

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell these securities. Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager of Investor Relations of C.A. Bancorp Ltd., at 130 King Street West, The Exchange Tower, Suite 2810, Toronto, Ontario, M5X 1A4 (telephone 1-888-246-6656), and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

August 27, 2008



C.A. BANCORP CANADIAN REALTY FINANCE CORPORATION

Maximum: \$100,000,000 (10,000,000 Units)

Minimum: \$20,000,000 (2,000,000 Units)

\$10.00 per Unit

(Each Unit consisting of one Class A Share and one full Preferred Share, Series 1 Purchase Warrant)

C.A. Bancorp Canadian Realty Finance Corporation (the “Corporation”) is a mutual fund corporation incorporated under the laws of Ontario and managed by C.A. Bancorp Ltd. (the “Manager”). The Corporation was formed to provide investors with exposure, on a tax efficient basis, to a highly diversified portfolio of real estate mortgages and loans in the Canadian commercial real estate sector with attractive yields (the “Portfolio”). The mortgages and loans are made to sophisticated commercial real estate borrowers in the small to mid size segment of the market with little competition from conventional lenders such as banks, life insurance companies and pension funds.

The Corporation’s initial public offering in February 2008 raised \$38,500,000 on the issuance of preferred shares, Series 1 (the “Series 1 Preferred Shares”). C.A. Bancorp Inc. (“C.A. Bancorp”), the sole shareholder of the Manager, paid \$7,850,000 to subscribe for Class A shares of the Corporation (the “Class A Shares”), which are subordinate to the Series 1 Preferred Shares and are not currently listed on an exchange. The Corporation’s investment objectives with respect to the Class A Shares are (i) to pay quarterly cash distributions (initially expected to be \$0.19 per quarter per Class A Share or 7.6% per annum based on the original issue price of \$10.00 per Unit), and (ii) to preserve the net asset value of the Class A Shares.

The Corporation obtains exposure to the investment performance of the Portfolio of mortgages and loans held by C.A.B. Realty Finance L.P. (the “Reference L.P.”). As of June 30, 2008, the Reference L.P. has funded or committed to fund a total of \$40,530,895 of capital in a diversified portfolio of mortgages and loans with an average yield of 11.60%.

The purpose of this offering is to allow investors an opportunity to invest with C.A. Bancorp in the Class A Shares through the offering by the Corporation of units (the “Units”) at a price of \$10.00 per Unit. Each Unit consists of one Class A Share and one warrant (a “Warrant”) to purchase a Series 1 Preferred Share. Each Warrant will entitle the holder to purchase one Series 1 Preferred Share at a subscription price of \$23.75 at any time on or before 4:00 p.m. (Toronto time) on September 30, 2011. The securities forming a Unit will trade together as a Unit and cannot be transferred except as part of a Unit, and the Warrants may not be exercised, for the first 30 days after the date of the Closing. Thereafter the Class A Shares and the Warrants will trade separately. Each Unit is equal to each other Unit in all respects, and entitles the holder of a Unit, initially, to the rights of a holder of a Class A Share and a Warrant.

The Series 1 Preferred Shares trade on the Toronto Stock Exchange (the “TSX”) under the symbol “REPR.A” and pay tax efficient cash dividends of 6.75% per annum. The Corporation’s investment objectives with respect to the Series 1 Preferred Shares are (i) to pay fixed cumulative preferential quarterly cash distributions in the amount of \$0.4219 per Series 1 Preferred Share or 6.75% per annum based on the original issue price of the Series 1 Preferred Shares of \$25.00 and (ii) to return the original issue price of the Series 1 Preferred Shares on March 31, 2018.

Price: \$10.00 per Unit

	Price to the Public	Agents’ Fee⁽¹⁾	Net Proceeds to the Corporation⁽²⁾
Per Unit	\$10.00	\$0.525	\$9.475
Total Minimum Offering ⁽³⁾⁽⁴⁾	\$20,000,000	\$1,050,000	\$18,950,000
Total Maximum Offering ⁽⁴⁾	\$100,000,000	\$5,250,000	\$94,750,000

Notes:

(1) In consideration for the services rendered by the Agents in connection with the Offering, the Corporation has agreed to pay the Agents a fee of \$0.525 per Unit representing 5.25% of the gross proceeds of the Offering. See “Plan of Distribution”.

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- (2) The Manager has agreed to reimburse the Corporation for the expenses of the Offering which are expected to be approximately \$1,000,000, in addition to the agency fees, incurred by the Corporation in equal quarterly instalments over a period of seven years, together with interest, beginning on December 31, 2008. This obligation will be evidenced by a promissory note to be issued at the closing of the Offering (the "Note") which will bear interest from the date of issue at 6% per annum. The Corporation will be entitled to set off fees payable to the Manager under its management agreement with the Corporation against the amount payable to the Corporation under the Note. The Note will be reduced if Class A Shares are purchased for cancellation by the Corporation or redeemed. See "Fees and Expenses".
- (3) There will be no closing unless a minimum of 2,000,000 Units are sold. If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for this short form prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed for Units on or before such date.
- (4) The Corporation has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days following the closing of the Offering (the "Closing Date"), to purchase up to 15% of the aggregate number of Units issued on the Closing Date on the same terms set for the above. Unless the context otherwise requires, references herein to "Offering" assumes the exercise of the Over-Allotment Option. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable on the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$115,000,000, the Agents' fees will be \$6,037,500 and the net proceeds to the Corporation will be \$108,962,500. See "Plan of Distribution".

Holders of Class A Shares will be entitled to receive quarterly tax-efficient cash distributions as and when declared by the board of directors of the Corporation which will be paid to holders of Class A Shares of record on the last day of March, June, September and December in each year. The initial distribution of \$0.19 per Class A Share for the period from Closing to December 31, 2008 is anticipated to be paid on or about January 15, 2009 to holders of Class A Shares of record on December 31, 2008. Distributions on the Class A Shares are expected to primarily comprise returns of capital or capital gains dividends. See "Description of Securities Distributed — Class A Shares".

Holders of Series 1 Preferred Shares are entitled to receive fixed cumulative quarterly preferential tax-efficient cash distributions at a rate of 6.75% per annum, which will be paid to holders of Series 1 Preferred Shares of record on the last day of March, June, September and December in each year. Distributions on the Series 1 Preferred Shares are expected to primarily comprise returns of capital or capital gains dividends. The Series 1 Preferred Shares will be redeemed by the Corporation on March 31, 2018. The redemption price payable by the Corporation for each Series 1 Preferred Share outstanding on March 31, 2018 will be equal to \$25.00 per Series 1 Preferred Share. See "Description of Securities Distributed — Series 1 Preferred Shares".

The Manager has agreed to reimburse the Corporation for the expenses of the Offering. As a result, the expenses of the Offering will not reduce the net asset value per Class A Share. See "Fees and Expenses".

If the Reference L.P. remains invested as to 95% in mortgages and loans at all times with the remaining 5% invested in cash and fixed income portfolio securities yielding approximately 5%, the Manager estimates that the portfolio of mortgages and loans must yield 11.1% (net of any loan losses) in order to pay the distributions on the Series 1 Preferred Shares and the Class A Shares and to return the original issue price of such securities on March 31, 2018.

Subject to the qualifications and assumptions under the heading "Canadian Federal Income Tax Considerations", Class A Shares, Warrants and Series 1 Preferred Shares (acquired on the exercise of the Warrants) will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and, for 2009 and subsequent taxation years, tax free savings accounts, provided that, at all relevant times: (i) in the case of the Class A Shares and Series 1 Preferred Shares, either the Class A Shares or the Series 1 Preferred Shares are listed on a designated stock exchange (which includes the TSX); and (ii) in the case of the Warrants, the Warrants are listed on a designated stock exchange (which includes the TSX).

Prospective purchasers may purchase Units either by (i) cash payment, or (ii) an exchange (the "Exchange Option") of freely tradeable securities of each class or series of securities listed under the heading "Details of the Offering — The Exchange Option" (the "Exchange Eligible Securities"). The maximum number of Exchange Eligible Securities of any one issuer which the Corporation will acquire pursuant to the Exchange Option is that number which, when added to the securities of the same class of such issuer already beneficially owned by the Corporation, or over which control or direction is exercised by the Manager or any person acting jointly or in concert with the Manager, will amount to not more than 19.9% of the outstanding securities of such class or which would constitute not more than 10% of the assets of the Corporation (the "Maximum Ownership Level"). This Exchange Option does not constitute a take-over bid for any issuer of Exchange Eligible Securities.

