Information Statement

Dated February 3, 2006

Business Development Bank of Canada

BDC

CANADIAN FINANCIALS YIELD NOTES SERIES 1

Due April 14, 2014

Principal Protected Notes

Price: $100.00 per Note

Each of Business Development Bank of Canada ("BDC") and CIBC World Markets Inc. (the "Selling Agent") has taken all reasonable care to ensure that the facts stated in this Information Statement in relation to the Notes are true and accurate in all material respects and that there are no other material facts in relation to the Notes the omission of which would make any statement herein, whether of fact or opinion, misleading as of the date hereof.

No person has been authorized to give any information or to make any representations other than those that may be contained in:

(a) this Information Statement,

(b) any amendments made from time to time to this Information Statement, or

(c) any supplementary terms and conditions provided in any related global note lodged with a depositary or other definitive replacement note therefor,

in connection with the offering or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this Information Statement nor the issue of the Notes nor any sale thereof will, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of BDC since the date hereof.

This Information Statement does not constitute an offer or invitation by anyone in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Information Statement and the offering and sale of the Notes in some jurisdictions may be restricted by law. Persons into whose possession this Information Statement comes are required by BDC and the Selling Agent to inform themselves of and observe any and all such restrictions. This Information Statement constitutes an offering of the Notes only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and then only through persons duly qualified to effect such sales.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended ("U.S. Securities Act"), and subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons as contemplated under the U.S. Securities Act and the regulations thereunder.

No securities commission or similar authority has in any way passed upon the merits of the Notes or reviewed this Information Statement and any representation to the contrary may be an offence.

In this Information Statement, capitalized terms have the meanings ascribed to them and references to "$" are to Canadian dollars, unless otherwise expressly indicated.

Table of Contents

for

Information Statement

Dated February 3, 2006

Business Development Bank of Canada
Canadian Financials Yield Notes, Series 1
Due April 14, 2014

SUMMARY

The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Information Statement. Capitalized terms that are used but not defined in this summary are defined elsewhere in this Information Statement. See page 25 for an index of defined terms.

BDC Canadian Financials Yield Notes, Series 1, (each a "Note") are linked to the performance of a notional portfolio (the "Portfolio") of assets dynamically allocated over the term of the Notes between an equity account (the "Equity Account") and a bond account (the "Bond Account") in accordance with a pre-defined set of portfolio allocation rules (the "Portfolio Allocation Rules"). The Equity Account will be comprised of the shares of ten companies in the Canadian financial industry (the "Stocks"). The purchase of Stocks for the Equity Account will be partially funded through a notional revolving loan (the "Loan") that will vary depending upon the value of the Portfolio. The Loan will effectively provide leverage in the Equity Account. The Bond Account will be comprised of notional bonds with monthly coupons bearing a fixed rate of 0.50% per annum (the "Bonds").

Seventy-five percent (75%) of the ordinary cash dividends declared payable on the Stocks (the "Distributions") will be credited to a distribution account (the "Distribution Account"), with the remaining twenty-five percent (25%) of ordinary cash dividends declared payable on the Stocks being re-invested in additional Stocks for the Equity Account. All other dividends and distributions on the Stocks (e.g., extraordinary dividends and non-cash distributions) will be credited to the Equity Account. The Distribution Account will fund the quarterly coupons payable on the Notes.

A holder of a Note will receive:

(i) quarterly coupons ("Quarterly Coupons") equal in each case to all Distributions that have accumulated in the Distribution Account up to the last business day of the immediately preceding quarterly period, expressed as an amount per Note; plus

(ii) a final variable payment (a "Final Variable Payment") at maturity equal to the amount, if positive, by which the NAV_{Final} of the Portfolio exceeds the Principal Amount ($100) of the Note.

The full Principal Amount of a Note will be paid at maturity, regardless of the performance of the Portfolio.

The Calculation Agent will administer the Portfolio Allocation Rules that govern the allocation of assets in the Portfolio between the Equity Account and the Bond Account, as well as the Loan Amount. Initially, Stocks will be purchased using an amount equal to the net proceeds (namely, $96.00 per Note), together with a draw down of the Loan of $4.00 per Note, so that the total initial investment in Stocks is $100 per Note. Generally stated, the Portfolio will be "re-balanced" and the Loan re-adjusted (drawn down if more exposure is appropriate or repaid where a sale of Stocks is required), as necessary, to bring the Actual Exposure approximately in line with the Target Exposure (as defined below). A re-balancing (referred to as an Allocation Event) will occur whenever the Target Exposure differs from the Actual Exposure by more than 25%. If the Distance (as defined below) falls to less than 1.5% (referred to as a Protection Event), then all Stocks will be sold and proceeds applied first to repay any outstanding amount of Loan and secondly to purchase Bonds to be held until maturity of the Notes.

The Calculation Agent will be paid a Portfolio Fee that will be dependent upon the allocation of assets in the Portfolio between the Equity Account and the Bond Account at the relevant time. The Portfolio Fee will equal (i) 2.25% per annum of the realizable value of the Stocks in the Equity Account, plus (ii) 0.50% per annum of the face amount of the Bonds in the Bond Account. Such fees will be calculated on a daily basis and paid monthly in arrears.

Prospective investors should carefully consider with their advisors the suitability of the Notes in light of their investment objectives and the information in this Information Statement, and should carefully consider certain risk factors associated with an investment in the Notes, including those set out below under "CERTAIN RISK FACTORS" starting on page 23 below.

See below for further details.

Issuer: The Notes will be issued by the Business Development Bank of Canada ("BDC").

Principal Amount: The Notes will be sold in a denomination of $100.00 per Note (the "Principal Amount") with a minimum subscription of 20 Notes per investor (each an "Investor").

Subscription Price:

Price to an Investor (1)	Selling Agent's Fees	Net Proceeds (2)
$100.00 (par) per Note	$4.00	$96.00

(1) The price to be paid by each Investor upon issuance (the "Subscription Price") has been determined by negotiation between BDC and CIBC World Markets Inc. (the "Selling Agent").

(2) The Selling Agent's fee of 4% will be paid by BDC to the Selling Agent for further payment by the Selling Agent to an Investor's broker or other investment advisor in connection with the sale of the Notes. BDC will pay out of its general funds the expenses of issue. The expenses of issue include trailing commissions payable to the Selling Agent for further payment to an Investor's broker or other investment advisor of 0.40% per annum calculated and payable quarterly on the average "Equity Account Value" of the Notes during the previous quarter.

Issue Size: BDC will issue up to an aggregate maximum of $100,000,000 of Notes. BDC may change the maximum size of the offering at its discretion.

Issue Date: The Notes will be issued on or about April 12, 2006 (the actual date of issuance being the "Issue Date").

Maturity Date/Term: The Notes will mature on April 14, 2014, resulting in a term to maturity of approximately eight years.

Principal Amount Repayment: The full Principal Amount of $100 per Note will be paid on the Maturity Date (regardless of the performance of the Portfolio and even if the NAV_{Final} (see definition below) is less than $100 for any reason). The Notes cannot be redeemed or retracted prior to the Maturity Date.

Portfolio: A Note's return will be reflected in the Quarterly Coupons and the Final Variable Payment. The Quarterly Coupons and the Final Variable Payment are linked to the performance of the Portfolio. The Portfolio will consist of assets allocated dynamically over the term of the Notes between the Equity Account comprised of ten Stocks (described below) and the Bond Account comprised of Bonds (described below). Holdings in the Equity Account may be leveraged through the Loan. Investors will not have any ownership in the Portfolio at any time.

The Portfolio is a notional portfolio only meaning that an investor will not have, and the Notes will not represent, any direct or indirect ownership or other interest in the Stocks or Bonds in the Portfolio. Investors will not have any direct or indirect recourse to any Stocks or Bonds or to any other assets comprising the Equity Account or Bond Account, and will only have a right against BDC to be paid the Principal Amount at maturity together with any Quarterly Coupons and any Final Variable Payment at maturity. All actions (e.g., purchases, sales, liquidations, loan draw downs and repayments, etc.) taken in connection with the Portfolio are notional actions only.

Quarterly Coupons: A Quarterly Coupon will be payable in Canadian dollars on the 14th day of January, April, July and October in each year, commencing on July 14, 2006 and ending on April 14, 2014. The amount payable per Note will be equal to the total Distributions that have accumulated in the Distribution Account over the previous quarterly period divided by the number of Notes outstanding on the record date for the Quarterly Coupon. In each case, the Distributions in the Distribution Account will equal 75% of the ordinary cash dividends (if any) declared payable in respect of the Stocks over the previous quarterly calendar period. See "DESCRIPTION OF NOTES" starting on page 5 below for further details.

Equity Account: The Equity Account will hold Stocks (each a Stock, as defined above) of the following ten Canadian financial companies (each a "Company" and collectively, the "Companies"):

Company	Symbol	Country	Sector
Bank of Montreal	BMO	Canada	Financial
The Bank of Nova Scotia	BNS	Canada	Financial
CI Financial Inc.	CIX	Canada	Financial
Great-West Lifeco Inc.	GWO	Canada	Financial
IGM Financial Inc.	IGM	Canada	Financial
Manulife Financial Corporation	MFC	Canada	Financial
National Bank of Canada	NA	Canada	Financial
Royal Bank of Canada	RY	Canada	Financial
Sun Life Financial Inc.	SLF	Canada	Financial
The Toronto-Dominion Bank	TD	Canada	Financial

Brief descriptions of the businesses of the Companies and information on historical trading prices of the Stocks are set out under "THE STOCKS" starting on page 18 below. It is anticipated that the Equity Account will hold only the Stocks of the above Companies. However, upon the occurrence of one or more unusual special events in respect of a Company, the Calculation Agent, in its discretion, may substitute a new share to the Portfolio as a replacement for a Company's affected Stock, and may accordingly make other adjustments as set out under "DESCRIPTION OF NOTES — *Special Events*" starting on page 13 below.

Purchases and sales of the Stocks after the Issue Date will be *pro rata* as to the respective Canadian dollar market values of the Stocks existing upon the occurrence of an Allocation Event. Stocks will be sold and purchased at their market bid/offer prices, as applicable. From time to time, a nominal amount of cash may be held in the Equity Account.

Distribution Account: Seventy-five percent (75%) of all Distributions (i.e., ordinary cash dividends) declared payable on the Stocks in the Equity Account will be credited into the Distribution Account. The Distribution Account will fund the payment of the Quarterly Coupons. Upon payment of each Quarterly Coupon, the amount of such Quarterly Coupon will be deducted from the Distribution Account. Accordingly, the Distribution Account will from time to time hold the aggregate amount of the Distributions credited from and including the last occurring Coupon Payment Date (or Issue Date, where the first Quarterly Coupon has not yet become payable). Portfolio Fees and interest will not be deducted from the Distribution Account.

Loan/Loan Amount: Stocks will be purchased for the Equity Account from time to time using a notional revolving loan (the Loan, as defined above). The Loan Amount (as defined below) that may be outstanding from time to time is dependent upon the Portfolio Allocation Rules that factor in the value of the Stocks, prevailing interest rates, interest and other fees payable on the Notes. The Loan Amount may increase (i.e., be drawn down to purchase more Stocks, generally occurring as the value of the NAV of the Portfolio increases) or decrease (i.e., be repaid on the sales of Stocks, generally occurring as the NAV of the Portfolio decreases) upon the occurrence of an Allocation Event. The Portfolio Allocation Rules will effectively limit the Loan Amount by imposing a maximum Target Exposure (as defined below) of 200%.

Interest on the Loan will accrue daily at a rate equal to the one-month Bankers' Acceptance Rate plus 0.25% per annum, and will be payable monthly. Interest owing on the Loan will be satisfied through a sale of the requisite number of Stocks from the Equity Account.

Bond Account: The Bond Account will hold notional bonds (each a "Bond"). More specifically, a notional bond is the economic equivalent of a bond that has an implicit yield to maturity equal to the inter-bank swap rate and that pays monthly coupons of 0.50% per annum. The "inter-bank swap rate" is a fixed wholesale reference rate widely used by financial institutions to establish the fixed rate term equivalent of short term funding. The Bonds will be purchased or sold in accordance with the Portfolio Allocation Rules using the bid swap rate for purchases and offer swap rate for sales. No Bonds will be purchased on the Issue Date.

Portfolio Allocation Rules: The Portfolio Allocation Rules will dictate the allocation of the Portfolio from time to time between Bonds, Stocks and the Loan Amount, if any. The Calculation Agent will be responsible for applying the Portfolio Allocation Rules, including facilitating any sale or purchase of Bonds and Stocks and draw down or repayment of the Loan.

Initially, Stocks of each Company will be purchased (in equal weighting as to Canadian dollar value) using the net proceeds (namely, $96.00 per Note), together with a $4.00 per Note draw down of the Loan so that $100.00 per Note is invested in the Stocks, with the Portfolio having an initial NAV (see definition below) of $96.00. Generally stated, the Portfolio will be "re-balanced" and the Loan re-adjusted (drawn down to purchase more Stocks or repaid on the sales of Stocks) from time to time to bring the Actual Exposure approximately in line with the Target Exposure, provided that Target Exposure will not exceed 200%. A re-balancing will occur whenever the Target Exposure differs from the Actual Exposure by more than 25%. If the Distance falls to less than 1.5%, a Protection Event will arise triggering all Stocks to be sold with proceeds applied first to repay any outstanding Loan Amount and accrued Portfolio Fees, and secondly to purchase Bonds to be held until maturity of the Notes. Thereafter, no Stocks will be purchased with the result that the Portfolio will comprise only Bonds until the Maturity Date. Thereafter, investors will not participate in any subsequent performance of the Stocks. See "DESCRIPTION OF NOTES – *Application of Portfolio Allocation Rules*" starting on page 5 for further details.

