



# Business Development Bank of Canada Banque de développement du Canada

*(An agent for and on behalf of Her Majesty in right of Canada)*

## U.S.\$3,000,000,000

## Euro Medium Term Note Programme

*for the issue of Notes  
due up to 15 years from the date of issue*

*Business Development Bank of Canada (the "Issuer") has entered into a U.S.\$3,000,000,000 Euro Medium Term Note Programme as described in this Prospectus (the "Programme"). This Prospectus supersedes the prospectus dated 8 August, 2003 and the supplemental prospectus thereto, dated 6 February, 2004. Any Euro Medium Term Notes (the "Notes", which expression shall include Notes as defined below) to be issued after the date hereof under the Programme are issued subject to the provisions set out herein. This Prospectus does not affect any Notes issued prior to the date hereof.*

The Issuer is an agent for and on behalf of Her Majesty in right of Canada ("Canada") for purposes of the Notes to be issued under the Programme. The Issuer may from time to time issue Notes denominated in such currency or currencies as may be agreed with the Purchaser(s) (as defined below) subject to compliance with all relevant laws, regulations and directives. Subject as set out herein and subject to compliance with all relevant laws, regulations and directives, the Notes will have maturities from one day to 15 years from the date of issue and, subject as set out herein, the maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein). The Notes may (i) be issued at their nominal amount or at a premium over or discount to their nominal amount, (ii) bear interest on a fixed or floating rate or index or formula linked basis or be issued on a fully discounted basis and not bear interest, (iii) specify an amount payable upon redemption of the Notes which may be fixed or variable or index or formula linked, (iv) specify a currency or currencies, other than the original currency of issue, in which payments of principal and/or interest may be made, (v) be issued on a fully or partly paid basis and (vi) provide that they will be redeemed in instalments.

The Notes will be issued on a continuing basis to one or more of the dealers specified on page 6 (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealer appointed under the Programme from time to time). Notes may also be issued to persons other than Dealers. Dealers and such other persons are referred to as "Purchasers".

This Prospectus (excluding all information incorporated by reference at items (2) and (3) of "Documents Incorporated by Reference" on page 5) has been approved by the Financial Services Authority in its capacity as competent authority (the "UKLA") under the Financial Services and Markets Act 2000, as amended (the "FSMA"), the UKLA being the United Kingdom's competent authority for the purpose of Directive 2003/71/EC (the "Prospectus Directive"), and relevant implementing measures in the United Kingdom, as a base prospectus for the Issuer for the purposes of Article 5.4 of the Prospectus Directive.

Applications have been made to the UKLA for Notes issued within 12 months of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the "Market"). The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EEC. Notice of the aggregate nominal amount of, interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set forth in the relevant final terms (the "Final Terms") which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the Market, will be delivered to the UK Listing Authority and to the London Stock Exchange on or before the date of issue of such Notes.

The Programme provides that Notes may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or may be admitted to listing, trading and/or quotation by such other or further listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Purchaser(s) in relation to each issue.

The Notes of each Tranche (as defined under "Terms and Conditions of the Notes") will initially be represented by one or more global Notes which will (i) if the global Notes are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche (as defined in "Terms and Conditions of the Notes" below) to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, Société anonyme ("Clearstream, Luxembourg"); and (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the issue date thereof to a common depositary (or depositary, as the case may be) on behalf of Euroclear, Clearstream, Luxembourg or any other agreed clearance system as further described in "Form of the Notes" herein. Such temporary global Note will be exchangeable for a permanent global Note or bearer Notes in definitive form ("Definitive Notes") and a permanent global Note will be exchangeable for Definitive Notes, in all cases only in the manner and upon compliance with the procedures described in "Form of the Notes" herein.

**PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE SECTION HEADED "RISK FACTORS" FOR A DISCUSSION OF FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES**

*Arranger*

**Citigroup**

*Dealers*

**Citigroup**

**Merrill Lynch International**

**Mizuho International plc**

**RBC Capital Markets**

**UBS Investment Bank**

**Daiwa Securities SMBC Europe**

**Mitsubishi UFJ Securities International plc**

**Nomura International**

**Shinkin International**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with any supplement hereto as may be approved by the UKLA from time to time and with all the documents which are deemed to be incorporated herein or therein by reference (see "Documents Incorporated by Reference" on page 5). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus (but information incorporated by reference at items (2) and (3) of "Documents Incorporated by Reference" on page 5 does not form part of the base prospectus approved by the UKLA) and, in relation to any Series or Tranche of Notes, should be read and construed together with the relevant Final Terms.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information supplied in connection with the Programme or the Notes. The Dealers accept no liability in relation to the information contained in this Prospectus or any other information supplied in connection with the Programme or the Notes or their distribution.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by either the Issuer or any of the Dealers.

Copies of Final Terms for Notes that are offered to the public or admitted to trading on a regulated market in the European Economic Area (including the Market) in circumstances requiring publication of a prospectus in accordance with the Prospectus Directive and any relevant implementing measures (i) can be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of the Issuer and the headline "Publication of Prospectus" and (ii) will be available free of charge from the executive offices of the Issuer and the specified office of each Paying Agent set out at the end of this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the Programme or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either the Issuer or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus, nor any other information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or the date upon which this document is most recently supplemented or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recent published financial information regarding Canada and the Issuer when deciding whether or not to purchase any of the Notes.

The distribution of this Prospectus and any Final Terms and the offer, sale or delivery of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers (save for the approval of this document by the UKLA and the request to the UKLA for certificates of approval to be delivered to the competent authority in certain Member States of the EEA as may be set out in the relevant Final Terms) which would permit a public offering of the Notes or distribution of this document, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Notes in the United States, the European Economic Area (including the United Kingdom and The Netherlands) and Japan (see "Plan of Distribution" on page 61).

The deposits evidenced by deposit notes do not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act*.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Plan of Distribution" on page 61).

The Notes have not been approved or disapproved by the United States Securities Exchange Commission nor has any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In this Prospectus, references to "Canadian Dollars" and "C\$" are to the currency of Canada; references to "euro" and "€" are to the single currency of those member states of the European Union participating in the European Monetary Union from time to time, references to "Pounds Sterling" and "£" are to the currency of the United Kingdom and references to "U.S. Dollars" and "U.S.\$" are to the currency of the United States of America.

In this Prospectus, references to the "European Economic Area" or "EEA" are to Member States of the European Union together with Iceland, Norway and Liechtenstein.

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**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES UNDER THE PROGRAMME, THE MANAGER(S) (IF ANY) NAMED AS STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES (PROVIDED THAT, IN THE CASE OF ANY TRANCHE OF NOTES TO BE ADMITTED TO TRADING ON THE MARKET OR ANY OTHER REGULATED MARKET IN THE EEA, THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISING ACTIVITIES. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF THE NOTES.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Prospectus and as at the date of this Prospectus have been approved by or filed with the Financial Services Authority, shall be deemed to be incorporated by reference in, and to form part of, this Prospectus:

- (1) Exhibit (D) to the Form 18-K of Canada filed with the United States Securities Exchange Commission ("SEC") on 21 December 2005, as amended by Form 18-K/A of Canada filed with the SEC on 15 February, 2006, Form 18-K/A of Canada filed with the SEC on 11 May, 2006 and by Form 18-K/A of Canada filed with the SEC on 28 September 2006;

save that any statement contained herein or in a document all or the relative portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document all or the relative portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

In addition, the following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and form part of, this Prospectus, provided that such documents shall not form part of the base prospectus approved by the UK Listing Authority for the purposes of the Prospectus Directive:

- (2) all supplements to the Prospectus prepared by the Issuer from time to time; and
- (3) any amendments to or replacements of Exhibit (D) to the Form 18-K of Canada filed with the SEC, including without limitation any amendments filed on Form 18-K/A, after the date of and during the currency of this Prospectus.

provided that any statement contained in a document all or the relative portion of which is incorporated by reference shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of this Prospectus and the documents incorporated by reference therein (but excluding (2) and (3) above unless otherwise incorporated in a supplementary prospectus under Article 16 of the Prospectus Directive) (a) can be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of the Issuer and the headline "Publication of Prospectus"; and (b) can be obtained on written request and without charge from the executive offices of the Issuer at Suite 400, 5 Place Ville Marie, Montreal, Québec, Canada, H3B 5E7, Attention: Vice-President and Treasurer and from the office of the Paying Agent, Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, Attention: Trust & Securities Services or any other Paying Agent at the address specified at the end of this Prospectus.

The Issuer has given an undertaking to the Dealers in connection with the listing of the Notes on the Official List and their admission to trading on the Market to the effect that if at any time after preparation of the Prospectus and at any time during the duration of the Programme, there is a significant new factor, material mistake or inaccuracy contained in the information given in this Prospectus which is capable of affecting the assessment of any Notes, the Issuer shall give to the Arranger and each Dealer full information about such change or matter and shall publish a supplementary prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes and shall otherwise comply with section 87G of the FSMA and shall supply to each Dealer such number of copies of the supplementary prospectus or new prospectus as such Dealer may reasonably request.

The financial information incorporated by reference or otherwise included in this Prospectus has not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002 of the European Parliament and the European Council of the European Union ("Regulation (EC) No. 1606/2002").

## DESCRIPTION OF THE PROGRAMME

Subject to the compliance with all relevant laws, regulations and directives, the Issuer may, from time to time, issue Notes denominated in such currency or currencies as may be agreed with the relevant Purchaser(s).

The issue price of Notes will be agreed between the Issuer and the relevant Purchaser(s) at the time of agreement to issue. The issue date, maturity date, nominal amount, interest rate (if any) applicable to a Note and any other relevant provisions of such Note not contained herein will be specified in such Note and in the applicable Final Terms, as more fully described under “Form of the Notes”.

Subject as set out herein, this Prospectus and any supplement hereto will only be valid for issuing Notes in an aggregate nominal amount of up to U.S.\$3,000,000,000 (or its equivalent in other currencies) outstanding at any one time.

For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another Specified Currency shall be determined as of the issue date of those Notes (the “Issue Date”) on the basis of the spot rate for the sale of U.S. dollars against the purchase of that currency in the London foreign exchange market quoted by a leading bank selected by the Agent on the Issue Date. The U.S. dollar equivalent of Dual Currency Notes and Indexed-Linked Notes shall be calculated in the manner specified above by reference to the original nominal amount of any particular issue. Zero Coupon Notes and other Notes issued at a discount will be included in such nominal amount of Notes outstanding under the Programme by reference to the net proceeds received by the Issuer for a particular issue.

**Issuer:** Business Development Bank of Canada  
Banque de développement du Canada  
*(an agent for and on behalf of Canada)*

**Programme Arranger:** Citigroup Global Markets Limited

**Dealers:** Citigroup Global Markets Limited  
Daiwa Securities SMBC Europe Limited  
Merrill Lynch International  
Mitsubishi UFJ Securities International plc  
Mizuho International plc  
Nomura International plc  
Royal Bank of Canada Europe Limited  
Shinkin International Ltd.  
UBS Limited

Notes may also be issued to third parties other than Dealers on the basis of enquiries made by such third parties to the Issuer.

**Issuing and Principal  
Paying Agent and  
Agent Bank:** Deutsche Bank AG, London Branch

**Description:** Continuously offered Euro Medium Term Note Programme

## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes issued by the Issuer should be based on a consideration of this Prospectus as a whole, including those documents incorporated by reference herein. Following the implementation of the relevant provision of the Prospectus Directive in each Member State of the EEA, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate, or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Series (as defined below — see “Form of the Notes” and “Terms and Conditions of the Notes”) of Notes, the Final Terms relevant thereto. Notes may also be issued in such other form and on such other terms as the Issuer may from time to time agree with the relevant Purchaser(s) in which case a supplemental prospectus or stand-alone prospectus will be made available which will set out the effect of the agreement reached in relation to such Notes. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meaning in this summary:*

### **The Issuer:**

The Federal Business Development Bank was established by the *Federal Business Development Bank Act*, an Act of the Parliament of Canada, which came into force on 2 October, 1975 and succeeded the Industrial Development Bank (“IDB”), which was formed in 1944. The Federal Business Development Bank was continued under the name Business Development Bank of Canada (the “Issuer”) by the *Business Development Bank of Canada Act*, the (“BDC Act”) an Act of the Parliament of Canada, which came into force on 13 July, 1995.

The Issuer was established to support Canadian entrepreneurship by providing financial and management services to small and medium-sized enterprises. Its predecessor, IDB, pursued similar objectives but was limited to provision of financial assistance. The various management services were added to provide the enterprise with a single source from which to obtain both financing and advice suited to its particular needs.

To the greatest extent consistent with its corporate purpose, the Issuer has endeavored to conduct its operations on a financially self-sustaining basis in accordance with commercial principles.

### **Agency and Crown Corporation Status:**

The Issuer is an agent of Her Majesty in right of Canada and is a federal Crown corporation wholly-owned by Canada. Crown corporations are established by the Parliament of Canada for many purposes, including administering and managing public services in which business enterprise and public accountability must be combined. As a Crown corporation, the Issuer is ultimately accountable to Parliament for the conduct of its affairs through the Minister of Industry. It is governed with respect to financial controls by the *Financial Administration Act (Canada)*, which establishes auditing and reporting requirements and specific procedures for financing the capital and operating requirements of Federal Government departments and Crown corporations.

As an agent of Her Majesty, the payment of principal of and any interest or premium on the Notes, carries the full faith and credit of Canada and the Notes constitute direct unconditional obligations of and by Canada. Payment of the principal of and any interest on the Notes is a charge on and payable out of the Consolidated Revenue Fund of Canada. The Consolidated Revenue Fund of Canada is the aggregate of all public moneys, such as tax revenues, which are on deposit at the credit of the Receiver General for Canada, the public officer who receives or collects public moneys for and on behalf of Canada.