The number of Units issuable for the Exchange Eligible Securities (the "Exchange Ratio") was determined by dividing the weighted average trading price of such securities on the TSX during the period of three consecutive trading days ending on August 22, 2008 (the "Pricing Period"), as adjusted to reflect distributions declared by an issuer in respect of such Exchange Eligible Securities, by \$10.00. The Exchange Ratios were announced in a press release issued by the Corporation on August 26, 2008. Prospective purchasers under the Exchange Option were required to deposit Exchange Eligible Securities with the exchange agent through CDS Clearing and Depository Services Inc. ("CDS") prior to 5:00 p.m. (Toronto time) on August 22, 2008 and will be entitled to withdraw their purchase on or before midnight on the second business day after receipt or deemed receipt of this short form prospectus and any amendment. See "Details of the Offering — The Exchange Option".

There is currently no market through which the Units, the Class A Shares and the Warrants may be sold. The Corporation's Series 1 Preferred Shares are listed and posted for trading on the TSX under the symbol "RF.PR.A". The TSX has conditionally approved the listing of the Units, the Class A Shares and the Warrants to be distributed under this short form

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prospectus on the TSX. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX on or before November 19, 2008.

Canaccord Capital Corporation, CIBC World Markets Inc., National Bank Financial Inc., TD Securities Inc., Blackmont Capital Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Wellington West Capital Inc., Dundee Securities Corporation, GMP Securities L.P., Industrial Alliance Securities Inc., Jory Capital Inc., Laurentian Bank Securities Inc., Manulife Securities Incorporated, Desjardins Securities Inc., Research Capital Corporation and Richardson Partners Financial Limited (collectively, the “Agents”) conditionally offer the Units, subject to prior sale, on a best efforts basis, if, as and when issued by the Corporation and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution”, subject to the approval of certain legal matters by Borden Ladner Gervais LLP on behalf of the Corporation and by Blake, Cassels & Graydon LLP on behalf of the Agents. The Agents may over-allot and may effect transactions to cover their over-allotted position. See “Plan of Distribution”.

Agents' Position	Maximum Size of Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	1,500,000	30 days from closing of the Offering	\$10.00 per Unit

A purchaser that acquires Units forming part of the Agents' over-allocation position acquires the Units under this short form prospectus, whether the over-allocation position is filled through the exercise of the Over-Allotment Option or through secondary market purchases.

Subscriptions will be received for the Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of the Offering is expected to occur on or about September 10, 2008, but no later than October 15, 2008. Registrations and transfers of Units will be effected only through the book-based system administered by CDS Clearing and Depository Services Inc. Beneficial Owners of Units will not have the right to receive physical certificates evidencing their ownership.

There can be no assurance that the Corporation will be able to achieve its investment objectives. Prospective investors should carefully consider the risks described under the heading “Risk Factors” in this short-form prospectus.

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FORWARD-LOOKING STATEMENTS

This short form prospectus (including the documents incorporated by reference herein) contains certain “forward-looking statements”, including those identified by the expressions “will”, “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Corporation, the Reference L.P., C.A. Bancorp or the Manager. The forward-looking statements are not historical facts but reflect the Corporation’s current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with the various securities commissions or similar regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Manager of Investment Relations of C.A. Bancorp Ltd., at 130 King Street West, The Exchange Tower, Suite 2810, Toronto, Ontario, Canada, M5X 1A4 (telephone 1-888-246-6656; e-mail info@cabancorp.com). These documents are also available through the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed online at www.sedar.com. Information contained or featured on the Corporation's website shall not be deemed to be part of this short form prospectus.

The following documents, filed by the Corporation with the various securities commissions or similar regulatory authorities in Canada, are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the annual information form of the Corporation dated June 16, 2008 (the "Annual Information Form");
- (b) the audited financial statements of the Corporation as at and for the period ended December 31, 2007, together with the auditors' report thereon and the notes thereto;
- (c) the audited interim consolidated financial statements of the Corporation as at and for the period ended June 30, 2008, together with the auditors' report thereon and the notes thereto;
- (d) the Corporation's 2008 Management Report of Fund Performance for the interim period ended June 30, 2008;
- (e) the annual information form of C.A. Bancorp for the year ended December 31, 2007 dated as at March 28, 2008;
- (f) the audited consolidated financial statements of C.A. Bancorp as at and for the financial year ended December 31, 2007, together with the auditors' report thereon and the notes thereto;
- (g) management's discussion and analysis for C.A. Bancorp for the year ended December 31, 2007;
- (h) the unaudited interim consolidated financial statements of C.A. Bancorp as at and for the period ended June 30, 2008;
- (i) management's discussion and analysis for C.A. Bancorp for the period ended June 30, 2008; and
- (j) the management information circular of C.A. Bancorp dated March 24, 2008 prepared in connection with the annual meeting of shareholders of C.A. Bancorp held on April 25, 2008.

Any other annual information form, annual financial statements, interim financial statements, material change reports (excluding confidential material change reports), business acquisition reports or information circulars filed by the Corporation or C.A. Bancorp with the securities commissions or similar regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

GLOSSARY

The following terms used in this short form prospectus have the meanings set out below, unless otherwise indicated:

“Acceptance” means an acceptance under the Exchange Option in respect of one or more of the Exchange Eligible Securities held by a Holder by means of a book-entry deposit through CDS.

“Adjusted Net Asset Value” means the Net Asset Value of the Corporation plus the Original Preferred Share Issue Price.

“Adjusted Net Tangible Asset Value” means the aggregate value of the assets of the Corporation less deferred issue expenses and less the aggregate amount of the liabilities of the Corporation (other than the Original Preferred Share Issue Price).

“Agency Agreement” means the agency agreement dated August 27, 2008 among the Corporation, the Manager and the Agents.

“Agents” means, collectively, Canaccord Capital Corporation, CIBC World Markets Inc., National Bank Financial Inc., TD Securities Inc., Blackmont Capital Inc., HSBC Securities (Canada) Inc., Raymond James Ltd., Wellington West Capital Inc., Dundee Securities Corporation, GMP Securities L.P., Industrial Alliance Securities Inc., Jory Capital Inc., Laurentian Bank Securities Inc., Manulife Securities Incorporated, Desjardins Securities Inc., Research Capital Corporation and Richardson Partners Financial Limited.

“Annual Information Form” means the annual information form of the Corporation dated June 16, 2008.

“business day” means any day on which the TSX is open for business.

“C.A. Bancorp” means C.A. Bancorp Inc.

“CDS” means CDS Clearing and Depository Services Inc.

“CDS Participants” means participants in CDS.

“Class A Share” means a class A share of the Corporation.

“Class J Share” means a class J share of the Corporation.

“Closing” means the closing of the Offering on the Closing Date.

“Closing Date” means the date of the Closing which is expected to be on or about September 10, 2008, but in any event not later than October 15, 2008.

“Commitment Agreement” means the agreement dated as of January 31, 2008 between C.A. Bancorp and the Corporation.

“Common Share Portfolio” means a portfolio of common shares of Canadian public companies that qualify as “Canadian Securities” as defined in subsection 39(6) of the Tax Act.

“Corporation” means C.A. Bancorp Canadian Realty Finance Corporation, a mutual fund corporation incorporated under the laws of Ontario.

“Counterparty” means the counterparty under the Forward Agreement.

“CRA” means the Canada Revenue Agency.

“Custodian” means State Street Trust Company Canada, in its capacity as custodian of the Common Share Portfolio.

“Deposit Date” means 5:00 p.m. (Toronto time) on August 22, 2008, being the date by which Acceptances are to be received by the Exchange Agent through CDS.

“Electronic CDS Warrant Position” means non-certificated Warrants beneficially held electronically by, and registered in the name of, CDS & Co. and appearing as such on the register for Warrants of the Warrant Trustee.

“Exchange Agent” means Computershare Investor Services Inc., the exchange agent for the Exchange Offer.

“**Exchange Option**” means the option to satisfy the purchase price of the Units under the Offering by exchanging Exchange Eligible Securities at the applicable Exchange Ratio.

“**Exchange Option Election**” means an election by a prospective purchaser of Units to use the Exchange Option.

“**Exchange Ratio**” means the number of Units issuable for each Exchange Eligible Security, determined by dividing the weighted average trading price of Exchange Eligible Securities on the TSX during the Pricing Period, as adjusted to reflect distributions declared by an Issuer in respect of such Exchange Eligible Securities, by \$10.00.

“**First Mortgages**” means a mortgage having priority over all other security interests registered against the same real property used to secure such mortgage.

“**Forward Agreement**” means one or more forward purchase and sale agreements between the Corporation and the Counterparty.

“**Forward Termination Date**” means March 31, 2018.

“**General Partner**” means C.A. Bancorp G.P. Inc.

“**Holder(s)**” means a holder of Exchange Eligible Securities.

