

## INFORMATION STATEMENT DATED APRIL 25, 2006

*This Information Statement has been prepared solely for assisting prospective purchasers in making an investment decision with respect to the securities described therein. This Information Statement constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered under this Information Statement have not, and will not be registered under the United States Securities Act of 1933, as amended or any state securities law and may not be offered or sold in the United States or to U.S. persons.*



Business Development Bank of Canada  
Banque de développement du Canada

### **Principal Protected Notes Series 3, due June 16, 2014, Linked to the MB Balanced Growth Fund, a pooled fund managed by McLean Budden Limited**

The Business Development Bank of Canada (the "Bank") is hereby offering Principal Protected Notes Series 3, due June 16, 2014, linked to the MB Balanced Growth Fund, a pooled fund managed by McLean Budden Limited (each a "Note", and collectively, the "Notes"). The Notes will mature on June 16, 2014 (the "Maturity Date" or "Maturity"). The Notes will be issued at a price of \$100 per Note payable on the Closing Date (as hereinafter defined). The value of the Notes on the Maturity Date will be linked to the performance of a portfolio (the "Portfolio") comprising units of the MB Balanced Growth Fund ("the Reference Fund") a pooled fund managed by McLean Budden Limited (the "Reference Fund Advisor"). The investment policy of the Portfolio will be to seek capital appreciation over the medium term by allocating a proportion of the assets of the Portfolio to units of the Reference Fund pursuant to the Leverage Policy (as hereinafter defined). The portion of the Portfolio's assets allocated at any time to units of the Reference Fund will be adjusted on a monthly basis according to the Portfolio's Leverage Policy. In particular, a portion of the assets of the Portfolio may, from time to time, be invested in synthetic zero coupon bonds that will pay \$100 at Maturity based on the Canadian interbank swap rate for similar term to Maturity (the "Permitted Investments") depending on the value of the Portfolio. A number of factors will affect this allocation, including the performance of the Reference Fund, the remaining term of the Permitted Investments and interest rates as of the date of the relevant determination. See "The Portfolio – Investment Level/Leverage Policy". The initial allocation of the Portfolio will be made entirely in units of the Reference Fund and will be rebalanced monthly depending on the Investment Level (as hereinafter defined). Based on the Leverage Policy, the Administrator (as hereinafter defined) may, depending on the performance of the Reference Fund, employ leverage and cause the Portfolio to borrow up to 50% of the Global NAV (as hereinafter defined) in order to increase the exposure under the Notes. Any leverage employed by the Administrator is without liability to any holder of notes (each a "Holder" and, collectively, the "Holders") but may affect the return on the Notes and their market value. When such leverage is used, the return a Holder receives at Maturity will be reduced by the amount of interest payable to the Administrator on the funds borrowed, calculated at the Administrator's one-month rate for banker's acceptances. At the Maturity Date, each Holder of Notes will be entitled to receive, in respect of each Note held by such Holder, the Maturity Redemption Amount, being the greater of: (a) the principal amount of a Note which is \$100 (the "Principal Amount"), and (b) the Principal Amount multiplied by the quotient of the Final NAV (as hereinafter defined) and the Principal Amount. The Notes will not bear interest but will rather have a return, if any, equal to the difference between the Maturity Redemption Amount and the Principal Amount. The Notes will not be redeemable prior to the Maturity Date.

---

**PRICE: \$100 per Note**  
**Minimum Subscription: \$2,000 (20 Notes)**

---

The Notes will constitute direct unconditional obligations of the Bank and as such will constitute direct unconditional obligations of Her Majesty in Right of Canada.

Opensky Capital Inc. (the "Agent") and the Bank have entered into an agency agreement (the "Agency Agreement") pursuant to which the Agent has agreed to offer for sale, on a best efforts basis, the Notes in Canada and to form a selling group for the purposes of offering the Notes for sale, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement. See "Plan of Distribution".

The Notes are not conventional notes or debt securities in that they do not provide Holders with a return or income stream prior to the Maturity Date, or a return, at the Maturity Date, calculated by reference to a fixed or floating rate of interest that is determinable prior to the Maturity Date. The Notes may produce no return on the Holder's original investment. Therefore, the Notes are not suitable investments for an investor who needs or expects to receive a return on investment. The Notes are designed for investors with a long-term investment horizon who are prepared to hold the Notes to the Maturity Date and are prepared to assume risks with respect to a return tied to the performance of the Portfolio. Prospective purchasers should take into account additional risk factors associated with this offering. See "Risk Factors" for a discussion of risk factors that should be considered by prospective investors in evaluating an investment in the Notes.

The closing of this offering is scheduled to occur on or about June 15, 2006 or such later date as may be agreed by the Bank and the Agent (the "Closing Date"). Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Subscriptions for Notes must be made through the mutual fund entry system FundSERV, under the mutual fund order code OPS133. Subscription funds received will be deposited in a trust account established by the Agent at National Bank Trust, in trust for the beneficial Holders. The interest earned on the subscription funds will be paid by the Agent by way of subscription of that number of additional Notes (or portion thereof) corresponding to the amount of earned interest. See "FundSERV – Subscription through FundSERV".

A global certificate for the full amount of the issue will be issued in registered form to The Canadian Depository for Securities Limited or its nominee ("CDS") and will be deposited with CDS on the Closing Date. Subject to limited exceptions, certificates evidencing the Notes will not be available to Holders and registration of interests in the Notes will be made only through CDS's book-entry system. See "Description of the Notes – Book-Entry System".

In connection with the issue and sale of the Notes, no person other than the Agent and members of its selling group are authorized to give any information and no person is authorized to make any representation not contained in this Information Statement and the Bank does not accept responsibility for any information not contained herein.

In this Information Statement, "\$" refers to Canadian dollars unless otherwise expressly specified.

## DEFINITIONS

In this Information Statement, unless the context otherwise requires, the following terms have the meaning set forth hereafter:

"**Administrator**" means Deutsche Bank AG, London, or any successor named thereto to act in such capacity.

"**Administrator Fee**" means the fee equal to 1.20% per annum of the Global NAV, calculated daily and paid monthly in arrears out of the Portfolio to the Administrator.

"**Agency Agreement**" means the agency agreement dated as of the date hereof between the Agent and the Bank.

"**Agent**" means OpenSky Capital Inc.

"**Bank**" means the Business Development Bank of Canada.

"**Book-Entry System**" means the record entry securities transfer and pledge system established and governed by one or more agreements between CDS and CDS Participants pursuant to which the operating rules and procedures for such system are established and administered by CDS.

"**Calculation Agent**" means Deutsche Bank AG, London or any successor named thereto to act in such capacity.

"**CDS**" means the Canadian Depository for Securities Limited or its nominee.

"**CDS Participants**" means a broker, dealer, bank or other financial institution or other person for whom CDS effects book-entry transfers and pledges of Notes under the Book-Entry System.

"**Closing Date**" means the date on or about June 15, 2006 or such later date as may be agreed by the Bank and the Agent.

"**Day**" means any day, other than a Saturday or a Sunday or a day on which commercial banks in either Montréal or Toronto are required or authorized by law to remain closed or a day on which the Bank's head office in Montreal is not open for business. If a deadline falls on a day, which is not a Day pursuant to this definition, the deadline will be postponed to the following Day.

"**De-Listing**" has the meaning ascribed thereto under "The Portfolio – Extraordinary Event".

"**Extraordinary Event**" has the meaning ascribed thereto under "The Portfolio – Extraordinary Event".

"**Final NAV**" means the NAV on the Valuation Date.

"**Floor Level**" means the value, as determined by the Calculation Agent based on the Canadian interbank swap rate for similar term to Maturity, of a synthetic zero coupon bond paying \$100 at Maturity, and which is used to determine the allocation of the Portfolio assets between units of the Reference Fund and Permitted Investments, the whole as more fully described under "The Portfolio – Investment Level/Leverage Policy".

"**Global NAV**" means on any Day, in Canadian dollars, the net asset value of the Portfolio. See "The Portfolio – The Global NAV/NAV".

"**Holder**" means, depending on the context, either the registered owner or beneficial owner of a Note.

"**Initial NAV**" means the initial net asset value per Note of the Portfolio on the Closing Date, which is set at \$96.

"**Investment Level**" means the portion of the Portfolio's assets allocated to units of the Reference Fund, expressed as a percentage of the Global NAV.

"**Leverage Policy**" means the leverage policy described under "The Portfolio – Investment Level/Leverage Policy".

"**Market Disruption Event**" has the meaning ascribed thereto under "The Portfolio – Extraordinary Event".

"**Maturity Date**" or "**Maturity**" means June 16, 2014.

"**Maturity Redemption Amount**" means the amount per Note payable by the Bank at Maturity.

"**NAV**" means the Global NAV, divided by the number of Notes outstanding.

"**Permitted Investments**" means synthetic zero coupon bonds that pay \$100 at Maturity based on the Canadian interbank swap rate for similar term to Maturity.

"**Potential Fund Adjustment Event**" has the meaning ascribed thereto under "The Portfolio – Extraordinary Event".