<b>Regulatory Matters:</b>	<p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, directives, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, directives, restrictions or reporting requirements from time to time.</p> <p>Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in any other currency or another applicable exemption from section 19 of the FSMA is available. See “Plan of Distribution” below.</p>
<b>Risk Factors:</b>	Certain factors may affect the Issuer’s ability to fulfill its obligations under the Notes issued under the Programme. Prospective investors should have regard to the section headed “Risk Factors” set out below.
<b>Distribution:</b>	Notes may be distributed by way of private or (subject to any applicable selling restrictions) public placement and in each case on a non-syndicated or syndicated basis.
<b>Amount:</b>	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as of the Issue Date) outstanding at any one time. Under the Programme Agreement the maximum aggregate nominal amount of Notes which may be outstanding under the Programme may be increased, subject to the satisfaction of certain conditions set out therein.
<b>Currencies:</b>	Notes may be denominated in any currency or currencies as may be agreed between the Issuer and the relevant Purchaser(s) subject to compliance with all applicable legal or regulatory requirements.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated into euro. The relevant provisions applicable to any such redenomination will be set forth in full in the applicable Final Terms.
<b>Maturities:</b>	Notes may have any maturity from one day to and including 15 years (as indicated in the applicable Final Terms), subject in each case to any other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Notes may be issued at par or at a discount to, or premium over, par on a fully paid or partly paid basis.
<b>Form:</b>	Unless the applicable Final Terms specify otherwise, each Tranche of Notes having an original maturity of more than one year will initially be represented by a temporary global Note and each Tranche of Notes having an original maturity of one year or less will initially be represented by a permanent global Note which will (i) if the global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the relevant Issue Date to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Notes are not intended to be issued in NGN form, be delivered on or prior to the relevant Issue Date to the common depositary for Euroclear, Clearstream, Luxembourg, or in the case of a Tranche of Notes intended to be cleared through a clearing system other than or in addition to Euroclear and Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between the Issuer and the relevant Purchaser(s). Such temporary global Note will be exchanged either for a permanent global Note or for Definitive Notes not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership. A permanent global Note may, if specified in the applicable Final Terms, be exchanged, upon request, in whole by Noteholders or upon notice by the Issuer for Definitive Notes, with receipts in respect of instalments of principal (if any) attached and (unless they are Zero Coupon Notes) interest coupons and talons for further coupons (if any) attached, upon giving not less than 45 days’ written notice to the Agent as described in “Form of the Notes” below. If the applicable Final Terms specify

that U.S. Treasury Regulations Section 1.163-(5)(c)(2)(i)(C) promulgated under the Tax Equity and Fiscal Responsibility Act of 1982 of the United States (the “TEFRA C Rules”) applies, a Tranche of Notes will be represented by a global Note (a “TEFRA C global Note”). A TEFRA C global Note may only be exchanged for Definitive Notes, if so provided in the applicable Final Terms, either (a) automatically not more than 120 days after the relevant Issue Date or (b) upon request, at the option of the holder upon 45 days’ written notice. All other provisions relating to global Notes described herein apply to a TEFRA C global Note. Interests in a temporary or permanent global Note will be transferable in accordance with the management rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or any other agreed clearance system.

**Fixed Rate Notes:** Fixed rate interest will be payable in arrear on such day(s) as agreed between the Issuer and the relevant Purchaser(s) (as indicated in the applicable Final Terms) and on redemption.

Interest will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Purchaser(s) and specified in the relevant Final Terms.

**Floating Rate Notes:** Interest on Floating Rate Notes will be calculated at the rate as determined and payable on the dates and in the amounts as would have been payable by the Issuer had it entered into a notional interest swap transaction in the relevant Specified Currency (pursuant to and in accordance with an agreement in the form of the 2002 ISDA Master Agreement and incorporating the 2000 ISDA Definitions, each as published by the International Swaps and Derivatives Association, Inc. and each as supplemented, amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) or on the basis of a reference rate appearing on the agreed screen page of a commercial quoting service or on such other basis as may be agreed between the Issuer and the relevant Purchaser(s) as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Purchaser(s) for each issue of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

**Interest Periods for Floating Rate Notes:** Such period(s) as the Issuer and the relevant Purchaser(s) may agree as indicated in the applicable Final Terms.

**Index-Linked Notes:** Payments (in respect of interest, principal at maturity or otherwise) in respect of Index-Linked Redemption Notes or Index-Linked Interest Notes (collectively, the “Index-Linked Notes and each, an “Index-Linked Note”) will be calculated by reference to such index and/or formula as the Issuer and the relevant Purchaser(s) may agree as indicated in the applicable Final Terms.

*(If any interest payable on a Note, or any portion of the principal amount of a Note in excess of its issue price, is to be calculated by reference to an index or formula, additional opinions from Canadian tax counsel may be required by the Purchaser(s) to the effect that such interest or principal, as the case may be, would not be subject to Canadian non-resident withholding tax.)*

Issues of Index-Linked Notes denominated in other currencies may be subject to compliance with regulations of the central bank (or equivalent body) applicable to the relevant Specified Currency.

**Dual Currency Notes:** Payments, whether in respect of principal or interest and whether at maturity or otherwise, in respect of Dual Currency Notes will be made in such currencies, and based upon such rates of exchange, as the Issuer and the relevant Purchaser(s) may agree as indicated in the applicable Final Terms.



- Zero Coupon Notes:** Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest other than in relation to interest due after the Maturity Date.
- Redemption:** The Final Terms applicable to each Series of Notes will indicate either that the Notes of that Series cannot be redeemed prior to their stated maturity (other than in specified instalments (see below) or for taxation reasons), or that such Notes will be redeemable at the option of the Issuer and/or the holder(s) of such Notes upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other period as may be provided in the applicable Final Terms) to the relevant Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be indicated in the applicable Final Terms.
- The Final Terms may provide that Notes may be redeemed in two or more instalments of such amounts and on such dates as indicated in such Final Terms.
- Notes which have a maturity of less than one year may be subject to restrictions on their denomination and distributions. See "Maturities" above.*
- Denominations of Notes:** Such denominations as may be agreed among the Issuer and the relevant Purchaser(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the relevant Specified Currency.
- Notes which have a maturity of less than one year may be subject to restrictions on their denomination and distributions. See "Maturities" above.*
- Taxation:** All payments in respect of the Notes will, subject to certain exceptions, be made without withholding or deduction for or on account of Canadian withholding taxes, subject to certain exceptions as provided in Condition 6 of the terms and conditions of the relevant Notes.
- Status of the Notes:** The Notes will constitute direct, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu*, without any preference among themselves, with all other outstanding, unsecured and unsubordinated obligations, present and future (other than obligations preferred by mandatory provisions of law) of the Issuer. Payment of the principal and interest (if any) on the Notes is a charge on and payable out of the Consolidated Revenue Fund of Canada.
- Listing:** Application has been made to the UKLA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market. Notes may be listed or admitted to trading on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Purchaser(s) in relation to each issue. Notes which are neither listed nor admitted to trading on any market may also be issued. The Final Terms for each issue will state whether or not the Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
- The Issuer is not under any obligation to Noteholders to maintain any listing of Notes and may, in certain circumstances, seek to terminate the listing of any Series of Notes. See "Risk Factors – No obligation to maintain listing" below.
- Governing Law:** The Notes will be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.
- Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes. See "Plan of Distribution" below.

## RISK FACTORS

A non-exhaustive list of factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer does not represent that the statements below regarding the market risks associated with Notes issued under the Programme are exhaustive. There may be other reasons and factors relevant to assessing the market risk associated with Notes issued under the Programme and there may be additional risks and uncertainties including those unknown to the Issuer or that the Issuer currently believes to be immaterial. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and any applicable supplementary prospectus (including any documents deemed to be incorporated by reference herein or therein) and reach their own views prior to making any investment decision.

### *Notes may not be a suitable investment for all investors*

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplementary prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Such Notes may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### *Risks related to the structure of a particular issue of Notes*

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### *Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal, premium or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other financial variables (each, a “Relevant Factor”). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. An investment in such Notes entails significant risks that are not associated with similar investments in a conventional fixed rate or floating rate debt security and in some circumstances the value of the Notes may be less than the principal amount of the Notes and may be zero in which case the investor may lose some or all of the amount the investor invested in the Notes. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) investors may receive no interest or they may receive interest at a rate that is less than that payable on a conventional fixed rate or floating rate debt security issued at the same time;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) if the principal of and/or premium on such an Instrument is so indexed, the amount of principal and/or premium payable in respect thereof may be less than the original purchase price of such Instrument and less than the nominal or face amount of such Notes, and the amount of principal and/or premium payable may even be zero;
- (v) investors should be willing to hold these Notes until the maturity date as the secondary market for such Notes may be limited or non-existent and if there is a limited secondary market then the lack of demand may reduce the market price at which Notes may be sold prior to maturity;
- (vi) the market price will be affected by a number of factors independent of the creditworthiness of the Issuer and will depend on the value of the applicable Relevant Factor as well as the volatility of the applicable Relevant Factor, the time remaining to the maturity of such Notes, the amount outstanding of such Notes, market interest rates and the market for other types of related and unrelated financial instruments;
- (vii) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and may depend on a number of interrelated factors over which the Issuer has no control, including economic, financial and political events. Additionally, if the formula used to determine the amount of principal, premium and/or interest payable with respect to such Notes contains a multiplier or leverage factor, the effect of any change in the Relevant Factor will be increased and may be increased materially;
- (viii) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (ix) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of the relevant currencies, commodities, interest rates, equities, index or other financial variables should not be taken as an indication of future performance of such currencies, commodities, interest rates, equities, index, or other financial variables during the term of any Instrument. Prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in such Notes and the suitability of such Notes in light of their particular circumstances.

### ***Considerations relevant for Index Linked Notes where an equity security, basket of equity securities or an equity index is the Relevant Factor***

Owning Notes with principal, premium or interest determined by reference to an equity, equity basket or index is not the same as owning the reference equity securities. Accordingly, the market value of such Notes may not have a direct relationship with the market price of the reference equity securities or index and changes in the market price of the reference equity securities or index may not result in a comparable change in the market value of the Notes. For example, the market value of such Notes may not increase even if the price of the reference equity securities or index increases. It is also possible for the price of the reference equity securities or index to increase while the market price of such Notes declines.

The Issuer may hedge the obligations under the Notes by purchasing the reference equity securities, or options on those securities or other derivative instruments with returns linked to or related to changes in the value of the reference equity securities or index and may also adjust these hedges by, among other things, purchasing or selling the reference equity securities, options or other derivative instruments at any time and from time to time. Any of these hedging activities may affect the price of the reference equity securities or index and, therefore, the value of associated Notes. It is possible that the Issuer could receive substantial returns from these hedging activities while the value of the reference equity securities or index may decline.

The Issuer will not pledge or otherwise hold the reference equity securities or derivative instruments for the benefit of holders of the Notes (“Holders”) in order to enable Holders to exchange Notes for the associated reference equity securities or derivative commitments under any circumstances.

Holders will not have voting rights or rights to receive dividends or other distributions or any other rights that holders of the reference equity securities would have.

The Calculation Agent may not be required to make an adjustment for every event that can affect the reference index or equity securities. If an event occurs that does not require the Issuer to adjust the amount payable at maturity in respect of the reference equity security or reference index of equity securities, the market price of the associated Notes and the amount of interest or the principal amount payable at the maturity may be materially and adversely affected.

The Issuer may, at present or in the future, engage in business with an issuer of reference equity securities or its competitors, including making loans to or equity investments in an issuer of reference equity securities or its competitors. These activities may present a conflict between the Issuer’s obligations and the interests of Holders. These activities could affect the price of the reference equity securities or index and, therefore, the value of the associated Notes.

If the Issuer is not affiliated with the issuers of the reference equity securities, the Issuer will have no ability to control or predict the actions of these issuers, including any corporate actions of the type that would require the Issuer to adjust the amount payable on the Notes, and will have no ability to control the public disclosure of these corporate actions or any other events or circumstances affecting the issuers of reference equity securities. The issuers of the reference equity securities will have no obligation to consider the interests of Holders in taking any corporate actions that might affect the value of the associated Notes. The issuers of the reference equity securities may take actions that will adversely affect the value of the associated Notes. None of the money paid for the Notes will go to the issuers of the reference equity securities.

The Issuer does not assume any responsibility for the adequacy or accuracy of the information about the issuers of the reference equity securities contained in any terms supplement or in any publicly available filings made by the issuers of the reference equity securities. Prospective investors should make their own investigation into the relevant issuers of the reference equity securities.

Significant aspects of the tax treatment of such Notes may be uncertain and prospective investors should consult their tax advisors about their own tax situation.

#### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will

affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Canadian Usury Laws*

All Notes issued under the Programme are governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Criminal Code (Canada) prohibits the receipt of “interest” at a “criminal rate” (namely, an effective annual rate of interest of 60%). Accordingly, the provisions for the payment of interest or a Redemption Amount in excess of the aggregate principal amount of the Notes may not be enforceable if the provision provides for the payment of “interest” in excess of an effective annual rate of interest of 60%.

#### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders (and to modify or waive certain terms and conditions of the Notes or covenants and agreements made by the Issuer) including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

#### *No obligation to maintain listing*

Not all Notes will be listed on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the “Market”) and the Issuer may, in certain circumstances, seek to delist Notes which are listed on the Market or another securities exchange or market provided that in such cases the Issuer will be required to use its reasonable endeavours to obtain and maintain a listing of such Notes on an alternative stock exchange or exchanges. These circumstances include: (i) the implementation of Transparency Obligations Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004 (the “TOD”), or any law implementing or complying with, or introduced in order to conform to TOD is introduced, so as to require the Issuer, as a direct or indirect result of the listing of the Notes on the Market or the relevant exchange or offering the Notes to the public, (a) to publish financial statements in the European Union prepared in accordance with, or reconciled to, International Accounting Standards (“IAS”) or IFRS and the Issuer determines that to do so would be unduly burdensome; (b) to provide additional quantitative or qualitative disclosures regarding significant differences between Canadian generally accepted accounting principles (“Canadian GAAP”) and IFRS or any additional auditor’s report relating to such disclosures; (c) to change the form of its financial reports in any other respect (other than Canadian GAAP and Canadian generally accepted auditing standards); (d) to have its financial statements audited in accordance with International Standards on Auditing (“ISA”) or (e) to report more frequently than it currently does; or (ii) any other future law, rule of the Exchange or any other securities exchange or any EU Directive imposes other requirements (including new corporate governance requirements) on the Issuer or any of its affiliates that the Issuer in good faith determines are impractical or unduly burdensome in order to maintain the continued listing of any Notes issued under the Programme on the Exchange or the relevant exchange (see item 12 in “General Information”).

In these circumstances, the Issuer may, in its sole discretion, determine that it is impractical or unduly burdensome to maintain such listing and seek to terminate the listing of such Notes provided it uses all reasonable endeavours to seek an alternative admission to listing, trading and/or quotation of such Notes by another listing authority, securities exchange and/or quotation system that it deems appropriate. However, if such alternative listing is not available or, in the opinion of the Issuer is impractical or unduly burdensome, an alternative listing may not be obtained.