Portfolio Fee: A portfolio fee (the "Portfolio Fee") will be payable to the Calculation Agent, calculated daily and payable monthly in arrears. The Portfolio Fee will be dependent upon the allocation of assets between the Equity Account and the Bond Account at the relevant time. The Portfolio Fee will equal (i) 2.25% per annum of the realizable value of the Stocks held in the Equity Account, plus (ii) 0.50% per annum of the face amount of Bonds in the Bond Account. The Portfolio Fee applicable to the Equity Account will be satisfied through the sale of the requisite number of Stocks from the Equity Account. The monthly coupons payable on the Bonds will be used to effectively fund the portion of the Portfolio Fee applicable to the Bond Account.

Calculation Agent: CIBC World Markets Inc. will act as the calculation agent (the "Calculation Agent"), provided that BDC may appoint a successor Calculation Agent. The Calculation Agent will make all necessary calculations and determinations required in respect of the Notes, including the application of the Portfolio Allocation Rules. Because of the nature of this investment product, the calculations required, liquidity in the relevant markets and the fact that practicalities of facilitating purchases and sales of assets are notional only, exact and precise allocations may not be possible. The Calculation Agent's calculations and determinations will be made in good faith and using a commercially reasonable result, and will, absent manifest error, be final and binding on the Investors.

Special Events: The occurrence of one or more unusual special events in respect of a Company (such as a merger, insolvency, delisting or nationalization) may cause the Calculation Agent, in its discretion, to make certain adjustments. In the case of a Merger Event, any equity securities of the relevant entity following the merger that are received in exchange for the affected Stocks will be added to the Equity Account as a Replacement Stock for the Stocks that may no longer exist as of the applicable Merger Date. If non-equity securities are received in exchange for the relevant Stock as a result of the Merger Event, such assets will be sold and proceeds thereof applied to purchase the related equity securities, provided that if there are no related equity securities such Merger Event shall be treated as a Substitution Event. In the case of a Substitution Event, all affected Stocks of the relevant Companies, where possible, will be sold in any available market and cash proceeds will be used to purchase Stocks of another widely-traded Canadian entity in a similar industry sector as the affected Company. A Substitution Event in respect of Stocks of a Company will include any event (such as the insolvency, delisting or nationalization of such Company) that results or would result in, according to the Calculation Agent's reasonable determination, a material adverse impact on the liquidity of the Stocks of such Company.

See "DESCRIPTION OF NOTES – *Special Events*" starting on page 13 below for relevant definitions and further details in respect of these special events.

Eligibility for Investment: The Notes, if issued on the date of this Information Statement, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by BDC or a person or partnership with which BDC does not deal at arm's length within the meaning of such Act).

Where an Investor purchases Notes through dealers and other firms that place and clear orders for Notes through FundSERV, such dealers or other firms may not be able to accommodate a purchase of Notes through certain registered plans. Investors should consult their financial advisors as to whether their orders for Notes will be made through FundSERV and any limitations on their ability to purchase Notes through registered plans.

Secondary Market: The Selling Agent will maintain a secondary market for the Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to Investors. The Notes will not be listed on any stock exchange. An investment decision to purchase the Notes should not be based on the availability of a secondary market and accordingly an Investor should be prepared to hold the Notes until the Maturity Date. An Investor who sells a Note to the Selling Agent prior to the Maturity Date will receive sales proceeds equal to the bid price for the Note minus any applicable Early Trading Charge. See "DESCRIPTION OF NOTES –*Secondary Trading*" starting on page 13 below. A sale of Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. See "DESCRIPTION OF NOTES – *FundSERV*" starting on page 16 below.

Book-Entry Registration: The Notes will be evidenced by a single global note held by a depositary (initially being CDS, or its nominee on its behalf), as registered holder of the Notes. Registration of interests in and transfers of the Notes will be made only through its book-entry system. Subject to certain limited exceptions, no Investor will be entitled to any certificate or other instrument from BDC or the depositary evidencing the ownership thereof and no Investor will be shown on the records maintained by the depositary except through an agent who is a participant of the depositary. See "DESCRIPTION OF NOTES – *Forms of the Notes*" starting on page 14 below.

Status: The Notes will constitute direct unconditional obligations of the Business Development Bank of Canada and, as such, will constitute direct unconditional obligations of Her Majesty in Right of Canada. The Notes will be issued on an unsubordinated basis, will rank *pari passu* among themselves and will be payable rateably without any preference or priority. The Notes do not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or other similar legislation.

Credit Rating: The Notes have not been rated by any rating agency. As at the date hereof, the obligations of BDC with a term to maturity in excess of one year are rated AAA by DBRS, AAA by S&P and Aaa by Moody's. There can be no assurance that, if the Notes were specifically rated, they would have the same rating as the long-term obligations of BDC. 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.

Income Tax Considerations: An Investor should consider the income tax consequences of an investment in the Notes, including the tax treatment of Quarterly Coupons and any Final Variable Payment received by the Investor. An Investor should also consider the income tax consequences of a disposition of the Notes prior to the Maturity Date. See "CANADIAN FEDERAL INCOME TAX CONSIDERATIONS" on page 22 for a summary of certain Canadian federal income tax considerations generally applicable to the Notes.

Certain Risk Factors: Before reaching a decision to purchase any Notes, a person should carefully consider a variety of risk factors, including among other things: (i) the suitability of such an investment, (ii) the uncertain or potential lack of any return on maturity, (iii) the lack of ownership of any Stocks or Bonds, (iv) the reliance on the Calculation Agent, (v) the possible absence of any secondary market in which to sell the Notes prior to their maturity, (vi) the potential negative effect of the Loan on purchases and sales should the market for the Stocks decline, and (vii) the risks associated with the valuation of the Bonds and Stocks comprising the Portfolio. The foregoing and others are further described or contemplated in "CERTAIN RISK FACTORS" starting on page 23 below.

Description of Notes

Issue

Canadian Financials Yield Notes, Series 1, will be issued by BDC on the Issue Date. BDC will issue up to an aggregate maximum of $100,000,000 of Notes. BDC may change the maximum size of the offering at its discretion.

Amount and Minimum Subscription

Each Note will be issued in a face amount of $100.00. The price to be paid by each Investor upon issuance has been determined by negotiation between BDC and the Selling Agent. The minimum subscription size per Investor will be 20 Notes (i.e., $2,000.00).

Maturity and Repayment

Each Note matures on the Maturity Date, on which date the Investor will receive the Principal Amount (i.e., $100 per Note). If the Maturity Date is not a Business Day for any reason, then the Maturity Date will be deemed to occur on the next following Business Day and no interest or other compensation will be paid in respect of such postponement.

Portfolio and Portfolio Allocation Rules

General

The Portfolio is a notional portfolio of assets allocated dynamically over the term of the Notes in accordance with the Portfolio Allocation Rules between the Equity Account, which is a notional account comprised of Stocks, and the Bond Account, which is a notional account comprised of Bonds. Since the Portfolio is notional only, an Investor will have no ownership or other interest in the Stocks or Bonds comprising the Portfolio, and will only have a right against BDC to be paid the Principal Amount together with the Quarterly Coupons and the Final Variable Payment, if any, based on the performance of the Portfolio. For the avoidance of doubt, all actions (e.g., purchases, sales, liquidations, loan drawdowns and repayments, etc.) taken in connection with the Portfolio are notional actions only.

The Equity Account will be comprised of Stocks of each Company and a nominal amount of cash from time to time. The initial purchases of Stocks will be made approximately in equal market value per Company. Purchases and sales of the Stocks after the Issue Date will be pro rata as to the respective Canadian dollar market values of the Stocks existing upon the occurrence of an Allocation Event (as defined below). Stocks will be sold and purchased at their market bid/offer prices, as applicable. From time to time, a nominal amount of cash may be held in the Equity Account. The purchase of Stocks in the Equity Account may be leveraged through the Loan. The Loan Amount outstanding at any time will vary and will be increased or decreased in accordance with the Portfolio Allocation Rules. Interest on the Loan Amount will accrue daily at an annual rate equal to the one-month Bankers' Acceptance Rate plus 0.25%, reset daily and paid monthly. The portion of the Portfolio Fee applicable to the Equity Account and interest charges owing on the Loan will be satisfied through a sale of the requisite number of Stocks from the Equity Account.

The Bond Account will hold Bonds that mature on the Maturity Date and pay monthly coupons bearing a fixed rate of 0.50% per annum. Bonds will be purchased and sold at yields equal to the prevailing Canadian dollar inter-bank swap rate as reasonably determined by the Calculation Agent (using the bid swap rate for purchases and offer swap rate for sales), for a term equivalent to the remaining term of the Notes. The "inter-bank swap rate" is a fixed wholesale reference rate widely used by financial institutions to establish the fixed rate term equivalent of short term funding. The monthly coupons payable on the Bonds will be used to effectively fund the portion of the Portfolio Fee applicable to the Bond Account. Each Bond in the Bond Account is expected to yield $100 on the Maturity Date. No Bonds will be purchased on the Issue Date.

Seventy-five percent (75%) of all Distributions (being ordinary cash dividends declared payable on the Stocks) will be credited to the Distribution Account. All other dividends and distributions on the Stocks (e.g., extraordinary dividends and non-cash distributions) will be credited to the Equity Account. The Distribution Account will fund the payment of the Quarterly Coupons. Upon payment of each Quarterly Coupon, the amount of such Quarterly Coupon will be deducted from the Distribution Account. Accordingly, the Distribution Account will from time to time hold the aggregate amount of the Distributions credited from and including the last occurring Coupon Payment Date (or Issue Date, where the first Quarterly Coupon has not yet become payable).

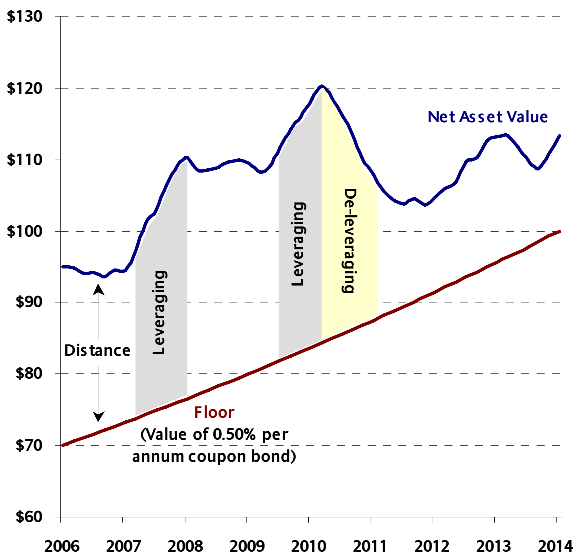
Stocks in the Equity Account may be affected by one or more unusual special events. In the case of a Merger Event, any equity securities of the relevant entity following the merger that are received in exchange for the affected Stocks will be added to the Equity Account as replacement Stocks for the Company that may no longer exist as of the applicable Merger Date. In the case of a Substitution Event, Stocks in the affected Companies, where possible, will be liquidated in any available market. The cash proceeds will be used to purchase Stocks of another Canadian entity in a similar industry sector as the affected Company as determined by the Calculation Agent. See "DESCRIPTION OF NOTES – *Special Events*" starting on page 13 below.

Application of the Portfolio Allocation Rules

The Portfolio Allocation Rules will dictate the allocation of the Portfolio from time to time between Stocks and Bonds, and the amount of the Loan, if any, to be drawn down or repaid. The Calculation Agent will be responsible for applying the Portfolio Allocation Rules, including facilitating any sale or purchase of Stocks and Bonds and draw down or repayment of the Loan. All capitalized terms used in describing the application of the Portfolio Allocation Rules are defined at the end of this section.

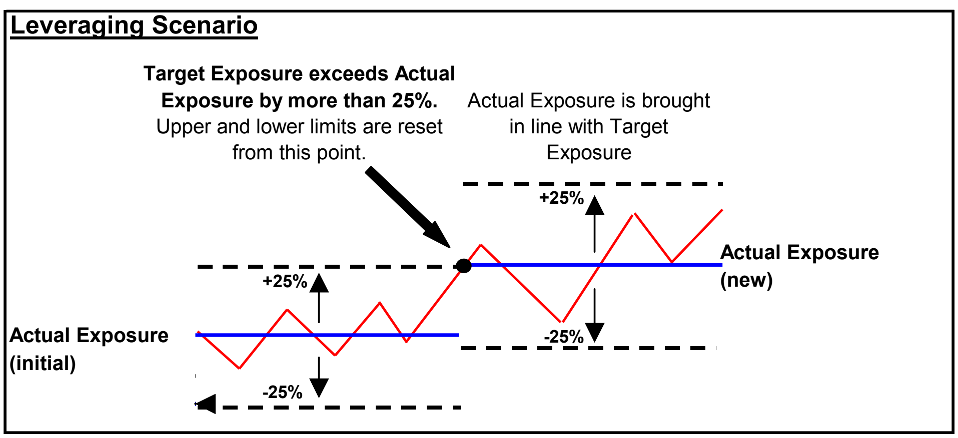
On the Issue Date, Stocks will be purchased within ten Exchange Days following the Issue Date using an amount equal to the net proceeds (namely, $96.00 per Note), together with a draw down of the Loan of $4.00 per Note, so that the total initial investment in Stocks is $100.00 per Note. Depending on market conditions on the Issue Date, it is possible that the Actual Exposure will not initially equal the Target Exposure. No Bonds will be purchased on the Issue Date. Thereafter, the Portfolio will be "re-balanced" and the Loan re-adjusted from time to time to bring the Actual Exposure approximately in line with the Target Exposure.