“**Investment Advisor**” means C.A. Bancorp Ltd., a wholly owned subsidiary of C.A. Bancorp, in its capacity as investment advisor of the Reference L.P.

“**Investor**” means an individual who from time to time acquires Shares, Units or Warrants.

“**Issuers**” means the corporations and other similar issuers of the Exchange Eligible Securities in respect of which the Exchange Option is made.

“**Management Agreement**” means the management agreement between the Manager and the Corporation.

“**Manager**” means C.A. Bancorp Ltd., a wholly owned subsidiary of C.A. Bancorp, in its capacity as Manager of the Corporation.

“**Maximum Ownership Level**” means the number of Exchange Eligible Securities of an Issuer which when added to the securities of the same class of such Issuer already beneficially owned by the Corporation, or over which control or direction is exercised by the Manager or person acting jointly or in concert with the Manager, constitutes 19.9% of the outstanding securities of such class or which would constitute more than 10% of the assets of the Corporation.

“**Monthly Redemption Date**” means the second last Business Day of each month.

“**Monthly Redemption Price**” means, in the case of shares of a particular class, the lesser of (i) 90% of the weighted average closing price of the shares of such class on the TSX over the previous 20 trading days ending immediately before the Monthly Redemption Date, and (ii) 100% of the closing market price of a share of such class on the applicable Monthly Redemption Date.

“**Mortgage Broker**” means C.A. Bancorp Realty Finance Inc.

“**Net Asset Value**” or “**NAV**” means the net asset value of the Corporation, as determined by subtracting the aggregate amount of the liabilities of the Corporation from the total value of the assets of the Corporation.

“**Note**” means the promissory note in the principal amount of the expenses of the Offering, including the fees payable to the Agents, made by the Manager to the Corporation to be issued at the Closing.

“**Offering**” means the offering of a minimum of 2,000,000 Units and a maximum of 10,000,000 Units at the Offering Price, as contemplated in this prospectus.

“**Offering Price**” means a price of \$10.00 per Unit.

“**Original Preferred Share Issue Price**” means the Preferred Share Offering Price multiplied by the number of outstanding Preferred Shares.

“**Over-Allotment Option**” means the option granted by the Corporation to the Agents, exercisable for a period of 30 days following Closing, to purchase up to 15% of the aggregate number of Units issued at Closing at the Offering Price, solely to cover over-allotments, if any.

“**Participating Mortgage**” means a mortgage that contains clauses and conditions under which the lender participates in the revenues of the real property used to secure such mortgage.

“**Portfolio**” means the assets held by the Reference L.P. from time to time.

“**Preferred Shares**” means the Preferred Shares of the Corporation as a class.

“**Preferred Share Offering Price**” means a price of \$25.00 per Preferred Share.

“**Pricing Period**” means the period of three consecutive trading days on the TSX ending on the Deposit Date, specifically, the period from August 20, 2008 to August 22, 2008, both inclusive.

“**Reference L.P.**” means C.A.B. Realty Finance L.P.

“**Reference Number**” means the aggregate number of units of the Reference L.P. that as at the date of the Forward Agreement had a net asset value equal to the value of the Common Share Portfolio as adjusted for increases in the Common Share Portfolio and settlements of the Forward Agreement prior to its termination.

“**Registered Trusts**” means trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax free savings accounts.

“**Registrar and Transfer Agent**” means Computershare Investor Services Inc.

“**REITs**” means real estate investment trusts.

“**REOCs**” means real estate operating companies.

“**Sentry Select**” means Sentry Select Capital Corp.

“**Series 1 Preferred Share**” means a preferred share, series 1 of the Corporation.

“**Share**” or “**Shares**” means any of the Class A Shares, Class J Shares or Preferred Shares outstanding from time to time.

“**Shareholder**” means a holder of one or more shares of any class in the capital of the Corporation.

“**Subscription Price**” means the subscription price of one full Warrant which is \$23.75.

“**Tax Act**” means *Income Tax Act* (Canada), as amended.

“**TSX**” means the Toronto Stock Exchange.

“**Unit**” means a unit issued by the Corporation pursuant to the Offering, consisting of one Warrant and one Class A Share.

“**Warrant**” means one full Series 1 Preferred Share purchase warrant entitling the holder to purchase one Series 1 Preferred Share at the Subscription Price at any time on or before the Warrant Expiry Time.

“**Warrant Expiry Time**” means 4:00 pm. (Toronto time) on September 30, 2011.

“**Warrant Indenture**” means the Warrant Indenture dated as of the Closing Date between the Corporation and Warrant Trustee applicable to the Warrants.

“**Warrant Trustee**” means Computershare Trust Company of Canada, pursuant to the Warrant Indenture.

“**Warrantholder**” means a holder of one or more Warrants.

THE CORPORATION

The Corporation is a mutual fund corporation incorporated under the laws of the Province of Ontario on December 21, 2007. The authorized share capital of the Corporation consists of Class J Shares, Preferred Shares and Class A Shares. The fiscal year-end of the Corporation is December 31.

C.A. Bancorp Ltd. is the Manager of the Corporation. The principal offices of the Corporation and the Manager are located at 130 King Street West, Suite 2810, Toronto, Ontario M5X 1A4.

The Corporation is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Corporation is not subject to the various policies and regulations that apply to mutual funds, including National Instrument 81-102 — *Mutual Funds*. The Corporation will be considered an investment fund under the securities legislation of the provinces and territories of Canada and is subject to the various rules and regulations that apply to investment funds, including National Instrument 81-106 — *Investment Fund Continuous Disclosure*.

INVESTMENT OBJECTIVES AND STRATEGIES OF THE CORPORATION

The Corporation was created to obtain exposure to the investment performance of an actively managed Portfolio of secured mortgages and loans in the Canadian commercial real estate sector on a tax efficient basis.

Investment Objectives

The Corporation's investment objectives with respect to the Class A Shares are (i) to pay quarterly cash distributions (initially expected to be \$0.19 per quarter per Class A Share, or 7.6% per annum based on the original issue price of \$10.00 per Unit), and (ii) to preserve the net asset value of the Class A Shares.

The Corporation's investment objectives with respect to the Series 1 Preferred Shares are (i) to pay fixed cumulative preferential quarterly cash distributions in the amount of \$0.4219 per Series 1 Preferred Share or 6.75% per annum based on the original issue price of the Series 1 Preferred Shares of \$25.00 and (ii) to return the original issue price of the Series 1 Preferred Shares on March 31, 2018.

Investment Strategies

In order to meet its investment objectives, the Corporation obtains exposure to the investment performance of the Reference L.P.'s Portfolio of secured mortgages and loans in the Canadian commercial real estate sector by virtue of the Forward Agreement. The Corporation does not invest directly in the Reference L.P., other than through its ownership of all of the issued and outstanding shares of the General Partner. The Corporation has been investing the proceeds of its initial public offering of Series 1 Preferred Shares and the net proceeds of the issuance of the Class A Shares in the Common Share Portfolio. Under the Forward Agreement, the Counterparty has agreed to pay to the Corporation on the Forward Termination Date, as the purchase price for the Common Share Portfolio, an amount determined with reference to the net redemption proceeds of the Reference Number of units in the Reference L.P., subject to adjustment.

The terms of the Forward Agreement provide that it may be partially settled prior to the Forward Termination Date at the request of the Corporation in order to permit the Corporation to fund distributions and redemptions and to pay expenses of the Corporation.

SUMMARY OF THE PORTFOLIO

The Mortgage Portfolio

The Portfolio consists primarily of high yield fixed and floating rate mortgages and loans in the Canadian commercial real estate sector. These may include:

1. Corporate and commercial real estate loans and mortgages, industrial, office, retail, retirement home, hospitality, student housing, speciality assets, single family residential developments and multi-family residential loans and mortgages;
2. Real estate development and project loans;
3. Bridge loans to public and private real estate companies;
4. Corporate and commercial subordinated real estate based mortgages; and

5. Bridge mortgages for commercial property acquisitions.

The Portfolio's mortgages and loans will be on varying terms. The Reference L.P. may invest in real estate related investments, such as units and Participating Mortgages, secured debentures issued by real estate companies or investments in other real estate focussed entities. **The Reference L.P. is prohibited from investing in mortgage-backed securities, subprime single family residential owner-occupied real estate, and real estate outside Canada.**

Corporate and Commercial Real Estate Loans and Mortgages

The Reference L.P. will provide mortgages and loans on industrial, retail, office, retirement home, hospitality, student housing, specialty assets, single family residential developments and multi-family residential properties. These loans will be in most instances First Mortgages but may also include subordinated mortgages or loans.

Real Estate Developments and Project Loans

The Reference L.P. may also provide construction financing for commercial projects. In most instances these would be First Mortgages but may also include subordinated mortgages.

