided by the number of Preferred Shares outstanding. Liabilities will include any expenses previously funded by the Manager on behalf of the Company and Deferred Management Fees (as hereinafter defined), calculated as at the Valuation Date. The value of the Forward Agreement, at any time, will primarily depend on the value of the Credit Linked Note. See “Valuation”.

Subject to the Company’s right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, any and all Preferred Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not retracted thereon, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares which

are not retracted by the Company on the relevant Retraction Payment Date.

During the year ended June 30, 2009, the Company redeemed 2,459,418 preferred shares for a total cost of \$7,183,093, or an average of \$2.92 per preferred share (18,900 preferred shares for a total cost of \$299,093 during the year ended June 30, 2008). As a result, the principal amount of the CLN is currently \$199,305,000.

3.1.3 Resale of Preferred Shares Tendered for Retraction

The Company has entered into an agreement (the “Recirculation Agreement”) with Scotia Capital Inc. (the “Recirculation Agent”) pursuant to which the Recirculation Agent has agreed to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the Holder of the Preferred Shares so tendered has not withheld consent thereto. The Company is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Preferred Shares is found in this manner, the amount to be paid to the Holder of the Preferred Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the applicable Preferred Share Retraction Price described above.

3.1.4 Redemption

The 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 any liabilities of Credit Trust III), and on the disposition of any other assets of the Company, less liabilities of the Company and less the amount paid for the Company’s Class A Shares, divided by the number of Preferred Shares outstanding. For this purpose, liabilities will not include Deferred Management Fees or any expenses previously funded by the Manager on behalf of the Company (other than expenses funded by the Manager from that portion of its annual management fee not included in the Deferred Management Fee). Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior the Redemption Date.

The Company will also be entitled to redeem all of the Preferred Shares prior to the Redemption Date at the Preferred Share Redemption Price upon an acceleration of the Credit Linked Note following an Event of Default or otherwise. See “the Credit Linked Note”.

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. There is no assurance that any Residual Amount will remain.

3.1.5 Rating of the Preferred Shares

The Preferred Shares were assigned a rating of P-1 (low) by S&P at inception. S&P’s ratings for preferred shares range from P-1 to P-5 on its Canadian Preferred Share Rating Scale. The A rating category is the highest of the three categories used by S&P on its global preferred share scale. S&P has indicated that it’s rating of the Preferred Shares addresses the ability of the Company to meet the capital repayment and distribution objectives of the Company. The rating is based on a number of factors, including the structure of the Company, Credit Trust III and the Credit Linked Note, and an assessment of the creditworthiness of the Counterparty and TD Bank. See “Rating of the Credit Linked Note” for information on the rating of the Credit Linked Note.

Holders and prospective purchasers of the Preferred Shares should consult S&P with respect to the interpretation and implications of the rating. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by S&P.

On November 10, 2008, as a result of the implementation of restructuring initiatives, and based on a request made by the Manager, S&P withdrew its rating on the Company’s Preferred Shares. Prior to this action the Preferred Shares were rated P-4 (high) on CreditWatch.

3.1.6 Priority

The Preferred Shares rank in priority to the Class A Shares with respect to the payment of dividends, distributions upon a

redemption, retraction or reduction of capital, and distributions upon the dissolution, liquidation or winding up of the Company. As there will only be a nominal number of Class A Shares outstanding, virtually all of the gains and all of the losses arising as a result of the Company's investments will be for the account of the Preferred Shareholders.

3.1.7 Voting Rights

Except as required by law or as set out below under "Shareholder Matters", Holders of Preferred Shares will not be entitled to receive notice of, to attend or to vote at any meeting of security holders of the Company.

3.1.8 Suspension of Redemption or Retractions of Preferred Shares

The Manager may suspend the redemption or retraction of Preferred Shares or payment of redemption or retraction proceeds: (i) during any period when normal trading in securities owned by the Company is suspended on the Toronto or New York stock exchanges (provided more than 50% of the total assets of the Company, by dollar value, trade on one of such suspended markets) and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Company to execute trades in such securities; or (ii) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of its assets or in such other circumstances as the Manager considers appropriate, only with the prior approval of the securities regulatory authorities. The suspension may apply to all requests for redemption or retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Holders making such requests shall be advised by the Manager of the suspension and that the redemption or retraction will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Holders shall have and shall be advised that they have the right to withdraw their requests for redemption or retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Company, any declaration of suspension made by the Manager shall be conclusive.

3.1.9 Book-Entry Only System

Registration of interests in and transfers of the Preferred Shares is made through the book-entry only system. Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such securities. References in this annual information form to a holder of Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such securities.