The diagram below demonstrates how the "Distance" between the NAV of the Notes and the Floor will determine the amount of exposure to Stocks in the Portfolio. The Target Exposure at any time will be five times the Distance, provided that Target Exposure may not exceed 200%. A re-balancing of the Portfolio will occur whenever the Target Exposure differs from the Actual Exposure by more than 25% (an "Allocation Event").

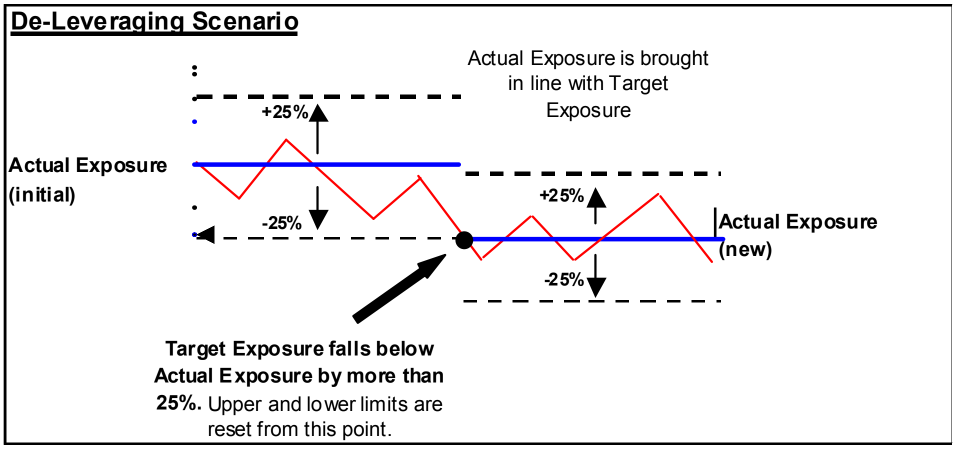


Distance	Target Exposure
<1.5%	0.0%
2.0%	10.0%
4.0%	20.0%
8.0%	40.0%
12.0%	60.0%
16.0%	80.0%
20.0%	100.0%
24.0%	120.0%
28.0%	140.0%
32.0%	160.0%
36.0%	180.0%
40.0%	200.0%

An Allocation Event will occur if the Target Exposure exceeds the Actual Exposure by more than 25% (which may occur for a number of reasons including, without limitation, an increase in the market value of the Stocks or a rise in the applicable inter-bank swap rate). In this event, the Portfolio Allocation Rules will require greater exposure to Stocks. Accordingly, additional Stocks will be purchased, funded first by the sale of any Bonds in the Bond Account, and second by drawing down the Loan, so that the Actual Exposure is approximately equal to the Target Exposure. This increases the number of Stocks in the Equity Account by decreasing any Bonds held in the Bond Account and/or increasing the amount of the Loan.



An Allocation Event will also occur if the Target Exposure falls below the Actual Exposure by more than 25% (which may occur for a number of reasons including, without limitation, a decrease in the market value of the Stocks or a fall in the applicable inter-bank swap rate). In this event, the Portfolio Allocation Rules will require reduced exposure to the Stocks. Accordingly, Stocks will be sold and the proceeds used first to reduce any Loan outstanding, and second to purchase Bonds so that the Actual Exposure is approximately equal to the Target Exposure. This reduces the Stocks in the Equity Account by reducing the amount of the Loan and/or increasing the Bonds held in the Bond Account.



If the Distance falls to less than 1.5% (referred to as a Protection Event), then the remaining Stocks in the Portfolio will be sold and the net proceeds will be invested entirely in Bonds to be held until maturity of the Notes. Thereafter, no Stocks will be purchased with the result that the Portfolio will comprise only Bonds until the Maturity Date.

Related definitions are as follows:

- "Actual Exposure" means, at any time, a number (expressed as a percentage, rounded to two decimal places) calculated as follows:

$$\text{Actual Exposure} = \frac{\text{Equity Account Value}}{\text{NAV}}$$

- "Bond" means a notional bond that matures on the Maturity Date and pays monthly coupons bearing a fixed rate of 0.50% per annum.
- "Bond Account Value" means, at any time, an amount (expressed as an amount per Note) equal to the realizable value of the Bonds and cash held in the Bond Account at that time, minus the portion of any accrued and unpaid Portfolio Fee applicable to the Bond Account.
- "Target Exposure" means, at any time, the product of 5.0 and the Distance, provided that Target Exposure will not exceed 200%.
- "Distance" means, at any time, a number (expressed as a percentage, rounded to two decimal places) calculated as follows:

$$\text{Distance} = \frac{\text{NAV - Floor}}{\text{NAV}}$$

- "Distribution Account Value" or "DAV" means, at any time, an amount (expressed as an amount per Note) equal to the Distributions credited to the Distribution Account (being 75% of all ordinary dividends payable on the Stocks).
- "Equity Account Value" or "EAV" means, at any time, an amount (expressed as an amount per Note) equal to the aggregate value of the Stocks and cash held in the Equity Account, minus the portion of any accrued and unpaid Portfolio Fee applicable to the Equity Account.
- "Floor" means, at any time, the offer price at that time for a Bond with a $100.00 face amount, plus the Distribution Account Value, as reasonably determined by the Calculation Agent.
- "Loan Amount" means, at any time, an amount (expressed as an amount per Note) equal to the total of the outstanding principal amount of the Loan, plus accrued and unpaid interest thereon at that time.
- "Net Asset Value" or "NAV" means at any time the total (expressed as an amount per Note) of (i) the Equity Account Value, plus (ii) the Bond Account Value, plus (iii) the Distribution Account Value, minus (iv) the Loan Amount, all as reasonably determined by the Calculation Agent at such time.
- "Protection Event" will occur when the Distance falls to less than 1.5%.

The Calculation Agent will be required to monitor both the Actual Exposure and Target Exposure and administer the allocation of the Portfolio in accordance with the Portfolio Allocation Rules. Whenever the Calculation Agent determines that a purchase or sale of Stocks or Bonds is required to be made by the Calculation Agent, such purchase or sale will be made at such times and at such prices as the Calculation Agent determines, in its discretion, acting in good faith and in a commercially reasonable manner.

Quarterly Coupons

A Quarterly Coupon will be payable in Canadian dollars on the 14th day of January, April, July and October of each year throughout the term of the Notes (provided if such day is not a Business Day, then such payment date will be on the next Business Day), commencing on July 14, 2006 and ending on April 14, 2014 (each payment date for a Quarterly Coupon being a "Coupon Payment Date"). The amount of a Quarterly Coupon paid on a Note will be equal to the Distribution Account Value as of the close of business on the Business Day immediately preceding the relevant Coupon Payment Date. Upon payment of a Quarterly Coupon, the amount of such Quarterly Coupon will be deducted from the Distribution Account.

Seventy-five percent (75%) of all ordinary dividends payable by a Company will be credited to the Distribution Account when they become payable with the remaining twenty-five percent (25%) of ordinary dividends being credited to the Equity Account. All other distributions (e.g., extraordinary dividends and non-cash distributions) will also be credited to the Equity Account.

As these Distributions fund the Quarterly Coupons payable on the Notes, as a general rule, where the Portfolio Allocation Rules require increased exposure to the Companies through a purchase of additional Stocks for the Equity Account, the amount of Distributions accumulating in the Distribution Account will increase leading to an increase in the amount of the Quarterly Coupon. Conversely, where the Portfolio Allocation Rules require reduced exposure to the Companies through a sale of Stocks from the Equity Account, the amount of Distributions accumulating in the Distribution Account will decrease leading to a decrease in the amount of the Quarterly Coupon.

Any remaining balance in the Distribution Account on the Maturity Date will be paid to Investors, together with the Principal Amount and any Final Variable Payment, on the Maturity Date (subject to the provisions outlined below under "DESCRIPTION OF THE NOTES – *Special Events*"), *pro rata* on the basis of the number of Notes then outstanding. No Quarterly Coupon will be paid unless Distributions became payable on the Stocks in the Equity Account during the immediately preceding quarterly calendar period. If a Protection Event occurs during the term of the Notes, all Stocks will be sold with the result that thereafter no further Distributions will be credited to the Distribution Account. Payment and calculation of a Quarterly Coupon is subject to the provisions outlined under "DESCRIPTION OF NOTES –*Special Events*" starting on page 13 below.

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Montreal, Quebec and Toronto, Ontario.

Final Variable Payment

Subject to the provisions outlined under "DESCRIPTION OF NOTES – *Special Events*" starting on page 13 below, a Final Variable Payment, if any, per Note will be payable in Canadian dollars on the Maturity Date in the amount, if any, by which the NAV_{FINAL} exceeds the Principal Amount (i.e., the principal-protected amount).

The Final Variable Payment may be expressed as follows:

$$\textbf{Final Variable Payment} = \textbf{NAV}_{\textbf{Final}} - \textbf{\$100}$$

"NAV_{Final}" means the total of (i) the Net Asset Value determined at the close of business of the Calculation Agent in Toronto on the third Business Day prior to the Maturity Date, minus (ii) the Distribution Account Value at such time, subject to the provisions described under "DESCRIPTION OF NOTES – *Special Events*".

The Net Asset Value of the Portfolio will initially (i.e., on the Issue Date) be $96.00 per Note. The Net Asset Value (after payment of the last Quarterly Coupon) must rise by more than $4.00 per Note by the third Business Day prior to the Maturity Date in order for any Final Variable Payment to be payable on the Notes. There is a possibility that the Final Variable Payment will be nil. No amount of Final Variable Payment will be paid unless the NAV_{Final} is greater than $100. In addition, if a Protection Event occurs, the Final Variable Payment is effectively limited to the amount by which the aggregate par value of the Bonds exceeds $100.

In no event will payment of the Principal Amount or any Final Variable Payment be made by BDC earlier than the Maturity Date. The Stocks will be gradually liquidated during the ten Exchange Days immediately preceding the final valuation of the Portfolio. The Calculation Agent is expected to have fully liquidated the assets of the Portfolio by, and to calculate the NAV_{FINAL} on, the third Exchange Day prior to the Maturity Date. The timing and manner of determining the Final Variable Payment may be affected by the occurrence of one or more unusual special events or the inability to fully liquidate the Portfolio by the third Exchange Day prior to the Maturity Date. See "DESCRIPTION OF NOTES – *Special Events*" starting on page 13 below.

Indicative Quarterly Coupon Rate

The Indicative Quarterly Coupon Rate for the Notes as of February 3, 2006 is 2.03% per annum. This means that, based on certain assumptions set out below (none of which would likely hold for the duration of the Notes), the Quarterly Coupon rate for the Notes would be 2.03% per annum.

"Indicative Quarterly Coupon Rate" means seventy-five percent (75%) of the average of the "indicated dividend rates" for the Companies as published by the Toronto Stock Exchange, expressed as a percentage of the closing price of the Stocks on the Toronto Stock Exchange on a certain date.

For Stocks, the Toronto Stock Exchange bases each "indicated dividend rate" on the projection of dividends to come based on past practices of the relevant Company. For example, if a Company pays $0.50 per quarter, their indicated dividend rate is $2.00. Extra, special or unusual dividends are sometimes included. For Companies that pay dividends occasionally with no set frequency, the rate is based on historical data after one full year of declared distributions. Extra, special or unusual dividends are sometimes included.

For purposes of determining the Indicative Quarterly Coupon Rate above, it has been assumed that the Notes were issued on February 3, 2006 and the Portfolio was allocated such that Stocks of each Company were purchased (in equal weighting as to Canadian dollar value) using the net proceeds from issuance (namely, $96.00 per Note), together with a $4.00 draw down of the Loan so that $100.00 per Note is invested in the Stocks. The "indicated dividend rate" for each Company was based on the dividend policy and closing price of each Stock as at February 3, 2006 and are summarized in the table below:

Company	Symbol	Indicated Dividend Rates
Bank of Montreal	BMO	2.91%
The Bank of Nova Scotia	BNS	3.08%
CI Financial Inc.	CIX	2.69%
Great-West Lifeco Inc.	GWO	2.85%
IGM Financial Inc.	IGM	2.94%
Manulife Financial Corporation	MFC	1.72%
National Bank of Canada	NA	3.09%
Royal Bank of Canada	RY	2.85%
Sun Life Financial Inc.	SLF	2.12%
The Toronto-Dominion Bank	TD	2.75%
Average Indicated Dividend Rate: 2.70%		

Assuming that the Stocks maintain an average "indicated dividend rate" of 2.70% per annum, the Indicative Quarterly Coupon Rate (i.e., per annum, expressed as a percentage of the NAV of the Notes) would vary with Actual Exposure as follows:

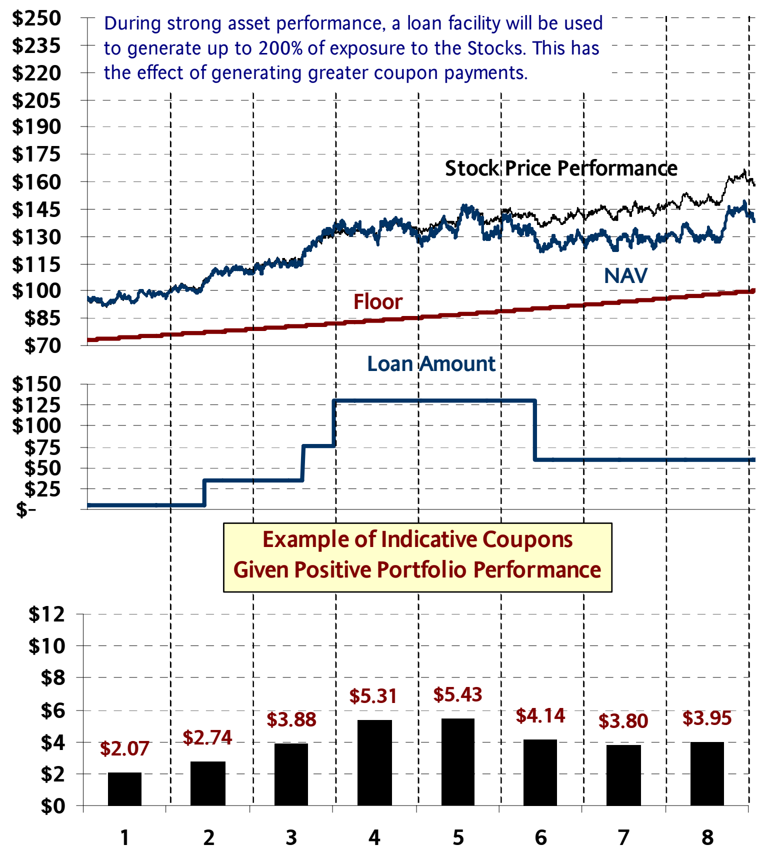
Actual Exposure	Quarterly Coupon (per annum as % of NAV)
0.0%	0.00%
10.0%	0.20%
20.0%	0.41%
40.0%	0.81%
60.0%	1.22%
80.0%	1.62%
100.0%	2.03%
120.0%	2.44%
140.0%	2.84%
160.0%	3.25%
180.0%	3.65%
200.0%	4.06%

It is very important to note that it is extremely unlikely that the Indicative Quarterly Coupon Rate would be 2.03% per annum for each Coupon Payment Date (i.e., the average "indicated dividend rate" for the Stocks as of February 3, 2006 would remain unchanged through the term of the Notes). This is because the actual dollar amount of Dividends per Share per annum will likely vary, as well as the dollar amount of Stocks held in the Equity Account due to the occurrence of Allocation Events or a Protection Event.

Illustrative Examples of Quarterly Coupons and Final Variable Payment

The illustrative examples set out below demonstrate how the Notes might perform under both positive and negative performance scenarios. For simplicity in these examples, it is assumed that throughout the term of the Notes (i) interest rates remain constant (i.e., a constant Bond yield to maturity with a mid-point between bid and ask rates of 4.50% per annum, and a constant borrowing rate on the Loan Amount of 3.82% per annum) and (ii) for purposes of calculating the hypothetical Distributions on the Stocks in the Equity Account, the average "indicated dividend rate" of 2.70% per annum for the Companies remains constant and that each Stock's price fluctuates at the same rate and direction as all other Stocks in the Portfolio. The hypothetical Distributions shown below are calculated based on the average weighted values of the Stocks during the applicable calculation year. The hypothetical fluctuations in the price of the Stocks (i.e., the Equity Account Value) are used for illustration purposes only. Accordingly, the hypothetical performances of the Stocks and the Distributions are not estimates or forecasts of future values of the Stocks or the amount of any Quarterly Coupon or Final Variable Payment. The following examples assume the Investor has purchased a single Note.

Example #1: Assumes positive performance of the Portfolio

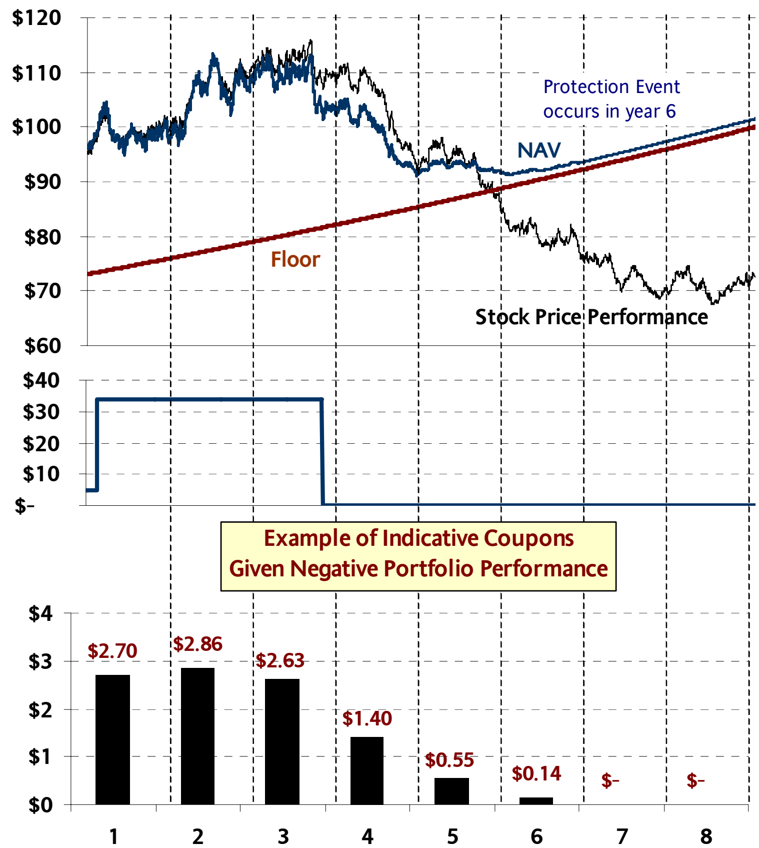


In this hypothetical example, the Stocks steadily increased in value throughout the term of the Note. In Years 2 and 3, Target Exposure exceeded Actual Exposure by more than 25% several times triggering a number of Allocation Events. During periods of strong performance by the Stocks, the Loan was drawn down to purchase additional Stocks for the Equity Account, which had the effect of generating additional Distributions increasing the amount of Quarterly Coupons. In Year 6, Target Exposure fell below Actual Exposure by more than 25%, triggering an Allocation Event. During periods of negative performance by the Stocks, Stocks were sold from the Equity Account to repay a portion of the Loan, which had the effect of reducing exposure to the Stocks, thereby reducing Distributions and, consequently, the amount of Quarterly Coupons. The Final Variable Payment payable on the Maturity Date would be the amount by which the NAV_{Final} exceeds $100. The full Principal Amount of $100 per Note would have also been repaid on the Maturity Date.

In this case, the Quarterly Coupons (i.e., 75% of ordinary dividends payable on the Stocks) and the Final Variable Payment would have generated an annually compounded return of 7.57% as compared with an annually compounded return of 8.84% for a direct investment in the Stocks. The NAV_{Final} would have been $138.25, resulting in a Final Variable Payment of $38.25 (i.e., $138.25 - $100.00) in addition to the repayment of the $100 Principal Amount per Note on the Maturity Date. Quarterly Coupons would total $31.33 over the life of the Notes.

*If an Investor wished to sell the Notes in the secondary market at any time when the NAV is less than $100 (in the above example, that being any time in the first few months), proceeds of such sale would probably be less than the Principal Amount. The sale of Notes will also be subject to the Early Trading Charge (see "*DESCRIPTION OF NOTES *– Secondary Trading" starting on page 13 below) if sold to the Selling Agent in the first three years, which could result in the proceeds of such sale being less than the Principal Amount even where the NAV is greater than $100.*

Example #2: Assumes poor performance of the Portfolio.



In this hypothetical example, after an initial period of positive performance, the Stocks steadily decline in value. A steady decline in Stock prices could result in multiple Allocation Events whereby the Portfolio would be re-balanced by purchasing Bonds with the proceeds from the sale of Stocks. In Year 6, a Protection Event occurs when the Distance falls to less than 1.5% of the Floor, at which time the Portfolio would be entirely invested in Bonds. ***Following a Protection Event, the Portfolio will remain entirely in Bonds until the Maturity Date without any subsequent re-balancing even if share prices rise or interest rates decline.*** *Following the Protection Event in this example, any accumulated Distributions remaining in the Distribution Account would be used to pay the next Quarterly Coupon. Thereafter, no further Quarterly Coupons would be paid to holders of the Notes. On the Maturity Date, the Investor would receive the full Principal Amount, together with the amount, if any, by which the* NAV_{Final} *exceeds the Principal Amount of the Notes*

In this case, the Quarterly Coupons (i.e. 75% of ordinary distributions payable on the Stocks) and the Final Variable Payment would have generated an annually compounded return of 1.51% as compared with an annual compounded return of –1.10% for a direct investment in the Stocks. The NAV_{FINAL} *would have been $101.50, resulting in a Final Variable Payment of $1.50 (i.e., $101.50 - $100.00) in addition to the repayment of the $100 Principal Amount per Note on the Maturity Date. Quarterly Coupons would total $10.27 over the life of the Notes.*

As in Example #1, if an Investor wished to sell the Notes in the secondary market at any time when the NAV is less than $100, proceeds of such sale would probably be less than the Principal Amount. The sale of Notes will also be subject to the Early Trading Charge if sold to the Selling Agent in the first three years, which could result in the proceeds of such sale being less than the Principal Amount even where the NAV is greater than $100.

What Should Be Learned From the Coupon Formulas and Examples

Investors should note that, although each Quarterly Coupon and the Final Variable Payment is linked to the performance of the Portfolio, the amount (if any) of each Quarterly Coupon will depend on exposure to the Stocks and the amount of Distributions declared payable on the Stocks held in the Equity Account over the relevant six month period and the amount (if any) of the Final Variable Payment will depend upon the timing and extent of the rises and falls in the value of the Portfolio over the term to maturity and other factors. Specifically:

- The performance of the Portfolio (and thus the amount of Quarterly Coupons and any Final Variable Payment) is dependent upon the performance of the Stocks and the application of the Portfolio Allocation Rules.
- Generally speaking, the Portfolio Allocation Rules are designed to increase exposure to the Stocks during periods of strong performance and decrease exposure to the Stocks during periods of weak performance. The point in time at which a Protection Event will be triggered (i.e., when the Portfolio becomes fully invested in Bonds until maturity) ensures full repayment of the Principal Amount on the Maturity Date.
- A Quarterly Coupon will be paid only to the extent Distributions are declared payable on the Stocks in the Equity Account during the previous quarterly calendar period. It is possible that a Quarterly Coupon will not be paid for any quarterly period.
- The Final Variable Payment will only be payable if the NAV_{Final} of the Portfolio exceeds the Principal Amount ($100) on the Maturity Date. The initial NAV of the Portfolio will be $96.
- The Principal Amount will be payable on the Maturity Date regardless of the performance of the Stocks and even if the NAV_{FINAL} is less than $100 for any reason.
- The Portfolio Allocation Rules provide for the occurrence of an Allocation Event (e.g., a re-balancing of the Portfolio and possible re-adjusting of the Loan Amount) if the Target Exposure differs from the Actual Exposure by more than 25%.
- When an Allocation Event occurs due to the Target Exposure exceeding the Actual Exposure by more than 25%, the Portfolio Allocation Rules dictate a greater exposure to the Stocks. In that case, the Portfolio may be re-balanced by the purchase of additional Stocks for the Equity Account funded by drawing down the Loan or the sale of any Bonds in the Bond Account.
- When an Allocation Event occurs due to the Target Exposure being less than the Actual Exposure by more than 25%, the Portfolio Allocation Rules dictate a reduced exposure to the Stocks. In that case, the Portfolio may be re-balanced by paying down a portion of any outstanding Loan and/or the purchase of Bonds with proceeds from the sale of Stocks.
- When a Protection Event occurs, the Portfolio will be re-balanced to be fully invested in Bonds until the Maturity Date and the Investor will not participate in any subsequent performance (positive or negative) of the Stocks. Accordingly, it is possible that no additional Quarterly Coupons may be paid on subsequent Coupon Payment Dates and no Final Variable Payment may be paid on the Maturity Date.
- The purchase of Stocks may be leveraged from time to time through a draw down of the Loan. The Portfolio Allocation Rules will effectively limit the Loan Amount by imposing a maximum Target Exposure of 200%. Interest on the Loan accrues daily at a rate equal to the one-month Bankers' Acceptance Rate plus 0.25% per annum, reset daily and paid monthly. Interest owing on the Loan will be satisfied with any residual cash or through a sale of the requisite number of Stocks from the Equity Account.
- There is no theoretical maximum amount of the Final Variable Payment payable on the Notes. A dynamic investment strategy using the Loan creates the opportunity for enhanced returns on the Notes.
- The return on the Notes will most likely be different than the return on a direct investment in the Stocks for a number of reasons, including the fact that additional exposure to the Stocks may be achieved through the Loan, the fact that during the term of the Notes the Portfolio Allocation Rules may require exposure to Stocks to be reduced and exposure to Bonds to be increased, and the fact that a Protection Event may result in the entire Portfolio being fully invested in Bonds until maturity.
- A sale of Notes in the secondary market could result in proceeds of such sale being less than the Principal Amount of the Notes.
- The Calculation Agent's calculations and determinations in respect of the Notes will, absent manifest error, be final and binding on Investors. Investors will not be entitled to any compensation from BDC or the Calculation Agent for any loss suffered as a result of any of the Calculation Agent's calculations and determinations.
- Investing in the Notes is subject to various risks. See "CERTAIN RISK FACTORS" starting on page 23 below.