Although there is no assurance as to the liquidity of any Notes as a result of the listing on a regulated market in the European Union, delisting such Notes may have a material effect on the ability of investors to (i) continue to hold such Notes or (ii) resell the Notes in the secondary market.

#### *EU Savings Directive*

Under EC Directive 2003/48/EC on the taxation of savings income (“Savings Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland).

If, following implementation of the Savings Directive, a payment to or on behalf of an individual (or to a person in circumstances where laws implementing the Savings Directive otherwise applied) were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, nor any Paying Agent, nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax.

#### *Change of law*

The conditions of the Notes are based on the laws of the Province of Ontario and the federal laws of Canada applicable therein in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of the Province of Ontario and the federal laws of Canada applicable therein or administrative practice after the date of this Prospectus and before the date on which the relevant Notes are issued.

#### *Trading in the clearing systems*

Notes may be issued with a minimum Specified Denomination and may be tradeable in the relevant clearing system(s) in amounts in excess of such minimum Specified Denomination that may not be integral multiples of such minimum Specified Denomination. In such a case, (i) should Definitive Notes be required to be issued, a Noteholder who holds Notes in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination on the relevant Exchange Date may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Notes such that such Noteholder’s holding is an integral multiple of a Specified Denomination and (ii) a Noteholder who does not have at least the minimum Specified Denomination in its account with the relevant clearing systems at the relevant time will not be able to exercise any direct rights against the Issuer under the relevant Global Note.

#### ***Risks related to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *Risks relating to the secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors or are not admitted for trading on the Market or another established securities exchange. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “Investor's Currency”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Specified Currency or the Investor's Currency may impose or modify exchange controls. An appreciation in

the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls or monetary policies that could adversely affect an applicable currency exchange rate or interest rate. As a result, investors may receive less interest or principal than expected, or no interest or principal or receive payments in a significantly devalued Specified Currency.

*Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to the Issuer or to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## FORM OF THE NOTES

Unless the applicable Final Terms specify otherwise, each Tranche of Notes having an original maturity of more than one year will initially be represented by a temporary global Note (a “Temporary Global Notes”) without Receipts, interest Coupons or Talons and each Tranche of Notes having an original maturity of one year or less will be represented by a permanent global Note (a “Permanent Global Note” and together with the Temporary Global Notes, the “Global Notes”) without Receipts, interest Coupons or Talons which, in each case, will (a) in the case of Notes to be cleared through Euroclear and/or Clearstream, Luxembourg (i) if the Global Notes are intended to be issued in new global note “NGN” form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”); and (ii) if the Global Notes are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for Euroclear and/or Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and Clearstream, Luxembourg or delivered outside a clearing system, be delivered as otherwise agreed between the Issuer and the relevant Purchaser, on or about the issue date of the relevant Notes. Any reference in this section “Form of the Notes” to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the relevant Purchaser(s) and the Agent. If the applicable Final Terms indicate that TEFRA C Rules apply, the Notes will initially be represented by a TEFRA C global Note (a “TEFRA Global Note”), without Receipts, interest Coupons or Talons which will be delivered as specified in the applicable Final Terms and, if provided in the applicable Final Terms, will be exchangeable for Definitive Notes either (a) automatically not later than 120 days after the Issue Date or (b) at the option of the holder upon 45 days’ written notice without any requirements for certification as to beneficial ownership. All other provisions relating to Global Notes set out herein apply to a TEFRA C Global Note (also a “Global Note”). Upon deposit of a Global Note, Euroclear and/or Clearstream, Luxembourg will, unless otherwise agreed, credit Purchasers with a nominal amount of Notes of such Tranche equal to the nominal amount thereof for which they have paid.

If the applicable Final Terms indicates that the Global Note is a NGN, the nominal amount of the Notes represented by such Global Notes will be the aggregate from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg (which expression in such Global Notes means the records that each of the Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of each customers interest in the Notes) will be conclusive evidence of the nominal amount of notes represented by such Global Note and, for such purposes, a statement issued by Euroclear and/or Clearstream, Luxembourg, as the case may be, stating the nominal amount of Notes represented by such Global Note at anytime will be conclusive evidence of the records of Euroclear and/or Clearstream, Luxembourg, as the case may be, at that time.

If any payment becomes due on the Notes whilst such Notes are represented by a Temporary Global Note, such payment will be made against presentation of the Temporary Global Note (if the Temporary Global Note is not intended to be in NGN form) only to the extent that certification of non-U.S. beneficial ownership (in the form set out in the Temporary Global Note) has been received by Euroclear or Clearstream, Luxembourg.

On or after the date (the “Exchange Date”) which is not earlier than 40 days after the date on which the Temporary Global Note is issued, provided that certification of non-U.S. beneficial ownership has been received (but, if such Temporary Global Note is issued in respect of a Tranche of Notes described as Partly-Paid Notes in the applicable Final Terms, only if the final instalment on all outstanding Notes has been paid, interests in the Temporary Global Note will be exchangeable (free of charge) either for interests in a Permanent Global Note without receipts, interest coupons or talons or for security-printed Definitive Notes (as indicated in the applicable Final Terms). No payments will be made on a Temporary Global Note after the Exchange Date unless upon due certification, the exchange of interests is improperly withheld or refused. Payments of principal or interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender, as the case may be, of the Permanent Global Note if the Permanent Global Note is not intended to be in NGN form) without any requirement for certification. If provided in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole only, upon 45 days’ written notice expiring at least 30 days after the Exchange Date, from the holders of interests in the Permanent Global Note, for security-printed Definitive Notes. Temporary and Permanent Global Notes (including TEFRA C Global Notes) and Definitive Notes will be issued by the Agent acting on behalf of the Issuer.



The following legend will appear on all Global Notes, Definitive Notes, Coupons and Receipts: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.”

Notes which are represented by a Global Note will only be transferable in accordance with the management rules and operating procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Repayment of the outstanding principal amount of, together with any accrued but unpaid interest due on, any Notes may be accelerated by the holder thereof in certain circumstances described in “Terms and Conditions of the Notes—Events of Default”. In the case of an Event of Default, where such Notes are still represented by a Global Note and a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented credited to its securities account gives notice that it wishes to accelerate such Notes, unless within a period of 15 days from the giving of such notice payment has been made in full in accordance with the terms of the Global Note, the Global Note will become void. At the same time, holders with Euroclear or Clearstream, Luxembourg of such Notes (other than Notes in definitive form) credited to their accounts will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, under the terms of an Amended and Restated Deed of Covenant (the “Deed of Covenant”) dated December 8, 2006 executed by the Issuer.

## PRO-FORMA FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme

Final Terms dated [ ]

Business Development Bank of Canada

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.\$3,000,000,000 Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [●] 2006 [and the supplemental Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of the Issuer and the headline “Publication of Prospectus” and copies may be obtained from the offices of the Issuer, Business Development Bank of Canada, Suite 400, 5 Place Ville Marie, Montreal, Québec, Canada, H3B 5E7 and the offices of the Paying Agent, Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated ●]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated ●], which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated ●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated ● and ●]. The Prospectuses [and the supplemental Prospectuses] are available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of the Issuer and the headline “Publication of Prospectus” and copies may be obtained from the offices of the Issuer, Business Development Bank of Canada, Suite 400, 5 Place Ville Marie, Montreal, Québec, Canada, H3B 5E7 and the offices of the Paying Agent, Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom.

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[Include whichever of the following apply or specify as “Not applicable” (N/A). Note that the numbering should remain as set out below; even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

1. **Issuer:** Business Development Bank of Canada
2. (i) **Series Number:** [            ]
- (ii) **Tranche Number:** [            ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. **Specified Currency or Currencies:** [            ]
4. **Aggregate Nominal Amount:**
- (i) **Series:** [            ]
- (ii) **Tranche:** [            ]
5. **Issue Price:** [            ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[[insert date]* (in the case of fungible issues only, if applicable)]
6. (i) **Specified Denomination:** [            ]
- Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of s 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*
- (ii) **Tradeable Amount:** [ [            ]/Not Applicable]
- So long as the Notes are represented by a Global Note and *[[specify relevant clearing system(s)]* so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and integral multiples of the Tradeable Amount in excess thereof.
7. (i) **Issue Date:** [            ]
- (ii) **Interest Commencement Date:** [            ]
8. **Maturity Date:** *[[Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9. **Interest Basis:** [[            ] per cent. Fixed Rate]  
[[*specify reference rate*] +/- [            ] per cent. Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest]  
[[*specify other*]]  
(further particulars specified below)
10. **Redemption/Payment Basis:** [Redemption at par]  
[Index-Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[[*specify other*]]

11. **Change of Interest or Redemption/Payment Basis:** *[Specify details of any provision for convertibility of Notes is: into another interest or redemption/payment basis]*
12. **Put/Call Options:** [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [(i)] **Status of the Notes:** [Senior/Subordinated/Deposit Notes]
- [(ii)] **Date [Board] approval for issuance of Notes obtained:** [ ] *(Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. **Method of distribution:** [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) **Rate(s) of Interest:** [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) **Interest Payment Date(s):** [ ] in each year up to and including the Maturity Date [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]* / not adjusted][*This will need to be amended in the case of long or short coupons*]
- (iii) **Fixed Day Count Fraction:** [30/360/Actual/Actual (ICMA)/[Specify Other]]
- (iv) **Fixed Coupon Amount(s):** [ ] per [ ] in Nominal Amount
- (v) **Broken Amount(s):** *(Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s))*
- (vi) **Determination Date:** [ ] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) **Other terms relating to the method of calculating interest for Fixed Rate Notes:** [Not Applicable/give details]
16. **Floating Rate Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraph of this paragraph)*
- (i) **Specified Periods:** [ ]
- (ii) **Specified Interest Payment Dates:** [ ]
- (iii) **Business Day Convention:** *[Specify which Convention applies: Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Specify Other]]*
- (iv) **Business Centre(s):** [ ]

- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [ ]
- (vii) Screen Rate Determination:
- Reference Rate: [ ]  
*(Either LIBOR, EURIBOR or other (specify), although additional information is required if other — including any amendment to fallback provisions in the Conditions)*
- Interest Determination Date(s): [ ]  
*(Second London business day prior to the start of each Interest Period if LIBOR other than euro LIBOR or Pounds Sterling LIBOR and first day of each Interest Period if Pounds Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate or amend fallback provisions appropriately)*
- (viii) ISDA Determination:
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (ix) Margin(s): [+/-] [ ] per cent. per annum
- (x) Minimum Rate of Interest: [ ] per cent. per annum
- (xi) Maximum Rate of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]  
*(Give details. For example, if the Interest Period(s) shall be adjusted/unadjusted)*
- (xiv) Reference Banks: [ ]
17. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum

- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment. [Condition 3(g) applies/specify other]
18. **Index-Linked Interest/Redemption Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*(If any interest payable on a Note, or any portion of the principal amount of a Note in excess of its issue price, is to be calculated by reference to an index or formula, additional opinions from Canadian tax counsel may be required by the Purchaser(s) to the effect that such interest or principal, as the case may be, would not be subject to Canadian non-resident withholding tax.)*
- (i) Index/Formula/other variable: *[give or annex details]*
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [ ]
- (iii) Determination Date(s): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]  
*[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (v) Specified Period(s): [ ]
- (vi) Specified Interest Payment Dates: [ ]
- (vii) Business Day Convention: *[Specify which convention applies: Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]*
- (viii) Business Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) Day Count Fraction: [ ]
- (xii) Additional terms relating to calculations: [ ]
19. **Dual Currency Note Provisions:** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]  
*[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]
- (v) Additional terms relating to calculation: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. **Call Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Option Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions):<sup>1</sup> [ ]

21. **Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) Notice period (if other than as set out in the Conditions):<sup>3</sup> [ ]

<sup>1</sup> If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and its Agent.

22. **Final Redemption Amount:** [Par/[ ] per Note of [ ] Specified Denomination/  
 In cases where the Final redemption other/see Appendix]  
 Amount is Index-Linked or other  
 variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible [ ]  
 for calculating the Final  
 Redemption Amount:
- (iii) Provisions for determining [ ]  
 Final Redemption Amount  
 where calculated by reference  
 to Index and/or Formula and/or  
 other variable:
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining [ ]  
 Final Redemption Amount  
 where calculation by reference  
 to Index and/or Formula and/or  
 other variable is impossible or  
 impracticable or otherwise  
 disrupted:
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption [ ]  
 Amount:
- (viii) Maximum Final Redemption [ ]  
 Amount:
23. **Early Redemption Amount:** [Condition [4(h)] applies/specify other]  
 Early Redemption Amount(s) of each  
 Note payable on redemption for  
 taxation reasons or on event of default  
 and/or the method of calculating the  
 same (if required or if different from  
 that set out in Conditions):

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. **Form of Notes:**

- (i) Form: [Temporary Global Note exchangeable for a Permanent  
 Global Note which is exchangeable for Definitive  
 Notes on 45 days' written notice/in the limited  
 circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive  
 Notes on or after the Exchange Date.]
- [Permanent Global Note exchangeable for Definitive  
 Notes on 45 days' written notice/in the limited  
 circumstances specified in the Permanent Global Note.]
- (Ensure that this is consistent with the wording in the  
 "Form of Notes" section in the Prospectus and the  
 Notes themselves. Need to amend Exchange Events to  
 disapply any Noteholder/Issuer option exchange where  
 Notes are expressed to have a minimum denomination*



*and are tradeable in integral multiples of a smaller amount thereafter in order for Notes to be accepted by the clearing systems.)*

[TEFRA C Global Note]

- (ii) New Global Note: [Yes][No]
25. **Additional Financial Centre(s) or other special provisions relating to Payment Dates:** [Not Applicable/give details. Note that this item relates to the place of payment and not interest period end dates, to which item 16(iv) and 18(ix) relate]
26. **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/No If yes, give details]
27. **Details relating to Partly Paid Notes:** amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
28. **Details relating to Instalment Notes:** amount of each instalment (“Instalment Amounts”) and date on which each payment is to be made (“Instalment Date”) [Not Applicable][Give Details]
29. **Redenomination, renominatisation and reconventioning provisions:** [Not Applicable/The provisions annexed to this Final Terms apply]
30. **Consolidation provisions:** [Not Applicable/The provisions in Condition [●] apply]
31. **Other terms or special conditions:** [Not Applicable/give details]  
*(when adding other terms or conditions consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

#### DISTRIBUTION

32. (i) If syndicated, names [and addresses]\*\* of Managers [and underwriting commitments]\*\*: [Not Applicable/give name, [addresses and underwriting commitments]\*\* (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment on a “best efforts” basis if such entities are not the same as the Managers.)]
- (ii) Date of Subscription Agreement: [Not Applicable/give details]\*\*
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
33. If non-syndicated, name [and address]\*\* of Dealer: [Not Applicable/give name]
34. Total commission and concession\*\*: [ ] per cent. of the Aggregate Nominal Amount\*\*
35. Additional selling restrictions: [Not Applicable/give details]

36. TEFRA C or TEFRA D Rules or TEFRA rules not applicable:

*[Specify whether the Notes are subject to TEFRA C or TEFRA D Rules]*

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Euro Medium Term Note Programme of Business Development Bank of Canada.]