"**Prime Rate**" means, for any day, the rate of interest in effect on such day, expressed as an annual rate, quoted or announced on such day by National Bank of Canada as being its reference rate of interest then in effect for determining interest rates on Canadian dollar commercial demand loans made by it in Canada to its prime commercial borrowers.

"**Principal Amount**" means the principal amount of each Note (\$100).

"**Reference Fund**" means the MB Balanced Growth Fund, a pooled fund managed by McLean Budden Limited, subject to reallocation of the Portfolio assets in certain circumstances. See "Description of the Notes – Reallocation".

"**Reference Fund Advisor**" means McLean Budden Limited, the manager of the Reference Fund, who is responsible for managing the Reference Fund pursuant to the investment philosophy and performance objectives of the Reference Fund.

"**Reference Fund Advisor Fee**" means the fee equal to 0.40% (plus applicable taxes) per annum of the market value of the units held by the Portfolio in the Reference Fund, calculated daily based on the net asset value of the units of the Reference Fund (as published by the Reference Fund custodian) and paid monthly in arrears out of the Portfolio to the Reference Fund Advisor.

"**Service Fee**" means the fee equal to 0.50% per annum of the market value of the units invested by the Portfolio in the Reference Fund, calculated daily and paid quarterly in arrears out of the Portfolio to the Agent who shall forthwith after receipt distribute such fee among investment dealers according to the number of Notes beneficially held by their clients.

"**Valuation Date**" means the fifth Day preceding the Maturity Date.

## TABLE OF CONTENTS

SUMMARY OF THE OFFERING .....	6
BUSINESS DEVELOPMENT BANK OF CANADA .....	11
THE REFERENCE FUND .....	11
DESCRIPTION OF THE NOTES .....	16
FUNDSERV .....	19
THE PORTFOLIO .....	21
PLAN OF DISTRIBUTION .....	27
USE OF PROCEEDS .....	28
RISK FACTORS .....	28
CERTAIN CANADIAN INCOME TAX CONSIDERATIONS .....	30
ELIGIBILITY FOR INVESTMENT .....	32

## SUMMARY OF THE OFFERING

*The following is a summary of more detailed information appearing elsewhere in this Information Statement. Capitalized terms not defined in this summary or under the heading "Definitions" are defined elsewhere in this Information Statement.*

<b>Issuer:</b>	Business Development Bank of Canada.
<b>Notes Offered:</b>	Principal Protected Notes Series 3, due June 16, 2014, linked to the MB Balanced Growth Fund, a pooled fund managed by McLean Budden Limited.
<b>Principal Amount:</b>	\$100 per Note.
<b>Issue Price:</b>	100% of the Principal Amount.
<b>Issuance Date:</b>	On or about June 15, 2006 or such later date as may be agreed by the Bank and the Agent.
<b>Maturity Date:</b>	June 16, 2014.
<b>Portfolio:</b>	The Portfolio will hold units of the Reference Fund and, depending on the Investment Level, Permitted Investments. The Initial NAV of the Portfolio will be set at \$96 on the Closing Date. See "The Portfolio".
<b>Reference Fund:</b>	The Reference Fund is the MB Balanced Growth Fund, a pooled fund managed by McLean Budden Limited. Initially, the Portfolio's assets will be fully invested in units of the Reference Fund. The allocation of the Portfolio's assets will be rebalanced monthly. See "The Portfolio – Investment Level/Leverage Policy".
<b>Investment Policy of the Portfolio:</b>	The investment policy of the Portfolio is to seek capital appreciation over the medium term by allocating a proportion of the assets of the Portfolio to units of the Reference Fund pursuant to the Leverage Policy. The Investment Level (being the portion of the Portfolio's assets allocated at any time to units of the Reference Fund, expressed as a percentage of the Global NAV) will be adjusted on a monthly basis according to the Portfolio's Leverage Policy. The Investment Level (expressed as a percentage of the Global NAV) will vary during the term of the Notes based on the difference between (i) the NAV and (ii) the Floor Level, which difference is divided by 100 and multiplied by 4.35. To the extent that the Investment Level is equal to or exceeds 100%, the assets of the Portfolio will be entirely composed of units of the Reference Fund. To the extent that the Investment Level is below 100%, a portion of up to 90% of the assets of the Portfolio may be invested in Permitted Investments. The Investment Level may vary from a minimum of 10%, in which case 10% of the Portfolio's assets will be invested in units of the Reference Fund, to a maximum of

150%, in which case the Portfolio will borrow an amount equal to 50% of the Global NAV and will be entirely invested in units of the Reference Fund. If the Portfolio employs leverage, it will borrow funds from the Administrator at the Administrator's one month rate for banker's acceptances. Holders will not have any liability for the leverage used in respect of the Notes but such leverage may affect the return on the Notes and their market value. The return a Holder receives at Maturity will be reduced by the interest payable to the Administrator on funds borrowed for leverage purposes, calculated at the Administrator's one-month rate for banker's acceptances. All distributions by the Reference Fund will be automatically reinvested by the Administrator to purchase additional units of the Reference Fund. A number of factors will affect the allocation of the assets of the Portfolio, including the performance of the Reference Fund, the remaining term of the Permitted Investments and interest rates as of the date of the relevant determination. See "The Portfolio – Investment Policy" and "The Portfolio – Investment Level/Leverage Policy".

**Administrator:**

Deutsche Bank AG, London, as Administrator, will be responsible for implementing the investment policy of the Portfolio including the Leverage Policy described above. See "The Portfolio".

**Reference Fund Advisor:**

McLean Budden Limited, the manager of the Reference Fund, is responsible for managing the Reference Fund according to the investment philosophy and performance objectives of such Reference Fund. See "The Reference Fund".

**Maturity Redemption Amount:**

At the Maturity Date, a Holder will be entitled to receive in respect of each Note held by such Holder, the Maturity Redemption Amount which is equal to the greater of :

- (a) the Principal Amount; and
- (b) the Principal Amount  $\times \left\{ \frac{\text{Final NAV}}{100} \right\}$

Where the Final NAV means the final net asset value of the Portfolio on the Valuation Date.

**Return:**

The Notes will not bear interest but will rather have a return, if any, equal to the difference between the Maturity Redemption Amount and the Principal Amount. Such return, will not be payable prior to the Maturity Date. Holders should be aware that for them to receive a return on the Notes, the return of the Portfolio on the Maturity Date will have to exceed the aggregate fees and expenses of the Portfolio paid during the term of the Notes and the difference between the Initial NAV and the Principal Amount.

**Rank:** The Notes will constitute direct unconditional obligations of the Bank and as such will constitute direct unconditional obligations of Her Majesty in Right of Canada. See "Description of the Notes - Rank".

**Credit Rating:** The obligations of the Bank with a term to maturity in excess of one year in Canadian currency are, as of the date hereof, rated AAA by DBRS, S&P and Aaa by Moody's. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

**Book-Entry System:** The Notes will be evidenced by a single nominative global certificate held by CDS, or on its behalf, as registered holder of the Notes. Registration of the interests in and transfers of the Notes will be made only through the depository system of CDS. Subject to limited exceptions, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof and no Holder will be shown on the records maintained by CDS except through a CDS Participant. See "Description of the Notes – Book-Entry System". Holders will have an indirect interest in the global certificate held by CDS. See "FundSERV".

**Certain Canadian Tax Consequences:** The excess, if any, of the Maturity Redemption Amount over the Principal Amount of a Note which is payable to a Holder for such Note on the Maturity Date will be included in the Holder's income, as interest, in the taxation year in which the Maturity Date occurs.

Generally, an amount received by a Holder on disposition of a Note, other than a disposition resulting from a payment by the Bank, should give rise to a capital gain (or a capital loss) to the extent that the payment received at such time, less reasonable costs of disposition and the amount, if any, required to be included in the Holder's income in the year of such disposition as interest, exceeds (or is less than) such Holder's adjusted cost base. **However, Holders who dispose of a Note prior to the Valuation Date, other than pursuant to a disposition resulting from a repayment by the Bank, particularly those who dispose of a Note within a short period of time prior to the Valuation Date, should consult their own tax advisors with respect to their particular circumstances.** See "Description of the Notes - Certain Canadian Income Tax Considerations".



**Eligibility for Investment:**

The Notes will, at the Closing Date, be qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, other than a deferred profit sharing plan under which the Bank or a person or partnership with which the Bank does not deal at arm's length within the meaning of the Income Tax Act is an employer, and may be held in such plan or fund subject to the terms of the plan or fund. See "Eligibility for Investment".

**Risk Factors:**

Prospective investors should carefully consider all of the information set forth in this Information Statement and, in particular, should evaluate the specific risk factors set forth under "Risk Factors" for a discussion of certain risks involved in evaluating an investment in the Notes.

**Secondary Market for the Notes:**

The Notes are new securities for which there is currently no established trading market. The Bank does not intend to apply for listing of the Notes on any securities exchange.