Bridge Loans to Public and Private Real Estate Companies

The Reference L.P. may invest in bridge and shorter term mezzanine and non-traditional mortgage loans made to public REITs, private real estate companies and REOCs that are liquidity-constrained or have a need for mezzanine financing to bridge timing differences between the purchasing of a property by a REIT and a public offering by the REIT. These mortgages may be floating and/or fixed rate in nature.

Corporate and Commercial Subordinated Real Estate Based Mortgages

Generally, Canadian financial institutions limit their mortgages and loans on a loan to value basis at 75% or less on a policy basis. The Manager believes that there are opportunities where such lenders would offer additional funds from a risk perspective but are limited by such policy. The Manager believes there is an opportunity to work with existing institutional lenders to provide subordinated mortgages and loans in these circumstances.

Bridge Mortgages for Commercial Property Acquisitions

The Reference L.P. may invest in bridge investments in financing opportunities relating to commercial property acquisitions. These investments would generally be subordinated to a senior lender.

Credit Criteria

Key credit criteria in choosing the mortgages and loans for the Portfolio will include:

- Creditworthiness of the corporate/commercial/individual mortgagor, guarantor, REIT, REOC or private real estate company
- Cash flow quality (sustainability of cash flow over the long term)
- Quality of underlying real estate, development property and/or end market value of completed project
- Borrower's ability to raise capital to repay the loan in a timely fashion
- Financial strength and liquidity of guarantor
- General real estate market conditions
- Financing terms of the senior lender, if applicable
- Timing of takeout financing in the case of a development-based loan

The Portfolio is expected to be diversified by individual borrower or issuer, general real estate focus (i.e. retail, commercial, industrial, etc.) and term. Loans and debt-type investments of the Reference L.P. will be subject to approval by the Investment Advisor's credit committee, based on their expected return relative to risk characteristics, taking into consideration factors such as credit quality and duration.

ACTIVITIES TO DATE

The Corporation commenced operations in late February 2008. As of June 30, 2008, the Reference L.P. has committed and funded a total of \$40,530,895 of its allocated capital in a diversified portfolio of higher yielding mortgages and loans in the Canadian commercial real estate sector. To date, all loans are current, with no interest and principal payments in arrears and there have been no defaults.

The Manager believes deal flow for the Reference L.P. has been strong, with enquiries from a large number of parties, which have been geographically diversified. The Manager estimates that approximately 10% of the loan requests received are offered some type of financing.

The average gross effective rate of interest on the mortgage Portfolio is approximately 11.6%.

The risk profile of the existing Portfolio is well diversified by the number of loans, asset class, geography and shared *pari passu* mortgages (which represent 24% of the total principal amount of the Portfolio). As shown in the chart below, the average weighted loan to value ratio is approximately 61%. All but one of the existing loans and mortgages contain personal guarantees of the principal shareholders and/or supporting guarantees.

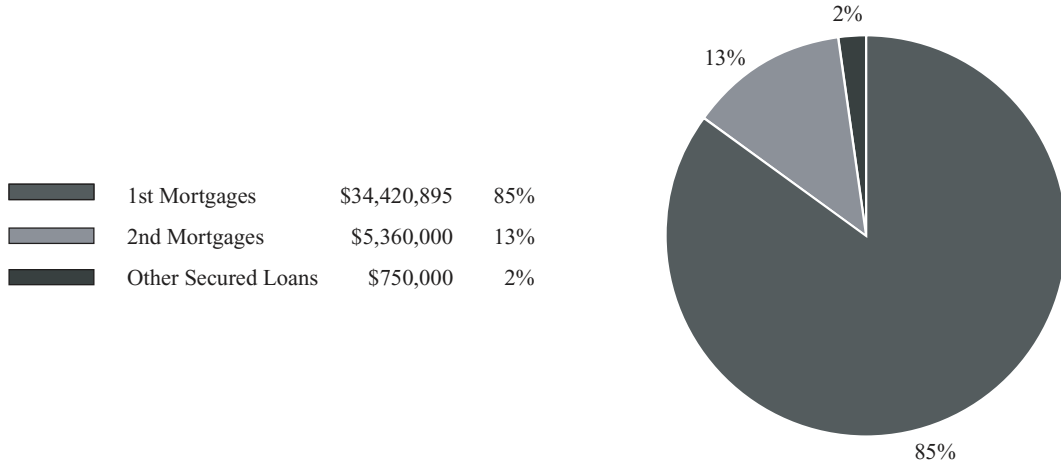
Portfolio (Committed & Funded) As at June 30, 2008

	<u>#</u>	<u>Loan Outstanding</u>	<u>Weighting</u>	<u>Average Yield</u>
BY MORTGAGE TYPE				
1st Mortgages	17	\$34,420,895	84.9%	11.6%
2nd Mortgages	5	\$ 5,360,000	13.2%	11.7%
Other Secured Loans	1	\$ 750,000	1.9%	12.5%
	23	\$40,530,895	100.0%	11.6%
BY GEOGRAPHY				
Ontario	12	\$26,070,525	64.3%	11.5%
Eastern Canada	3	\$ 7,581,500	18.7%	13.1%
Western Canada	8	\$ 6,878,870	17.0%	10.5%
	23	\$40,530,895	100.0%	11.6%
BY ASSET TYPE				
Retail	5	\$ 9,350,000	23.1%	10.6%
Land	5	\$ 8,069,150	19.9%	11.6%
Multi-Family	6	\$ 8,675,525	21.4%	11.9%
Commercial	6	\$13,481,500	33.3%	12.2%
Industrial	1	\$ 954,720	2.4%	10.5%
	23	\$40,530,895	100.0%	11.6%
BY EXPECTED MATURITY				
2008	6	\$ 9,502,745	23.4%	11.8%
2009	10	\$19,342,150	47.7%	11.9%
2010	6	\$ 8,586,000	21.2%	11.5%
2011	1	\$ 3,100,000	7.6%	9.4%
	23	\$40,530,895	100.0%	11.6%
AVERAGE LOAN SIZE		\$ 1,762,213		
WEIGHTED AVERAGE LOAN TO VALUE		61.20%		

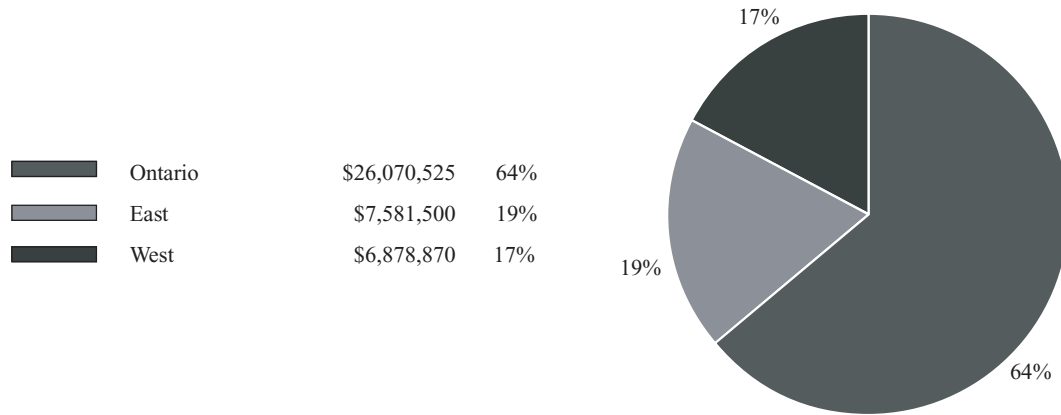
Note: "Average Yield" includes amortization of upfront fees.

"Loan to value" also includes two mortgages that are based on "loan to the cost of the asset".