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

By: .....  
Duly authorised

## PART B– OTHER INFORMATION

### 1. LISTING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●]. ]  
[Not Applicable]

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)\*\**

- (iii) Estimate of total expenses related to admission to trading: [ ]\*

### 2. RATINGS

Ratings: The Notes to be issued under the Programme have [been rated] [not been rated.]:

[S & P: [AAA]]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]\*\**

*(The above disclosures should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [NOTIFICATION

The United Kingdom Listing Authority [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: “Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]*

### 5. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

- (i) Reason for the offer [●]  
*(See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)\*\**

- (ii) [Estimated net proceeds:] [●]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)\*\**

(iii) [Estimated total expenses:]

[●] [Include breakdowns of expenses.]\*\*  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)]*

## 6. [Fixed Rate Notes only – YIELD

Indication of yield:

[●]  
[Calculated as [include details of method of calculation in summary form] on the Issue Date.]\*\*

[As set out above,]\*\* the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

## 7. [Floating Rate Notes only – HISTORIC INTEREST RATES]\*\*

Details of Historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]

## 8. [Index Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

*[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]*

*[Need to include a description of any market disruption or settlement disruption events that affect the underlying.]*

*[Need to include adjustment rules in relation to events concerning the underlying.]*

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]\*\**

*[Where the underlying is (i) a security, need to include the name of the issuer and the ISIN or other security identification code of the security, (ii) an index, need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained, (iii) an interest rate, need to include a description of the interest rate, or (iv) a basket of underlyings, need to include disclosure of the relevant weightings of each underlying in the basket. Where the underlying does not fall within these categories need to include equivalent information.]*

## 9. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

## 10. OPERATIONAL INFORMATION

(i) ISIN Code: [ ]

(ii) Common Code: [ ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any):

[            ]

(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[Include text if “yes” is selected in which case the Notes must be issued in NGN form]*

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes of Business Development Bank of Canada which (subject to completion and amendment) will be attached to or incorporated by reference into each Global Note and which, subject to further simplification by deletion of non-applicable provisions, will be attached to or endorsed upon each Definitive Note, provided that the relevant Final Terms in relation to any Series of Notes may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of Notes.*

*Details of the relevant Series and Tranche will be set out in the relevant Final Terms and, in the case of the issue of Notes in definitive form, endorsed on or attached to the Definitive Note. References in the Terms and Conditions (the "Conditions") to "Notes" are to the Notes of one Series only, not to all Notes which may be issued under the Programme.*

The Notes (which expression shall include, as the context may require, (i) in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency (each as defined in the applicable Final Terms) of the relevant Notes, (ii) Definitive Notes issued in exchange for a temporary global Note (a "Temporary Global Note") or in exchange for a permanent global Note (a "Permanent Global Note") (as set out below) and (iii) any Global Note) of this Series will be issued subject to, and with the benefit of, an Amended and Restated Agency Agreement dated December 8, 2006 (the "Agency Agreement") as amended from time to time and made among the Issuer, Deutsche Bank AG, London Branch, as issuing agent, principal paying agent and agent bank (the "Agent", which expression shall include any successor as agent or any other calculation agent specified in the applicable Final Terms) and the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents). Interest bearing Definitive Notes will have interest coupons ("Coupons") and, if applicable, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupon(s), Couponholder(s) or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talon(s), Talonholder(s) or talons. Definitive Notes redeemable in instalments will have receipts ("Receipts") for the payment of instalments of principal prior to stated maturity attached on issue. Notes may be issued from time to time as so agreed between the Issuer and any Purchaser.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purpose of this Note. References herein to the "applicable Final Terms" are to Part A of the Final Terms attached to or endorsed on this Note.

Copies of the Agency Agreement (which contains the forms of the Notes, Receipts, Coupons and Talons) and (if this Note is offered to the public in a member state of the European Union, Iceland, Norway or Liechtenstein or admitted to trading on a regulated market within the meaning of the Prospectus Directive) the form of the Final Terms applicable to the Note will be available free of charge and available for inspection at the specified office of each of the Paying Agents. The holders for the time being of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a Global Note, be construed as described in "Form of the Notes"), the holders of the Coupons appertaining to interest-bearing Definitive Notes (the "Couponholders"), the holders of the Talons (the "Talonholders") and the holders of the Receipts (the "Receiptholders") will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Agency Agreement, which will be binding on them. Words and expressions defined in the Agency Agreement or in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

As used herein, "Series" means each original issue of Notes together with any further issues expressed to form a single series with the original issue and the terms of which are (save for the Issue Date or the Interest Commencement Date, as the case may be and the Issue Price, all as defined below) otherwise identical (including whether or not the Notes are listed or admitted to trading). As used herein, "Tranche" means all Notes of the same Series with the same Issue Date and Interest Commencement Date.

Conditions 1, 3, 4, 5 and 7 are subject to amendment as specified in the applicable Final Terms by agreement, prior to the Issue Date, among the Issuer, the relevant Purchaser and the Agent, provided that any amendment so agreed will not necessitate the issuance of a supplemental prospectus.

Notes may also be issued in such other form and on such other terms as the Issuer may from time to time agree with the relevant Purchaser(s) and the Agent, in which case a supplemental prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

## **1. Form, Denomination and Title**

The Notes will be in bearer form (“Bearer Notes”). Notes in definitive form (“Definitive Notes”) will be serially numbered and in the Specified Currency and in the Specified Denomination(s) specified in the applicable Final Terms. The Notes may be issued (a) to bear interest on a fixed rate basis (“Fixed Rate Notes”), (b) to bear interest on a floating rate basis (“Floating Rate Notes”) or (c) on a non-interest bearing basis (“Zero Coupon Notes”) or any combination thereof as specified in the applicable Final Terms. Notes may be issued the principal and/or interest of which is payable in a Specified Currency or Currencies other than the Specified Currency in which they are denominated (“Dual Currency Notes”) or linked to an Index and/or a Formula (“Index-Linked Notes”).

Dual Currency Notes and Index-Linked Notes (other than Notes where the rate of interest falls to be determined by reference to the Index and/or Formula) will bear interest on a fixed or floating rate basis or on a non-interest bearing basis, in which case provisions in these Conditions relating to Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes, respectively, shall, where the context so admits, apply to such Dual Currency Notes or Index-Linked Notes.

Each Definitive Note will be issued with Coupons attached unless it is a Zero Coupon Note in which case references to interest (other than in relation to interest due after the Maturity Date) and Coupons in these Conditions are not applicable. Each Definitive Note which is redeemable in instalments will be issued with Receipts attached.

Subject to the provisions set out in “Form of the Notes” above, title to Bearer Notes, Coupons and Receipts will pass by delivery. The holder of each Coupon or Receipt, whether or not such Coupon or Receipt is attached to a Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. To the extent permitted by law, the Issuer and the Paying Agents, as the case may be, shall be entitled to deem and treat the bearer of any Note, Coupon or Receipt as the absolute owner thereof for all purposes notwithstanding any notice to the contrary and whether or not such Note, Coupon or Receipt shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

### *Denomination*

Bearer Notes are in the denomination or denominations specified in the applicable Final Terms. Unless otherwise specified in the Final Terms, Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

### *Currency of Notes*

The Notes are denominated in such currency as may be specified in the applicable Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. Status of the Notes**

The Notes and the relevant Coupons and Receipts are direct, unsubordinated and unsecured obligations of Her Majesty in right of Canada. Payment of the principal of and interest on the Notes is a charge on and payable out of the Consolidated Revenue Fund of Canada. The Consolidated Revenue Fund of Canada is the aggregate of all public moneys such as tax revenues which are on deposit at the credit of the Receiver General for Canada, the public officer who receives or collects public moneys for and on behalf of Canada. As amongst themselves, the Notes rank *pari passu* and are payable rateably without any preference or priority.

### 3. Interest

#### (a) Interest on Fixed Rate Notes

Each Fixed Rate Note will bear interest on its outstanding nominal amount (or, if it is a Partly-Paid Note, the amount paid up) from and including the Interest Commencement Date specified in the applicable Final Terms at the rate(s) per annum equal to the Rate(s) of Interest specified in the applicable Final Terms payable in arrear on the Interest Payment Date(s) in each year up to but excluding the Maturity Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, as the case may be, the Interest Commencement Date and if the Issue Date or the Interest Commencement Date, as the case may be, is not a Interest Payment Date, will amount to the Broken Amount shown on the face of the Note. If the Maturity Date is not a Interest Payment Date, interest from the preceding Interest Payment Date (or the Issue Date or the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Broken Amount shown on the face of the Note.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, “*Fixed Interest Period*” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Fixed Rate Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Fixed Rate Note up to that day are received by or on behalf of the holder of such Fixed Rate Note, and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions: “Fixed Day Count Fraction” means in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the next Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrued Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and



- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

“Determination Period” means each period from (and including) a Determination Date to (but excluding) the next Determination Date including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date; and

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index-Linked Interest Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note and Index-Linked Interest Note will bear interest on its outstanding nominal amount (or, if it is a Partly-Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either: (1) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the applicable Final Terms; or (2) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Such interest will be payable in respect of each Interest Period which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(2) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

*(ii) Business Day*

In this Condition 3, “Business Day” means (unless otherwise stated in the applicable Final Terms) a day which is both:

- (1) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency

deposits) in London and each other place (if any) specified in the applicable Final Terms as a Business Centre; and

- (2) either (a) in relation any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Business Centre) which, in the case of Notes payable in Australian dollars, shall be deemed to be Melbourne and, in the case of Notes payable in New Zealand dollars, shall be deemed to be Wellington or (b) in relation to Notes payable in euro, a day on which the TARGET System (as defined below) is open. In these Conditions, "TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

*(iii) Interest Payments*

Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Floating Rate Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Floating Rate Note up to that day are received by or on behalf of the holder of such Floating Rate Note, and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date.

*(iv) Rate of Interest*

The rate of interest (the "Rate of Interest") payable from time to time in respect of each Series of Floating Rate Notes or Index-Linked Interest Notes denominated in or, in the case of Dual Currency Notes, payable in a Specified Currency will be determined by the Agent in the case of Floating Rate Notes, or the Calculation Agent, in the case of Index-Linked Interest Notes on the basis of the following provisions:

- (1) The Rate of Interest payable from time to time in respect of Floating Rate Notes or Index-Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.
- (2) If the applicable Final Terms specifies ISDA Determination as the manner in which the Rate of Interest is to be determined, the rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub paragraph (2), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction governed by an agreement in the form of the 2002 ISDA Master Agreement (an "ISDA Agreement") published by the International Swaps and Derivatives Association, Inc. and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2000 ISDA Definitions (the "ISDA Definitions") each as supplemented, amended and updated as at the Issue Date of the first Tranche of Notes of the relevant services under which:
  - (A) the Floating Rate Option is as specified in the applicable Final Terms;
  - (B) the Designated Maturity is a period specified in the applicable Final Terms; and
  - (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iv) Floating Rate", "Calculation Agent", "Floating Rate Option", "Euro-zone", "Designated Maturity" and "Reset Date", have the meanings given to those terms in the ISDA Definitions.

- (3) When Condition 3(b)(iv)(2) applies, then in respect of each relevant Interest Payment Date:
  - (A) the amount of interest determined for such Interest Payment Date in accordance with such Condition will be the Interest Amount for the relevant Interest Period for the purposes of these Conditions as though determined under Condition 3(b)(v);
  - (B) the Rate of Interest for such Interest Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Agent in accordance with Condition 3(b)(v); and

- (C) the Agent will be deemed to have discharged its obligations under Condition 3(b)(v) if it has determined the Rate of Interest and the Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.
- (4) If the applicable Final Terms specifies that Screen Rate Determination as the manner in which the Rate of Interest is to be determined:
- (A) the Rate of Interest for each Interest Period shall, subject as provided below, be:
- (I) the offered quotation (if there is only one quotation on the Relevant Screen page); or
- (II) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,
- (expressed as a percentage rate per annum) for deposits in the Specified Currency for that Interest Period which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time in the case of LIBOR, or Brussels time in the case of EURIBOR) on the Interest Determination Date (as defined below) in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent;
- (B) if, the Relevant Screen Page is not available or it, in the case of (I) above, no such offered quotation appears, or, in the case of (II) above, fewer than two of such offered rates appear at such time or if the offered rate or rates which appears or appear, as the case may be, as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 per cent.) of the rates at which the Agent is advised by all Reference Banks as at 11:00 a.m. (London time in the case of LIBOR, or Brussels time in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as appropriate) the Margin (if any), all as determined by the Agent;
- (C) if on any Interest Determination Date to which this Condition 3(b)(iv)(4) applies two or three only of the Reference Banks advise the Agent of such rates, the Rate of Interest for the next Interest Period shall, subject as provided below, be determined as in Condition 3(b)(iv)(4)(A) on the basis of the rates of those Reference Banks advising such rates;
- (D) if on any Interest Determination Date to which this Condition 3(b)(iv)(4) applies one only or none of the Reference Banks advises the Agent of such rates the Rate of Interest for the next Interest Period shall, subject as provided below, be whichever is the higher of:
- (I) the Rate of Interest in effect for the last preceding Interest Period to which Condition 3(b)(iv)(4) shall have applied minus or plus (as appropriate), where a different Margin is to be applied to the next Interest Period to that which applied to the last preceding Interest Period, the Margin relating to that last preceding Interest Period, plus or minus (as appropriate) the Margin for the next Interest Period; and
- (II) the reserve interest rate (the "Reserve Interest Rate") which shall be the rate per annum which the Agent determines to be either (x) the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 per cent.) of the lending rates for the Specified Currency which banks selected by the Agent in the principal financial centre of the country of the Specified Currency (or the Euro-zone if the Reference Rate is EURIBOR and the Specified Currency is euro) are quoting on the relevant Interest Determination Date for the next Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Agent, being so made plus or minus (as appropriate) the Margin (if any), or (y) in the event that the Agent can determine no such arithmetic mean, the lowest lending rate for the Specified Currency which banks selected by the Agent in the principal financial centre of the country of the Specified Currency (or the Euro-zone if the Reference Rate is EURIBOR and the Specified Currency is euro) are quoting on such Interest Determination Date to leading European banks for the next Interest Period plus or minus (as appropriate) the Margin (if any), provided that if the banks selected as aforesaid by the Agent are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (I) above;
- (E) if the applicable Final Terms specify a Minimum Interest Rate then the Rate of Interest shall in no event be less than such minimum, and if there is so shown a Maximum Interest Rate then the Rate of Interest shall in no event exceed such maximum;
- (F) "Reference Banks" means, in the case of 3(b)(iv)(4)(A)(I) above, those banks whose offered rates were used to determine such quotation which such quotation last appeared on the Relevant Screen