Starting one year after the Closing Date and until the Maturity Date, the Agent intends to maintain, under normal market conditions, a weekly secondary market for the Notes, in which the maximum bid-offer spread will be 1.00% of the Net Bid Price (as defined) (excluding commissions) when orders and settlements are made through FundSERV and 1.00% of the Principal Amount of the Notes (excluding commissions) when orders and settlements are not made through FundSERV. **However, the Agent is not under any obligation to maintain such secondary market for the Notes and such secondary market, when commenced, may be suspended or discontinued at any time without notice. See "Risk Factors – Secondary Market for the Notes / Possible Illiquidity of Secondary Market".**

**Holders choosing to sell their Notes prior to the Maturity Date will receive a market price which is not necessarily equal to 100% of the Principal Amount and which does not necessarily reflect any increase in the NAV as at the date of such sale. See "Risk Factors – Secondary Market for the Notes / Possible Illiquidity of Secondary Market".**

**Fees and Expenses of the Portfolio:**

All administrative and accounting expenses, if any, of the Portfolio will be paid by the Administrator.

The Administrator will be entitled to the Administrator Fee equal to 1.20% per annum of the Global NAV, calculated daily and paid monthly in arrears.

The Reference Fund Advisor will be entitled to the Reference Fund Advisor Fee equal to 0.40% (plus applicable taxes) per annum of the market value of the units of the Reference Fund held by the Portfolio, calculated daily based on the net asset value of the units of the Reference Fund (as published by the Reference Fund custodian) and paid monthly in arrears.

The dealers in respect of Notes beneficially held by their clients will be entitled to the Service Fee equal to 0.50% per annum of the market value of the units of the Reference Fund held by the Portfolio, calculated daily and paid quarterly in arrears. Such fee shall, forthwith after receipt by the Agent, be distributed among the dealers in respect of Notes beneficially held by their clients.

The Administrator Fee, the Reference Fund Advisor Fee and the Service Fee will be charged and paid out of the Portfolio which will reduce the gross performance of the Portfolio.

Other than the fees described above, no charges shall be levied against the Portfolio including in connection with any purchase of the units of the Reference Fund or the redemption of such units. The net asset value of the units of the Reference Fund will reflect the administrative, operating and trading expenses of the Reference Fund but not the Reference Fund Advisor Fee.

## **BUSINESS DEVELOPMENT BANK OF CANADA**

The Bank (formerly the Federal Business Development Bank) was established by the *Federal Business Development Bank Act* and was continued as a body corporate under the name "Business Development Bank of Canada" pursuant to the *Business Development Bank of Canada Act*. The Bank's head office is located at 5, Place Ville-Marie, Suite 400, Montreal, Québec, H3B 5E7. The objectives of the Bank are to promote and assist in the establishment and development of business enterprises in Canada, especially small and medium-size businesses, by providing a wide range of financial and consulting services complementary to those of commercial financial institutions. To finance these objectives, the Bank issues debt instruments, which constitute direct unconditional obligations of the Bank and as such constitute direct unconditional obligations of Her Majesty in right of Canada. The Bank is for all purposes an agent of the Crown.

### **THE REFERENCE FUND**

#### **General**

Founded in 1947, McLean Budden Limited describes itself as a global investment manager recognized for its stability and the continuity of its proven team-based approach to security selection. McLean Budden Limited's professionals have a vested interest in the continued success of the firm through equity participation. As at March 31, 2006, McLean Budden Limited managed over \$41 billion in assets for pension plans, institutions, foundations as well as private clients.

#### **Description of the Reference Fund**

The following is a brief description of the Reference Fund that is derived from the 2006 McLean Budden Pooled Fund Offering Memorandum dated January 15, 2006. See "Liability Disclaimer" below.

#### **Investment Philosophy**

The investment philosophy of the Reference Fund is to provide a rate of return through both income and capital appreciation by investing in a diversified portfolio of equity and fixed income assets.

#### **Performance Objective**

The performance objective of the Reference Fund is to outperform the Reference Fund's benchmark by 1% per annum over moving four-year periods. The benchmark is calculated monthly in Canadian dollars and is based as to 33% on the BMO/TSX Composite CAP 10% Index, 25% on the Morgan Stanley Capital International World (MSCI World) Index, 37% on the Scotia Capital (SC) Universe Bond Index and 5% on the SC 91-day Treasury Bill Index. The BMO/TSX Composite Cap 10% Index return is provided by BMO Nesbitt Burns and is calculated on the basis that the weight of any one security in the Index is limited to a maximum of 10%.

#### **Eligibility for Investment**

Units of the Reference Fund are qualified investments for Registered Retirement Savings Plans, Registered Retirement Income Funds, Deferred Profit Sharing Plans and Registered Education Savings Plans.

## Reallocation

In the event that (i) the Reference Fund is terminated or merged into another fund, (ii) the Reference Fund Advisor proposes to modify materially the investment philosophy or performance objectives of the Reference Fund, (iii) there is, in the opinion of the Administrator, acting reasonably, insufficient liquidity in the Reference Fund to enable it to enact proper hedging strategies in respect of the Portfolio, or (iv) the Reference Fund Advisor is replaced, merged, is subject to a change of control or can no longer carry out its duties relating to the Reference Fund, the Administrator may redeem the units held by the Portfolio in the Reference Fund and, in the Administrator's sole discretion, reallocate the proceeds to (a) another fund or funds having similar investment philosophies and performance objectives managed by the Reference Fund Advisor or its successors or (b) another fund or funds having similar investment philosophies and performance objectives not managed by the Reference Fund Advisor or its successors. The Administrator may also buy or sell units included in the Reference Fund in certain circumstances for hedging purposes. The Bank will give notice to the Holders (as described below) of any reallocation of the proceeds.

## Asset Mix

The following table shows the allocation of the assets of the Reference Fund in accordance with its current investment policy:

	<i>Min</i>	<i>Max</i>	<i>Current Weight<sup>1</sup></i>
	<i>%</i>	<i>%</i>	<i>%</i>
Equities	45	70	58
<i>Canadian</i>	20	45	33
<i>Foreign</i>	15	35	25
Fixed Income	25	50	37
Cash and equivalents	0	20	5

1) As at March 31, 2006

## Diversification

Appropriate diversification is ensured through the asset mix ranges shown above and by following the investment policies and selections of McLean Budden's equity and fixed income groups at the asset class level. The Reference Fund may utilize other McLean Budden funds and/or segregated holdings for the asset class investments.

## Canadian Equities

To ensure Canadian equity investments are adequately diversified, the Reference Fund's commitment to economic sectors is managed within ranges as follows:

*Economic Sectors - (as a % of BMO/TSX Composite CAP 10% Index weights):*

	<i>Min</i>	<i>Max</i>	<i>Benchmark Weight<sup>5</sup></i>	<i>Current Weight<sup>5</sup></i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Technology <sup>1</sup>	40	260	4	10
Consumer <sup>2</sup>	40	260	13	21
<b>Growth*</b>	90	210	17	31
Interest Sensitive <sup>3</sup>	40	160	32	28
Basic Industries <sup>4</sup>	0	130	51	41

1) Information Technology

2) Consumer Staples, Consumer Discretionary, Healthcare, Telecommunication Services

3) Financial Services, Utilities

4) Materials, Energy, Industrials

5) As at March 31, 2006

*\*Growth is defined as the combination of the Technology and Consumer Economic Sectors*

Guidelines for Canadian equity investments of the Reference Fund include the following:

- 25 - 45 securities
- Normally, at least 75% of the Canadian equity portfolio will be invested in the largest 100 stocks traded on the Toronto Stock Exchange as measured by available public float
- No single security will comprise more than 16% of the market value of the Canadian equity portfolio
- No single security will comprise more than 10% of the book value of the Reference Fund
- Individual securities may vary by no more than a nominal +/-6% from their weight in the BMO/TSX Composite CAP 10% Index
- The Reference Fund will not hold more than 30% of the voting shares of any corporation

### **Foreign Equities**

To ensure foreign equities are adequately diversified, the Reference Fund's commitment to industry sectors, economic sectors and regions is managed within ranges as follows:

*Regional - (as a % of MSCI World Index weights):*

	<i>Min</i>	<i>Max</i>	<i>Benchmark Weight<sup>1</sup></i>	<i>Current Weight<sup>1</sup></i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
U.S.	70	130	53	56
Japan	70	130	12	11
Continental Europe	70	130	20	18
U.K.	70	130	11	10
Rest of the World	70	130	4	5

1) As at March 31, 2006

Regions are subject to the greater of the min/max range above or the nominal range of +/-6% of their weight in the Index.

*Economic Sectors - (as a % of MSCI World Index weights):*

	<i>Min</i>	<i>Max</i>	<i>Benchmark Weight<sup>5</sup></i>	<i>Current Weight<sup>5</sup></i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Technology <sup>1</sup>	70	130	11	20
Consumer <sup>2</sup>	70	130	33	39
Interest Sensitive <sup>3</sup>	70	130	30	21
Basic Industries <sup>4</sup>	70	130	26	20

1) Information Technology

2) Consumer Staples, Consumer Discretionary, Healthcare, Telecommunication Services

3) Financial Services, Utilities

4) Materials, Energy, Industrials

5) As at March 31, 2006

At the industry sector level, the Reference Fund's exposure will be the greater of: 45% to 155% of the sector's weight in the MSCI World Index, or a nominal range of +/-11%. In the event of a discrepancy between the technology economic sector and the technology industry sector, the industry sector will take precedence.