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

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

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

Any Retraction Notice which CDS determines to be incomplete, not in proper form or not duly executed, shall for all purposes be void and of no effect and the retraction privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise retraction privileges or to give effect to the settlement thereof in

accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Company to the CDS Participant or to the owner.

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

3.2 CLASS A SHARES

The holders of Class A Shares are entitled to receive dividends, if as and when declared by the board of directors of the Company. 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 are 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 price 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 dissolution, liquidation or winding-up of the Company.

A trust established for the benefit of the Holders owns all of the issued and outstanding Class A Shares of the Company.

3.3 SHAREHOLDER MATTERS

3.3.1 Meetings of Holders

Except as required by law or set out below, Holders of Preferred Shares are not entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company.

3.3.2 Acts Requiring Holder Approval

The following matters require the approval of the Holders by a two-thirds majority vote (other than items (c), (f), (i) and (j) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the investment strategy of the Company including any determination by the Company, at its option (other than in connection with a redemption or retraction of Preferred Shares, the funding of liabilities or to reduce its mark-to-market exposure under the Forward Agreement), to terminate the Forward Agreement without entering into replacement arrangements;
- (b) a change in the investment restrictions of the Company;
- (c) any change in the basis of calculating fees or other expenses that are charged to the Company which could result in an increase in charges to the Company;
- (d) a change of the manager of the Company, other than a change resulting in an affiliate of such person assuming such position;
- (e) a decrease in the frequency of calculating the net asset value per Preferred Share or of retraction privileges;
- (f) a change of the auditors of the Company;
- (g) any additional issuances of Preferred Shares or the issuance of debt securities or shares ranking prior to the Preferred Shares;
- (h) a liquidation, dissolution or winding-up of the Company prior to the Redemption Date or a consolidation, merger or sale of all or substantially all of its assets;

- (i) a reorganization with, or transfer of assets to, another mutual fund corporation, if
 - (i) the Company ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in Holders becoming security holders in the other mutual fund corporation;
- (j) a reorganization with, or acquisition of assets of, another mutual fund corporation, if
 - (i) the Company continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the security holders of the other mutual fund corporation becoming shareholders of the Company; and
 - (iii) the transaction would be a significant change to the Company; and
- (k) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares or Class A Shares if such change would materially adversely affect the rights attaching to the Preferred Shares.

In addition, each of the foregoing (other than items (e) and (f)) will be subject to confirmation from S&P that its rating of the Preferred Shares will not be reduced or withdrawn as a result of such change or action.

Each Preferred Share will have one vote at such a meeting. Twenty-five percent of the outstanding Preferred Shares represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the Holders then present will constitute a quorum at an adjourned meeting.

3.3.3 Information and Reports to Holders

The Company will furnish to Holders unaudited interim and annual audited financial statements, accompanied by management reports of fund performance of the affairs and operations of the Company and Credit Trust III and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Holders' tax returns under the Tax Act and equivalent provincial legislation. The financial statements of Credit Trust III will include a statement of investments of Credit Trust III. The Company will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws.

Prior to any meeting of Holders, the Company will provide Holders (along with notice of such meeting) all such information as is required by applicable law to be provided to Holders.

4 METHOD OF VALUATION

RBC Dexia Investor Services Trust (the "Valuation Agent") calculates the value of the Company's and Credit Trust III's respective assets, twice a month (each, a "NAV Valuation Date") as set forth below.

The total assets of the Company consist of the aggregate value of the Common Share Portfolio held by the Company and the Forward Agreement together with any assets of the Company invested in cash and cash equivalents. Since the value of the Company's rights and obligations under the Forward Agreement is determined by reference to the value of the Credit Linked Note held by Credit Trust III, the Company's net asset value ("NAV") is linked to the value of the Credit Linked Note. The value of the Credit Linked Note is determined by the Manager using a price indication provided by TD Bank and such other information as the Manager deems relevant. See "The Credit Linked Note— Valuation of the CLN".

The Manager notifies the Valuation Agent of any adjustments in the holdings of either the Company or Credit Trust III. The Manager reviews the valuation and will, from time to time, consider the appropriateness of the valuation policies adopted by the Company and followed by the Valuation Agent, as such policies are modified from time to time in the discretion of the Manager, acting reasonably, and in the best interests of Holders.