Page and, in the case of 3(b)(iv)(4)(A)(II) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

***(v) Determination of Rate of Interest and Calculation of Interest Amount***

The Agent in the case of Floating Rate Notes, or the Calculation Agent, in the case of Index Linked Interest Notes will, as soon as practicable after 11:00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) (or, if appropriate, such other time as is customary in the principal financial centre of the country of the Specified Currency as determined in the ISDA Definitions) on each Interest Determination Date, determine the Rate of Interest (subject to any minimum or maximum Rate of Interest specified in the applicable Final Terms) and calculate the amount of interest payable in respect of each Specified Denomination (each an “Interest Amount”) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to a Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of any amount of interest for any Interest Period:

- (A) if “Actual/365” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/365 Sterling” is specified in the Final Terms, the actual number of days in the Interest Period divided by 365, in the case of an Interest Payment date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes the last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);
- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (G) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms;
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) the number of days in such Accrued Period falling in the Determination Period in which the Accrued Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

“Determination Period” mean each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

***(vi) Notification of Rate of Interest and Interest Amount***

The Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any stock exchange or listing authority on which the relevant Floating Rate Notes or Index-Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with the provisions of Condition 12 as soon as possible but in any event not later than the second London Business Day after their determination. Each Interest Amount and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without publication as aforesaid in the event of an extension or shortening of the Interest Period in accordance with the provisions hereof. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed. For purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

***(vii) Agent***

The Issuer will procure that, so long as any Floating Rate Note or Index-Linked Interest Note remains outstanding, there shall at all times be an Agent. The Issuer may (at its discretion) terminate the appointment of the Agent. In the event of the principal London office of any such bank being unable or unwilling to continue to act as the Agent the Issuer shall appoint the London office of some other leading bank recognised as being able to properly carry out the functions of the Agent to act as such in its place. Neither the resignation nor the removal of the Agent shall take effect (other than in the case of insolvency when it shall have immediate effect) until a successor has been appointed.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given expressed, made or obtained for the purposes of the provisions of this Condition 3(b) whether by the Agent or the Calculation Agent (if applicable) shall (in the absence of willful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable) the Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of the aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise of either of them of their powers, duties and discretions pursuant to such provisions.

***(c) Zero Coupon Notes***

If Notes are designated “Zero Coupon Notes” in the applicable Final Terms, this Condition 3(c) shall apply to such Notes.

Where a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 3(g)(iii). As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Amortisation Yield specified in the applicable Final Terms. Such interest shall continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note, and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. Such interest will

be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or on such other basis as may be specified in the applicable Final Terms.

***(d) Index-Linked Interest Notes***

If Notes are designated “Index-Linked Notes” in the applicable Final Terms, this Condition 3(d) shall apply to such Notes.

In the case of Index-Linked Interest Notes where the rate of interest falls to be determined by reference to the Index and/or the Formula, the Rate of Interest shall be determined in accordance with the Index and/or the Formula in the manner specified in the applicable Final Terms and payment shall otherwise be made in accordance with Condition 5.

***(e) Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

***(f) Dual Currency Notes***

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

**4. Redemption and Purchase**

***(a) Final Redemption***

Unless otherwise indicated in the applicable Final Terms and unless previously redeemed, or purchased and cancelled as provided below, each Note will be redeemed at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

***(b) Redemption for Tax Reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes, Index-Linked Interest Notes and Dual Currency Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes, Index-Linked Interest Notes and Dual Currency Interest Notes), on giving not less than 30 nor more than 60 days’ notice to the Agent and, in accordance with Condition 11, the holders of the Notes (which notice shall be irrevocable and shall specify the date for redemption) at the amount determined in accordance with Condition 4(h) or 4(i) (as applicable), if:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of Canada or any political sub-division or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 4(b), the Issuer shall deliver to the Agent a certificate signed by one officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 4(b) will be redeemed at their Early Redemption Amount referred to in paragraph (h) below together with (if appropriate) interest accrued to but excluding the date of redemption.

***(c) Final Terms***

The Final Terms applicable to each Note will indicate that either (i) such Note cannot be redeemed prior to its Maturity Date except as provided in Condition 4(b) above, or (ii) that such Note will be redeemable at the option of the Issuer and/or the holder of such Note prior to such Maturity Date in accordance with the provisions of Condition 4(d) and/or 4(e) below on a date or dates and at a price or prices indicated in the applicable Final Terms. The applicable Final Terms may also provide for notice periods different from those set out in Conditions 4(d) or 4(e) below.

***(d) Redemption at the option of the Issuer (Call Option)***

If the applicable Final Terms indicate that Notes are redeemable at the option of the Issuer, this Condition 4(d) shall apply to such Notes.

The Issuer may (subject to Condition 4(c) above), at any time (in the case of Notes other than Floating Rate Notes) or on any Interest Payment Date (in the case of Floating Rate Notes) at its option, on giving not less than 15 nor more than 30 days' notice (unless otherwise specified in the applicable Final Terms) to the holders of Notes of the relevant Series (which notice shall be irrevocable and shall specify the date fixed for redemption) in accordance with Condition 11, redeem all or some only of the Notes of such Series then outstanding on the Optional Redemption Date and at the Optional Redemption Amount as specified in or determined in the manner specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s). In the event of a redemption of some only of such Notes, such redemption must be for a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of such Notes, Notes to be redeemed will be selected individually by lot in such place as the Agent may approve and in such manner as the Agent shall deem to be appropriate and fair (without involving any part only of a Definitive Note), in the case of Definitive Notes and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion) or in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption. In the case of Definitive Notes, a list of such Notes called for redemption will be published in accordance with Condition 11 not less than 15 nor more than 30 days prior to such date. In addition, in the case of a partial redemption, the notice will specify the period during which exchanges or transfers of Notes may not be made.

***(e) Redemption at the option of the Noteholders (Put Option)***

If the applicable Final Terms indicates that Notes are redeemable at the option of a holder of one or more of such Notes, this Condition 4(e) shall apply to such Notes.

Subject to Condition 4(c) above, upon any Noteholder giving to the Issuer in accordance with Condition 11 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice (subject, in the case of Floating Rate Notes, as provided below and in accordance with the terms specified in the applicable Final Terms) redeem in whole (but not in part) any such Note(s) which is/are the subject of such notice on the Optional Redemption Date and at the Optional Redemption Amount specified in or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to but excluding the Optional Redemption Date and at the relevant price(s) as indicated in the applicable Final Terms.

***(f) Purchase***

The Issuer may at any time purchase or otherwise acquire Notes in the open market or otherwise. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of Definitive Notes) any unmatured Coupons or Receipts attached thereto or purchased therewith). If purchases are made by tender, tenders must be made available to all holders of Notes of the relevant Series alike.

***(g) Zero Coupon Notes***

(i) The amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4(b), 4(d) or 4(e) above or upon its becoming due and repayable as provided in Condition 7 shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of (iii) below, the Amortised Face Amount of any Zero Coupon Note shall be the sum of (A) the Reference Price specified in the applicable Final Terms and (B) the product of the Amortisation Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable. Where such calculation is to be made for a period other than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or on such other calculation as may be specified in the applicable Final Terms.

(iii) If the amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4(b), 4(d) or 4(e) above or upon its becoming due and repayable as provided in Condition 7 is not paid when due, the amount due and repayable in respect of such Zero Coupon Note shall be the Amortised Face Amount of such Note calculated pursuant to (ii) above, except that such paragraph shall have effect as though the reference therein to the date on which the Note becomes due and repayable were replaced by a reference to the date (the "Reference Date") which is the earlier of (A) the date on which all sums due in respect of the Zero Coupon Note up to that day are received by or on behalf of the holder thereof, and (B) the date on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. The calculation of the Amortised Face Amount in accordance with this paragraph will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the nominal amount of such Note together with any interest which may accrue in accordance with Condition 4(d) above.

***(h) Early Redemption Amounts***

For the purposes of Condition 4(b) and Condition 8 and unless otherwise indicated in the applicable Final Terms, Notes (other than Indexed Notes and Dual Currency Notes) will be redeemed at the Early Redemption Amount calculated as follows: (i) in the case of Notes issued at an Issue Price of 100 per cent. of their nominal amount at their nominal amount in the relevant Specified Currency together with, in the case of Fixed Rate Notes, interest accrued to the date fixed for redemption, or (ii) in the case of Zero Coupon Notes, at the Amortised Face Amount of such Notes determined in accordance with Condition 4(g), or (iii) in the case of Notes issued with an Issue Price greater than or less than 100 per cent. of their nominal amount, at an amount specified in or determined in accordance with or in the manner specified in the applicable Final Terms.

***(i) Index-Linked Notes and Dual Currency Notes***

In respect of an Index-Linked Redemption Note where the amount payable in respect of principal upon redemption (the "Redemption Amount") falls to be determined by reference to the Index and/or the Formula, the Redemption Amount shall be determined in accordance with the Index and/or the Formula set out in the applicable Final Terms and each such Index-Linked Note shall, unless previously redeemed or purchased and cancelled as provided below, be redeemed at the applicable Redemption Amount on the Maturity Date. In respect of an Index-Linked Redemption Note where the amount payable on an early redemption in respect of principal only, principal and interest or interest only (the "Early Redemption Amount") falls to be determined in whole or in part by reference to the Index and/or the Formula, the applicable Final Terms will set out details of the calculation of the Early Redemption Amount. Dual Currency Notes where the amount payable upon redemption (whether at maturity or upon early redemption pursuant to Condition 7 or otherwise) falls to be determined by reference to the Rate of Exchange, will be redeemed at the amount calculated by reference to such Rate (as set out in the applicable Final Terms) together (if appropriate) with interest accrued to the date fixed for redemption.

***(j) Cancellation***

All Notes redeemed shall and all Notes purchased or otherwise acquired as aforesaid may, at the option of the Issuer, be cancelled (together, in the case of Definitive Notes, with all unmatured Coupons and Receipts presented therewith), and thereafter may not be re-issued or re-sold. If any Note is purchased and cancelled without all unmatured Coupons appertaining thereto, the Issuer shall make payment in respect of any such



missing Coupon in accordance with Condition 5 as if the relevant Note had remained outstanding for the period of which such Coupon relates.

***(k) Instalments***

Each Note which is redeemable in instalments will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms, in the case of all instalments (other than the final instalment) by surrender of the relevant Receipt (which must be presented with the Note to which it appertains) and in the case of the final instalment by surrender of the relevant Note, all as more fully described in Condition 5. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (f) above.

***(l) Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition as amended or varied by the information set out in the applicable Final Terms.

**5. Payments and Exchange of Talons**

Each temporary global Note will provide for certification of non-U.S. beneficial ownership either (i) 40 days after the Issue Date of the relevant Note, or (ii) the first date on which any payment is made on such Notes, if earlier. No payments can be collected on the temporary global Note unless such certification has been received.

Payments of principal and interest (if any) in respect of the Definitive Notes (if issued) will (subject as provided below) be made against presentation or surrender of such Definitive Notes or Coupons, as the case may be, at any specified office of any Paying Agent. Payments of principal in respect of instalments (if any), other than the last instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of such instalment together with the relevant Definitive Note against which the amount will be payable in respect of that instalment. If any Definitive Notes are redeemed or become due and repayable prior to the Maturity Date in respect thereof principal will be payable on surrender of each such Note together with all unmatured Receipts appertaining thereto and unmatured Receipts (if any) relating thereto (whether or not attached ) shall become void and no payment shall be made in respect thereof. Receipts presented without the Definitive Notes to which they appertain and unmatured Receipts, do not constitute obligations of the Issuer. All payments of interest and principal with respect to Definitive Notes will be made to accounts located outside the United States except as otherwise provided below.

Payments in respect of Definitive Notes (other than Dual Currency Notes) denominated in a Specified Currency (other than euro) or, in the case of Dual Currency Notes, payable in a Specified Currency (other than euro) will (subject as provided below) be made at the option of the bearer either by a cheque in the Specified Currency drawn on, or by transfer to an account in the Specified Currency maintained by the payee with, a bank in the principal financial centre of the country of the Specified Currency.

Payments in respect of Notes denominated in, or, in the case of Dual Currency Notes payable in, euro will be made by credit or transfer to a euro account (or to any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but (unless otherwise specified in the applicable Final Terms) without prejudice to the provisions of Condition 6.

Notwithstanding the foregoing, payments in respect of Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) (a) if (1) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at

such specified offices outside the United States of the full amount due on the Notes in the manner provided above when due, (2) payment of the full amount due at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, and (3) such payment is then permitted under United States law, and (b) at the option of the relevant holder if such payment is then permitted under United States law in either case, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

The holder of the relevant global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, as the case may be, as the holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Fixed Rate Notes in definitive form should be presented for payment with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of Talons which will have matured on or before the relevant redemption date), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupon which the sum so paid bears to the total amount due) will be deducted from the sum due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of two years from the Relevant Date (as defined in Condition 6) for the payment of such sum due for payment, whether or not such Coupon has become void pursuant to Condition 8 or, if later, two years from the due date for payment of such Coupon. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Dual Currency Note or Index-Linked Note in definitive form, all unmatured Coupons and Talons (if any) relating to such Note (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect of them.