Guidelines for foreign equity investments of the Reference Fund include the following:

- 70 - 110 securities
- Individual securities may vary by no more than a nominal +/- 4% from their weight in the MSCI World Index
- No single security can comprise more than 10% of the book value of the Reference Fund
- The Reference Fund will not hold more than 30% of the voting shares of any corporation

**Fixed Income**

The Fixed Income component of the Reference Fund is governed by a series of risk control parameters that have been designed to ensure diversification. These controls are as follows:

<i>Sector:</i>	<i>Min</i>	<i>Max</i>	<i>Current Weight<sup>1</sup></i>
	<i>%</i>	<i>%</i>	<i>%</i>
Federal	25	100	37
Provincial	0	50	24
Municipal	0	10	1
Other Government Related	0	15	5
Corporate	0	50	33

1) As at March 31, 2006

<i>Credit Quality:</i>	<i>Min</i>	<i>Max</i>	<i>Current Weight<sup>1</sup></i>
	<i>%</i>	<i>%</i>	<i>%</i>
AAA	25	100	43
AA	0	75	30
A	0	50	27
BBB	0	10	–
BBB- and below	0	0	–

1) As at March 31, 2006

Ratings are provided by Dominion Bond Rating Service (DBRS) or a comparable agency.

No more than 7% of the fixed income component of the Reference Fund may be invested in any group of affiliated companies rated AA and no more than 4% for those rated A or lower.

Up to 10% of the fixed income component of the Reference Fund may be invested in debt denominated in U.S. currency, including debt issued by the U.S. Government, its agencies and instrumentalities. No other foreign currency debt will be purchased.

The Reference Fund's fixed income duration will range between 60 - 140% of the duration of the SC Universe Bond Index.

## **Eligible Investments**

### *Equities*

- Canadian, U.S. and international equities listed on recognized exchanges or American Depository Receipts and Global Depository Receipts (ADRs and GDRs) for which a market is made by leading investment dealers
- Warrants
- Subscription Receipts
- Private placements may comprise a maximum of 10% of the Reference Fund (6% of this limit reflects only the use of special warrants - a security directly convertible into common stock which is issued pending prospectus clearance of the additional common shares)
- Common, restricted voting stock, convertible or exchangeable securities listed on recognized exchanges
- Closed-end funds listed on the New York or London stock exchanges
- Convertible bonds of corporations
- McLean Budden International Equity Fund
- McLean Budden American Equity Fund
- McLean Budden Global Equity Growth Fund
- Income Trusts

### *Fixed Income*

Eligible investments include those issued by the Canadian and foreign governments, government agencies, corporations or trusts, subject to minimum rating requirement, in any of the following forms:

- Bonds, Debentures and Mid-Term Notes (minimum rating BBB)
- Mortgages (NHA Guaranteed)

- Guaranteed Investment Certificates and Term Deposits
- Private Placements, asset-backed securities, commercial mortgage-backed securities, or similar instruments that receive at least an A rating
- Other securities that may be eligible for inclusion in a Canadian or U.S. bond index
- Short-term paper issued by sovereign authorities or their agents and short-term commercial paper issued by financial institutions rated at least AA-
- Canadian and U.S. Treasury Bills and Commercial Paper (minimum R-1 Low)

### **Liability Disclaimer**

The information set out above is derived from the 2006 McLean Budden Pooled Fund Offering Memorandum dated January 15, 2006. Such Offering Memorandum may be amended, supplemented or restated from time to time by McLean Budden Limited. As such, neither the Bank, the Administrator or the Agent make any assurances, representations or warranties or assumes any responsibility as to the accuracy, reliability or completeness of the information relating to the Reference Fund and to the Reference Fund Advisor included herein and shall have no liability for any errors or omissions herein or therein. Neither the Bank, the Administrator nor the Agent make any warranty, condition or representation, express or implicit, as to the results obtained by the Holders or any other person or entity from the use of the information relating to the Reference Fund and to the Reference Fund Advisor included herein.

McLean Budden Limited will make available to the Bank, the Administrator and the Agent any amendment, supplement or restatement of the McLean Budden Pooled Fund Offering Memorandum. Upon receipt of such amendment, supplement or restatement, and if the Bank considers same to constitute or contain a material change or material fact relating to or which may affect the Notes, the Bank will advise the Holders by way of an amendment or supplement to this Information Statement as deemed appropriate by the Bank and the Agent.

### **DESCRIPTION OF THE NOTES**

The following is a description of the material attributes and characteristics of the Notes.

#### **General**

This offering consists of Notes with a principal amount of \$100 per Note repayable at Maturity. In addition to the Principal Amount, the Maturity Redemption Amount may include an amount payable also at Maturity which is linked to the appreciation, if any, of the Portfolio. See "Maturity Redemption Amount" and "Return".

#### **Global Certificate**

A single global certificate for the full principal amount of Notes issued on the Closing Date (the "Global Certificate") will be issued in registered form to CDS. Subject to limited exceptions, certificates evidencing the Notes will not be available to Holders under any circumstances and registration of ownership of the Notes will be made only through the book-entry system of CDS. See "Book-Entry System".

#### **Maturity Redemption Amount**

At the Maturity Date, a Holder will be entitled to receive in respect of each Note held by such Holder, the Maturity Redemption Amount, which is equal to the greater of:



- (a) the Principal Amount; and
- (b) the Principal Amount  $\times \left\{ \frac{\text{Final NAV}}{100} \right\}$

Where the Final NAV means the final net asset value of the Portfolio on the Valuation Date.

Deutsche Bank AG, London will be the Calculation Agent with regard to the Notes. The Calculation Agent will be solely responsible for the determination and calculation of the NAV and the Maturity Redemption Amount and any other determinations and calculations with respect to any distributions in connection with the Notes. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on the Holders. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment.

### **Return**

The Notes will not bear interest but will rather have a return per Note, if any, equal to the difference between the Maturity Redemption Amount and the Principal Amount. Such return will not be payable prior to the Maturity Date.

Holders should be aware that for them to receive a return on the Notes, the return of the Portfolio on the Maturity Date will have to exceed the aggregate fees and expenses of the Portfolio paid during the term of the Notes and the difference between the Initial NAV and the Principal Amount.

### **Rank**

The Notes will constitute direct unconditional obligations of the Bank and as such will constitute direct unconditional obligations of Her Majesty in Right of Canada.

### **Payment by the Bank on the Notes**

Subject to there being no Extraordinary Event (as defined below) subsisting at the applicable time, the Bank will be required to make available to the Holders of record on the Valuation Date, no later than 10:00 a.m. (Montréal time) on the Maturity Date, funds in an amount sufficient to pay the Maturity Redemption Amount. The Maturity Redemption Amount payable under the Global Certificate will be paid through CDS to the applicable CDS Participants to those Participants' CDS accounts in amounts proportionate to their respective beneficial interests in the Notes as shown on the records of CDS. It is expected that payments by CDS Participants to owners of beneficial interests in the Global Certificate held through such CDS Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such CDS Participants. Generally, such payments will be made by cheque or, pursuant to an agreement between the Holders and the relevant CDS Participant, by wire transfer. The responsibility and liability of the Bank in respect of the Notes represented by the Global Certificate is limited to making payment of any amount due on the Global Certificate to CDS. Upon receipt in full of such amounts by CDS or the Holders, as the case may be, the Bank will be discharged from any further obligation with regard to such payments.

## **Deferred Payment**

Federal laws of Canada preclude payments of interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. When any payment is to be made by the Bank to a Holder on account of the Maturity Redemption Amount, payment of a portion of such payment may be deferred to ensure compliance with such laws.

## **No Redemption by the Holders**

The Notes are not redeemable by the Holders prior to the Maturity Date.

## **Book-Entry System**

The Notes will be issued in "book-entry only" form and must be subscribed, transferred and repurchased through a participant in the depository service of CDS (a "CDS Participant") either directly or through FundSERV. On the Closing Date, the Bank will cause all Notes in the form of a single global certificate to be delivered to and registered in the name of CDS. Registration of interests in and transfers of the Notes will be made only through the depository service of CDS. Subject to the exceptions mentioned hereinafter, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof, and no Holder will be shown on the records maintained by CDS, except through a CDS Participant. All rights of a Holder must be exercised through, and all payments or other property to which such Holder is entitled will be made or delivered by, CDS or the CDS Participant through which the Holder holds the Notes. Upon subscription of any Notes, the Holder will receive only the customary confirmation that will be sent to such Holder by the dealer from whom or through whom such Notes are subscribed.

Definitive certificates in relation to the Notes will be issued to CDS Participants if the Bank advises the Holders that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to Notes or if CDS ceases to be a recognized clearing agency under applicable Canadian securities legislation and the Holders and the Bank are unable to locate a qualified successor depository system, or if the Bank notifies CDS that it desires or is required to replace the global certificate with Notes in definitive form. Upon the surrender by CDS of the global certificate representing the Notes and instructions from CDS for registration, the Bank will issue definitive certificates to CDS Participants appearing on the records maintained by CDS at the time of or as soon as practicable prior to such delivery, which definitive certificates will thereafter evidence Notes previously evidenced by the global certificate.