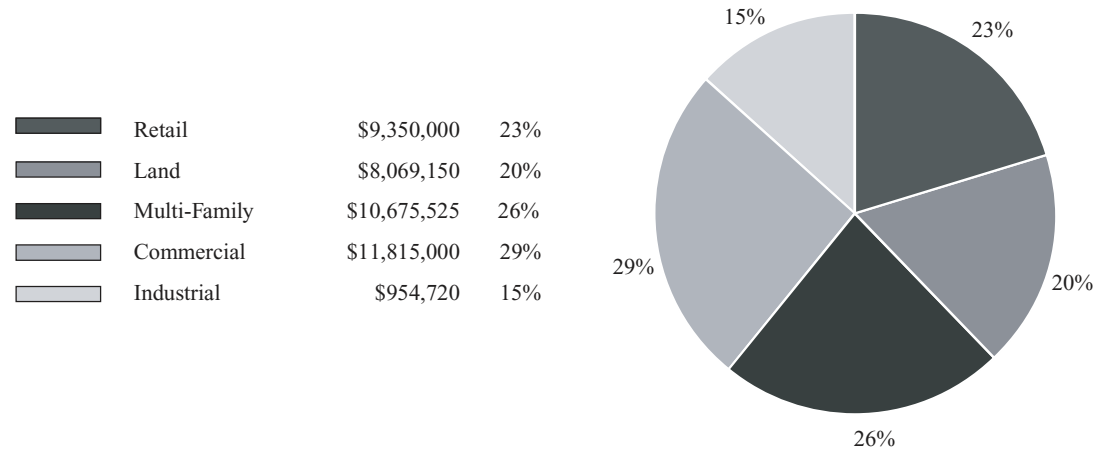
By Mortgage Type



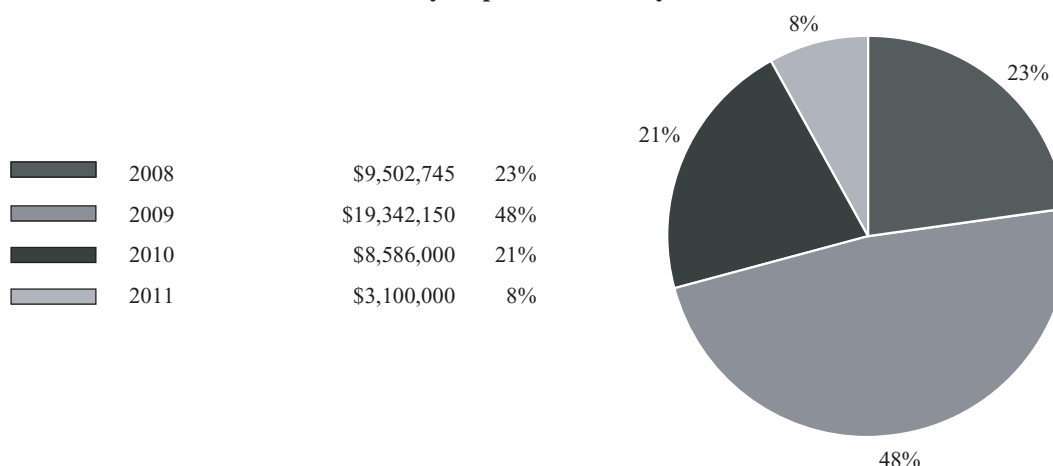
By Geography



By Asset Type



By Expected Maturity



SUB-ADVISOR

As permitted under the Management Agreement between the Manager and the Corporation, the Manager will retain Sentry Select Capital Corp. (“Sentry Select”) to act as a sub-advisor on the investment grade securities and any cash balance held by the Corporation. The Manager bears any costs payable to Sentry Select for acting in such capacity.

J.A. (Sandy) McIntyre and Gordon R. Higgins are the individuals responsible at Sentry Select for managing the investment grade securities and any cash balance held by the Corporation.

J.A. (Sandy) McIntyre, Senior Vice-President and Chief Investment Officer

Mr. McIntyre is Senior Vice-President and Chief Investment Officer of Sentry Select. Mr. McIntyre has over 30 years of investment management experience and specializes in oil and gas royalty trusts, commercial and industrial income trusts and REITs. Mr. McIntyre and his team of analysts manage approximately \$3 billion in income fund assets. Prior to joining Sentry Select in 2000, Mr. McIntyre spent 20 years with Jones Heward Investment Management Inc., a wholly owned subsidiary of the Bank of Montreal, where he was a member of the Investment Policy Committee with responsibility for high yield investments, including royalty and income trusts. He received a Bachelor of Arts from the University of Toronto in 1974, where he majored in English and Philosophy.

Gordon R. Higgins, Vice-President, Equities

Mr. Higgins is Vice-President, Equities of Sentry Select. Prior to joining Sentry Select in May 2004, Mr. Higgins was Vice-President, North American Equities at Howson Tattersall/Lancet Asset Management and, prior to that, was Vice-President, Canadian Equities of Elliott & Page/Manulife Insurance. He graduated from the University of Toronto in 1983 with a Bachelor of Commerce degree and received his Masters in Business Administration from York University in 1987. Mr. Higgins also holds both the Chartered Accountant and Chartered Financial Analyst designations.

DETAILS OF THE OFFERING

Purchasing Options

Prospective purchasers may acquire Units either by a cash payment or by an exchange of freely tradeable Exchange Eligible Securities. The purchase price for the Units is fixed at \$10.00 per Unit during the Offering. The Manager has agreed to reimburse the Corporation for the expenses of the Offering. As a result, the expenses of the Offering will not reduce the net asset value per Class A Share. See “Fees and Expenses — Offering Expenses”.

The Exchange Option

The maximum number of Exchange Eligible Securities of any one Issuer which the Corporation may acquire pursuant to the Offering is the lesser of (i) that number of Exchange Eligible Securities of any one Issuer which when combined with securities of the same class of such Issuer beneficially owned by the Corporation, or over which control or direction is exercised, by the Manager or any person acting jointly or in concert with the Manager, constitutes 19.9% of the outstanding securities of such class (“Maximum Ownership Level”); and (ii) that number of securities which aggregates to not more than 10% of the Corporation’s total assets. **The Exchange Option does not constitute, and is not to be construed as, a take-over bid for any Issuer.** To the extent the Maximum Ownership Level has been achieved in respect of the securities of any one Issuer, and an excess of securities of such Issuer above the Maximum Ownership Level has been deposited and not withdrawn, then the securities of such Issuer will be accepted by the Manager up to the Maximum Ownership Level and the balance will be re-credited to purchasers’ accounts through CDS. There will be no closing unless a minimum of 2,000,000 Units are sold.

The transfer of securities to the Corporation will result in a taxable disposition of such securities by the prospective purchaser who has elected for the Exchange Option. The Corporation does not intend to file any tax elections that will result in such disposition occurring on a tax-deferred basis. See “Canadian Federal Income Tax Considerations”.

Procedure for the Exchange Option

A prospective purchaser of Units who elected to pay for such Units by using the Exchange Option had to do so by means of an Exchange Option Election through CDS. Once submitted to the Exchange Agent through CDS, a deposit of securities under the Exchange Option (including the transfers authorized thereby) is, subject to the completion of the Offering, irrevocable unless withdrawn as described below under the heading “— Withdrawal of Exchange Option Elections”. By authorizing a deposit of securities under the Exchange Option through CDS, a prospective purchaser authorized the transfer to the Corporation of each such security and represents and warrants that the prospective purchaser has full right and authority to transfer the securities and was the beneficial owner of such securities, that such securities have not previously been conveyed, that the transfer of such securities was not prohibited by laws applicable to the prospective purchaser and that such securities are free and clear of all liens, encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units in exchange for such securities. The Manager’s interpretation of the terms and conditions of the Exchange Option will be final and binding. The Manager reserves the right to waive any conditions of the Exchange Option other than the Maximum Ownership Level and to accept or reject, in whole or in part, any deposit of securities made pursuant to the Exchange Option. **The Manager also reserves the right to accept or reject any security under the Exchange Option for any reason including, without limitation, an unfavourable relationship between the Exchange Ratio, as discussed below, and the prevailing trading price or rating of an Exchange Eligible Security.**

If for any reason, at the discretion of the Manager, the Exchange Eligible Securities deposited pursuant to the Exchange Option are not acquired by the Corporation, the holders of such securities will be notified of such fact as soon as practicable following the Closing or the termination of the Offering, as the case may be, and such securities will be re-credited to their accounts through CDS and the CDS Participants.

Determination of Exchange Ratios

The number of Units issuable for an Exchange Eligible Security was determined by dividing (i) the weighted average trading price of such security on the TSX during the three consecutive trading days ended on August 22, 2008 (the “Pricing Period”) as adjusted to reflect distributions declared by an Issuer in respect of such Exchange Eligible Security that will not be received by the Corporation; by (ii) \$ 10.00. The Exchange Ratios will be rounded down to four decimal places. Fractional Units will not be issued by the Corporation. Allocation of cash in respect of fractional Units to purchasers who have authorized the deposit of Exchange Option Elections through CDS will be at the discretion of the CDS Participant.

The Corporation issued a press release on August 26, 2008 announcing the name of the Exchange Eligible Security, the weighted average trading price of the Exchange Eligible Securities during the Pricing Period and the Exchange Ratios for each of the Exchange Eligible Securities.

Withdrawal of Exchange Option Elections

Prospective purchasers under the Exchange Option will be entitled to withdraw or rescind their purchase by providing a written notice of withdrawal or rescission to such prospective purchaser's CDS Participant who effected the deposit at any time on or before midnight on the second business day after receipt or deemed receipt of this short form prospectus and any amendment. To be effective, the notice must be received by the CDS Participant within the specified time, who in turn will direct CDS to notify the Exchange Agent of such withdrawal.