The total assets of the Company and Credit Trust III are valued as follows:

- (i) the value of any security which is listed or traded upon a stock exchange is determined by taking the latest available sale price traded on such exchange during usual trading hours of recent date, or lacking any recent

sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless, in the opinion of the Valuation Agent, such value does not reflect the value thereof and in which case the latest offer price or bid price should be used), as at the NAV Valuation Date on which the NAV and the net asset value of Credit Trust III are being determined, all as reported by any means in common use;

- (ii) the value of any cash on hand or on deposit, prepaid expenses, cash dividends received (or declared to Holders of record on a date before the NAV Valuation Date as of which the NAV and the net asset value of Credit Trust III are being determined and to be received) and interest accrued and not yet received, is deemed to be the face amount thereof unless the Valuation Agent has determined that any such asset is not otherwise worth the face amount thereof, in which case the value thereof shall be deemed to be such value as the Valuation Agent determines to be the fair value thereof;
- (iii) the value of a forward contract is the gain or loss with respect thereto that would be realized if, on the NAV Valuation Date, the position in the forward contract were to be closed out in accordance with its terms;
- (iv) the value of any bonds, debentures and other debt obligations is valued by taking the average of the bid and ask prices on the NAV Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments, including notes and money market instruments, is valued at cost plus accrued interest;
- (v) in the case of Credit Trust III, the value of the Credit Linked Note is determined in the manner described under “Valuation of the CLN”;
- (vi) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable; and
- (vii) the value of all assets quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable in foreign currency and the value of all liabilities and contractual obligations payable in foreign currency are determined using the applicable rate of exchange current at, or as nearly as practicable to, the date on which the net asset value is computed.

Any net capital or non-capital losses available to the Company on the Redemption Date will not be treated as an asset on or subsequent to the Redemption Date, in the calculation of NAV.

The net asset value per Preferred Share is the amount obtained by dividing the NAV as of a particular date by the total number of Preferred Shares outstanding on that date (the “NAV per Preferred Share”). The Valuation Agent calculates the NAV per Preferred Share twice a month. The Manager will provide such information to Holders on request. The Manager also posts the NAV on its website (www.cclcapitalmarkets.com) twice a month.

The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold or retracted.

5 MANAGEMENT OF THE COMPANY

5.1 DIRECTORS AND OFFICERS

The name, municipality of residence, position with the Company and principal occupation of each of the directors and officers of the Company are:

Name and Municipality	Position with the Company	Principal Occupation
W. NEIL MURDOCH Oakville, Ontario	Director, President and Chief Executive Officer	President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.

Name and Municipality	Position with the Company	Principal Occupation
PHILIP K. GOW* Lunenburg, Nova Scotia	Vice President	Corporate Director
FRANK SANTANGELI* Toronto, Ontario	Director	Corporate Director
SELWYN KLETZ* Toronto, Ontario	Director	Corporate Director

* Members of the Audit Committee

Directors of the Company, other than nominees of the Manager, receive remuneration for their services as directors. The Board of Directors' fees paid during the year ended June 30, 2009 were \$24,445 (\$20,473 during the year ended June 30, 2008). The principal occupations of Messrs. Gow and Murdoch, and their previous principal occupations are described below under "Officers and Directors of the Manager".

Frank Santangeli has worked in the financial services industry since 1960. Positions he has held include Vice President of Sunlife of Canada, President and Chief Executive Officer of Finsco Investment Management Corporation, and Vice President of Imasco Financial Corporation. He has also served as Chairman of The Investment Funds Institute of Canada.

Selwyn Kletz is Chairman of Guardian Timing Services Inc. He was previously President, North America of Asset Management Investment Company PLC, a British based company engaged in the business of investing in investment counseling companies, having served as President and CEO of AMIC Canada Limited since its inception. He was previously a Managing Director of CIBC Wood Gundy Securities Inc. where he managed the Global Equity Research Department and served as a member of the Equity Management Committee and the Investment Committee of the merchant banking arm. Earlier in his career, Mr. Kletz founded and managed MYW Financial Management (since incorporated into Scotia Investment Management Limited), Laurim Capital Management Inc. and Laurentian Investment Management (Canada) Inc. Mr. Kletz has more than 30 years of experience in the investment business.

5.2 THE MANAGER

Connor, Clark & Lunn Capital Markets Inc. performs management services for the Company pursuant to a management agreement (the "Management Agreement") dated March 8th, 2005. The Manager is entitled to receive fees as compensation for management services rendered to the Company. See "Fees and Expenses".

As of June 30, 2009 the Manager managed Canadian Banc Capital Securities Trust, Connor, Clark & Lunn 2008 Flow-Through Limited Partnership, Connor, Clark & Lunn 2007 Flow-Through Limited Partnership, Connor, Clark & Lunn Global Financials Fund II, CANADIAN Financials & Utilities Split Corp., Connor, Clark & Lunn ROC Pref Corp., Focused Global trends Fund, Connor, Clark & Lunn Real Return Income Fund, ROC Pref Corp., Connor, Clark & Lunn Conservative Income Fund, ROC Pref II Corp., ROC Pref III Corp., SNP Health Split Corp., Faircourt Gold Income Fund and Connor, Clark & Lunn PRINTS Trust.