If any date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Date, then the holder thereof shall not be entitled to payment of the amount due until the next following Payment Date in the relevant place and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5 “Payment Day” (unless otherwise specified in the applicable Final Terms) means any day which is both (a) a day on which commercial banks and foreign exchange markets settle payments and all open for general business including dealing in foreign exchange and foreign currency deposits in the relevant place of presentation, London and each Additional Financial Centre specified in the applicable Final Terms; and (b) either (i) in relation to any sum payable in a specified currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any additional financial centre and which, if the specified currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET System is open.

If the due date for redemption of any interest-bearing Definitive Note is not an Interest Payment Date, interest accrued in respect of such Note from (and including) the last preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) will be paid only against surrender of such Definitive Note.

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final Interest Payment Date in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 7. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out at the end of the Prospectus. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or to approve any

change in the specified office of any Paying Agent provided that it will, so long as any of the Notes is outstanding, maintain (i) an Agent, (ii) so long as any Notes are listed on a stock exchange and until the Notes are redeemed, a Paying Agent (which may be the Agent) having a specified office in each location required by the rules and regulations of the relevant stock exchange or other relevant authority; and (iii) a Paying Agent with a specified office in an European Union member state that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive. Any such variation, termination or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 11 below and provided further that neither the resignation nor removal of the Agent shall take effect, except in the case of insolvency as aforesaid, until a new Agent has been appointed. In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in (2) of the sixth paragraph of this Condition 5.

Payments in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

## **6. Taxation**

All payments of, or in respect of, principal and interest on the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Canada or any province or any political subdivision or any authority thereof or therein or thereof having power to tax, unless the Issuer is required by law to deduct or withhold such taxes or duties. In such event, subject to its right of redemption, the Issuer will pay such additional amounts as will result in the payment to the holders of the Notes, the Receipts and Coupons of the amounts which would otherwise have been payable in respect of the Notes or, as the case may be, Receipts and Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) to, or to a third party on behalf of, a holder who is liable to such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Canada other than the mere holding of the Note, Receipt or Coupon or the receipt of principal or interest in respect thereof; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive; or
- (iii) to, or to a third party on behalf of, a holder in respect of whom such tax, duty, assessment or governmental charge is required to be withheld or deducted by reason of the holder being a person with whom the Issuer is not dealing at arm's length (within the meaning of the Income Tax Act (Canada)); or
- (iv) presented by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (v) presented for payment more than thirty days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts presenting the same for payment on such thirtieth day, assuming that day to have been a Payment Day as defined in Condition 5.

As used in these Conditions, the "Relevant Date" means the date on which such payment first becomes due, but if the full amount of the money payable has not been received by the Agent in accordance with the Agency Agreement on or prior to such date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly published in accordance with Condition 11 below.

Any reference in these Conditions to any payment due in respect of the Notes, Receipts or Coupons shall be deemed to include any additional amounts which may be payable under this Condition 6. Unless the context otherwise requires, any reference in these Conditions to "principal" shall include any premium payable in respect of a Note, any Instalment Amount or Final Redemption Amount and any other amounts in the nature of principal payable pursuant to these Conditions and "interest" shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Conditions.

## **7. Events of Default**

If any of the following events (each an “Event of Default”) shall occur and shall be continuing with respect to any Note(s) of a particular Series:

- (a) any amount of principal due on the Notes or any of them, or any interest due on the Notes or the Coupons or any of them is not paid within 15 days of the due date; or
- (b) the Issuer shall fail duly to perform or observe any other term, undertaking or agreement contained in the Notes and such failure continues for a period of 30 days next following the service by the holder of any Note on the Issuer at the specified office of the Agent of written notice requiring the same to be remedied;

then in any such event the holder of any Note may, by written notice to the Issuer at the specified office of the Agent, effective upon receipt thereof by the Agent, declare the principal of and all interest then accrued on such Note to be forthwith due and payable, whereupon the same shall become immediately due and payable without presentation, demand, protest or other notice of any kind, all of which the Issuer expressly waives, anything contained in the Notes or the Conditions to the contrary notwithstanding, unless prior to the time when the Agent receives such notice, all Events of Default in respect of all the Notes shall have been cured. If the Notes (other than Index-Linked Notes and Dual Currency Notes) become so due and payable pursuant to this Condition 7, they shall be repayable in accordance with the provisions of Condition 4(h). Index-Linked Notes and Dual Currency Notes will be repayable in accordance with the provisions of Condition 4(i). If any Note becomes so due and payable, such Note will continue to bear interest in accordance with the provisions of Condition 4 which will continue to apply until repaid.

## **8. Prescription**

Claims for payment of principal in respect of the Notes shall be prescribed upon the expiry of two years, and claims for payment of interest (if any) in respect of the Notes shall be prescribed upon the expiry of two years, in each case from the Relevant Date (as defined in Condition 6) thereof, subject to the provisions of Condition 5. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 above.

## **9. Exchange and Replacement of Notes, Receipts and Coupons**

Should any Note (including any global Note), Receipt or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Agent (in the case of a Definitive Note, Receipt or Coupon), upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or the Agent, as the case may be, may reasonably require. Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

Definitive Notes of one Specified Denomination may not be exchanged for Definitive Notes of another Specified Denomination.

## **10. Meetings of Noteholders and Modification**

The Agency Agreement contains provisions for convening meetings of Noteholders (or the holders of Notes of any one or more Series) to consider matters affecting their interests including modifications by Extraordinary Resolution of the Notes, the Receipts or the Coupons. The quorum for any meeting convened to consider a resolution proposed as an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented except that at any meeting, the business of which includes, *inter alia*, (i) modification of the Maturity Date or, as the case may be, Redemption Date of the Notes (or, as the case may be, the Notes of the relevant one or more Series) or reduction or cancellation of the nominal amount payable upon maturity, (ii) reduction of the amount payable or modification of the Interest Payment Date in respect of the Notes (or, as the case may be, the Notes of the relevant one or more Series) or variation of the method of calculating the rate of interest in respect of the Notes (or, as the case may be, the Notes of the relevant one or more Series), (iii) reduction of any Minimum Interest Rate and/or Maximum Interest Rate, (iv) except pursuant to Redenomination if so provided in the applicable Final Terms, modification of

the currency in which payments under the Notes (or, as the case may be, the Notes of the relevant one or more Series) and/or the Coupons appertaining thereto are to be made (v) modification of the majority required to pass an Extraordinary Resolution or (vi) modification of the provisions of the Agency Agreement concerning this exception, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. Any resolution duly passed at any such meeting shall be binding on all Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) (whether or not they were present at such meeting) and on all Receiptholders and Couponholders relating to the relevant Notes. All actions which may be taken and all powers which may be exercised by holders of the Notes of a Series at a meeting may also be taken or exercised without the necessity of a meeting by the holders of not less than 66 2/3 per cent. of the aggregate principal amount of Notes outstanding by an instrument in writing signed in one or more counterparties.

Meetings of holders of Notes of different Series may be combined and treated as the meeting of the holders of Notes of one Series where the matter to be considered does not affect such Series differently and for the purpose of determining voting entitlement all principal amounts of the Notes outstanding shall be converted into their U.S. dollar equivalent (rounded to the nearest U.S.\$100) based on the Bank of Canada's closing exchange rates in effect on the day notice of the meeting was given to the holders of the Notes and at a meeting every person shall have one vote in respect of each U.S.\$100 of principal (so converted).

The Agent may agree, without the consent of the Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series), to any modification to any of the provisions of the Agency Agreement or the Notes which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on all the Noteholders, Receiptholders and Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series) and, if the Agent so requires, shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) as soon as practicable thereafter in accordance with Condition 11.

## **11. Notices**

(a) All notices regarding Definitive Notes (or Definitive Notes of one or more Series) will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*) or, if this is not practicable, one other English language daily newspaper with general circulation in Europe as the Issuer may decide. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchanges or any other relevant authority on which the Notes are for the time being listed. Any notice published as herein provided in a newspaper shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication, in all cases in all such newspapers in which publication is required. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Definitive Notes of the relevant Series in accordance with this Condition.

(b) Until such time as any Definitive Notes are issued, there may, so long as all the global Note(s) is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication as aforesaid, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. . Any such notice shall be deemed to have been given to the holders of the Notes on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(c) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any Notes are represented by a global Note, such notice may be given by a holder of any Notes so represented to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

## **12. Currency Indemnity**

The obligation of the Issuer in respect of any amount due under the Notes shall not be discharged or satisfied by any tender or any recovery pursuant to a judgment in any currency other than the relevant Specified Currency except to the extent that such tender or recovery results in the actual receipt by the holder of a Note,

Receipt or Coupon of the full amount then due and payable. If the full amount in the relevant Specified Currency actually received by the holder of a Note, Receipt or Coupon is for any reason less than the amount originally due, the Issuer shall, as a separate and independent obligation, pay such additional amounts as may be necessary to compensate for any such deficiency.

### **13. Agents**

In acting under the Agency Agreement, the Agent and the Paying Agents will act solely as agents of the Issuer, and will not assume any obligation or relationship of agency or trust to or with the Noteholders, Receiptholders or Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders to repay Notes and pay interest thereon) any funds received by the Agent for the payment of the principal of or interest on the Notes shall be held by it on trust for the Noteholders and/or Receiptholders and Couponholders until the expiration of the period of prescription specified in Condition 8 above. The Issuer will agree to perform and observe the obligations imposed upon it under the Agency Agreement. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for their relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders, Receiptholders or Couponholders for any resulting profit.

### **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the relevant Noteholders, Receiptholders or Couponholders to create and issue further notes ranking equally in all respects (or in all respects save for the Issue Date and the amount of the first payment of interest thereon and/or the Issue Price) so that the same shall be consolidated and form a single series with the outstanding Notes.

### **15. Governing Law**

The Notes, the Receipts, the Coupons and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein. If an event of default should occur, the holders of the Notes, the Receipts and the Coupons may enforce payment against Her Majesty in right of Canada by suit in the Federal Court of Canada and no governmental or other consent is required. Although a judgment obtained in an action brought in the Federal Court of Canada against Her Majesty in right of Canada is not capable of being enforced by execution, such judgment is payable out of the Consolidated Revenue Fund of Canada.

## **USE OF PROCEEDS**

The net proceeds from the sale of the Notes will be added to the general funds of the Issuer to be utilised to fund loans and in furtherance of other corporate purposes.

## INCOME TAX CONSIDERATIONS

### Canada

The following summary describes the principal Canadian federal income tax considerations generally applicable to a holder of Notes acquired pursuant to this Prospectus who, for the purposes of the *Income Tax Act* (Canada) (the “Act”) is, at all relevant times, neither resident nor deemed to be resident in Canada (a “Non-Resident Holder”).

This summary is based upon the provisions of the Act and the regulations thereunder (the “Regulations”) in force on the date hereof, proposed amendments to the Act and the Regulations in the form publicly announced prior to the date hereof by or on behalf of the Minister of Finance for Canada and the current administrative practices and policies published by the Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder. Non-Resident Holders are advised to consult their own tax advisers with respect to their tax positions.

Interest paid (including amounts on account of or in lieu of payment of, or in satisfaction of such interest) or credited or deemed to be paid or credited by the Issuer on a Note to a Non-Resident Holder will not be subject to Canadian non-resident withholding tax unless all or any portion of such interest (other than interest on a prescribed obligation as described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends payable to shareholders of any class of shares of the capital stock of a corporation. A prescribed obligation for those purposes is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money and no amount payable in respect thereof, other than the amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon any of the criteria described in the preceding sentence.

In the event that a Note is redeemed, cancelled, purchased or repurchased by the Issuer or any other person, resident or deemed to be resident in Canada from a Non-Resident Holder, or is otherwise assigned or transferred by a Non-Resident Holder to a resident or deemed resident of Canada for an amount which exceeds, generally, the issue price thereof or in certain cases the price for which the Note was assigned or transferred by a person resident or deemed to be resident in Canada to the Non-Resident Holder, the difference between the price for which the Note is redeemed, cancelled, purchased or repurchased or otherwise assigned or transferred and the issue or such other price may, in certain circumstances, be deemed to be interest and may be subject to Canadian non-resident withholding tax if the Note is not considered to be an excluded obligation and such interest is not otherwise exempt from Canadian non-resident withholding tax. A Note will be regarded as an excluded obligation so long as the interest payable thereon is exempt from Canadian non-resident withholding tax by virtue of the previous paragraph. In addition, any amount of interest accrued and unpaid on a Note at the time of such assignment or transfer may in certain circumstances be a payment of interest to the Non-Resident Holder and may be subject to non-resident withholding tax unless the Note is considered to be an excluded obligation as described in the preceding sentence.

Generally, there are no other taxes on income (including taxable capital gains) payable in respect of the acquisition, ownership or disposition of a Note or interest or premium thereon by a Non-Resident Holder who at any time during which the Note is held does not use or hold and is not deemed to use or hold the Note in carrying on a business in Canada and is not otherwise required by or for the purposes of such laws to include an amount in respect of the Note in computing income from carrying on business in Canada.

### EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period Austria, Belgium and Luxembourg are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such



transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (in the case of Switzerland, a withholding system has been adopted).

## **BUSINESS DEVELOPMENT BANK OF CANADA**

### **History and Purpose**

The Federal Business Development Bank was established by the Federal Business Development Bank Act, an Act of the Parliament of Canada, which came into force on 2 October, 1975 and succeeded the Industrial Development Bank (“IDB”), which was formed in 1944. The Federal Business Development Bank was continued under the name Business Development Bank of Canada (the “Issuer”) by the Business Development Bank of Canada Act, the (“BDC Act”) an Act of the Parliament of Canada, which came into force on 13 July, 1995.

The Issuer was established to support Canadian entrepreneurship by providing financial and management services to small and medium-sized enterprises. Its predecessor, IDB, pursued similar objectives but was limited to provision of financial assistance. The various management services were added to provide the enterprise with a single source from which to obtain both financing and advice suited to its particular needs.

To the greatest extent consistent with its corporate purpose, the Issuer has endeavoured to conduct its operations on a financially self-sustaining basis in accordance with commercial principles.

The Head Office of the Issuer is located at Suite 400, 5 Place Ville Marie, Montreal, Canada, H3B 5E7 (telephone: (514) 283 5904).

### **Agency and Crown Corporation Status**

The Issuer is an agent of Her Majesty in right of Canada and is a federal Crown corporation wholly-owned by Canada. Crown corporations are established by the Parliament of Canada for many purposes, including administering and managing public services in which business enterprise and public accountability must be combined. As a Crown corporation, the Issuer is ultimately accountable to Parliament for the conduct of its affairs through the Minister of Industry. It is governed with respect to financial controls by the *Financial Administration Act*, which establishes auditing and reporting requirements and specific procedures for financing the capital and operating requirements of Federal Government departments and Crown corporations.