The Exchange Eligible Securities

The table below sets out the names of each of the Exchange Eligible Securities and the Issuer.

Name	Ticker	Exchange Ratio
Canadian Common Shares Eligible for Exchange		
Agnico-Eagle Mines Ltd.	AEM	5.9334
Bank of Montreal	BMO	4.4544
Barrick Gold Corporation	ABX	3.6761
BCE Inc.	BCE	3.9913
Biovail Corporation	BVF	1.0669
Canadian Natural Resources Ltd.	CNQ	8.7471
Enbridge Inc.	ENB	4.3775
Goldcorp Inc.	G	3.5511
Manulife Financial Corporation	MFC	3.6389
Nortel Networks Ltd.	NT	0.6357
Potash Corporation of Saskatchewan Inc.	POT	18.9667
Research In Motion Ltd.	RIM	13.7633
Rogers Communications Inc.	RCI.B	3.6259
Shaw Communication Inc.	SJR.B	2.1837
Shoppers Drug Mart Corporation	SC	5.5367
Sino-Forest Corporation	TRE	1.9229
Teck Cominco Ltd.	TCK.B	4.3359
Thomson Reuters Corporation	TRI	3.4424
TriStar Oil & Gas Ltd.	TOG	1.9233
Uranium One Inc.	UUU	0.3713
UTS Energy Corporation	UTS	0.4053
Canadian Investment Grade Preferred Shares Eligible for Exchange		
Bank of Montréal Class B Preferred, Series 13	BMO.PR.J	1.8701
Bank of Montréal Class B Preferred, Series 14	BMO.PR.K	2.1740
The Bank of Nova Scotia Preferred, Series 13	BNS.PR.K	2.1259
The Bank of Nova Scotia Preferred, Series 14	BNS.PR.L	1.9246
The Bank of Nova Scotia Preferred, Series 16	BNS.PR.N	2.2987
Brookfield Asset Management Inc. Class A Preferred, Series 18	BAM.PR.N	1.6856
Canada Life Financial Corporation Class A Preferred, Series B	CL.PR.B	2.5057
Canadian Imperial Bank of Commerce Class A Preferred, Series 30	CM.PR.H	1.8478
Dundee Corporation 1st Preferred, Series 1	DC.PR.A	2.0447
Fortis Inc. 1st Preferred, Series F	FTS.PR.F	2.0224
Fortis Inc. 1st Preferred, Series G	FTS.PR.G	2.5136
George Weston Limited Preferred, Series 1	WN.PR.A	2.0265

<u>Name</u>	<u>Ticker</u>	<u>Exchange Ratio</u>
Canadian Investment Grade Preferred Shares Eligible for Exchange		
Great-West Lifeco Inc. Preferred, Series G	GWO.PR.G	2.1479
HSBC Bank Canada Preferred, Series C	HSB.PR.C	2.0948
Laurentian Bank of Canada Preferred, Series 10	LB.PR.E	2.1255
Laurentian Bank of Canada Preferred, Series 9	LB.PR.D	2.3677
Manulife Financial Corporation Preferred, Series 3	MFC.PR.C	2.0044
National Bank of Canada 1st Preferred, Series 15	NA.PR.K	2.3514
National Bank of Canada 1st Preferred, Series 16	NA.PR.L	1.9611
National Bank of Canada 1st Preferred, Series 20	NA.PR.M	2.4822
Power Corporation of Canada 1st Preferred, Series B	POW.PR.B	2.1713
Power Corporation of Canada 1st Preferred, Series D	POW.PR.D	2.0487
Power Financial Corporation Preferred, Series E	PWF.PR.F	2.1765
Power Financial Corporation Preferred, Series L	PWF.PR.L	2.1261
Royal Bank of Canada Preferred, Series AF	RY.PR.F	1.8515
Sentry Select 40 Split Income Trust Preferred	SFO.PR.A	0.9950
Sun Life Financial Inc. Preferred, Series 3	SLF.PR.C	1.8233
The Toronto-Dominion Bank Preferred, Series O	TD.PR.O	2.1096

CONSOLIDATED CAPITALIZATION

The Corporation issued an aggregate of 1,540,000 Series 1 Preferred Shares in connection with its initial public offering at \$25 each. It also issued 785,000 Class A Shares (which after the proposed amendments to the articles of the Corporation are expected to be approximately 765,107 Class A Shares) at \$10 each. See “Prior Sales”. Since then, the only change to the outstanding share and loan capital of the Corporation is the reduction of 6,400 Series 1 Preferred Shares as a result of the purchase for cancellation of such shares by the Corporation.

EARNINGS COVERAGE RATIOS

The Preferred Shares’ distribution (interest) requirements, after giving effect of the issuance of Preferred Shares through the exercise of the maximum number of Warrants offered under this Offering would have been \$19,473,273 per annum. The Corporation had a gain before interest of \$1,870,240 (annualized from \$666,113 for the 130 days ended June 30, 2008). An increase of \$24,573,439 per annum in earnings would be necessary to produce an earnings coverage ratio of one to one for the annualized period ended June 30, 2008 which would have required a yield of 7.32% on any net proceeds received on a maximum Offering of Class A Shares and full exercise of all Warrants distributed under the Offering.

USE OF PROCEEDS

The Corporation will use the proceeds from the sale of Units as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Corporation	\$20,000,000	\$100,000,000
Agents’ fees	\$ 1,050,000	\$ 5,250,000
Expenses of issue	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Net proceeds to the Corporation	<u>\$17,950,000</u>	<u>\$ 93,750,000</u>

The Corporation will use the cash proceeds of the Offering (including any proceeds from the exercise of the Over-Allotment Option) to invest in the Common Share Portfolio. Those securities that are common shares of Canadian public companies which are acquired pursuant to the Exchange Option will be added to the Common Share Portfolio with respect to which the Corporation will enter into a Forward Agreement. The securities acquired pursuant to the Exchange Option which are investment grade Canadian fixed income securities will be held by the Corporation pending investment in the Common Share Portfolio. Pending investment in the Common Share Portfolio, the cash portion of the net proceeds of the Offering will be invested in investment grade Canadian fixed income securities including: government bonds, bankers' acceptances, bank term deposits and corporate debt instruments such as preferred shares, bonds and debentures.

Common shares of Issuers received pursuant to the Exchange Option will become part of the Common Share Portfolio sold forward under the Forward Agreement shortly following the Closing. Under the Forward Agreement, the Counterparty has agreed to pay to the Corporation on the Forward Termination Date as the purchase price for the Common Share Portfolio an amount determined with reference to the net redemption proceeds of the Reference Number of units of the Reference L.P. less costs incurred in connection with any hedging which may be done. As a result of these hedging costs and changes in the value of the common shares received pursuant to the Exchange Option between the end of the Pricing Period and the date on which they are added to the Common Share Portfolio, the net asset value represented by the additional Reference Number of units determined at that time may not be equal to the aggregate value of the common shares received pursuant to the Exchange Option, as determined based on the pricing used for purposes of calculating the Exchange Ratios. Further, it is anticipated that common shares received pursuant to the Exchange Option will be replaced by securities of a lesser number of Issuers with a view to reducing the hedging costs under the Forward Agreement over the long term. The substituting of these shares within the Common Share Portfolio may give rise to the realization of capital gains by the Corporation, although the Corporation does not expect such gains to be material in the aggregate.

The Manager anticipates that the proceeds of the Offering will be invested in the Common Share Portfolio at a rate of approximately \$8 million to \$12 million per month.

The Manager has agreed that at the Closing of this Offering it will deliver to the Corporation the Note pursuant to which it will pay to the Corporation in equal quarterly instalments over a period of seven years, together with interest, beginning on December 31, 2008, the aggregate amount equal to all fees and expenses incurred by the Corporation in connection with the Offering. The Note will bear interest from the date of issue at the rate of 6% per annum. The Corporation will be entitled to set off fees payable to the Manager under its management agreement with the Corporation against the amount payable to the Corporation under the Note. The Note will be reduced if Class A Shares are purchased for cancellation by the Corporation or redeemed. The Manager will be entitled to pre-pay the Note without penalty. See "Fees and Expenses".

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to offer the Units for sale, as agents of the Corporation, on a best efforts basis, if, as and when issued by the Corporation. The Agents will receive a fee equal to \$0.525 for each Unit sold and will be reimbursed for reasonable out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase Units that are not sold.

The Corporation has granted the Agents an Over-Allotment Option, exercisable in whole or in part at any time and from time to time during the period of 30 days following the Closing, to purchase up to 15% of the aggregate number of Units issued at the Closing on the same terms set forth above, which additional Units are qualified for sale hereunder. To the extent that the Over-Allotment Option is exercised, the additional Units will be purchased at the Offering Price and the Agents will be entitled to a fee of \$0.525 per Unit in respect of each Unit purchased.