The Manager is part of the Connor, Clark & Lunn Financial Group, which also includes Connor, Clark & Lunn Investment Management Ltd., Connor, Clark & Lunn Private Capital Ltd., Baker Gilmore & Associates Inc., PCJ Investment Counsel Ltd., Scheer Rowlett & Associates Investment Management Ltd., New Star Canada Inc., Banyan Capital Partners Management Partnership and Global Alpha Capital Management Ltd. (collectively, the "CC&L Group"). The CC&L Group offers professional management of financial assets for pension plan sponsors, capital accumulation plans, corporations, foundations, mutual funds and individual investors.

5.2.1 Duties and Services to be provided by the Manager

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the operations and affairs of the Company, to make all decisions regarding the business of the Company and to bind the Company. The Manager may delegate

certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Company to do so.

The Manager's duties include: maintaining accounting records for the Company; authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial statements, income tax returns and financial and accounting information as required by the Company; ensuring that Holders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Company complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Company's reports to Holders and to the Canadian securities regulators; providing the custodian with information and reports necessary for the custodian to fulfill its fiduciary responsibilities; administering the retraction and redemption of Preferred Shares; administering the Forward Agreement including partial or early settlement thereof; arranging for any payment required on or about the Redemption Date; dealing and communicating with Holders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, auditors and printers. The Manager provides office facilities and personnel to carry out these services, together with clerical services which are not furnished by the custodian, valuation agent or transfer agent of the Company.

The Manager is also responsible for selecting the Common Share Portfolio held by the Company. In addition, the Manager monitors the Company's investment strategy to ensure compliance with the Investment Guidelines. The Manager reports to the independent directors of the Company (the "Independent Committee") on a quarterly basis with respect to the operation and performance of the Company.

The Manager is required, under the Management Agreement, to notify the Independent Committee in writing of any conflict of interest or potential conflict of interest concerning the Manager or the Company (other than any such conflict of interest or potential conflict of interest relating to matters with respect to which the approval of Holders is required) and to consult with the Independent Committee in respect of any such conflict of interest or potential conflict of interest.

In the event of a dispute between the Independent Committee and the Manager with respect to a conflict of interest or potential conflict of interest, upon written direction of the Independent Committee, the Manager will call a meeting of Holders to consider the conflict of interest or potential conflict of interest.

A report of the Independent Committee, which summarizes any recommendations made or reports by the Independent Committee will be included in each of the annual reports provided to Holders.

The Company entered into the custodial agreement and the registrar, transfer agency and distribution agency agreement, all as referred to under "Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian". See "Material Contracts". Such agreements do not in any way release the Manager from compliance with its obligations to the Company under the Management Agreement. The Company may terminate each of the foregoing agreements upon notice.

5.2.2 Accounting and Reporting

The Company has elected June 30th as fiscal year end. The Manager ensures that the Company complies with all applicable reporting and administrative requirements.

The Manager must keep adequate books and records reflecting the activities of the Company. A Holder or his or her duly authorized representative has the right to examine the books and records of the Company during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Holder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Company.

5.2.3 Officers and Directors of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

Name and Municipality	Position with the Manager	Principal Occupation
W. Neil Murdoch Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
Michael W. Freund Toronto, Ontario	Director and Chairman	Managing Partner, Connor, Clark & Lunn Financial Group
Darren N. Cabral Toronto, Ontario	Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

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

Michael W. Freund: B.Bus.Sci., University of Capetown. Mr. Freund has held various management positions within the CC&L Group of companies since 1997. Mr. Freund's current principal occupation is managing partner of the Connor, Clark & Lunn Financial Group.

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

5.2.4 Management Agreement

Pursuant to the Management Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of Holders, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

The Manager may resign as manager of the Company upon 60 days' notice to the Holders and the Company or upon such lesser notice period as the Company may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by Holders. If the Manager is in material default of its obligations under the Management Agreement and such default has not been cured within 20 Business Days (any day on which commercial banks are open for business in Toronto, Ontario hereinafter referred to as a "Business Day") after notice of same has been given to the Manager, the Company shall give notice thereof to Holders and the Holders may remove the Manager and appoint a successor manager of the Company.

The Manager is entitled to fees for its services under the Management Agreement as described under "Fees and Expenses" and is reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Company. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Company for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's willful misconduct, bad faith or negligence.

5.2.5 Conflict of Interest — Manager

The services of the Manager and its officers and directors are not exclusive to the Company. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as comprise the Common Share Portfolio, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Company are made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be

effected on an equitable basis.