Portfolio Fees

The Portfolio Fee will be payable to the Calculation Agent in an amount equal to (i) 2.25% per annum of the realizable value of the Stocks held in the Equity Account, plus (ii) 0.50% per annum of the face amount of the Bonds in the Bond Account, calculated on a daily basis and paid monthly in arrears from the respective accounts. In the case of the portion of the Portfolio Fee referred to in clause (i) above, such portion may be paid from any cash in the Equity Account and/or through a sale of the requisite number of Stocks from the Equity Account. In the case of the portion of the Portfolio Fee referred to in clause (ii) above, such portion will be effectively funded through the monthly coupons payable on the Bonds.

Secondary Trading

An Investor cannot elect to receive a Quarterly Coupon or the Final Variable Payment, if any, prior to its scheduled payment date. The Notes will not be listed on any exchange. However, Investors may be able to sell Notes prior to the Maturity Date in any available secondary market. The Selling Agent will maintain a secondary market for the Notes, but reserves the right, in its sole discretion, not to do so in the future, without providing any prior notice to the Investors. An investment decision to purchase the Notes should not be based on the availability of a secondary market and accordingly an Investor should be prepared to hold the Notes until the Maturity Date.

See "*FundSERV*" for details in respect of secondary market trading where the Notes are held through participants in FundSERV. The sale of a Note to the Selling Agent will be effected at a price equal to the Selling Agent's bid price for the Note, minus any applicable early trading charge.

The bid price for a Note at any time will be dependent upon, among other things, (i) the NAV of the Portfolio at such time, (ii) how much the Portfolio has risen or fallen since the Issue Date and the performance of the Portfolio concluded up to such time, (iii) the fact that $100 per Note is payable on or following the Maturity Date regardless of the performance of the Stocks at any time and regardless of the aggregate performance of the Portfolio up to such time, and (iv) a number of other inter-related factors, including, without limitation, volatility in the prices of the Stocks, prevailing interest rates, the time remaining to the Maturity Date, and the market demand for the Notes. The relationship among these factors is complex and may also be influenced by various political, economic, regulatory and other factors that can affect the bid price for a Note. In particular, Investors should understand that the bid price (a) might have a non-linear sensitivity to the rises and falls in the returns of the Portfolio (i.e., the trading price of a Note might increase and decrease at a different rate compared to the respective percentage increases and decreases of the underlying Stocks), and (b) may be substantially affected by changes in the level of interest rates independent of the performance of the Portfolio.

A sale of Notes to the Selling Agent prior to the Maturity Date may be subject to an early trading charge ("Early Trading Charge"). If a Note is sold within the first three years following purchase at the time of issuance, the proceeds from the sale of the Note will be reduced by an Early Trading Charge equal to the percentage of the Principal Amount of the Note as follows:

If Sold Within	Early Trading Charge
1st year	5.95%
2nd year	3.95%
3rd year	1.95%
Thereafter	Nil

The Selling Agent maintains these Early Trading Charges, which are specifically applicable only with respect to sales of the Notes to the Selling Agent in the secondary market. Sales to other parties may or may not be subject to early trading charges which, if applicable, are not determined or maintained by the Selling Agent.

An Investor should understand that any valuation price for the Notes appearing in its investment account statement, as well as any bid price quoted to the Investor to sell Notes prior to the Maturity Date, will be before the application of any applicable Early Trading Charge. An Investor wishing to sell Notes prior to the Maturity Date should consult with an investment advisor about whether the Investor will bear an Early Trading Charge and, if so, how much it will be.

An Investor should consult with an investment advisor about whether it would be more favourable in the circumstances at any time to sell the Notes (assuming the availability of a secondary market) or to hold the Notes until the Maturity Date. An Investor should also consult with a tax advisor about the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Note until the Maturity Date (see "CANADIAN FEDERAL INCOME TAX CONSIDERATIONS" starting on page 22 below).

Special Events

Calculations and Determinations

In determining the Final Variable Payment payable to the Investor, the Calculation Agent is expected to have fully liquidated the Portfolio's assets by the third Exchange Day prior to the Maturity Date such that all the necessary calculations used to determine the Final Variable Payment may be performed prior to the Maturity Date. Subject to the occurrence of Substitution Events, payment of the Principal Amount and the Final Variable Payment, if any, is expected to occur on the Maturity Date or, if the Maturity Date is not on a Business Day, the Business Day immediately following the Maturity Date. If any Stocks are sold later than three Exchange Days prior to the Maturity Date, the calculation of the Final Variable Payment and the components thereof will be performed once the last Stock has been sold and the Maturity Date will be postponed to a date that is three Exchange Days after the sale of the last Stock. In no event will the Maturity Date be postponed later than seven Exchange Days after the original Maturity Date.

The Calculation Agent's calculations and determinations in respect of the Notes will, absent manifest error, be final and binding on the Investors. Investors will not be entitled to any compensation from BDC or the Calculation Agent for any loss suffered as a result of any of the Calculation Agent's calculations and determinations.

For the avoidance of doubt, in the above circumstances, neither payment nor calculation of any Quarterly Coupon, the Final Variable Payment or the Principal Amount per Note will be accelerated.

Merger Event

Following a Merger Event (as defined in the next paragraph), any equity securities (a "Replacement Stock") received from the resulting entity following the merger (the "Replacement Company") in exchange for the Stocks to be replaced (the "Replaced Stocks") will be added to the Equity Account in the place of the Replaced Stocks as of the applicable Merger Date. Any change in the value of the Replacement Stocks compared to the Replaced Stocks will be treated as a change in the market value of the Replaced Stocks. If Replacement Stocks in combination with non-equity securities (as determined by the Calculation Agent) and/or cash consideration are received from the Replacement Company following a Merger Event, the Calculation Agent will liquidate such non-equity securities of the Replacement Company and apply the proceeds from such liquidation and/or any cash consideration to the purchase of Replacement Stocks to be included in the Equity Account. If only non-equity securities and/or cash consideration are received from the Replacement Company, the Calculation Agent will liquidate the non-equity securities received from the Replacement Company and apply the proceeds from such liquidation and/or any cash consideration to the purchase of Replacement Stocks (if available) to be included in the Equity Account; if no Replacement Stocks are available (e.g., the Replacement Company only issues bonds), a Substitution Event will be deemed to have occurred as of the applicable Merger Date.

"Merger Event" means, in respect of a Stock, any (i) reclassification or change of the relevant Stocks that results in a transfer of or an irrevocable commitment to transfer all of such Stocks outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in a reclassification or change of all of such Stocks outstanding), (iii) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Stocks of such Company that results in a transfer of or an irrevocable commitment to transfer all such Stocks (other than such Stocks owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of such Company or its subsidiaries with or into another entity in which such Company is the continuing entity and which does not result in a reclassification or change of all such Stocks outstanding but results in the outstanding Stocks (other than Stocks owned or controlled by the other entity) immediately prior to such event collectively representing less than 50% of the outstanding Stocks immediately following such event (commonly referred to as a "reverse merger"), in each case if the Merger Date is on or before the date on which the share return in respect of such share is determined.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent in its sole discretion.

Substitution Event

If a Substitution Event (as defined in the next paragraph) occurs with respect to certain Stocks, the Calculation Agent may, in its discretion, liquidate holdings of the affected Stocks in any available market and use proceeds to purchase Stocks of other widely-traded Canadian entities in similar industry sectors as the affected Companies (the "New Stock"). If, at the discretion of the Calculation Agent, no appropriate securities may be purchased after the liquidation of the affected Stocks, the Calculation Agent will deposit the cash proceeds in the Equity Account and apply such proceeds to purchase Stocks of the other remaining Companies in proportion to their existing relative Canadian dollar values in the Equity Account. If no market immediately exists for the affected Stocks (e.g., suspension of trading) the Calculation Agent may, depending on the nature of the reason(s) that gave rise to Substitution Event, in its discretion, choose to continue holding the affected Stocks or to liquidate the affected Stocks once such Stocks become liquid again. The proceeds will be applied to purchase, as replacements for the affected Stocks, Stocks listed on the Toronto Stock Exchange of one or more other widely-traded Canadian entities that are in similar industries as the Companies of the affected Stocks. If no market exists for the affected Stocks after the Substitution Event and such affected Stocks cannot be liquidated during the term of the Notes (e.g., trading may be suspended for an indefinite amount of time and no market is expected to be available during the term of the Notes), the Calculation Agent will make commercially reasonable estimates of the values necessary to determine the Final Variable Payment and the components thereof. Payment may be postponed up to seven Exchange Days after the Maturity Date.

"Substitution Event" means, in respect of a Stock, an event which, in the determination of the Calculation Agent, has adversely affected or may potentially adversely affect the liquidity of the Stock (as compared with the liquidity of the Stock as of Issue Date). A Substitution Event may include but is not limited to:

(a) an insolvency where, by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the applicable Company, all the relevant shares of such Company are required to be transferred to a trustee, liquidator or other similar official, or holders of the share of such Company become legally prohibited from transferring them;

(b) a delisting where the primary exchange on which the Stock is listed announces that, pursuant to the rules of such exchange, the Stock has ceased (or will cease) to be listed, traded or publicly quoted on such exchange for any reason (other than a Merger Event) and are not immediately re-listed, re-traded or re-quoted on a major exchange or market located in Canada;

(c) a nationalization where all such Stocks or all the assets or substantially all the assets of the applicable Company are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity;

(d) any change in, or in the interpretation or administration of, any law or regulation that may potentially adversely affect the holders of the Notes; or

(e) any change whereby the Stock or Replacement Company becomes non-Canadian.

Forms of the Notes

Each Note will be generally represented by a global note (a "Global Note") representing the entire issuance of all Notes purchased by Investors. BDC will issue Notes evidenced by certificates in definitive form to a particular Investor only in limited circumstances. Certificated Notes in definitive form and any Global Note will be issued in registered form, whereby BDC's obligation will run to the holder of the security named on the face of such security. Definitive Notes, if issued, will name Investors or nominees as the owners of the Notes and, in order to transfer or exchange these definitive Notes or receive payments other than Quarterly Coupons, the Investors or nominees (as the case may be) must physically deliver the Notes to the Paying and Transfer Agent. A Global Note will name a depositary or its nominee as the owner of the Notes, which will initially be CDS or its nominee. Each Investor's beneficial ownership of Notes will be shown on the records maintained by the Investor's broker/dealer, bank, trust company or other representative that is a participant in the relevant depositary, as explained more fully below. Interests of participants will be shown on the records maintained by the relevant depositary. Neither BDC, the Paying and Transfer Agent nor any depositary will be bound to see to the execution of any trust affecting the ownership of any Note or be affected by notice of any equity that may be subsisting with respect to any Note.

Global Note

BDC will issue the registered Notes in the form of the fully registered Global Note that will be deposited with a depositary (initially being CDS) and registered in the name of such depositary or its nominee in a denomination equal to the aggregate Principal Amount of all Notes (i.e., $100 per Note purchased by Investors). Unless and until it is exchanged in whole for Notes in definitive registered form, the registered Global Note may not be transferred except as a whole by and among the depositary, its nominee or any successors of such depositary or nominee.

Ownership of beneficial interests in a Global Note will be limited to persons (called participants) that have accounts with the relevant depositary or persons that may hold interests through participants. Upon the issuance of a registered Global Note, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal amounts of the Notes beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered Global Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depositary, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depositary, or its nominee, is the registered owner of a registered Global Note, that depositary or its nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the registered Global Note for all purposes. Except as described below, owners of beneficial interests in a registered Global Note will not be entitled to have the Notes represented by the registered Global Note registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form, and will not be considered the owners or holders of Notes. Accordingly, each person owning a beneficial interest in a registered Global Note must rely on the procedures of the depositary for that registered Global Note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder. BDC understands that under existing industry practices, if BDC requests any action of holders or if an owner of a beneficial interest in a registered Global Note desires to give or take any action that a holder is entitled to give or take in respect of the Notes, the depositary for the registered Global Note would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Payments on the Notes represented by a registered Global Note registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the registered Global Note. Neither BDC nor the Paying and Transfer Agent will have any responsibility or liability whatsoever for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered Global Note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

BDC expects that the depositary for any of the Notes represented by a registered Global Note, upon receipt of any payment on the Notes, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that registered Global Note as shown on the records of the depositary. BDC also expects that payments by participants to owners of beneficial interests in a registered Global Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants.

Definitive Notes

If the depositary for any of the Notes represented by a registered Global Note is at any time unwilling or unable to continue to properly discharge its responsibilities as depositary, and a successor depositary is not appointed by BDC within 90 days, BDC will issue Notes in definitive form in exchange for the registered Global Note that had been held by the depositary.

In addition, BDC may at any time and in its sole discretion decide not to have any of the Notes represented by one or more registered Global Notes. If BDC makes such decision, BDC will issue Notes in definitive form in exchange for all of the registered Global Notes representing the Notes.

Except in the circumstances described above, beneficial owners of the Notes will not be entitled to have any portions of such Notes registered in their name, will not receive or be entitled to receive physical delivery of the Notes in certificated, definitive form and will not be considered the owners or holder of a Global Note.

Any Notes issued in definitive form in exchange for a registered Global Note will be registered in the name or names that the depositary gives to BDC or its agent, as the case may be. It is expected that the depositary's instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the registered Global Note that had been held by the depositary.

The text of any Notes issued in definitive form will contain such provisions as BDC may deem necessary or advisable. The Paying and Transfer Agent will keep or cause to be kept a register in which will be recorded registrations and transfers of Notes in definitive form, if issued. Such register will be kept at the offices of the Paying and Transfer Agent, or at such other offices notified by BDC to Investors.

No transfer of a definitive Note will be valid unless made at such offices upon surrender of the certificate in definitive form for cancellation with a written instrument of transfer in form and as to execution satisfactory to BDC or the Paying and Transfer Agent in its sole discretion, and upon compliance with such reasonable conditions as may be required by BDC or the Paying and Transfer Agent and with any requirement imposed by law and entered on the register.