As an agent of Her Majesty, the payment of principal of and any interest or premium on the Notes, carries the full faith and credit of Canada and the Notes constitute direct unconditional obligations of and by Canada. Payment of the principal of and any interest on the Notes is a charge on and payable out of the Consolidated Revenue Fund of Canada. The Consolidated Revenue Fund of Canada is the aggregate of all public moneys, such as tax revenues, which are on deposit at the credit of the Receiver General for Canada, the public officer who receives or collects public moneys for and on behalf of Canada.

### **Financing Authority and Controls**

The Issuer may, with the approval of the Minister of Finance of Canada, issue and sell debt obligations. In addition, the Minister of Finance may, at the request of the Issuer, lend money to the Issuer out of the Consolidated Revenue Fund on such terms and conditions as are fixed by the Minister of Finance.

The Issuer’s policies and practices are established by its Board of Directors, whose members are appointed by the Minister of Industry with the approval of the Governor in Council (which consists of the Governor General of Canada acting on the advice of the Committee of the Privy Council, whose membership is identical to that of the Cabinet) except for the Chairperson and the President of the Issuer, who are appointed by the Governor in Council. The BDC Act provides for a Board comprising the Chairperson and the President of the Issuer and not fewer than three but no more than thirteen other directors. The Board has established several committees composed of various Board members, to aid in oversight and advising the Board on specific matters (e.g. Audit Committee; Governance/Nominating Committee).

An annual capital budget is approved by the Issuer’s Board and a summary thereof is placed before Parliament by the Minister of Industry, following approval by the Governor in Council upon the recommendation of the Minister of Industry, the Treasury Board and the Minister of Finance.

The financial statements of the Issuer are audited by auditors appointed by the Governor in Council. The statements are submitted annually to Parliament through the Minister of Industry.

### **Financial Services**

Financial Services of the Issuer are provided by its Financing division and its Investment group.

The Financing division acts as a complementary lender providing funds, mainly by way of term loans with flexible repayment conditions, to small and medium-sized enterprises. It works in conjunction with commercial banks and other financial institutions. The Issuer lends money for specific purposes at commercial rates of interest; it does not provide grants to businesses. The Issuer can accept as collateral a wide variety of assets such as real property, new or used machinery and equipment and inventories.

The Issuer has recently incorporated a wholly-owned subsidiary named BDC Capital Inc., to which the Issuer's venture capital investment holdings have been transferred and which holds new venture capital investments as they are made. The role of the Issuer's investment activities, including its Venture Capital and Subordinate Financing Teams, is to act as a catalyst in stimulating the creation of risk capital for small and medium-sized businesses by using its own capital as leverage to encourage private sector participation. The Issuer acquires a minority ownership interest in an investee company and may invest in projects at various stages of a company's life cycle from seed through development and expansion. The Investment Group also offers subordinate financing under which the repayment structure is based on a combination of fixed and variable return, and may include equity participation by the Issuer.

### **Management Services**

Through its Consulting Group, the Issuer also offers business consulting services to help entrepreneurs strengthen their management capabilities and skills. While the Issuer charges fees for these services, these fees have historically not fully covered the costs of the Consulting Group. Until September, 1996, the net expenditures for these services were funded by Parliamentary appropriation. Since then, the appropriations have ceased and the net expenditures are now met from general revenues of the Issuer.

### **Debt Record**

The Issuer and its predecessor, IDB, have always paid promptly when due the full amount of principal and interest on every obligation issued by them

## **DESCRIPTION OF CANADA**

The following information (except for certain updates provided by Form 18-K/A dated 15 February, 2006, Form 18-K/A dated 11 May, 2006 and Form 18-K/A dated 28 September 2006, each filed by Canada with the United States Securities and Exchange Commission, which are incorporated by reference herein) has been extracted in its entirety from Exhibit (d) to the Form 18-K of Canada dated 21 December, 2005 and filed by Canada with the United States Securities and Exchange Commission (the "Form 18-K"), which is incorporated by reference herein.

## **GENERAL INFORMATION**

### ***Area and Population***

Canada is the second largest country in the world, with an area of 9,984,670 square kilometers of which about 891,163 square kilometers are covered by fresh water. The occupied farm land is about 7% and the productive forest land is about 25% of the total area. The population on July 1, 2005 was estimated to be 32.3 million. Approximately 65% of Canada's population lives in metropolitan areas of which Toronto, Montreal and Vancouver are the largest. Most of Canada's population lives within 200 kilometers of the United States border.

### ***Form of Government***

Canada is a federal state composed of ten provinces and three territories. In 1867, the United Kingdom Parliament adopted the *British North America Act*, which established the Canadian federation comprised of, at that time, the provinces of Ontario, Quebec, Nova Scotia and New Brunswick. Since then, six additional provinces (Manitoba, British Columbia, Prince Edward Island, Saskatchewan, Alberta and Newfoundland and Labrador), along with the Yukon Territory, the Northwest Territories and the new territory of Nunavut (which was carved out the Northwest Territories on April 1, 1999), have become parts of Canada.

The *British North America Act* (which has been renamed the *Constitution Act, 1867*) gave the Parliament of Canada legislative power in relation to a number of matters including all matters not assigned exclusively to the legislatures of the provinces. These powers now include matters such as defense, the raising of money by any mode or system of taxation, the regulation of trade and commerce, the public debt, money and banking, interest, bills of exchange and promissory notes, navigation and shipping, extra-provincial transportation, aerial navigation and, with some exceptions, telecommunications. The provincial legislatures have exclusive jurisdiction in such areas as education, municipal institutions, property and civil rights, administration of justice, direct taxation for provincial purposes and other matters of purely provincial or local concern.

The executive power of the federal Government is vested in the Queen, represented by the Governor General, whose powers are exercised on the advice of the federal Cabinet, which is responsible to the House of Commons. The legislative branch at the federal level, Parliament, consists of the Crown, the Senate and the House of Commons. The Senate has 105 seats. There are 24 seats each for the Maritime Provinces, Quebec, Ontario and Western Canada, 6 for Newfoundland and 1 each for the three territories. Senators are appointed by the Governor General on the advice of the federal Cabinet and hold office until age 75. The House of Commons has 308 members, elected by voters in single-member constituencies. The leader of the political party that gains the most seats in each general election is usually invited by the Governor General to be Prime Minister and to form the Government. The Prime Minister selects the members of the federal Cabinet from among the members of the House of Commons and the Senate (in practice almost entirely from the former). The House of Commons is elected for a period of five years, subject to earlier dissolution upon the recommendation of the Prime Minister or because of the Government's defeat in the House of Commons on a vote of no confidence.

The most recent general election was held on January 23, 2006. As a result of that election the Conservative Party forms the Government. The distribution of seats in the House of Commons is as follows: the Conservative Party has 124 seats, the Liberal Party has 101 seats, the Bloc Quebecois has 50 seats and the New Democratic Party has 29 seats. There are 2 independent members and 2 vacant seats.

The executive power in each province is vested in the Lieutenant Governor, appointed by the Governor General on the advice of the federal Cabinet. The Lieutenant Governor's powers are exercised on the advice of the provincial cabinet, which is responsible to the legislative assembly made up of members elected for a period of five years. The practice of selecting the provincial premier and the provincial cabinet in each province follows that described for the federal level, as does dissolution of a legislature.

The judicial branch of government in Canada is composed of an integrated set of courts created by federal and provincial law. At the federal level there are two principal courts, the Supreme Court of Canada which is the highest appeal court in Canada and the Federal Court of Canada which, among other things, deals with federal revenue laws and claims involving the Government. Judges of the two federally constituted courts and those of the provincial superior and county courts are appointed by the Governor General on the advice of the federal Cabinet and hold office during good behaviour until age 70 or 75.

## **THE CANADIAN ECONOMY**

A description of the Canadian economy, including gross domestic product, gross domestic income and expenditure, economic developments, the balance of international payments and foreign exchange, debt maturity and international reserves can be found in the Form 18-K, with some of those details being amended and updated by the Form 18-K/A dated 11 May 2006 and the Form 18-K/A dated 28 September 2006 filed with the United States Securities and Exchange Commission, each of which is incorporated by reference herein.

## **DEBT RECORD**

Canada has always paid the full face amount of the principal and interest on every direct obligation issued by it and every indirect obligation on which it has been required to implement its guarantee, promptly when due. During war, where such payment would have violated laws or regulations forbidding trading with the enemy, payment was made to the custodian of enemy property.

## **GOVERNMENT FINANCES**

### ***Introduction***

The financial structure of the Government of Canada rests on a constitutional and statutory framework dating back to the *British North America Act, 1867*. That Act, which has been renamed the *Constitution Act, 1867*, gave constitutional foundation to the principles of financing that are basic to responsible government, while other necessary financial administrative machinery and procedures were established by subsequent legislation, most notably the *Financial Administration Act*. The proclamation in

1982 of the *Constitution Act, 1982* terminated British legislative jurisdiction over Canada's Constitution in accordance with an amending formula that permits amendment to the Constitution without resorting to the Parliament of the United Kingdom.

Within the confines of the Constitution, the authority of Parliament is supreme. Ultimate control of the public purse and the financial structure of the Government rests with Parliament. This is reflected in the fundamental principles that no tax shall be imposed and no money shall be spent without the authority of Parliament, and the expenditures shall be made only for the purposes authorized by Parliament.

Public money received by the Government is deposited in the Consolidated Revenue Fund of Canada. Withdrawals of public money out of the Consolidated Revenue Fund may not be made without the authority of Parliament.

The Government has two major sources of money: budgetary revenues and borrowing. The main sources of revenue are personal and corporate income taxes, employment insurance premiums, and excise taxes and duties. These revenues are authorized by specific acts passed by Parliament. The Government's revenues also include net gains/losses from Crown corporations (such as the Bank of Canada, EDC and the Canada Mortgage and Housing Corporation), foreign exchange revenues, and other revenues (primarily revenues from the sales of goods and services). The other major source of money to finance Government operations is borrowing. Borrowing limits are established by acts of Parliament. The main sources of borrowing are marketable bonds, treasury bills and retail debt.

Parliament authorizes the disbursement of moneys out of the Consolidated Revenue Fund by means of Appropriation Acts passed on an annual basis by Parliament and based on the Main Estimates submitted by the various departments. In addition to the Appropriation Acts, authority for payments may also be found in certain statutes which authorize certain payments out of the Consolidated Revenue Fund. Expenditures for public debt charges, social security payments and transfers to other levels of government are authorized in this way. Appropriations may also be made by the Governor in Council for urgent payments. Such appropriations may be made only when Parliament is not in session, and must be laid before Parliament during the subsequently session.

Information on the Government's planned revenues and expenditures is presented to Parliament primarily in two documents: the Budget and the Main Estimates, which are both presented in the House of Commons. The Budget, which may be delivered at any time during the fiscal year, provides the occasion on which the Minister of Finance generally brings under review the whole financial position of the Government, present and prospective, and announces the Government's plans and proposals. The Main Estimates are tabled (i.e., introduced) once each year and outline the Parliamentary authority, either existing or required, for disbursements. Supplementary Estimates may also be tabled during the year to provide authority for spending as the need arises.

The considerations for overall resource availability and demands for new policies and programs are reconciled through the establishment of a five year Fiscal Plan reflecting Government priorities. This Fiscal Plan, which is presented with the Budget, establishes an expenditure framework, in which the Cabinet establishes priorities. This ensures that expenditure decisions are made within the context of Government priorities and do not exceed the provision for such expenditures set out in the expenditure framework. The Government also releases an Economic and Fiscal Update in the fall for pre-budget consultation purposes.

The reporting entity of the Government of Canada includes all departments, agencies, corporations and funds which are owned or controlled by the Government and which are accountable to Parliament. The financial activities of all departments, agencies, corporations and funds are consolidated in the Government's financial statements, except for enterprise Crown corporations and other government business enterprises which are not dependent on the Government for financing their activities. For these corporations, the Government reports in its financial statements only the cost of its investment and an allowance for valuation which includes their annual net profits and losses. In addition, any amounts receivable from or payable to these corporations are reported.

The primary source of information on all actual financial transactions of the Government is the *Public Accounts of Canada*, which are required by the *Financial Administration Act (Canada)* to be tabled in Parliament each year. The other chief accountability reports are the statements of budgetary and non-budgetary financial transactions and of the Government's cash and debt position published monthly in The Fiscal Monitor and in the Annual Financial Report.

Since fiscal 2002-03, the financial statements have been presented on a full accrual basis of accounting, replacing the modified accrual standard that had been used since the mid 1980s. The Government's fiscal anchor remains the budgetary balance, which now provides a more comprehensive and up-to-date picture of the financial situation. Prior to the shift to accrual accounting, there was no distinction

between net debt and the accumulated deficit, or federal debt, so these terms were used interchangeably. Under full accrual accounting, this is no longer the case. Net debt is the Government's net liabilities excluding the value of its non-financial assets. The federal debt takes into account the value of non-financial assets. The two indicators now represent different measures of the Government's financial position. The federal debt represents the accumulation of surpluses and deficits in the past and is the key measure of debt. Data from fiscal 1983-84 are not directly comparable with earlier years due to a break in the series following the introduction of full accrual accounting.

### ***Fiscal Policy***

Since 1993, the Government's fiscal objective has been to restore and maintain fiscal health. Implicit in this objective was the need to halt the rise in the debt-to-GDP ratio and to put it on a permanent downward track. On a full accrual basis of accounting, the budgetary balance went from a record deficit of \$39.0 billion, or 5.6% of GDP in fiscal 1992-93 to nine consecutive surpluses over the fiscal 1997-98 to fiscal 2005-06 period. A budgetary surplus of \$13.2 billion was recorded in 2005-06. As a percentage of GDP, program expenses declined from 16.8% in fiscal 1992-93 to 12.8% in fiscal 2005-06, and public debt charges fell from 5.9% in fiscal 1992-93 to 2.5% in fiscal 2005-06. Coupled with economic growth, the fiscal turnaround has also led to a fall in federal debt as a share of GDP of over 30 percentage points to 35.1% in fiscal 2005-06, from the peak of 68.4% in fiscal 1995-96. This is the tenth consecutive year in which the debt-to-GDP ratio has declined.