5.3 INDEPENDENT REVIEW COMMITTEE

National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”) which came into force on November 1, 2006 requires all publicly offered investment funds, such as the Partnership, to establish an IRC to whom the Manager must refer all conflict of interest matters for review or approval. NI 81-107 imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC must be comprised of a minimum of three independent members and is subject to requirements to conduct regular assessments and provide reports to the Manager and to Limited Partners in respect of its functions. The initial members of the IRC Fred Lazar, Frank Santangeli and Joseph Wright. The IRC acts as a review committee for a number of investment funds managed by the Manager.

The principal occupations and biographies of the IRC members are set out below.

Fred Lazar is a Professor of Economics at York University’s Schulich School of Business. In addition to a distinguished academic career, Mr. Lazar has served as a senior advisor to the governments of Canada and Ontario and to a number of national and international companies.

Frank Santangeli has worked in the financial services industry since 1960. Positions he has held include Vice-President of Sunlife Canada, President and Chief Executive Officer of Finsco Investment Management Corporation, and Vice President of Imasco Financial Corporation. He has also served as Chairman of The Investment Funds Institute of Canada.

Joseph Wright currently serves on the board of directors of several public companies and private organizations, including Loblaw Companies Limited and BFI Canada Income Fund. His former positions include the Chief Executive Officer of Swiss Bank Corporation (Canada) and Vice-Chairman and Director of Burns Fry Limited.

6 MANAGEMENT OF CREDIT TRUST III

6.1 THE MANAGER

Connor, Clark & Lunn Capital Markets Inc. performs management services for Credit Trust III pursuant to the Trust Agreement. The Manager is entitled to receive fees as compensation for management services rendered to Credit Trust III. See “Fees and Expenses”. The Manager is responsible for payment of the investment management fees of the Investment Advisor related to Credit Trust III.

6.1.1 Duties and Services to be provided by the Manager

The Manager has exclusive authority to manage the operations and affairs of Credit Trust III, to make all decisions regarding the business of Credit Trust III and to bind Credit Trust III. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of Credit Trust III to do so.

6.1.2 Credit Trust III Management

The Manager will continue as manager until terminated in accordance with the terms of the Trust Agreement. The terms of its appointment will be the same as the Management Agreement. See “Management of the Company — Management Agreement”.

6.1.3 Advisory Board

Credit Trust III established an advisory board (the “Advisory Board”) currently consisting of two members appointed by the Manager each of whom is independent of the Manager, the Investment Advisor, and each of their affiliates, and free from any interest and any business or other relationship which could, or could be reasonably perceived to, materially interfere with an Advisory Board member’s judgment. The Advisory Board provides independent advice to the Manager in order to assist the Manager in performing its services under the Trust Agreement. The Trust Agreement provides that the members of the Advisory Board will act honestly and in good faith in the best interests of Credit Trust III and its unitholders and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in

comparable circumstances.

The Manager reports to the Advisory Board on the operation and performance of Credit Trust III on a quarterly basis, including with respect to compliance with the investment objectives, investment strategies and investment restrictions of Credit Trust III and material contracts of Credit Trust III, as amended from time to time.

The Manager is required, under the Trust Agreement, to notify each member of the Advisory Board in writing of any conflict of interest, potential conflict of interest or related party transaction concerning the Manager or Credit Trust III, including those with respect to the Investment Advisor of which the Manager is aware (other than any such conflict of interest, potential conflict of interest or related party transaction relating to matters with respect to which the approval of unitholders of Credit Trust III is required under the Trust Agreement) and to consult with the Advisory Board in respect of any such conflict of interest, potential conflict of interest or related party transaction.

In the event of a dispute between the Advisory Board and the Manager with respect to a conflict of interest, potential conflict of interest or related party transaction, upon written direction of the Advisory Board, the Manager will call a meeting of unitholders of Credit Trust III to consider the conflict of interest, potential conflict of interest or related party transaction.

Credit Trust III's annual report to unitholders includes a report by the Advisory Board summarizing any recommendations made by the Advisory Board, including recommendations made and not followed by the Manager, and any other matter that the Advisory Board determines to be appropriate in the circumstances.

All fees and expenses of the Advisory Board are paid by Credit Trust III, and the regular fees and expenses of the Advisory Board are included in the on-going fees and expenses. See "Fees and Expenses — On-Going Expenses". The Board of Advisor's fees paid during the year ended June 30, 2009 were \$10,482 (\$10,568 during the year ended June 30, 2008). In addition, the Advisory Board has the authority to retain, at the expense of Credit Trust III, independent counsel or other advisors if Credit Trust III deems it appropriate to do so.

The members of the Advisory Board are indemnified by Credit Trust III, except in cases of willful misconduct, bad faith, negligence or breach of their standard of care. The Advisory Board members are not be responsible for the investments made by Credit Trust III, or for the performance of Credit Trust III. The members of the Advisory Board may serve in a similar capacity in respect of other entities managed by the Manager. The initial members of the Advisory Board are Frank Santangeli and Selwyn Kletz, both of whom are independent of the Manager. The principal occupations of Messrs. Santangeli and Kletz are described above under "Management of the Company — Directors and Officers of the Company".