Payments on a definitive Note will be made by cheque and mailed to the applicable registered Investor at the address of the Investor appearing in the aforementioned register in which registrations and transfers of Notes are to be recorded or, if requested in writing by the Investor at least five Business Days before the date of the payment and agreed to by BDC in its sole discretion, by electronic funds transfer to a bank account nominated by the Investor with a bank in Canada. Payment under any definitive Note (other than payment of an Quarterly Coupon) is conditional upon the Investor first delivering the Note to the Paying and Transfer Agent who reserves the right to mark on the Note that the Final Variable Payment has been paid in full, or, in the case of payment of the Final Variable Payment and the Principal Amount under the Note (i.e., $100 per Note) in full when due, to retain the Note and mark the Note as cancelled.

Status and Credit Rating

The Notes will constitute direct unconditional obligations of BDC, as such, will constitute direct unconditional obligations of Her Majesty in Right of Canada. The Notes will be issued on an unsubordinated basis and, as among themselves, the Notes will rank *pari passu* and will be payable rateably without any preference or priority. The Notes do not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other similar legislation.

The Notes have not been specifically rated by any rating agency. As of the date hereof, the obligations of BDC with a term to maturity in excess of one year are rated AAA by Dominion Bond Rating Service, Aaa by Moody's Rating Service and AAA by Standard & Poor's. There can be no assurance that, if the Notes were specifically rated, they would have the same rating as the long-term obligations of BDC. 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.

Plan of Distribution

Under an agreement (the "Underwriting Agreement") between BDC and the Selling Agent, the Selling Agent has agreed to offer the Notes for sale in accordance with the provisions of the Underwriting Agreement. The continuing obligations of the Selling Agent under the Underwriting Agreement may be terminated and the Selling Agent may withdraw all subscriptions for Notes on behalf of the subscribers at its sole discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of other stated events.

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. Upon acceptance of a subscription, the Selling Agent will send out, or cause to be sent out, a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber. No interest will be paid on subscription proceeds received by the Selling Agent prior to the Issue Date.

BDC will pay the Selling Agent an up-front sales fee of 4% per Note (i.e., $4.00 per $100.00) payable on the Issue Date. The fee payable to the Selling Agent will be paid on account of services rendered in connection with the offering and will be paid out of BDC's general funds against receipt by BDC from the Selling Agent of the proceeds of the offering, resulting in net proceeds of the offering to BDC of $96.00 per Note. Dealers and other firms will sell the Notes to Investors. The Selling Agent will pay from the upfront sales fee received from BDC an upfront commission of 4% per Note to these dealers and firms in connection with the sale of the Notes to Investors. BDC will pay trailing commissions out of its general funds to the Selling Agent, for further payment to these dealers and firms. Such trailing commissions will be 0.40% per annum calculated and payable quarterly on the average "Equity Account Value" of the Notes during the previous quarter. These dealers and other firms may pay a portion of these commissions and trailing commissions to their advisers who sell the Notes to Investors.

BDC reserves the right to issue additional Notes of this series, and other debt securities which may have terms substantially similar to the terms of the Notes offered hereby, which may be offered by BDC concurrently with the offering of Notes. BDC further reserves the right to purchase for cancellation at its sole discretion any amount of Notes in a secondary market, without notice to the Investors in general. Any Notes purchased for cancellation by BDC in the secondary market will be made at then current "net asset value" posted on FundSERV for the relevant day using Portfolio assets. Accordingly, the value of the Portfolio will decrease by the market value of the cancelled Notes leaving the pro rata claim to the Portfolio of the remaining Investors unchanged.

FundSERV

General

Some Investors may purchase Notes through dealers and other firms that facilitate purchase and related settlement through a clearing and settlement service operated by FundSERV Inc. ("FundSERV"). The following FundSERV information is pertinent for such Investors. Investors should consult with their financial advisors as to whether their Notes have been purchased through FundSERV and to obtain further information on FundSERV procedures applicable to those Investors.

Where an Investor's purchase order for Notes is effected by a dealer or other firm through FundSERV, such dealer or other firm may not be able to accommodate a purchase of Notes through certain registered plans for purposes of the *Income Tax Act* (Canada). Investors should consult their financial advisors as to whether their orders for Notes will be made through FundSERV and any limitations on their ability to purchase Notes through certain registered plans.

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products (including brokers and dealers who sell investment funds, companies who administer registered plans that include investment funds and companies who sponsor and sell 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.

FundSERV Notes Held Through a Participant

All Notes will be initially issued in the form of a fully registered Global Note that will be deposited with CDS. Notes purchased through FundSERV ("FundSERV Notes") will also be evidenced by that Global Note, as are all other Notes. See "Forms of the Notes" for further details on CDS as a depositary and related matters with respect to the Global Note. Investors holding FundSERV Notes will therefore have an indirect beneficial interest in the Global Note. That beneficial interest will be recorded in CDS as being owned a direct participant in CDS. BDC will record in its records respective beneficial interests in the FundSERV Notes. An Investor should understand that BDC will make such recordings as instructed through FundSERV by the Investor's financial advisor.

Purchase Through FundSERV

In order to complete the purchase of FundSERV Notes, the Issue Price representing all Notes sold to Investors (i.e., $100 times the aggregate number of Notes distributed) must be delivered to BDC in immediately available funds at least three Business Days prior to the Issue Date. Despite delivery of such funds, BDC reserves the right not to accept any offer to purchase FundSERV Notes. If FundSERV Notes are not issued to the Investor for any reason, such funds will be returned to the Investor. Investors should be aware that no interest or other compensation will be paid on settlement funds delivered to BDC prior to issuance of the Notes or, if the Notes are not issued for any reason, prior to the return of such funds to the Investor.

Sale Through FundSERV

An Investor wishing to sell FundSERV Notes prior to the Maturity Date will be subject to certain procedures and limitations to which an Investor holding Notes through a full service broker with direct connections to CDS may not be subject. Any Investor wishing to sell a FundSERV Note should consult with a financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. An Investor must sell FundSERV Notes by using FundSERV's redemption procedures and any other sale or redemption is not possible. An Investor will not be able to negotiate a sale price for FundSERV Notes. Instead, the financial advisor for the Investor will need to initiate an irrevocable request to redeem the FundSERV Note in accordance with then established FundSERV procedures. This will generally mean the financial advisor will need to initiate such request by 1:00 p.m. (Eastern time) on a Business Day (or such other time as may be established by FundSERV). Any request received after such time will be deemed to be a request sent and received on the next following Business Day. Sale of the FundSERV Note will be effected at a sale price equal to (i) the FundSERV net asset value of a Note as of the close of business on the applicable Business Day as posted to FundSERV by the Selling Agent, minus (ii) any applicable Early Trading Charge (as described under "*Secondary Trading*" starting on page 13 above). The Investor should understand that although FundSERV's redemption would be utilized, the FundSERV Notes of the Investor will not be redeemed by BDC, but rather will be sold in the secondary market to the Selling Agent.

Investors should also understand that from time to time such redemption mechanism to sell FundSERV Notes may be suspended for any reason without notice, thus effectively preventing Investors from selling their FundSERV Notes. Potential Investors requiring liquidity should carefully consider this possibility before purchasing FundSERV Notes.

The Selling Agent is the fund sponsor for the Notes within FundSERV. The Selling Agent will post a net asset value for the Notes on a daily basis, which value may also be used for valuation purposes in any statement sent to Investors. See "*Secondary Trading*" starting on page 13 above for some of the factors that are expected to determine the net asset value or bid price of the Notes at any time. The sale price will represent the Selling Agent's bid price for the Notes as of the close of business for the applicable Business Day less any applicable Early Trading Charge. There is no guarantee that the sale price for any day is the highest bid price possible in any secondary market for the Notes, but is expected to represent the Selling Agent's bid price generally available to all Investors as at the relevant close of business, including clients of the Selling Agent.

An Investor holding FundSERV Notes should understand that such FundSERV Notes may not be transferable to another dealer if the Investor were to decide to transfer its investment account to such other dealer. In such event, the Investor would have to sell the FundSERV Notes pursuant to the procedures outlined above, as applicable, or seek to maintain their account at such dealer.

Dealings with Companies, etc.

Each of BDC, the Calculation Agent and the Paying and Transfer Agent may from time to time, in the course of its normal business operations, hold interests linked to any Stocks or extend credit to or enter into other business dealings with one or more of the Companies (and/or the management, insiders, associates or affiliates of such Companies). All such actions by BDC, the Calculation Agent or the Paying and Transfer Agent (as the case may be) will be taken based on commercial criteria in the particular circumstances and will not be required to take into account the effect, if any, of such actions on the value of any Stocks or the amount of any Quarterly Coupon or the Final Variable Payment that may be payable on the Notes.

Notification

All notices to Investors regarding the Notes will be valid and effective (i) if such notices are given (which notice may be given by facsimile, e-mail or other electronic means) to the applicable depositary and its participants, or (ii) in the case where the Notes are directly registered in the Investors' names and issued in definitive form, if such notices are mailed or otherwise delivered to the registered addresses of the Investors. All notices to BDC regarding the Notes will be valid and effective if such notices are delivered to Business Development Bank of Canada, Attn: Treasury, 5 Place Ville-Marie, Montreal (Quebec) H3B 5E7.

Rights of Rescission

An Investor may rescind any order to buy a Note (or its purchase if issued) within 48 hours of the earlier of actual receipt or deemed receipt of this Information Statement. Upon rescission, the Investor is entitled to a refund of $100.00 per Note purchased and any fees relating to the purchase that were paid by the Investor. This rescission right does not extend to Investors buying a Note in the secondary market. An Investor will be deemed to have received this Information Statement: (i) on the day recorded by BDC or the Selling Agent as the time of transmission by facsimile or e-mail, if provided by such means; (ii) two days after the post-marked date, if provided by first class mail; or (iii) in any other case, at the time it is made available or provided to the Investor.

Calculation Agent

"Calculation Agent" means the calculation agent for the Notes appointed by BDC from time to time. The Calculation Agent initially will be CIBC World Markets Inc., whose address is BCE Place, P.O. Box 500, 161 Bay Street, 5th Floor, Toronto, Ontario, Canada M5J 1S8 – Attention: Equity Structured Products.

The Calculation Agent will make all necessary calculations and determinations required in respect of the Notes, including the application of the Portfolio Allocation Rules. Due to the nature of the product, the calculations required, liquidity in the relevant markets and the fact that practicalities of facilitating purchases and sales of assets are notional only, exact and precise allocations may not be possible. The Calculation Agent's calculations and determinations will be made in good faith and using a commercially reasonable result, and will, absent manifest error, be final and binding on the Investors.

Paying & Transfer Agent

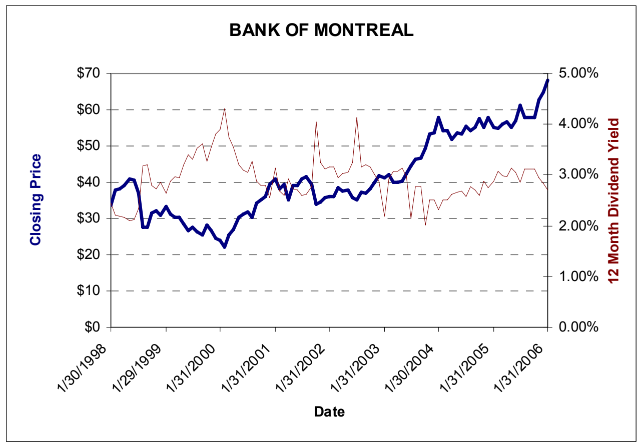
"Paying and Transfer Agent" means the paying and transfer agent for the Notes appointed by BDC from time to time. The Paying and Transfer Agent initially will be Canadian Imperial Bank of Commerce, whose address is BCE Place, P.O. Box 500, 161 Bay Street, 4th Floor, Toronto, Ontario, Canada M5J 2S8 – Attention: Debt Management Service.

THE STOCKS

The following are brief descriptions of the businesses of the Companies and the trading symbols for the Stocks. The charts show historical month-end closing prices (represented by the heavily weighted lines) and 12-month dividend yields (represented by the lightly weighted lines) for the various Stocks. All information in this Information Statement relating to the Stocks is derived from publicly available sources and is presented in this Information Statement in summary form. As such, neither BDC nor any investment dealer, broker or agent selling the Notes assumes any responsibility for the accuracy or completeness of such information. The charts showing historical price performances of the various Stocks include month-end closing prices from and including January 30, 1998 to and including January 31, 2006. Historical performance of a Stock will not necessarily predict future performance of the Stock. Market capitalization data is as of February 3, 2006. It is important to note that it is very unlikely that the Final Variable Payment, if any, payable in respect of the Notes and the value of the Notes themselves will track future performance of any Stock or the Stocks collectively.

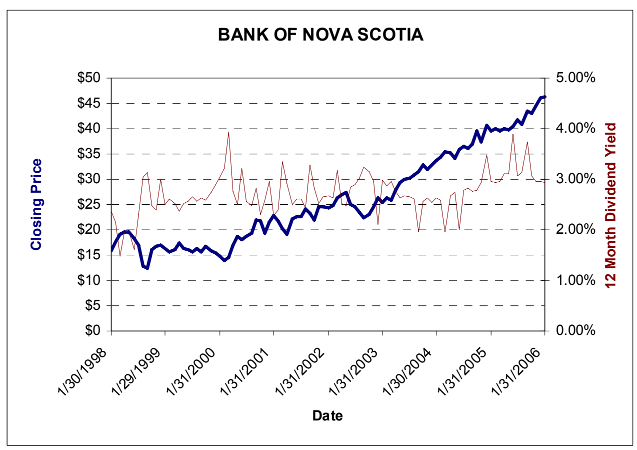
Bank of Montreal

Bank of Montreal ("BMO"), conducting business as BMO Financial Group, provides personal and commercial banking, wealth management and corporate and investment banking services and products to individual and business customers in Canada and around the world. Market capitalization is approximately $34.0 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange, trading under the symbol BMO.