This turnaround in federal finances underlined the soundness of the Government's fiscal planning approach – basing budget plans on economic planning projections based on the average of the private sector economic and fiscal forecasts backed by prudence. Prudence is of two types – the Contingency Reserve and economic prudence. The Contingency Reserve of \$3.0 billion per year provides a measure of back-up against adverse errors in the fiscal forecast. Economic prudence provides an extra measure of back-up to ensure that the fiscal target is met. The magnitude of the adjustment for economic prudence increases over the forecast periods, reflecting rising uncertainty over the planning horizon. Prudence in budget planning has meant the budgetary balance targets have been consistently bettered in each and every year.

The budgetary deficit/surplus – the budgetary balance – is the most comprehensive measure of the Government's fiscal results. It is presented on a full accrual basis of accounting, recording government assets and liabilities when they are earned or incurred, regardless of which the cash is received or paid. In addition, the budgetary balance includes only those activities over which the Government has legislative control. However, it is only one measure of the Government's financial position.

Another important measure is financial source/requirement. Financial source/requirement measures the difference between cash coming in to the Government and cash going out. It differs from the budgetary balance in that it includes transactions in loans, investments and advances, federal employees' pension accounts, other specified purpose accounts, foreign exchange activities are included as part of non-budgetary transactions. The conversion from full accrual to cash accounting is also reflected in non-budgetary transactions. In contrast to the large financial requirements observed from the mid 1970s through the mid 1990s, financial surpluses have now been recorded in eight of the past nine years.

### **CLAIMS AND PENDING AND THREATENED LITIGATION**

The following information (except for the final paragraph below) has been extracted in its entirety from Note 15(iv) from Volume 1, Section 2 of the Public Accounts of Canada 2005-2006 for the year ended March 31, 2006, submitted to the House of Commons of the Parliament of Canada on September 28, 2006.

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and many where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Certain large and significant claims are described below:

*Comprehensive land claims:* There are currently 74 (77 in 2005) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of \$3,200 million (\$3,700 million in 2005) is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

*Assessed taxes under objection or appeal:* As at March 31, 2006, an amount of \$9,694 million (\$9,537 million in 2005) of taxes assessed was under objection at Canada Customs and Revenue Agency and

an amount of \$1,742 million (\$1,360 million in 2005) was being appealed to either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

*Other:* In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Policy Superannuation Act* were amended to enable the federal government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the courts. The outcome of these lawsuits is not determinable at this time.

Except as set out above, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Canada is aware), during a period covering the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on Canada's financial position.

#### LIQUID DEPOSITS AVAILABLE IN DOMESTIC CURRENCY

The following information has been extracted in its entirety from Volume 1, Section 7 of the Public Accounts of Canada 2005-2006 for the year ended March 31, 2006, submitted to the House of Commons of the Parliament of Canada on September 28, 2006.

#### Cash

Cash consists of public moneys on deposit and cash in transit at March 31st. Cash in bank consists of public moneys on deposit to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions. Cash in transit consists of public moneys received by public officers prior to April 1, but not deposited by that date as well as cash held by consolidated Crown corporations. Outstanding cheques and warrants are deducted to arrive at the closing cash balance. The table below presents a summary of the cash balances.

	March 31/2006	March 31/2005
	\$	\$
Cash in bank—		
Canadian currency .....	17,931,065,988	17,121,709,779
Foreign currencies(1) .....	(3,469,018)	7,863,861
Special deposits(2) .....	32,907,111	31,762,559
Total cash in bank .....	17,960,504,081	17,161,336,199
Cash in transit—		
Cash in hands of collectors and in transit .....	7,481,458,011	7,135,066,517
Other cash—Consolidated Crown corporations(3) .....	454,993,000	588,956,000
Total cash in transit .....	7,936,451,011	7,724,022,517
Less: Outstanding cheques and warrants—		
Outstanding cheques(4) .....	4,745,056,162	4,286,536,963
Imprest account cheques(5) .....	3,028,100	3,654,439
Total outstanding cheques and warrants .....	4,748,084,262	4,290,191,402
Total cash .....	21,148,870,830	20,595,167,314

(1) The balances denominated in foreign currencies (United Kingdom pounds sterling, United States dollars and Euros) have been translated into Canadian dollar equivalents.

(2) These are balances in the hands of financial institutions for the purchase or redemption of Government securities, for the payment of interest and for reimbursement of GST refund payments issued by the ministère du Revenu du Québec on behalf of the government.

(3) These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of consolidated Crown corporations and other entities.

(4) Cheques and Employment Insurance warrants issued in Canadian dollars, and outstanding are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$31,057,344 (\$32,909,471 in 2005) was transferred to non-tax revenues. Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

(5) Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account.

## PLAN OF DISTRIBUTION

Citigroup Global Markets Limited, Daiwa Securities SMBC Europe Limited, Merrill Lynch International, Mitsubishi UFJ Securities International plc, Mizuho International plc, Nomura International plc, Royal Bank of Canada Europe Limited, Shinkin International Ltd, and UBS Limited as Dealers have in an amended and restated Programme Agreement dated December 8, 2006 (as amended from time to time the “Programme Agreement”) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. In the Programme Agreement the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of the Notes. The Issuer may sell Notes from time to time to persons or institutions who are not Dealers (such person or institution hereinafter referred to as a “Purchaser”).

### United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and in compliance with any State or other securities laws. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act. Each Dealer has agreed and each further Dealer or Purchaser appointed under the Programme will be required to agree that it will not offer, sell or deliver a Note within the United States or to U.S. persons except as permitted by the Programme Agreement.

Regulation S, Category 2, TEFRA D Rules apply, unless TEFRA C Rules are specified as applicable in the applicable Final Terms or unless TEFRA Rules are not applicable. Rule 144A eligible, if so specified in the applicable Final Terms.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possession or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer and sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index-Linked Notes will be subject to such additional United States selling restrictions as the Issuer and the relevant Dealer(s) or Purchaser(s) may agree, as indicated in the applicable Final Terms. Each Dealer has agreed that it will offer, sell or deliver such Notes only in compliance with such additional United States selling restrictions.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;



- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

Each Dealer has represented and agreed that, and each further Dealer or Purchaser appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### **Japan**

The Notes have not been and will not be registered under the securities and exchange law (the “Securities and Exchange Law”) of Japan and, accordingly, each Dealer has represented and agreed and each other Purchaser will be required to represent and agree that it will not offer or sell any Notes directly or indirectly in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### **General**

Each Dealer has agreed and each other Purchaser will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Dealer shall have responsibility therefor.

Except as stated in the applicable Final Terms, no action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required other than the approval of the Prospectus by the UKLA and the request for a certificate of approval to be delivered to the competent authority in those Member States of the EEA as indicated in the relevant Final Terms.

Neither the Issuer nor any of the Dealers represents that the Notes may at anytime lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

The selling restrictions applicable to the Notes may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms relating to any Series of Notes to which such modification applies or in a supplement to this Prospectus.

With regard to each issue of Notes, the relevant Purchaser will be required to comply with such other additional restrictions as the Issuer and the relevant Purchaser shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Admission of the Notes to the Official List and to Trading on the London Stock Exchange

1. Application has been made to the UKLA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the "Market"). The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and admitted to trading on the Market will be admitted separately as and when such Notes are issued, subject only to the issue of the global Note initially representing the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or about 12 December 2006. Notes may be issued which will not be admitted to the Official List and Notes may also be listed on other stock exchanges.

### Material Change

2. There has been no significant change to the information contained in this Prospectus relating to public finance and trade which has occurred since the end of the last fiscal year of the Issuer.

### Documents and Agreements

3. So long as any of the Notes remains outstanding, copies of the Business Development Bank of Canada Act and amendments thereto, the Financial Administration Act (Canada) and amendments thereto, the Bylaws of the Issuer Canada's Form 18-K filed with the United States Securities Exchange Commission on 21 December, 2005, Form 18-K/A filed on 11 May 2005 and Form 18-K/A filed on 28 September 2006 and any future prospectuses, offering circulars and information memoranda and supplements (including the Final Terms) to this Prospectus, a copy of the subscription agreement for Notes issued on a syndicated basis which are admitted to the Official List and the documents incorporated herein and therein by reference will be available for collection from and copies of the Agency Agreement (incorporating the forms of the temporary global, permanent global and definitive Notes), the Programme Agreement and the Deed of Covenant will be available for inspection at, the specified office in London of the Agent and at the Head Office of the Issuer.

### Authorisation

4. The establishment and continuation of the Programme were authorised and approved by resolutions of the Executive Committee of the Board of Directors of the Issuer passed on 8 April, 1992, 28 April, 1993 and, 5 March, 2003 and borrowings under the Programme have been approved by annual resolutions of the Board of Directors of the Issuer, the most current of which was passed on 28 March, 2006. The issuance of Notes under the Programme has also been approved by the Minister of Finance of Canada.
5. The authorisation of the Board of Directors of the Issuer currently provides in effect that the aggregate outstanding principal amount of the Notes to be issued under this Programme may not exceed, in total, U.S.\$3,000,000,000 or its equivalent in other currencies. Additional authorisations and approvals would be required in order for the Issuer to issue Notes that would exceed this limitation.

### Litigation

6. There are no governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened of which the Issuer is aware during a period covering the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position.

### Euroclear and Clearstream, Luxembourg

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records in respect of the Notes. The appropriate common code and International Securities Identification Number in relation to the Notes of each Series and any other clearing system as shall have accepted the relevant Instruments for clearance will be specified in the Final Terms relating thereto. If the Notes are to clear through an additional or

alternative clearing system, the appropriate information will be specified in the relevant Final Terms. The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg.

### **Documents for Inspection**

8. Copies of the following documents may be inspected at the head office of the Issuer and at the offices of the Paying Agent during usual business hours on any weekday (Saturdays and public holidays excepted) throughout the life of the Programme:
  - (i) the Business Development Bank of Canada Act and amendments, the Financial Administration Act and amendments and the By-laws of the Issuer;
  - (ii) the Annual Report of the Issuer for the financial year ended 31 March, 2006, and for subsequent financial years, as and when published;
  - (iii) the Annual Financial Report of Canada for the financial year ended 31 March, 2006; and
  - (iv) the Programme Agreement, the Agency Agreement (which contains the forms of the global Notes, Definitive Notes, Coupons and Receipts) and the Deed of Covenant.
  - (v) each Final Terms for a Tranche of Notes that is offered to the public or admitted to trading on a regulated market in any Member State of the European Economic Area in circumstances requiring publication of a prospectus in accordance with Directive 2003/71/EC and any relevant implementing measure or admitted to trading on the Professional Securities Market;
  - (vi) a copy of the Prospectus together with any supplementary listing particulars or other supplement to the Prospectus or further Prospectus; and
  - (vii) a copy of the subscription agreement for Notes issued on a syndicated basis which are admitted to trading on the Market.

### **European Union Savings Directive**

9. Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

### **No Obligation to Maintain Listing**

10. The Transparency Obligations Directive 2004/109/EC of the European Parliament and of the Council of 15 December, 2004 (the "TOD"), which relates to information about issuers whose securities are admitted to trading on a regulated market in the European Union was published in the Official Journal of the EU on 31 December, 2004. The TOD must be implemented on or before 20 January, 2007 in all Member States and its impact on the Issuers is not yet clear. At present, the Issuers' financial statements are not prepared in accordance with, or reconciled to, IFRS or International Accounting Standards ("IAS") or audited in accordance with International Standards on Auditing ("ISA") and do not contain any additional quantitative or qualitative disclosures relating to significant differences between IFRS and the relevant GAAP, nor any auditor's report relating thereto.
11. The TOD contains provisions which, when applied to any Notes issued under the Programme and admitted to

trading on a regulated market in the European Union, will have the effect of either requiring the Issuers to prepare their financial statements in accordance with, or reconciled to, IAS and IFRS or to have them audited in accordance with ISA or to provide the above-noted additional disclosures and a related audit report in order for the Notes to remain listed on a regulated market in the European Union, unless it is determined that the law applicable to the Issuer imposes “equivalent” requirements in all respects. The TOD may also require that the Issuer publish semi-annual reports if they have Notes admitted to the Professional Securities Market. It is unknown as of the date of this Prospectus whether the requirement to prepare financial statements in accordance with the relevant GAAP and have them audited in accordance with relevant generally accepted auditing standards (“GAAS”) or the form of financial reporting required by the law applicable to the Issuer (including the management report and officers’ certifications) will be determined to be “equivalent” in all respects to the requirements of the TOD. In the event that (i) the TOD is implemented, or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, so as to require the Issuer (a) to prepare its financial statements in accordance with, or reconciled to, IAS and IFRS or (b) to provide additional quantitative or qualitative disclosures regarding significant differences between the relevant GAAP and IFRS or any additional auditor’s report relating to such disclosures or (c) to change the form of its financial reports in any other respect (other than the relevant GAAP and GAAS) or (d) to have its financial statements audited in accordance with ISA or (e) to report more frequently than it currently does; (ii) any other future law or EU Directive (including any corporate governance requirements) is introduced that would otherwise impose requirements on the Issuer that it in good faith determines are impracticable or unduly burdensome, in order to maintain the continued listing of any Notes issued under the Programme on a regulated market in the European Union; or (iii) the TOD is implemented, or any law implementing or complying with, or introduced in order to conform to such Directive is introduced so as to require the Issuers in the case of Notes issued, listed or admitted to trading on a regulated market in the EEA to publish its financial information more regularly than it would otherwise be required to do, the Issuer may, in its sole discretion, determine that it is unduly burdensome to maintain such listing and seek to terminate the listing of such Notes provided it uses all reasonable endeavours to seek an alternative admission to listing, trading and/or quotation of such Notes by such alternative listing is not available or, in the opinion of the Issuer impractical or unduly burdensome, the Notes may be delisted and an alternative listing may not be obtained. Subject to the foregoing, the Issuer is not under any obligation to Noteholders to maintain any listing of Notes in such circumstances. Although there is no assurance as to the liquidity of any Notes as a result of the listing on a regulated market in the European Union, delisting such Notes may have a material affect on the ability to (a) continue to hold such Notes or (b) resell the Notes in the secondary market.

#### **Other**

12. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
13. Settlement arrangements will be agreed between the Issuer, the relevant Dealer(s) and the Issue and Principal Paying Agent in relation to each Tranche of Notes.
14. The Issuer has no intention to provide any post-issuance information in relation to any issue of Notes.

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