6.1.4 Conflict of Interest — Manager

The services of the Manager and its officers and directors are not exclusive to Credit Trust III. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as those held by Credit Trust III, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for Credit Trust III are made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for Credit Trust III and for one or more of its other clients. If Credit Trust III and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions are effected on an equitable basis.

6.2 THE INVESTMENT ADVISOR

The Investment Advisor was established in March 1982 and is an affiliate of the Manager. The principal office of the Investment Advisor is located at 2200 - 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3.

The name, municipality of residence, position with the Investment Advisor and principal occupation of each of the directors and officers of the advisor are set out below:

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

Except as indicated below, each of the foregoing has held his or her current office or has held a similar office with the Investment Manager during the five years preceding the date hereof.

Mr. Freund was appointed to the Board of the Investment Manager in 2001. Mr. Eby was appointed to the Board of the Investment Manager in 2002. Mr. Cotterill was appointed to the Board of the Investment Manager in 2003. The team of investment professionals responsible for investment management at the Investment Manager all have significant experience in managing investment portfolios. The investment managers of the Investment Manager who will be primarily responsible for managing the Portfolio are Warren Stoddart and Brian Eby, who will be assisted by Simon McNair and David George.

Warren Stoddart: BA, Trinity College, University of Toronto. Mr. Stoddart is a director of the Investment Manager and Managing Partner of the Connor, Clark & Lunn Financial Group. Mr. Stoddart is co-head of the fixed income team responsible for fixed income management strategy and research and also a member of the risk management team. Mr. Stoddart has 16 years experience covering three separate recessionary periods. In addition to his portfolio management experience, he has participated in the fixed income market as an employee of an issuer of debt, a principal lender to investment and sub-investment grade credits and in debt restructuring and workouts.

Brian Eby: CFA, MBA, BComm, McMaster University. Mr. Eby is a director of the Investment Manager and a partner of Connor, Clark & Lunn Investment Management Partnership. Mr. Eby is co-head of the fixed income team responsible for fixed income management strategy and research. Mr. Eby has 17 years experience covering three separate recessionary periods. His experience outside portfolio management includes advising in the structuring/restructuring of public debt programs and underwriting of corporate bonds. Prior to joining the CC&L Group in 1998, Mr. Eby held various roles with Scotia Capital

Markets Inc. for 10 years, including Director, Fixed Income, Proprietary Trading.

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

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

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

6.2.1 Services to be provided by the Investment Advisor

Decisions as to the active management of, and the evaluation of risks associated with, the CLN Portfolio and the Credit Linked Note held by Credit Trust III are made by the Investment Advisor in accordance with and subject to the Credit Trust III Investment Advisory Agreement and the investment restrictions applicable to Credit Trust III.

The Manager is responsible for ensuring that the provisions of the Credit Trust III Investment Advisory Agreement are consistent with the investment guidelines and restrictions relating to Credit Trust III and that such investment guidelines and restrictions comply with applicable Canadian federal and provincial laws. The Manager is also responsible for analyzing all provisions of applicable Canadian federal and provincial laws and interpretation of such laws (and any changes thereto) referred to in the investment guidelines and restrictions relating to Credit Trust III. See “Investment Guidelines of Credit Trust III”.

6.2.2 The Investment Advisor’s Approach to Selecting the CLN Portfolio

The Investment Advisor employs a number of screening techniques to monitor the CLN Portfolio with the objective of minimizing the expected default rate within the context of providing the yield target necessary to pay the fixed distributions on the Preferred Shares. The Investment Advisor considers such factors as:

- diversification by name, industry, country and region, taking into consideration such factors as related entities, parent/subsidiary relationships and guarantees;
- a statistical assessment of the expected default rate of the Reference Companies in the CLN Portfolio to ensure they meet the objectives of Credit Trust III; and
- credit analysis from a quantitative and qualitative perspective, including a review of third party reports from rating agencies and others.

With the benefit of these screening techniques, the Investment Advisor monitors the CLN Portfolio so as to minimize the probability of defaults. A separate qualitative credit analysis is done by the Investment Advisor with the objective of identifying any unique risks associated with individual businesses. Based on this qualitative analysis a number of names from the model portfolio may be eliminated or replaced in the CLN Portfolio from time to time.