The Maturity Redemption Amount payable under the global certificate will be paid to the applicable CDS Participants to those Participants' CDS accounts in amounts proportionate to their respective interests in the Notes as shown on the records of CDS or its nominee. The Maturity Redemption Amount payable to Holders who subscribed or purchased their Notes through FundSERV will be paid by CDS to National Bank Trust, as a CDS Participant, and will then be distributed to Holders in accordance with the register of beneficial interest in the Notes maintained by the Agent.

Neither the Bank nor the Agent will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Notes held by CDS or the payments relating thereto, (b) maintaining, supervising or reviewing any records relating to the beneficial ownership of the Notes, or (c) any advice or representations made by, or with respect to, CDS and the rules governing CDS, or any action to be taken by CDS or at the direction of the CDS Participants.

## **Notice to Holders**

All notices to the Holders regarding the Notes will be validly given if (i) given through CDS to CDS Participants or (ii) published once in an important French language Canadian newspaper and in the national edition of an important English language Canadian newspaper. The Bank will give notice as aforesaid to the Holders of any material change or material fact relating to the Notes.

## **No Ownership Interest**

An investment in the Notes does not constitute a direct investment in the Portfolio nor in the units of the Reference Fund comprising the Portfolio. The Holders will not be the owners of units of the Reference Fund.

## **Amendments to the Notes**

The Global Certificate may be amended without the consent of the Holders by agreement between the Bank and the Agent if, in the reasonable opinion of the Bank and the Agent, the amendment would not materially and adversely affect the interests of the Holders. In other cases, the Global Certificate may be amended if the amendment is approved by a resolution passed by the favourable vote of the Holders of not less than 66 2/3% of the Notes represented at a meeting convened for the purposes of considering the resolution, or by written resolution signed by Holders of not less than 66 2/3% of the Notes. Quorum for a meeting shall be reached if Holders of 10% or more of the Notes are present at the meeting. If a quorum is not reached at any meeting, that meeting must be adjourned by the Holders of the Notes attending to a later date not earlier than seven Days after the original meeting date, in which case the quorum required for such adjournment shall be the Holders present at such adjourned meeting. Each Holder is entitled to one vote per Note held by such Holder for the purposes of voting at meetings. The Notes do not carry the right to vote in any other circumstances. The register of beneficial interest in the Notes maintained by the Agent (for Notes subscribed or purchased through FundSERV) and, in the case of other Notes, the records of CDS or its nominee shall be used to determine Holders entitled to vote at any such meeting.

## **FUNDSERV**

Subscription for Notes must be made through dealers that facilitate subscription and related settlement through a clearing and settlement service operated by FundSERV Inc.

## **General Information**

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating members in electronically placing, clearing and settling mutual fund orders. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial planners, such as the Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

## **Notes subscribed through FundSERV held in a trust account in trust for the beneficial Holders**

As stated above, all Notes will initially be issued in the form of a single global certificate to be delivered to and registered in the name of CDS. See "Book-Entry System" above for further details on CDS as a depository and related matters with respect to the global certificate. Holders of Notes will

therefore have an indirect beneficial interest in the global certificate. That indirect beneficial interest will be recorded in CDS as being held in a trust account established by the Agent at National Bank Trust, in trust for the beneficial Holders. The Agent will record in its books the respective beneficial interests in the Notes subscribed by Holders. A Holder should understand that the Agent will make such recordings as instructed through FundSERV by the Holder's dealer.

### **Subscription through FundSERV**

In order to subscribe Notes through FundSERV, the subscription funds must be delivered to the Agent in immediately available funds at least four Days prior to the Closing Date.

Upon receipt of the subscription funds, the Agent will deposit the subscription funds in a trust account established by the Agent at National Bank Trust, in trust for the beneficial Holders. The Agent will pay to the investor interest on the subscription funds at a rate equal to the Prime Rate of National Bank of Canada less 2.5% if the subscription funds are delivered to the Agent in Canadian dollars. The interest will be calculated from the date of receipt of the subscription funds by the Agent until (but excluding) the fourth Day immediately preceding the Closing Date. The Agent will retain the difference between the aggregate amount of interest earned on the subscription funds and the amount of interest that the Agent has agreed to pay to the investor. On the Closing Date, the subscription funds, together with the interest earned thereon by the investor, will be used to subscribe for additional Notes (or portion thereof). Investors will have no right to receive a cash payment representing any interest earned on the subscription funds unless this offering is not completed.

If Notes subscribed through FundSERV are not issued for any reason, the subscription funds will be returned forthwith to the investor together with the interest earned on such subscription funds as described in the preceding paragraph.

### **Sale through FundSERV**

Holders may sell Notes, subject to the secondary market terms and conditions established by the Agent, by using the sale procedures of FundSERV. Holders, through their dealers, will need to initiate an irrevocable request to sell the Notes in accordance with the then established procedures of FundSERV. Generally, this means that the Holder's dealer will need to initiate the sale request by 4:00 p.m. (Eastern time) on the Wednesday of each week (or the following Day if such day is not a Day), or such other day or time as may hereafter be established by the Bank and the Agent (the "Sale Deadline Date"). Any request received after such time will be deemed to be a request sent and received on the following week. The sale of the Notes will be effected at the Agent's bid price for the Notes (*i.e.*, the price it is offering to purchase Notes in the secondary market) for the applicable week which is established after the close of market on the Sale Deadline Date (the "Net Bid Price"). The Net Bid Price, as posted to FundSERV by the Agent, is also referred to as the "net asset value" of a Note.

The Agent is the fund sponsor for the Notes within FundSERV. The Agent intends to post to FundSERV, under normal market conditions, the Net Bid Price for the Notes on a weekly basis, which Net Bid Price may also be used for valuation purposes in any statement sent to Holders. There is no guarantee that the Net Bid Price for any week will be the highest bid price possible in any secondary market for the Notes, but will represent the Agent's bid price generally available to all Holders. Such bid price will take into account, in particular, the amount of Notes offered for sale in the secondary market. Holders should also be aware that from time to time the mechanism described above to sell Notes may be suspended for any reason without notice, thus effectively preventing Holders from selling their Notes. Potential investors requiring liquidity should carefully consider this possibility. See "Risk Factors – Secondary Market for the Notes / Possible Illiquidity of Secondary Market".

Notes held in an investment account maintained with a particular dealer will be transferable to another account maintained with another dealer only if such other dealer has been previously approved by the Agent. In the event the dealer has not been previously approved by the Agent, the Holder would have to sell the Notes pursuant to the procedures outlined above.

## **THE PORTFOLIO**

### **Investment Policy**

The investment policy of the Portfolio is to seek capital appreciation over the medium term by allocating a proportion of the assets of the Portfolio to units of the Reference Fund pursuant to the Leverage Policy. All distributions by the Reference Fund will be automatically reinvested by the Administrator to purchase additional units of the Reference Fund.

The Investment Level (being the portion of the Portfolio's assets allocated at any time to units of the Reference Fund, expressed as a percentage of the Global NAV) will be adjusted on a monthly basis according to the Leverage Policy. The Administrator will be responsible for the asset allocation of the Portfolio according to the Investment Level. The Investment Level (expressed as a percentage) will vary during the term of the Notes based on the difference between (i) the NAV and (ii) the Floor Level, which difference is divided by 100 and multiplied by 4.35. To the extent that the Investment Level is equal to or exceeds 100%, the assets of the Portfolio will be entirely composed of units of the Reference Fund. To the extent that the Investment Level is below 100%, such Investment Level will determine the portion of the assets of the Portfolio invested in units of the Reference Funds whereas the remaining portion will be invested in Permitted Investments.

**The value of the Notes will be linked to the performance of the Portfolio. Holders of Notes will have no direct interest in the Portfolio or in any assets of the Portfolio but an entitlement under the Notes, enforceable against the Bank, the value of which will be determined by the performance of the Portfolio.**

To the extent that a portion of the assets of the Portfolio is invested in Permitted Investments, the Global NAV will vary with the level of interest rates. The value of Permitted Investments will normally increase as interest rates fall, and decline as interest rates rise.

### **The Administrator**

Deutsche Bank AG, London, as Administrator, will be responsible for implementing the investment policy of the Portfolio including the Leverage Policy. The Administrator will be entitled to the Administrator Fee described under "Fees and Expenses of the Portfolio".

### **Investment Level/Leverage Policy**

Initially, an amount equal to the net proceeds from the issuance of the Notes will be allocated to units of the Reference Fund and no amount will be invested in Permitted Investments. If certain events occur, including if losses are experienced in the Reference Fund, an amount of funds calculated in accordance with the mathematical formula summarized below will be withdrawn from the Reference Fund and invested in Permitted Investments. Subsequently, if the value of the Portfolio increases, funds will then be withdrawn from Permitted Investments and reinvested in units of the Reference Fund.