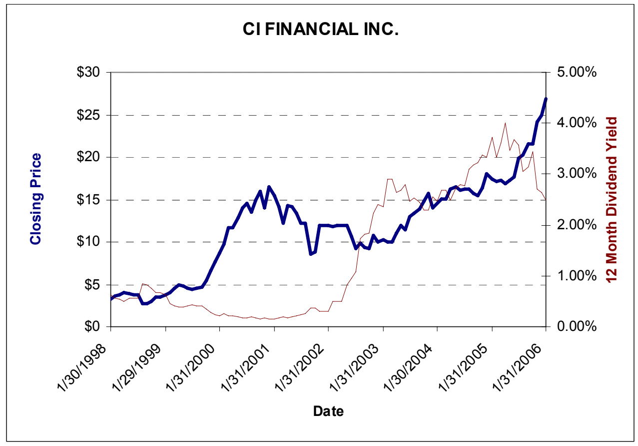
The Bank of Nova Scotia

The Bank of Nova Scotia ("BNS") provides personal and commercial banking, wealth management and corporate and investment banking services and products to individual and business customers in Canada and around the world. Market capitalization is approximately $46.0 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol BNS.



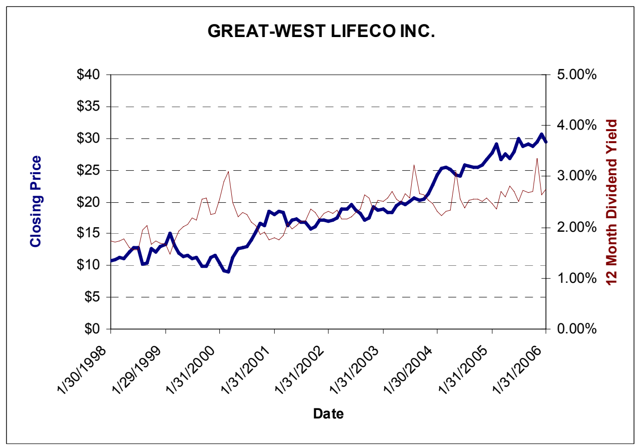
CI Financial Inc.

CI Financial Inc., formerly CI Fund Management Inc. ("CI"), is engaged in the management, marketing, distribution and administration of mutual funds, segregated funds, structured products and other fee-earning investment products for Canadian investors through three wholly owned subsidiaries: CI Investments Inc., Assante Wealth Management Inc. ("Assante") and Skylon Capital Corp. ("Skylon"). CI Investments Inc. is a leading investment management company, offering a broad selection of mutual, segregated and hedge funds under the CI, Clarica, Harbour, BPI, Signature, Synergy and Sun*Wise* banners. Assante provides a range of wealth management services through its network of 850 professional investment advisors. Skylon manages innovative investment products including the VentureLink family of labour-sponsored funds and a series of structured investment products marketed under the Skylon name. Together, CI and its affiliated companies have $68.3 billion in fee-earning assets. Market capitalization is approximately $7.6 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange, trading under the symbol CIX.



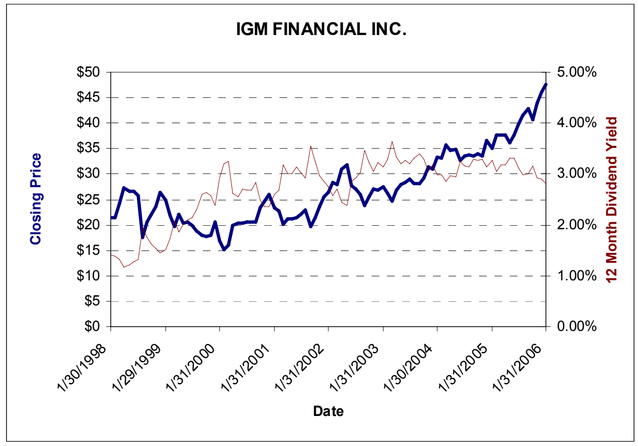
Great-West Lifeco Inc.

Great-West Lifeco Inc. ("Lifeco") is a financial services holding company with interests in life insurance, health insurance, investment, retirement savings and reinsurance businesses. Lifeco has operations in Canada, the United States and Europe through The Great-West Life Assurance Company, London Life Insurance Company, The Canada Life Insurance Company and Great-West Life & Assurance Company. In Canada, The Great-West Life Assurance Company and its subsidiaries, London Life and Canada Life, are leading Canadian insurers offering a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. Together, Lifeco and its subsidiaries serve the financial security needs of 12 million people across Canada and have more than $123 billion in assets under administration. Through Canada Life, Lifeco has operations in the United Kingdom, Isle of Man, the Republic of Ireland and Germany. Lifeco is a member of the Power Financial Corporation group of companies. Market capitalization is approximately $26.1 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol GWO.



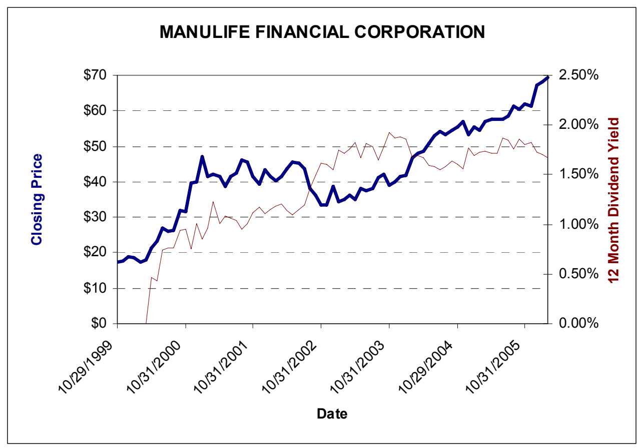
IGM Financial Inc.

IGM Financial Inc. ("IGM") is engaged in the management and distribution of mutual funds and other managed asset products with over $83 billion in assets under management. IGM operates principally through its three subsidiaries: Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. Each subsidiary offers its own distinctive products and services, including investment, retirement, tax and estate planning advice and service, mutual funds and managed asset funds, insurance and securities services, guaranteed investment certificates, and banking products and mortgages. These products and services are delivered through separate advice channels made up of over 34,000 consultants and independent financial advisors. IGM is a member of the Power Financial Corporation group of companies. Market capitalization is approximately $12.3 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol IGM.



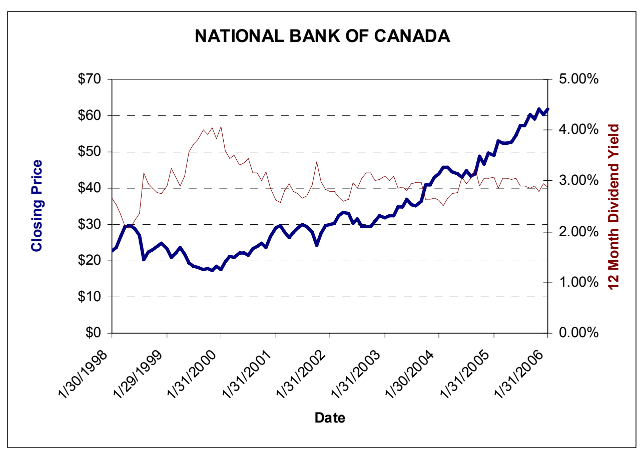
Manulife Financial Corporation

Manulife Financial Corporation ("Manulife") is a life insurance company and the holding company of The Manufacturers Life Insurance Company, a Canadian life insurance company. Manulife provides a wide range of financial products and services, including individual life insurance, group life and health insurance, pension products, annuities and mutual funds to individual and group customers in the United States, Canada, Asia and Japan. Manulife also offers reinsurance services (primarily life and accident reinsurance) and provides investment management services with respect to Manulife's general fund assets, segregated fund assets and mutual funds. In Canada and Asia, Manulife also provides institutional investment services. Manulife's five divisions include the United States, Canadian, Asian, Japan and Reinsurance divisions. Market capitalization is approximately $55.4 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol MFC.



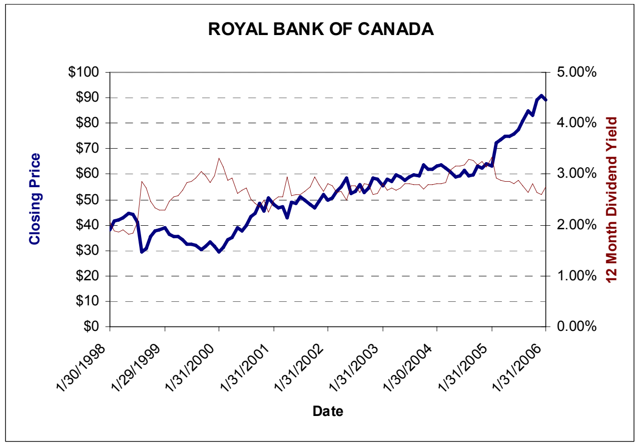
National Bank of Canada

National Bank of Canada ("National Bank") is an integrated banking group that provides comprehensive financial services to consumers, small and medium-sized enterprises and large corporations in Canada. National Bank has three business segments. The "Personal and Commercial" segment offers intermediary services; credit card, insurance and commercial banking services; and real estate services. The "Wealth Management" segment provides retail brokerage, discount brokerage, mutual funds and trust services, and portfolio management services. The "Financial Markets" segment offers corporate financing and lending services, treasury operation services (including asset and liability management for the Bank) and corporate brokerage services. Market capitalization is approximately $10.3 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol NA.



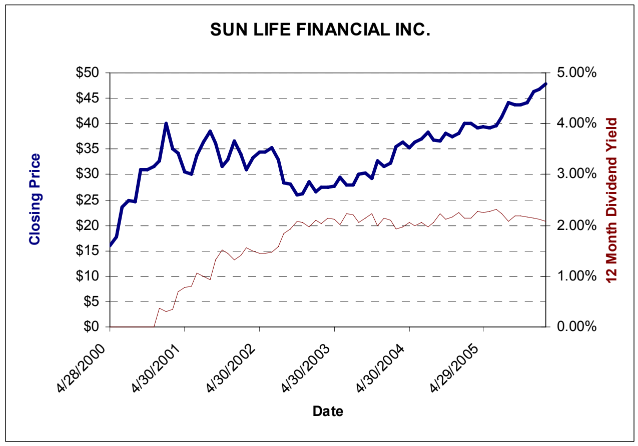
Royal Bank of Canada

Royal Bank of Canada ("Royal Bank") operates under the master brand RBC Financial Group and has five major business platforms or segments: RBC Banking, RBC Insurance, RBC Investments, RBC Capital Markets and RBC Global Services. "RBC Banking" provides banking and financial services to individuals, small and medium-sized businesses and mid-market commercial clients. "RBC Insurance" provides creditor, life, health, travel, home, auto and reinsurance products and services. "RBC Investments" focuses on the investment needs of private clients, high-net-worth individuals and families, small businesses and entrepreneurs. "RBC Capital Markets" provides wholesale financial services to large corporate, government and institutional clients in North America and in specialized product and industry sectors globally. "RBC Global Services" offers specialized transaction processing services to business, commercial, corporate and institutional clients in domestic and selected international markets. Market capitalization is approximately $57.6 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol RY.



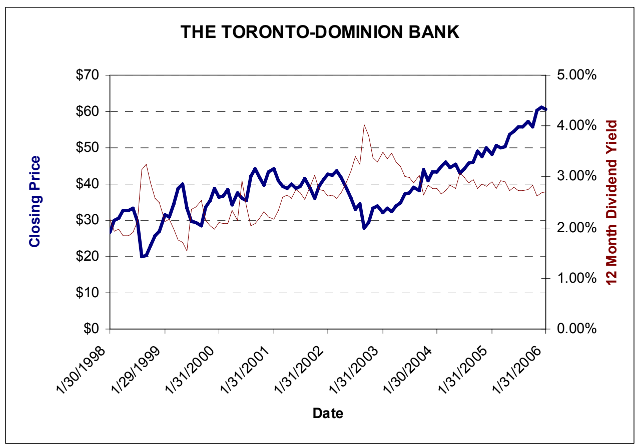
Sun Life Financial Inc.

Sun Life Financial Inc. ("Sun Life"), formerly known as Sun Life Financial Services of Canada Incorporated, is an international financial services organization providing a diverse range of savings, retirement, and pension products as well as life and health insurance to individuals and groups through operations in Canada, the United States, the United Kingdom and Asia. Sun Life also operates mutual fund, investment management banking and trust businesses, primarily in Canada, the United States and Asia. Market capitalization is approximately $27.9 billion. The Exchange for the applicable Stock is The Toronto Stock Exchange trading under the symbol SLF.



The Toronto-Dominion Bank

The Toronto-Dominion Bank ("TD Bank") is headquartered in Toronto, Canada and staffs more than 51,000 in offices around the world. TD Bank and its subsidiaries are collectively known as TD Bank Financial Group. TD Bank offers a full range of financial products and services to approximately 13 million customers worldwide through three key business lines: Personal and Commercial Banking, Wealth Management, and Wholesale Banking. As at April 30, 2004, TD Bank had more than $312 billion in assets. TD Bank ranks as one of the top on-line financial services providers in the world with more than 4.5 million on-line customers. Market capitalization is approximately $43.5 billion. The Exchange for the applicable Stock is the Toronto Stock Exchange trading under the symbol TD.



CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations generally applicable to an Investor who purchases a Note at the time of its issuance and who, for the purposes of the *Income Tax Act* (Canada), is an individual resident of Canada dealing at arm's length with BDC and holds a Note as capital property. This summary does not apply to an Investor that is a corporation, partnership, unit trust or a trust of which a corporation or partnership is beneficiary, including a "financial institution" within the meaning of section 142.2 of the Act. This summary is based on the Act and the regulations made under the Act (the "Regulations") as in force on the date of this Information Statement, all specific proposals (the "Proposals") to amend the Act or Regulations publicly announced by the Minister of Finance prior to the date of this Information Statement and the administrative policies and assessing practices of the Canada Revenue Agency ("CRA") as made publicly available by it prior to the date of this Information Statement. Except for the Proposals, this summary does not take into account or anticipate any changes to the law or the CRA's administrative policies and assessing practices whether by legislative, governmental or judicial action. Provincial, territorial and foreign income tax considerations are not addressed. This summary is not intended to constitute, nor should it be relied upon as, tax advice to any particular Investor. All Investors should consult their own tax advisors with respect to their tax positions. In particular, Investors should consult their tax advisors as to whether they will hold the Notes as capital property for purposes of the Act, which determination should take into account, among other factors, whether the Notes are acquired with the intention or secondary intention of selling them prior to the Maturity Date, and as to whether the Investor is eligible for and should file an election under subsection 39(4) of the Act to treat every "Canadian security" owned by the Investor, including the Notes, as capital property.

Quarterly Coupons

The Investor will be required to include in computing his or her income for a taxation year the Quarterly Coupons received in that year to the extent that such amount was not otherwise included in computing the Investor's income for that or a preceding taxation year.

On a disposition or deemed disposition of a Note, including a payment on maturity, an Investor would generally also be required to include the Quarterly Coupon as interest accrued on the Note to the date of disposition to the extent that such amount has not otherwise been included in the Investor's income for that or a previous taxation year. For this purpose, the Distribution Account Value as at the date of disposition of the Note should be considered to be the amount of the Quarterly Coupon accrued to such date. Any amount included in the income of an Investor as interest as described above would generally be deducted in computing the proceeds of disposition of the Note for the purposes of computing any capital gains or losses described below. If a disposition of Notes has been made by an Investor in any taxation year, the Investor can obtain from the Calculation Agent at any time after January 1 of the following year the Distribution Account Value at the date of disposition by calling the following toll free number: (866) 474-4166.

Final Variable Payment

In the event that an Investor holds a Note until the Maturity Date, the full amount of the Final Variable Payment generally will be included in the Investor's income in the Investor's taxation year that includes the Maturity Date except to the extent that some part or all of the Final Variable Payment has already been included in the Investor's income for that or a preceding taxation year.

In certain circumstances, provisions of the Act can deem interest to accrue on a "prescribed debt obligation" (as defined for purposes of the Act). Based in part on an understanding of the CRA's administrative practice, there will be no deemed accrual of interest on the Notes under these provisions until the Investor's taxation year that includes the Maturity Date other than as discussed above with respect to the Quarterly Coupon.

Disposition of Notes

On any disposition or deemed disposition of a Note by an Investor (other than a purchase by BDC) prior to the date on which the amount of the Final Variable Payment becomes calculable, while the matter is not free from doubt, the Investor should realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any amount required to be included in the income of the Investor as described above and net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Note to the Investor.

Eligibility for Investment by Registered Plans

The Notes, if issued on the date hereof, would be qualified investments under the Act for trusts governed by registered retirement savings plans ("RRSP"), registered retirement income funds ("RRIF"), registered education savings plans ("RESP") and deferred profit sharing plans ("DPSP") (other than a trust governed by a DPSP to which contributions are made by BDC or a person or partnership with which BDC does not deal at arm's length within the meaning of the Act).

Where an Investor purchases Notes through dealers and other firms that place and clear orders for Notes through FundSERV, such dealers or other firms may not be able to accommodate a purchase of Notes through certain registered plans. Investors should consult their financial advisors as to whether their orders for Notes will be made through FundSERV and any limitations on their ability to purchase Notes through registered plans.

Non-Resident Withholding Tax

Any interest paid to non-residents of Canada may be subject to Canadian non-resident withholding taxes. Non-resident Investors should consult their tax advisor regarding the tax consequences of an investment in the Notes.

CERTAIN RISK FACTORS

Investing in the Notes is subject to various risks. Before reaching a decision to purchase any Notes, a person should carefully consider a variety of risk factors, including but not limited to the following:

Suitability for Investment

A person should reach a decision to invest in the Notes after carefully considering with their advisors the suitability of the Notes in light of that person's investment objectives and the information described and contemplated in this Information Statement. An investment in a Note is not suitable for a person looking for a guaranteed return. Neither BDC nor the Selling Agent make any recommendation as to the suitability of the Notes for investment.

It is possible that at maturity an Investor will only receive the Principal Amount ($100 per Note). As such, an investment in the Notes is only suitable for investors prepared to assume risks with an investment that may not pay a yield. The Notes cannot be redeemed or retracted prior to the Maturity Date. An Investor's Principal Amount is only repaid if the Notes are held to the Maturity Date. If an Investor wishes to sell the Note prior to the Maturity Date, the Investor may realize less than $100 and/or may be subject to an Early Trading Charge. An Investor should be prepared to hold the Note to the Maturity Date.

Non-Conventional Investments

The Notes have certain investment characteristics that differ from conventional fixed income investments. The Notes do not provide a return that is calculated or determined with reference to a fixed or floating rate of interest. Whether there is a return on the Notes, will depend in part upon the performance of the Portfolio. Generally, Stocks will be purchased as the market rises (i.e., bought high) providing a net increase in the value of the Portfolio. Conversely, Stocks will be sold to buy Bonds during periods of market decline (i.e., sold low) resulting in a net decrease in the value of the Portfolio. There can be no assurance that the Stocks will generate positive returns. Investors have no influence over the determinations made under the Portfolio Allocation Rules described in this Information Statement.

No Interest may be Payable

There is a possibility that no Quarterly Coupon will be payable for any quarterly period or that no Final Variable Payment will be payable at maturity. A Quarterly Coupon will not be payable for a quarterly period if no Distributions have accumulated in the Distribution Account during the previous six month period. No Final Variable Payment will be payable at maturity if the value of the Portfolio (net of any amounts in the Distribution Account), expressed as an amount per Note, does not exceed $100. In this event, the investor would only receive $100 per Note on the Maturity Date.

Loan and Leverage

The Loan provides an opportunity for leverage in the Equity Account. Although the amount drawn under the Loan remains a fixed liability repayable from the Portfolio, the value of the Stocks may change during the time that the Loan is outstanding. Accordingly, a decline in the value of the Stocks may result in a proportionately greater decline in the Net Asset Value of the Notes. This could increase the allocation to Bonds within the Portfolio, and could reduce potential Quarterly Coupons or the Final Variable Payment. There are also interest expenses associated with the Loan. Investors should consider the effect of the Loan and leverage with their advisors.

No Ownership of, or Recourse to, Stocks Comprising the Portfolio

The Notes will not reflect the return an Investor would realize if the Investor actually owned the Stocks in the Portfolio. Investors will not have, and the Notes will not represent, any direct or indirect ownership interest in the Stocks or Bonds or in any notional portfolio. Investors will have no recourse to any Stocks or Bonds or to any assets comprising the Equity Account or Bond Account. The tax treatment of Quarterly Coupons payable to Investors may be different than the tax treatment of distributions or dividends payable to direct holders of the Stocks or Bonds.

Calculation Agent

The Calculation Agent's calculations and determinations in administering the Portfolio Allocation Rules are final and binding on Investors, absent manifest error, without any liability on BDC or the Calculation Agent. There can be no assurance that the Calculation Agent's administration of the Portfolio will generate a positive return for Investors. The amounts to be allocated between the Equity Account and the Bond Account will be determined in accordance with certain allocation formulas described in this Information Statement, and may not produce any return for Investors.

Secondary Market

The Notes will not be listed on any stock exchange. There is no assurance that a secondary market through which the Notes may be sold will be available. Investors may sell the Notes in any such secondary market prior to the Maturity Date. If there is any secondary market, the secondary trading price will be dependent primarily on the NAV of the Portfolio at the relevant time along with a number of other factors. An Investor selling the Note prior to the Maturity Date may realize less than $100. An Investor who sells a Note to the Selling Agent in the first three years will have to pay the applicable Early Trading Charge. A sale of Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. An Investor should be prepared to hold the Note to the Maturity Date.

Special Events

The replacement or substitution of Stocks in the Equity Account may adversely affect the Portfolio Performance. The occurrence of a Substitution Event may result in an adjustment in the calculation of the market value of the Stocks and the replacement of an affected Stock with a New Security in determining the Portfolio Performance. If a Substitution Event in respect of a Stock occurs, and persists for the term of the Notes, the Calculation Agent may estimate its value and BDC will have no responsibility for errors or omissions in making such estimates.

Potential Conflicts of Interest

BDC chose the Calculation Agent who in turn will calculate the amount of each Quarterly Coupon and the Final Variable Payment payable to Investors and will exercise certain judgment in its discretion in relation to the Notes and the acquisition and sale of Stocks and Bonds from time to time in accordance with the Portfolio Allocation Rules. For example, the Calculation Agent may have to determine whether a Substitution Event, or Allocation Event or Protection Event has occurred, and may, as a consequence, have to make certain calculations and determinations. The Calculation Agent will effectively receive a fee for this role equal to the Portfolio Fee. All of the Calculation Agent's calculations and determinations will, absent manifest error, be final and binding on Investors without any liability on BDC or the Calculation Agent, and Investors will not be entitled to any compensation from BDC or the Calculation Agent for any loss suffered as a result of any of the Calculation Agent's calculations and determinations. The Calculation Agent will have sole responsibility for calculating each Quarterly Coupon and the Final Variable Payment and for applying the Portfolio Allocation Rules. No independent calculation agent will be retained to confirm these determinations. CIBC World Markets Inc. is currently the Calculation Agent, as well as the Selling Agent. Canadian Imperial Bank of Commerce, the parent of the Selling Agent and Calculation Agent, is currently the Paying and Transfer Agent for BDC for the Notes and will provide a hedge for BDC in respect of BDC's payment obligations under the Notes.

Business Activities may Create Conflicts of Interest

The Calculation Agent or one or more of its affiliates may, at present or in the future, publish research reports with respect to the Stocks or Bonds. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market value of the Portfolio or the Notes.

Economic and Regulatory Issues

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, war, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of Stocks within the Portfolio. None of these conditions are within the control of the Calculation Agent. The profitability of a significant portion of the Portfolio's investment program depends to a great extent on correct assessments of the future course of price movements of securities and other investments. The Calculation Agent will not be able to accurately predict any price movements that may affect the profitability of the Portfolio's investment program. The securities markets have in recent years been characterized by great volatility and unpredictability.

These Notes may not be directly distributed by BDC but by other firms. BDC does not review other firms to ensure that appropriate licensing and registration requirements have been satisfied by them in connection with the sale of the Notes.

No Control over Management

Since the Portfolio is a notional one, Investors will have no ownership or other interest in the securities comprising the Portfolio other than the right to be paid a return on the Notes based on the performance of the Portfolio. There will be no control over the management of any entity whose securities are reflected in the Portfolio. The success of the Notes will depend in part on the ability and success of the management of the Companies in addition to general economic and market factors.

Operating Deficits

The expenses of operating the Portfolio (specifically interest expenses and Portfolio Fees) may exceed its income, thereby requiring the Stocks to be sold reducing investments and the potential for profitability.

Valuation

In valuing the assets comprising the Portfolio, the Calculation Agent will be dependent on information reported by third parties and the Calculation Agent's determinations as to the fair value of such assets will generally be unaudited. Readily available market prices or quotations may not be available for certain assets comprising the Portfolio and neither BDC nor the Calculation Agent will have access to information about such Portfolio assets that could be used to verify the fair value of the Stocks as reported by third parties.

Equity Risk

The Equity Account Value will depend primarily on the value of the Stocks in the Equity Account. Neither BDC nor the Selling Agent are affiliated with, and have no control over, the management of any entity whose securities are reflected in the Portfolio. All information concerning the Companies and Stocks has been derived from publicly available sources and, as such, BDC and the Selling Agent assume no responsibility for the adequacy of such information. An Investor should undertake an independent investigation of the Stocks as they deem necessary to allow them to make an informed decision with respect to an investment in the Notes.

Bonds

The market value of the Bonds will change in response to interest rate changes, swap spreads and other factors. During periods of falling interest rates, the values of any outstanding Bonds will generally rise. Conversely, during periods of rising interest rates, the values of the Bonds will generally decline. Bonds with longer maturities are subject to greater fluctuations in value than securities with shorter maturities.

Income Tax Considerations

An Investor should consider the income tax consequences of an investment in the Notes, including the tax treatment of Quarterly Coupons and any Final Variable Payment received by the Investor. An Investor should also consider the income tax consequences of a disposition of the Notes prior to maturity. See "CANADIAN FEDERAL INCOME TAX CONSIDERATIONS" below on page 22 for a summary of certain Canadian federal income tax considerations generally applicable to the Notes.

Index of Defined Terms