6.2.3 The Credit Trust III Investment Advisory Agreement

Under the Credit Trust III Investment Advisory Agreement, the Investment Advisor is required to act at all times on a basis which is fair and reasonable to Credit Trust III, to act honestly and in good faith with a view to the best interests of Credit Trust III and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Credit Trust III Investment Advisory Agreement provides that the Investment Advisor shall not be liable in any way for any default, failure or defect in the Credit Linked Note or for any loss or diminution in the value of such note or other loss or damage suffered by any such person or for any errors of judgment, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Investment Advisor will, however, incur liability in cases of willful misconduct, bad faith or negligence.

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

The Investment Advisor may terminate the Credit Trust III Investment Advisory Agreement upon 20 Business Days' notice in the event that Credit Trust III is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 Business Days' notice of same to the Manager and to Credit Trust III, or in the event that there is a material change in the investment guidelines of Credit Trust III.

If the Credit Trust III Investment Advisory Agreement is terminated, the Manager will promptly appoint a successor investment advisor to carry out the activities of the Investment Advisor until a meeting of Unitholders is held to confirm such appointment.

Any amendment to the Credit Trust III Investment Advisory Agreement which would have an adverse effect on the ability of Credit Trust III to perform any of its material obligations under any material agreements to which it is a party requires the prior written consent of TD Bank, which consent shall not be unreasonably withheld or delayed.

The Manager, in its capacity as manager of Credit Trust III, is responsible for the payment of the fees of the Investment Advisor out of its fees.

6.2.4 Conflict of Interest — Investment Advisor

The services of the Investment Advisor and its officers and directors are not exclusive to Credit Trust III or the Manager. The Investment Advisor or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as those held by Credit Trust III, and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for Credit Trust III are made independently of those made for other clients and independently of investments of the Investment Advisor. On occasion, however, the Investment Advisor may make the same investment for Credit Trust III and for one or more of its other clients. If Credit Trust III and one or more of the other clients of the Investment Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

7 PORTFOLIO TRANSACTIONS AND BROKERAGE

The Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Company's investments and, when applicable, the negotiation of commissions in connection therewith. The Company is responsible to pay those commissions.

8 CUSTODIAN

Pursuant to a custodian agreement (the "Custodian Agreement"), the Company has retained RBC Dexia Investor Services Trust (formerly "The Royal Trust Company") (the "Custodian") to act as custodian of the assets of the Company. The principal office of the custodian is located at The Royal Trust Tower, 12th Floor, P.O.Box 7500, Station "A", 77 King Street West, Toronto, Ontario M5W 1P9.

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.

9 AUDITORS

The auditors of the Company are PricewaterhouseCoopers LLP. The principal office of the auditor's is located at The Royal Trust Tower, Suite 3000, 77 King Street West, Toronto, Ontario M5K 1G8.

10 REGISTRAR, TRANSFER AGENT AND DISTRIBUTION AGENT

The registrar, transfer agent and distribution agent is Computershare Investor Services Inc. The principal office of the registrar and the place where the securities register for the Preferred Shares is kept is located at 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1.

11 FEES AND EXPENSES

11.1 INITIAL FEES AND EXPENSES

The expenses of the Offering (including the costs of creating and organizing the Company, the costs of printing and preparing the prospectus, legal expenses, marketing and advertising expenses and other reasonable out-of-pocket expenses) incurred by the Company and the Agents and other incidental expenses, which were \$1,105,800, were paid out of the gross proceeds of the Offering. In addition, the Agents' fees, which were \$7,950,000, were paid to the Agents from the gross proceeds of the Offering.

11.2 ONGOING FEES AND EXPENSES

The aggregate of the ongoing annual fees and expenses to be directly and indirectly borne by the Company is expected to be less than 1.10% of NAV. These fees and expenses consist of (i) annual management fees of the lesser of (a) 0.35% of NAV and (b) 0.35% of the initial NAV; (ii) fees payable under the Forward Agreement of approximately 0.45% of the net asset value of Credit Trust III together with, in certain circumstances, a variable fee representing hedging costs commencing six months following the closing of the Offering, calculated and payable quarterly in arrears; and (iii) ongoing expenses in connection with operation and administration. If the fees and expenses described above exceed 1.10% of the par value of the Preferred Shares 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).

No fees are payable to TD Bank under the Credit Linked Note. Any benefit realized by TD Bank under the Credit Linked Note is priced into the coupon paid on the Credit Linked Note.

11.2.1 Management Fees

As compensation for management services rendered to the Company, the Manager is entitled to receive an annual management fee in an amount equal to the lesser of (a) 0.25% per annum of the NAV and (b) 0.25% of the Company's initial NAV, to be calculated and payable monthly in arrears, plus applicable taxes. The Manager is also entitled to the Deferred Management Fee together with any fees and expenses funded by the Manager, 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 Holders.