The Investment Level may vary from a minimum of 10%, in which case 10% of the Portfolio's assets will be invested in units of the Reference Fund, to a maximum of 150%, in which case the Portfolio will borrow an amount equal to 50% of the Global NAV and will be entirely invested in units of the Reference Fund. That leverage will be funded at the Administrator's one month rate for banker's acceptances.

Holders will not have any liability for the leverage used in respect of the Notes but such leverage may affect the return on the Notes and their market value. The return a Holder receives at maturity will be reduced by the interest payable to the Administrator on funds borrowed for leverage purposes, calculated at the Administrator's one-month rate for banker's acceptances.

The Administrator will implement a leverage policy (the "Leverage Policy") pursuant to which the Investment Level will vary as a function of the difference between the NAV and the "Floor Level", as described below, where the Investment Level may never be less than 10%. The Floor Level is the value determined by the Calculation Agent, based on the Canadian interbank swap rate for similar term to Maturity, of a synthetic zero coupon bond paying \$100 at Maturity.

The Investment Level (expressed as a percentage of the Global NAV) will vary during the term of the Notes based on the difference between the NAV and the Floor Level, which difference is divided by 100 and multiplied by 4.35. The Investment Level can therefore be determined from time to time in accordance with the following formula:

$$\text{Investment Level} = 4.35 \times \left[ \frac{\text{NAV} - \text{Floor Level}}{100} \right] \quad \text{Subject to a minimum of 10\% and a maximum of 150\%}$$

Subject to the foregoing minimum and maximum, the Investment Level will determine the percentage of the Portfolio's assets which will be allocated to units of the Reference Fund; the remaining assets of the Portfolio, if any, will be allocated to Permitted Investments.

Example: If the NAV is \$96 and the Floor Level is \$73, then the Investment Level will equal (rounded up to the nearest whole number):

$$\begin{aligned} & 4.35 \times \frac{(96-73)}{100} \\ & = 100\% \end{aligned}$$

This means that 100% of the Portfolio's assets will be allocated to units of the Reference Fund and none of the Portfolio's assets will be allocated to Permitted Investments and there will be no leverage.

Example: If the NAV is \$125 and the Floor Level is \$75, the Investment Level will equal (rounded up to the nearest whole number):

$$\begin{aligned} & 4.35 \times \frac{(125 - 75)}{100} \\ & = 218\% \end{aligned}$$

This means that 150% (the maximum) of the Portfolio's assets will be allocated to units of the Reference Fund and the Portfolio will borrow an amount equal to 50% of the Global NAV.

Example: If the NAV is \$86 and the Floor Level is \$85, the Investment Level will equal:

$$\frac{4.35 \times (86 - 85)}{100} = 4\%$$

This means that 10% (the minimum) of the Portfolio's assets will be allocated to units of the Reference Fund and 90% of the Portfolio assets will be allocated to Permitted Investments.

The Investment Level will be adjusted monthly, on the first Day of each month, the calculation being based on the NAV of the previous Day, and will vary from a minimum of 10% to a maximum of 150%. **Between monthly adjustments, the Investment Level will also be adjusted on any Day in the event that the NAV decreases by 5% or more from its value on the immediately preceding adjustment date.** A number of factors will affect this allocation, including the performance of the Reference Fund, the remaining term of the Permitted Investments and interest rates as of the date of the relevant determination.

The Administrator has no discretion in the application of the Leverage Policy.

## **The Global NAV / NAV**

### ***Determination of the Global NAV***

The Global NAV will be calculated by the Calculation Agent on each Day and will be equal to the aggregate value of the assets of the Portfolio less the aggregate value of the liabilities of the Portfolio.

The value of the assets and liabilities of the Portfolio will be determined on each Day as follows:

#### Assets

Number of units invested in the Reference Fund multiplied by the official net asset value of the units of the Reference Fund as published by the Reference Fund custodian;

+

The market value of the Permitted Investments in the Portfolio as determined by the Calculation Agent;

#### Liabilities

The amount borrowed by the Portfolio and the accrued and unpaid interest on such amount borrowed pursuant to the Leverage Policy as determined by the Calculation Agent;

+

The accrued and unpaid Administrator Fee, Reference Fund Advisor Fee and Service Fee (See "Fees and Expenses of the Portfolio").

### ***Determination of the NAV***

The NAV shall be the Global NAV divided by the number of Notes outstanding.

### ***Temporary Suspension of Calculation of the NAV***

The Calculation Agent may suspend the determination of the NAV if the Reference Fund Advisor suspends or does not publish the calculation of the net asset value of any of the units of the Reference Fund.

### **Extraordinary Event**

Upon the occurrence of an Extraordinary Event and at the option of the Calculation Agent, all of the assets of the Portfolio may be invested in Permitted Investments, in which case, for purposes of calculating the Maturity Redemption Amount, the Final NAV shall be based on the net asset value of such Permitted Investments on the Valuation Date (whether or not the Reference Fund has ceased to exist as a result of the Extraordinary Event). However, upon termination of the Extraordinary Event, the Calculation Agent, in its sole discretion, may decide to withdraw funds from Permitted Investments and reinvest them in units of the Reference Fund. Notwithstanding the occurrence of an Extraordinary Event, the Notes will not be redeemable prior to the Maturity Date.

Extraordinary Event means (i) a modification of the conditions of the units of the Reference Fund comprised in the Portfolio or any event or any change affecting the Reference Fund and/or any of its units (such as, but not limited to interruption, breakdown, suspension or deferral of the calculation or the publication of the net asset value of a unit of the Reference Fund prior to the Valuation Date, or the disappearance of the net asset value of a unit of the Reference Fund prior to the Valuation Date resulting more particularly from, but not limited to, the winding up or the termination of the Reference Fund or the cancellation of the registration or of the approval by any relevant authority of the Reference Fund) and that, in the reasonable opinion of the Administrator, is likely to have a significant adverse effect on the value of the units, or (ii) a reduction of the number of units held or likely to be held by the Administrator as unit holder of the Reference Fund for any reason beyond its control, or the compulsory redemption of the units held by the Administrator as unit holder of the Reference Fund, or the non execution or partial execution by the Reference Fund for any reason of a subscription or redemption order given by the Administrator or any adverse change in taxation affecting payment made by the Reference Fund in respect of the units to the Administrator, or (iii) the non execution, the breach or the termination of any agreement between the Administrator and any third party relating to the subscription and redemption of the units of the Reference Fund, or (iv) a unit of the Reference Fund is converted into another class of securities, or (v) the Reference Fund splits, consolidates or merges with a third party (other than a split, consolidation or merger in which the Reference Fund is the continuing entity), (vi) the Reference Fund sells or conveys all or substantially all of its assets to a third party, or (vii) the insolvency, liquidation (whether voluntary or involuntary) or bankruptcy of, or any analogous proceedings affecting, the Reference Fund or the Reference Fund Advisor, or (viii) the cancellation of the registration or the approval of a Reference Fund or its Reference Fund Advisor by any relevant authority; or any suspension of the Reference Fund or the Reference Fund Advisor by any relevant authority; or a Reference Fund or the Reference Fund Advisor becomes subject to any investigation by any relevant governmental, legal or regulatory authority, or (ix) a Market Disruption Event (as defined below) continues for five consecutive Days, or (x) the Reference Fund or any party acting on its behalf imposes any restriction, charge or fee in respect of the purchase, subscription, sale or redemption of units of the Reference Fund, or (xi) a



redemption of units of the Reference Fund in the form of a distribution of non-cash assets, or (xii) the units of the Reference Fund cease to trade (if previously traded) and/or the Reference Fund Advisor ceases its activity as manager of the Reference Fund, or (xiii) a change in the Reference Fund Advisor of the Reference Fund occurs in circumstances not otherwise specified herein, or (xiv) the occurrence of a Potential Fund Adjustment Event or a De-Listing (both as defined below); or (xv) any action is taken, or proposed to be taken, by an authority leading to, or which could reasonably be expected to lead to, the adoption or promulgation of, or any change in, any applicable law or regulation, or the issuance of any directive or any change in the interpretation thereof, whether formal or informal, by any court, tribunal or regulatory authority (any such action, proposed action, adoption, promulgation or change, hereinafter referred to as "Change"), as a result of which the Bank or any of its affiliates would, if holding, purchasing or selling any units of the Reference Fund, (a) be required, or there is a substantial likelihood (as determined by the Calculation Agent) that the Bank or the Administrator or any of their respective affiliates would be required, to pay an amount in respect of tax (howsoever arising) which would not have been the case as of the date hereof, or (b) receive, or there is a substantial likelihood (as determined by the Calculation Agent) that the Bank or the Administrator or any of their respective affiliates would receive, a payment in respect of which an amount in respect of tax (howsoever arising) would be deducted which would not have been the case as of the date hereof, or (xvi) as a result of any Change or for any other reason, it would be or would become unlawful or impractical for the Bank or the Administrator or any of their respective affiliates (including as a result of any Change as to any reserve, special deposit, or similar requirement or affecting the amount of regulatory capital that would have to be maintained by the Administrator or any of its affiliates in connection with any hedging operations carried out in relation to the units of the Reference Fund or the Portfolio) to hold, purchase or sell any units of the Reference Fund and this was not the case as of the date hereof.