If subscriptions for a minimum of 2,000,000 Units have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the Offering may not continue without the consent of the

securities authorities and those who have subscribed for Units on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events terminate the Agency Agreement. Cash proceeds from subscriptions will be held by the Agents until Closing. If the minimum Offering is not achieved and the necessary consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction and securities of Issuers deposited pursuant to the Exchange Option and not withdrawn will be re-credited to such purchasers' accounts through CDS. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to take place on or about September 10, 2008, or such later date that is on or before October 15, 2008, as may be agreed upon by the Corporation and the Agents.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Agents may over-allot and may effect transactions to cover their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Agency Agreement, C.A. Bancorp has agreed that it will not, directly or indirectly sell, or negotiate or enter into any agreement to sell, or otherwise dispose of any of its Class A Shares for a period of one year following the Closing Date, unless it has received the prior written consent of Canaccord Capital Corporation on behalf of the Agents, such consent not to be unreasonably withheld.

FEES AND EXPENSES

Offering Expenses

The Manager has agreed to reimburse the Corporation for the expenses of the Offering which are expected to be approximately \$1,000,000, in addition to the agency fees, incurred by the Corporation in equal quarterly instalments over a period of seven years, together with interest, beginning on December 31, 2008. This obligation will be evidenced by the Note to be issued at the Closing of the Offering, which will bear interest from the date of issue at the rate of 6% per annum. The Corporation will be entitled to set off fees payable to the Manager under its management agreement with the Corporation against the amount payable to the Corporation under the Note.

If the Corporation purchases Class A Shares for cancellation under the mandatory market purchase program or under a normal course issuer bid or if Class A Shares are redeemed, the principal amount outstanding under the Note will be reduced by a percentage of the amount equal to the issue costs attributable to this Offering for any Class A Shares so purchased calculated in the following manner: Offering Expenses per Class A Share (A) \times Time Factor (B) where

- (A) Offering Expenses per Class A Share means the total expenses of this Offering (including fees payable to the Agents) *divided by* the total number of Class A Shares issued pursuant to this Offering; and
- (B) Time Factor means where a Class A Share is purchased for cancellation by the Corporation:
 - between the Closing Date and the 1st anniversary of the Closing Date — 100%
 - between the 1st and 2nd anniversary of the Closing Date — 90%
 - between the 2nd and 3rd anniversary of the Closing Date — 80%
 - between the 3rd and 4th anniversary of the Closing Date — 70%
 - between the 4th and 5th anniversary of the Closing Date — 60%

- between the 5th and 6th anniversary of the Closing Date — 50%
- between the 6th and 7th anniversary of the Closing Date — 40%

Fees and Other Expenses

Pursuant to the terms of the management agreement with the Manager, the Corporation pays the Manager an annual management fee of 0.60% of the Adjusted Net Asset Value of the Corporation (a portion of which will be paid to Sentry Select Capital Corp. for sales, marketing, investor relations and administrative services) and pursuant to the terms of the investment advisor agreement between the Investment Advisor and the Reference L.P., the Reference L.P. pays to the Investment Advisor an annual management fee of 0.60% of the Adjusted Net Asset Value of the Corporation (a portion of which is paid by the Investment Advisor to the Mortgage Broker for ongoing mortgage brokering services) plus applicable taxes. The Corporation also pays the Manager an amount equal to the servicing fee payable to registered dealers of 0.40% annually of the Preferred Share Offering Price per Series 1 Preferred Share, and 0.40% annually of the NAV per Class A Share plus applicable taxes. Fees payable to the Manager and the Investment Advisor are calculated and payable quarterly in cash.

The Manager pays to registered dealers a servicing fee (calculated and paid at the end of each calendar quarter) equal to 0.40% annually of the Preferred Share Offering Price for each Preferred Share held by clients of the dealers and 0.40% annually of the NAV per Class A share for each Class A Share held by clients of the dealers. The Corporation pays for all expenses incurred in connection with the operation and administration of the Corporation and the Reference L.P. pays for all expenses incurred in connection with the operation and administration of the Reference L.P. All fees and expenses of the Corporation or the Reference L.P. are paid in cash. These expenses include, without limitation: (a) mailing and printing expenses for periodic reports to holders of Preferred Shares and Class A Shares; (b) fees payable to the Registrar and Transfer Agent; (c) fees payable to the Custodian for acting as custodian of the assets of the Corporation; (d) banking fees and interest with respect to any borrowing; (e) fees payable to the auditors and legal advisors of the Corporation; (f) regulatory filing, stock exchange and licensing fees; (g) the Corporation's and Reference L.P.'s share of the fees and expenses of the independent review committee of the Corporation; and (h) expenditures incurred upon the termination of the Corporation. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager is entitled to indemnity by the Corporation. The aggregate annual amount of these fees and expenses is estimated to be \$350,000, excluding any banking fees and interest which will increase with the Corporation's utilization of any borrowing. The Corporation is also responsible for all commissions and other costs of portfolio transactions and any extraordinary expenses of the Corporation which may be incurred from time to time.

The Corporation pays to the Counterparty a fee under the Forward Agreement, calculated and payable monthly in arrears, of approximately 0.50% per annum of the net asset value of the Reference Number of units of the Reference L.P., plus a fee, which may vary, based on the value of the Common Share Portfolio, calculated and payable monthly in arrears. The fee, which may vary, is intended to compensate the Counterparty for the costs of hedging their exposure under the Forward Agreement, if it chooses to do so, and will equal the fees that would be charged to the Counterparty for borrowing securities matching the securities in the Common Share Portfolio.

DESCRIPTION OF SECURITIES DISTRIBUTED

Each Unit consists of one Class A Share and one Warrant. Immediately prior to the Closing, all of the outstanding Class A Shares are held by C.A. Bancorp.

The Class A Shares are currently redeemable monthly at NAV per Class A Share. Prior to Closing the articles of the Corporation will be amended to, among other things, delete such redemption right, add the monthly redemption right described below and a mandatory market purchase program and to consolidate the Class A Shares such that after the consolidation the NAV per Class A Share is \$10. The description below reflects these amendments.

Class A Shares

The Class A Shares rank subordinate to the Preferred Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Corporation. The holders of the Class A Shares are not entitled to any voting rights as a class, except (i) as required by law, or (ii) as described in the Annual Information Form under “Description of Outstanding Securities — Acts Requiring Shareholder Approval”.

The holders of Class A Shares are entitled to receive non-cumulative distributions on a quarterly basis as and when declared by the board of directors of the Corporation, provided however, that the Preferred Share Test (described below) is met. No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears, or (ii) after the payment of the distribution by the Corporation, the Adjusted Net Tangible Asset Value of the Corporation is less than 111% of the Original Preferred Share Issue Price (the “Preferred Share Test”).

The initial distribution of \$0.19 per Class A Share for the period from Closing to December 31, 2008 is anticipated to be paid on or about January 15, 2009 to holders of record on December 31, 2008.

Monthly Redemptions of Class A Shares

Except as provided for under “— Suspension of Redemptions”, holders of Class A Shares may surrender their Class A Shares to the Corporation for redemption at any time, but such Class A Shares will be redeemed only on a Monthly Redemption Date. Class A Shares surrendered for redemption by a holder of Class A Shares at least five Business Days prior to a Monthly Redemption Date will be redeemed on such Monthly Redemption Date and the holder of Class A Shares will receive payment of the Monthly Redemption Price on or about the 15th day in the following month. If a holder of Class A Shares makes such surrender after 5:00 p.m. (Toronto time) on the fifth Business Day immediately preceding a Monthly Redemption Date, the Class A Shares will be redeemed in the following month.

Holders of Class A Shares whose shares are surrendered for redemption will be entitled to receive the Monthly Redemption Price. Any declared and unpaid distributions payable on or before a Monthly Redemption Date in respect of Class A Shares tendered for redemption on such Monthly Redemption Date will also be paid.

Suspension of Redemptions

The Corporation may suspend the monthly redemption of Class A Shares or payment of the Monthly Redemption Price: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Corporation are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Corporation, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Corporation; or (ii) for a period not exceeding 30 days during which the Corporation determines that conditions exist which render impractical the realization, sale or redemption of assets of the Corporation or which impair the ability of the Corporation to determine the value of the assets of the Corporation. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Class A Shares making such requests shall be advised by the Corporation of the suspension and that the redemption will be effected at a price determined as soon as practicable following the termination of the suspension. In such circumstances, all such holders of Class A Shares shall have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Corporation, any declaration of suspension made by the Corporation shall be conclusive.