As compensation for management services rendered to Credit Trust III, the Manager is entitled to receive an annual management fee in an amount equal to the lesser of (a) 0.10% of the net asset value of Credit Trust III and (b) 0.10% of Credit Trust III's initial net asset value calculated and payable monthly in arrears, plus applicable taxes.

For the year ended June 30, 2009, the Company paid \$120,197 and \$44,148 in the Credit Trust III in management fees due to the manager (\$394,326 in the Company and \$154,668 in Credit Trust III for the year ended June 30, 2008).

To the extent that any assets remain after the original issue price of the Preferred Shares, together with any accrued and unpaid distributions have been paid to Holders, the Manager will be paid (i) an amount equal to any fees and expenses funded by the Manager on behalf of the Company, and (ii) an additional one-time management fee payable on the Redemption Date, calculated on the quarterly NAV on an effective basis of 0.65% per annum (the "Deferred Management Fee").

The Manager, in its capacity as manager of Credit Trust III, is responsible for payment of the investment management fees of the Investment Advisor.

11.2.2 On-Going Expenses

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 III together with a variable fee representing hedging costs commencing six months following the closing

of the Offering, calculated and payable quarterly in arrears.

Each of the Company and Credit Trust III also pay for all expenses incurred in connection with its operation and administration. These expenses include, without limitation: mailing and printing expenses for periodic reports to Holders; fees payable to the trustee for acting as trustee of Credit Trust III; fees payable to the Valuation Agent for performing certain valuation services; fees payable to the custodian for acting as custodian of the assets of the Company; fees payable to the transfer agent and registrar for performing certain financial, record keeping, reporting and general administrative services; fees payable to the auditors and legal advisors; fees payable to certain of the directors of the Company and to members of the Advisory Board; on-going regulatory filing fees and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their on-going obligations to the Company or Credit Trust III; expenses relating to portfolio transactions; and any expenditures which may be incurred upon the termination of Credit Trust III. The Manager estimates that administration and operating costs for the Company and Credit Trust III will be approximately \$215,000 and \$50,000, respectively, per annum. For the year ended June 30, 2009, these ongoing expenses were \$251,749 in the Company, and \$24,080 in the Credit Trust III (\$219,460 in the Company and \$31,812 in the Credit Trust III for the year ended June 30, 2008). A small amount of additional administration and operating costs may arise as a result of the winding down on termination of both the Company and Credit Trust III. Each of the Company and Credit Trust III are also responsible for its other costs including of portfolio transactions and any extraordinary expenses which may be incurred from time to time.

12 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

12.1 TAXATION OF THE COMPANY

The Company qualifies and intends to continue to qualify as a mutual fund corporation under the Tax Act. 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 after the deduction of expenses in computing its taxable income, the Company should not be subject to any material net Canadian income tax liability.

12.2 TAXATION OF HOLDERS

Returns of capital distributed by the Company to Holders are generally not subject to tax but will reduce the adjusted cost base of the Preferred Shares to the Holder. The amount of any capital gains dividend received by a Holder will be considered to be a capital gain of the Holder from the disposition of capital property in the taxation year of the Holder in which the capital gains dividend is received. Holders are not expected to receive distributions other than returns of capital and, in certain circumstances, capital gains dividends. A disposition of a Preferred Share held as capital property may result in a capital gain or a capital loss to the Holder thereof. A redemption or retraction of Preferred Shares is considered to be a disposition for these purposes.

13 MATERIAL CONTRACTS

Material contracts, which have been entered into by the Company since its formation, other than contracts entered into in the ordinary course of business, are as follows:

- (i) the Management Agreement between the Company and the Manager referred to under “Management of the Company — The Manager”;
- (ii) the Agency Agreement made between the Company, the Manager and the Agents referred to under “Plan of Distribution”;
- (iii) the custodial agreement made between the Company and RBC Dexia Investor Services Trust referred to under “Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian”;
- (iv) the registrar, transfer agency and distribution agency agreement made between the Company and Computershare referred to under “Auditors, Valuation Agent, Transfer Agent, Registrar and Custodian”; and

- (v) the Forward Agreement made between the Company and the Counterparty referred to under “Investment Guidelines of the Company”.

Although the Company is not a party to them, the Credit Linked Note and the Note Repurchase Agreement between Credit Trust III and TD Bank, referred to under “The Credit Linked Note — Liquidity of the Credit Link” are, by virtue of the Forward Agreement, relevant to Holders of the Preferred Shares.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the Manager at Suite 300, 181 University Avenue, Toronto, Ontario and are also available on www.sedar.com.

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ROC Pref. III Corp.

Additional information about ROC Pref III Corp. is available in the financial statements. You can get copy of the financial statements, including a statement of portfolio transactions, at no charge by contacting the Manager by:

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Toronto, ON
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www.cclcapitalmarkets.com

➤ Phone: 416 862-2020

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