"De-Listing" means, for any units of the Reference Fund for which the reference source is an exchange, a trading system or a quotation system, the reference source announces that pursuant to the rules of such reference source, the units of the Reference Fund cease (or will cease) to be listed, traded or publicly quoted on the reference source for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange, trading system or quotation system acceptable to the Calculation Agent.

"Potential Fund Adjustment Event" means, in respect of the Reference Fund:

- (i) a subdivision, consolidation or reclassification of the Reference Fund;
- (ii) an extraordinary distribution or dividend; or
- (iii) any other event (excluding a distribution or dividend) that may have an economic, dilutive, concentrative or other effect on the net asset value of the Reference Fund.

"Market Disruption Event" means where the reference source for any unit of the Reference Fund is an exchange, a trading system or a quotation system as determined by the Calculation Agent,

- (i) the occurrence or existence on any Day:
  - (a) of any suspension of or limitation imposed on trading (whether by reason of movements in price exceeding limits permitted by the relevant reference source or otherwise):
    - (i) of a unit of the Reference Fund on the reference source or any other exchange; or

- (ii) in options contracts or futures contracts relating to the units of the Reference Fund on any related exchange; or
- (b) of any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in relation to or to obtain market values for the units of the Reference Fund on the relevant reference source or to effect transactions in or obtain market values for options contracts or futures contracts on or relating to such units of the Reference Fund on any related exchange; or
- (ii) the closure on any Day of the reference source or any related exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such reference source or such related exchange, as the case may be, at least one hour prior to (i) the actual closing time for the regular trading session on such reference source or such related exchange on such Day or, if earlier, (ii) the submission deadline (if applicable) for orders to be entered into the reference source or such related exchange system for execution at the Relevant Time on such Day. A "Scheduled Closing Time" is the scheduled weekday closing time of the relevant reference source or related exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"Relevant Time" means, with respect to any unit of the Reference Fund, the relevant time by reference to which the Calculation Agent determines the price or value of such unit of the Reference Fund.

Extraordinary Event shall not include a suspension of NAV calculation under the circumstances discussed in the section entitled "The Portfolio - Suspension of NAV Calculation".

### **Suspension of NAV Calculation**

If, on the Valuation Date, the right to redeem units of the Reference Fund is suspended by the Reference Fund Advisor, the obligation of the Bank to effect payment of Notes may be suspended for any period during which such right of redemption is suspended. Under exceptional circumstances, the Reference Fund Advisor may be unable to process a redemption request. This would most likely occur if market trading were suspended on stock exchanges where the Reference Fund holds its investments. In the event that the obligation of the Bank to effect payment is suspended, then the Maturity Redemption Amount calculated on the Valuation Date will be postponed to the next Day on which there is no suspension of the NAV Calculation in effect in respect of the Portfolio assets. However, if on the fifth Day following the date originally scheduled as the Valuation Date, the Valuation Date has not occurred, then despite the continuation of the suspension of the NAV Calculation in respect of the Portfolio assets: (a) such fifth Day shall be the Valuation Date in respect of the Portfolio; and (b) the Global NAV used for determining the Maturity Redemption Amount will be the Portfolio's net asset value estimated by the Calculation Agent as at such Valuation Date taking into account all relevant market circumstances.

### **Fees and Expenses of the Portfolio**

All administrative and accounting expenses, if any, of the Portfolio will be paid by the Administrator.

The Administrator will be entitled to the Administrator Fee equal to 1.20% per annum of the Global NAV, accrued daily and paid monthly in arrears.

The Reference Fund Advisor will be entitled to the Reference Fund Advisor Fee equal to 0.40% (plus applicable taxes) per annum of the market value of the units of the Reference Fund held by the Portfolio, calculated daily based on the net asset value of the units of the Reference Fund (as published by the Reference Fund custodian) and paid monthly in arrears.

The dealers in respect of Notes beneficially held by their clients will be entitled to the Service Fee equal to 0.50% per annum of the market value of the units of the Reference Fund held by the Portfolio, calculated daily and paid quarterly in arrears. Such fee shall, forthwith after receipt by the Agent, be distributed among the dealers on the basis of Notes beneficially held by their clients.

The Administrator Fee, the Reference Fund Advisor Fee and the Service Fee will be charged and paid out of the Portfolio and will accordingly reduce the gross performance of the Portfolio.

Other than the fees described above, no charges shall be levied against the Portfolio including in connection with any purchase of units of the Reference Fund or the redemption of such units. The net asset value of the units of the Reference Fund will reflect the administrative, operating and trading expenses of the Reference Fund but not the Reference Fund Advisor Fee.

## **PLAN OF DISTRIBUTION**

### **General**

The Notes are being offered by the Bank. Pursuant to the Agency Agreement, the Agent has agreed to offer for sale, on a best efforts basis, the Notes in Canada and to form a selling group for the purposes of offering the Notes for sale for the period up to the Closing Date. Subscriptions for Notes must be made through the mutual fund order entry system FundSERV, under the mutual fund order code OPS133. Subscription funds received through FundSERV will be deposited in a trust account established by the Agent at National Bank Trust, in trust for the beneficial Holders. The interest earned on the subscription funds will be paid by the Agent by way of subscription of that number of additional Notes (or portion thereof) corresponding to the amount of earned interest. See "FundSERV – Subscription through FundSERV".

The obligations of the Agent under the Agency Agreement may be terminated and the Agent may withdraw all subscriptions for Notes on behalf of the subscribers at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain other stated events.

The closing will take place on or about June 15, 2006 or any such later date as may be agreed to by the Bank and the Agent. A fee of 4% of the gross proceeds of the offering will be paid to the Agent upon the closing of this offering. Such fee, which will be paid on account of services rendered in connection with the offering and will be paid out of the general funds of the Bank, will be forthwith distributed by the Agent among the members of the selling group who have sold Notes to their clients. In addition, the Administrator will pay to the Agent an upfront fee of approximately 2% of the gross proceeds of the offering. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Agent, the members of the selling group who have sold Notes to their clients and/or the dealers in respect of Notes beneficially held by their clients, will not receive any benefit in connection with this offering other than the fees referred to in the preceding paragraph payable by the Bank and the Administrator and the Service Fee. See "Fees and Expenses of the Portfolio".

## **Secondary Market for the Notes**

The Notes are new securities for which there is currently no established trading market. The Bank does not intend to apply for listing of the Notes on any exchange. Starting one year after the Closing Date until the Maturity Date, the Agent intends to maintain, under normal market conditions, a weekly secondary market, in which the maximum bid-offer spread will be 1.00% of the Net Bid Price (excluding commissions) when orders and settlements are made through FundSERV and 1.00% of the Principal Amount (excluding commissions) when orders and settlements are not made through FundSERV. The Agent is not under any obligation to maintain such secondary market for the Notes and such secondary market, when commenced, may be suspended or discontinued at any time without notice.

## **USE OF PROCEEDS**

The net proceeds of this offering (after payment of the Agent's commission) will be used by the Bank to support its business activities.

## **RISK FACTORS**

Potential investors should be aware of the risks associated with an investment in the Notes, which include but are not limited to the following.

### **Suitability of Notes for Investment**

An investor should reach a decision to invest in the Notes after carefully considering, in conjunction with his or her advisors, the suitability of the Notes in light of the Note's investment objectives and the other information set out in this Information Statement. For instance, an investment in a Note is not suitable for a person seeking a guaranteed interest yield or a periodic fixed income. The Bank and the Agent make no recommendation as to the suitability of the Notes for investment.

### **Comparison to Other Debt Securities**

The terms of the Notes differ from those of ordinary debt securities, in that a return, if any, is payable on the Notes only to the extent that the Maturity Redemption Amount exceeds the Principal Amount at the Valuation Date. The Maturity Redemption Amount will exceed the Principal Amount only if there is an increase in the Final NAV to a level greater than the Principal Amount. Such an increase is contingent on events that are inherently difficult to predict and which are beyond the Bank's control. Accordingly, there can be no assurance that any such increase will occur, or that more than the Principal Amount will ever be payable with respect to each Note. Moreover, the value of an investment in the Notes may diminish over time owing to inflation and other factors that adversely affect the present value of future payments. Accordingly, an investment in the Notes may result in a lower return when compared to alternative investments.

### **No Guaranteed Return on the Notes**

While a Holder is entitled to payment on the Maturity Date which cannot be less than the Principal Amount of the Note, the Notes do not bear interest and there can be no assurance of the receipt of any return. The amount payable at Maturity is based on the return of the Portfolio which is based on the return of the units of the Reference Fund and the Permitted Investments, as the case may be, which fluctuates. The return of the Portfolio cannot be predicted. Historical returns of the Reference Fund should not be considered any indication of the future performance of the Notes. The Notes, in regards to return thereon, are subject to the risks of investing in securities, mainly the risk that market prices might

not appreciate. No assurance can be given, and none is intended to be given, that the securities held by the Portfolio or the Reference Fund will appreciate in the period during which the Notes are outstanding and that any return will be achieved on the Notes.

### **No Pledging**

The ability of a Holder to pledge the Notes or otherwise take action with respect to such Holder's interest in such Notes (other than through a CDS Participant) may be limited due to the fact that certificates for the Notes are not issued in the name of the Holder.

### **Secondary Market for the Notes/Possible Illiquidity of Secondary Market**

The Notes are new securities for which there is currently no established trading market. The Bank does not intend to apply for the listing of the Notes on any exchange. There is no assurance that a secondary market will develop. Despite the fact that the Agent has agreed, subject to certain conditions including normal market conditions, to maintain starting one year after the Closing Date a secondary market for the Notes, it is not possible to predict how the Notes will trade in the secondary market or whether such market will be liquid or illiquid. If the secondary market for the Notes is limited, there may be fewer buyers when an investor decides to sell its Notes prior to the Maturity Date, affecting the price such a Holder will receive. In addition, the Agent is not under any obligation to maintain such secondary market for the Notes and such secondary market, when commenced, may be suspended or discontinued at any time without notice.  **Holders choosing to sell their Notes prior to the Maturity Date will receive a price which is not necessarily equal to the Principal Amount and which does not necessarily reflect any increase in the NAV up to the date of such sale.**

In addition, the value of the Notes prior to the Maturity Date is expected to depend primarily on the economic performance of the Reference Fund. The performance of the Reference Fund over time will depend partly on the ability of the Reference Fund Advisor to achieve the performance objectives of the Reference Fund. The price at which a Holder will be able to sell the Notes prior to the Maturity Date may be at a discount, which could be substantial, from the Principal Amount of the Notes or from the NAV, based upon one or more factors, such as the return of the Portfolio and the time remaining to the Maturity Date. The factors that will affect the trading value of the Notes interrelate in complex ways, as, for example, one factor may offset a potential increase in the trading value of the Notes caused by another factor. As an illustration, an increase in interest rates may offset some or all of any increase in the trading value of the Notes attributable to the appreciation of the units of the Reference Fund.

### **Risks Relating to the Reference Fund**

As the trading prices of the stocks and assets underlying the Reference Fund will determine the level of performance of the Reference Fund, it is impossible to predict whether the level of performance of the Reference Fund will rise or fall. The value of the units of the Reference Fund will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the capital markets generally and the equity markets on which the underlying funds and assets are traded, and by various circumstances that can influence the values of a particular underlying fund. The composition of the securities comprising the Reference Fund also changes from time to time.

A number of risks associated with investing in various types of securities which may be included in the Reference Fund could affect ultimately the return on the Notes, such as variation in interest rates, stock market and general economic trends, variation of exchange rate of foreign currencies, political or economic events, and, in general, investing in securities of smaller companies.

## **The Leverage Policy / Investment Level**

The Investment Level, being the portion of the Portfolio's assets allocated at any time to units of the Reference Fund, may vary from a minimum of 10% (in which case 10% of the Portfolio's assets will be invested in units of the Reference Fund) to a maximum of 150% (in which case the Portfolio will borrow from the Administrator an amount equal to 50% of Global NAV). To the extent that the Investment Level exceeds 100%, the Portfolio will borrow in order to create leverage. In such circumstances, a negative performance of the Reference Fund and borrowing costs will accentuate any decrease in the NAV. To the extent that the Investment Level is below 100%, a portion up to 90% of the Portfolio may be invested in Permitted Investments. As a result, the Portfolio could be prevented from continuing to invest a substantial amount in units of the Reference Fund during what would otherwise have been a highly profitable period, and consequently could substantially underperform during such period as compared to an otherwise identical portfolio consisting entirely of units of the Reference Fund not subject to such risk control policy. A decrease of the Portfolio's investment in the Reference Fund may reduce the profit potential for a Holder.

## **Fees and Transaction Costs**

In order for the Maturity Redemption Amount to exceed the Principal Amount, the return of the Portfolio on the Maturity Date will have to exceed the aggregate fees and expenses of the Portfolio paid during the term of the Notes and the difference between the Initial NAV and the Principal Amount. See "The Portfolio – Fees and Expenses of the Portfolio".

## **CERTAIN CANADIAN INCOME TAX CONSIDERATIONS**

In the opinion of Stikeman Elliott LLP, counsel to the Bank, the following is a fair summary of the principal Canadian federal income tax considerations generally applicable to a person who acquires Notes at the time of their issuance, pursuant to this offering and who, for purposes of the *Income Tax Act (Canada)* (the "Income Tax Act") and at all relevant times, is or is deemed to be a resident of Canada, acquires and holds such Notes as capital property and deals at arm's length with the Bank. Notes will generally constitute capital property to a Holder thereof unless the Holder holds such Notes in the course of carrying on a business or has acquired such Notes in a transaction or transactions considered to be an adventure in the nature of trade. Certain Holders whose Notes might not otherwise qualify as capital property, may, in certain circumstances, treat such Notes and all of the Holder's other Canadian securities as capital property by making an irrevocable election provided by subsection 39(4) of the Income Tax Act.

This summary is based upon the current provisions of the Income Tax Act, the regulations thereunder (the "Regulations") and counsel's understanding of the current published administrative practices and policies of the Canada Revenue Agency ("CRA"), all in effect as of the date hereof. This summary also takes into account all specific proposals to amend the Income Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("Tax Proposals") and assumes all Tax Proposals will be enacted substantially as proposed. However, no assurance can be given that the Tax Proposals will be enacted as proposed, or at all.

The Income Tax Act contains provisions relating to securities held by certain financial institutions (the "Mark-to-Market rules"). This summary does not take into account the Mark-to-Market rules. Holders of Notes that are "financial institutions" for purposes of the Mark-to-Market rules should consult their own tax advisors.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices of the CRA. This summary does not take into account tax legislation of any province, territory or foreign jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income tax legislation.

**This summary is of a general nature only and is not intended to be, nor should it be relied upon or construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice with respect to the income tax consequences to them of acquiring, holding and disposing of Notes having regard to their particular circumstances.**

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or a partnership is a beneficiary, will be required to include, in computing its income for a taxation year, the interest for the period beginning with the deposit of the subscription funds and ending with the Closing Date that (i) accrues or is deemed to accrue to it to the end of the taxation year, (ii) becomes receivable by it, or (iii) is received by it before the end of such taxation year, to the extent that the amount was not included in computing its income for a preceding taxation year. Any other Holder, including an individual, will be required to include in its income for the taxation year in which the Notes are issued, the amount of interest received or that became receivable to the Holder for the period beginning with the deposit of the subscription funds and ending with the Closing Date.

The excess, if any, of the Maturity Redemption Amount over the Principal Amount of a Note can be ascertained, and the right to it arises, only at the Maturity Date. Consequently, the amount of such excess, if any, will only be included in the Holder's income, as interest, in the taxation year in which the Maturity Date occurs.

On disposition of a Note resulting from the repayment by the Bank at the Maturity Date, a Holder will realize a capital gain (or a capital loss) to the extent that a payment received at such time, less reasonable costs of disposition and the amount, if any, required to be included in the Holder's income in the year of such a disposition as interest, exceeds (or is less than) the Holder's adjusted cost base of the Note.

It is unclear whether amounts received or deemed to be received by a Holder on disposition or deemed disposition of a Note, other than a disposition resulting from a repayment by the Bank at the Maturity Date, will be considered as giving rise to a capital gain or a capital loss, or to income or an ordinary loss. CRA has not expressed any opinion on this issue. Generally, an amount received or deemed to be received by a Holder on such disposition or deemed disposition of a Note should give rise to a capital gain (or a capital loss) to the Holder to the extent such amount, net of any reasonable costs of disposition and the amount, if any, required to be included in the Holder's income in the year of such disposition as interest, exceeds (or is less than) the Holder's adjusted cost base of the Note. **However, Holders who dispose of a Note prior to the Valuation Date, other than pursuant to a disposition resulting from a repayment by the Bank, particularly those who dispose of a Note within a short period of time prior to the Valuation Date, should consult their own tax advisor with respect to their particular circumstances.**

Generally, one-half of any capital gain constitutes a taxable capital gain which must be included in the Holder's income in the year of disposition and one-half of any capital loss constitutes an allowable capital loss, which is deductible against taxable capital gains, subject to and in accordance with the provisions of the Income Tax Act. A Holder that is a Canadian-controlled private corporation may be subject to a refundable tax of  $6\frac{2}{3}\%$  on investment income, including taxable capital gains.

Capital gains realized by an individual or trust, other than certain trusts, may give rise to alternative minimum tax under the Income Tax Act.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Stikeman Elliott LLP, counsel to the Bank, in accordance with legislation in effect on the date hereof, the Notes will, at the Closing Date, be qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education saving plans and deferred profit sharing plans ("DPSPs"), other than DPSPs under which the Bank or any person or partnership with which the Bank does not deal at arm's length within the meaning of the Income Tax Act is an employer, and may be held by such plans or funds subject to the terms of the plan or fund.