Mandatory Market Purchase Program

The Corporation will undertake a mandatory market purchase program pursuant to which the Corporation will, subject to certain exceptions and compliance with any applicable regulatory requirements, purchase any

Class A Shares offered in the market at prices that are less than 92.5% of the latest determined Net Asset Value per Class A Share, up to a maximum amount for the period from Closing to December 31, 2009 of 10%, and in any subsequent calendar year of 5%, of the number of Class A Shares outstanding at the beginning of such period or calendar year if on any Business Day following the Closing, the closing price of the Class A Share is less than 92.5% of the latest determined Net Asset Value per Class A Share.

The Corporation shall not undertake any purchases under the mandatory purchase program if either or both of the following conditions exist:

1. The Corporation has cash or cash equivalents on hand that is less than a year's worth of scheduled distributions based on the most recent distribution rate and most recent number of outstanding Class A Shares and Preferred Shares; or
2. The Corporation has an Adjusted Net Tangible Asset Value of less than 120% of the Original Preferred Share Issue Price.

Net Asset Value per Class A Share

Net Asset Value per Class A Share will be calculated in accordance with "Valuation of Portfolio Securities and Calculation of Net Asset Value" in the Annual Information Form. In accordance with generally accepted accounting principles, the Corporation intends to continue to amortize the deferred expenses relating to the February 2008 initial public offering of Series 1 Preferred Shares. It is the current intention of the Corporation to retain a portion of its cash-flow that would otherwise be available for distribution to the holders of Class A Shares to offset the amortization of these expenses (which are non-cash in nature but are charged to income for accounting purposes), thereby preserving the Net Asset Value and increasing the tangible net asset value (defined as the Adjusted Net Tangible Asset Value less the Original Share Issue Price of the Corporation) over time. The tangible net asset value and NAV were \$4,352,832 and \$7,520,433 respectively as at June 30, 2008.

Notwithstanding the foregoing paragraph, the NAV, tangible net asset value and differences between the two can and will likely change over time as a result of other factors including but not limited to: the performance of the mortgage portfolio, costs incurred on other issuances of Preferred Shares and the distribution policy on the Class A Shares.

Book-Based System

On the date of Closing, the Corporation will deliver to CDS a certificate evidencing the aggregate number of Class A Shares subscribed for under the Offering. Class A Shares must be purchased, transferred and surrendered for redemption only through a CDS Participant and all rights of an owner of Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS and the CDS Participant through which the owner holds such Class A Shares. Upon purchase of any Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such Class A Shares.

Neither the Corporation, the Custodian, the Manager nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Class A Shares or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

Preferred Shares

The board of directors of the Corporation may at any time and from time to time issue Preferred Shares in one or more series. Prior to issuing Preferred Shares of any series, the board of directors is required to fix the

number of shares in the series and determine the designation of, and the rights, privileges, restrictions and conditions attached to, that series of Preferred Shares.

All Preferred Shares rank in priority to the Class A Shares and the Class J Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Corporation.

Series 1 Preferred Shares

Holders of record of Series 1 Preferred Shares at 5:00 p.m. (Toronto time) on the last Business Day of March, June, September and December will be entitled to receive fixed cumulative preferential quarterly cash distributions of \$0.4219 per share representing a yield of 6.75% per annum on the redemption price of the Series 1 Preferred Shares. Such distributions will be paid on or about the 15th day following the end of the period for which the distribution is made. Such distributions may consist of capital gains dividends or non-taxable returns of capital or a combination thereof. There can be no assurance that the Corporation will be able to pay distributions to the holders of Series 1 Preferred Shares.

All cash distributions will be paid in such manner as determined by the Corporation. The Corporation will, prior to March 1 of each year, provide CDS with the information necessary to enable holders of record of Series 1 Preferred Shares to complete an income tax return with respect to amounts paid or payable by the Corporation to such holders in the preceding calendar year. Each holder will in turn receive such information from its applicable CDS Participant.

The holders of Series 1 Preferred Shares are not initially entitled to any voting rights as a class, except (i) as required by law, or (ii) as described in the Annual Information Form under “Description of Outstanding Securities — Acts Requiring Shareholder Approval”. However, if C.A. Bancorp defaults on its obligation to subscribe for, or arrange for the subscriptions for, Class A Shares pursuant to the Commitment Agreement, the Series 1 Preferred Shares will become voting shares and the directors of the Corporation will be required to call a meeting of shareholders to elect a new Board of Directors.

Monthly Redemptions of Series 1 Preferred Shares

Series 1 Preferred Shares may be surrendered at any time for redemption by the Corporation, but will be redeemed only on the Monthly Redemption Date. Series 1 Preferred Shares surrendered for redemption by a holder of Series 1 Preferred Shares at least five Business Days prior to a Monthly Redemption Date will be redeemed on such Monthly Redemption Date and the holder of Series 1 Preferred Shares will receive payment of the Monthly Redemption Price on or about the 15th day in the following month. If a shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth Business Day immediately preceding a Monthly Redemption Date, the Series 1 Preferred Shares will be redeemed in the following month.

Holders of Series 1 Preferred Shares whose shares are surrendered for redemption will be entitled to receive the Monthly Redemption Price. Any declared and unpaid distributions payable on or before a Monthly Redemption Date in respect of Series 1 Preferred Shares tendered for redemption on such Monthly Redemption Date will also be paid.

Final Redemption of Series 1 Preferred Shares

The Series 1 Preferred Shares will be redeemed by the Corporation on March 31, 2018. The redemption price payable by the Corporation for a Series 1 Preferred Share on that date will be equal to \$25.00, plus any accrued and unpaid distributions thereon. Notice of redemption will be given to CDS Participants holding Series 1 Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior to March 31, 2018.

The Corporation may purchase Class A Shares in the market for cancellation. The Corporation intends to apply to the TSX to institute a normal course issuer bid in respect of the Class A Shares shortly after the completion of distribution of the Offering. Purchases of Class A Shares by the Corporation will be subject to compliance with any applicable regulatory requirements and limitations.

Warrants

The following is a summary only and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the Warrant Indenture mentioned hereinafter. The securities comprising a Unit trade together as a Unit and cannot be transferred except as part of a Unit, and the Warrants may not be exercised, for the first 30 days after the date of the Closing. Thereafter the Class A Shares and Warrants will trade separately. Each Unit is equal to each other Unit in all respects, and entitles the holder of a Unit, initially, to the rights of a holder of a Class A Share and a Warrant.

The Warrants will be governed by the Warrant Indenture.

One Warrant entitles the holder to subscribe for one full Series 1 Preferred Share at a Subscription Price equal to \$23.75 at any time prior to the Warrant Expiry Time on the provision of 30 days' written notice. Series 1 Preferred Shares will be authorized and reserved by the Corporation for issue on exercise of the Warrants. Warrants will be issued in registered form to CDS. A Warrant does not entitle the holder thereof to any rights whatsoever as a shareholder of the Corporation.

Under the Warrant Indenture, the Corporation may, from time to time, purchase Warrants in the market, by private contract or otherwise.

Warrantheolders have no voting rights or preemptive rights or any other rights which a holder of Series 1 Preferred Shares may have.

The Warrants are exercisable at any time between the Closing Date and the Warrant Expiry Time on the provision of 30 days' written notice. The subscription form must be accompanied by payment of the Subscription Price. Within 30 days of the proper exercise of a Warrant, the Corporation will pay a fee of \$0.10 per exercised Warrant to the registered dealer whose client has exercised the Warrant and a fee of \$0.20 per exercised Warrant to Canaccord Capital Corporation for and on behalf of the Agents. The Warrantheolder must pay all stamp, issue, registration or other similar taxes and duties (if any) consequent upon the issue or delivery of the Series 1 Preferred Shares to or to the order of a third party. The date on which the Warrants are deemed to be exercised is the date which is 30 days after the date on which the subscription form relative thereto and the Subscription Price are lodged with the Warrant Trustee at its offices specified above.

Anti-Dilution Provisions

The subscription rights in effect under the Warrants for Series 1 Preferred Shares of the Corporation issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the Warrant Expiry Time, the Corporation shall, in certain circumstances:

- (a) subdivide, re-divide or change its outstanding Series 1 Preferred Shares into a greater number of Series 1 Preferred Shares;
- (b) reduce, combine or consolidate its outstanding Series 1 Preferred Shares into a smaller number of Series 1 Preferred Shares;
- (c) reclassify the Series 1 Preferred Shares or reorganize the capital of the Corporation; or
- (d) consolidate, amalgamate, or merge the Corporation with or into any other corporation, trust or other entity, or sell or convey the property and assets of the Corporation as an entirety or substantially as an entirety (other than in connection with the redemption or retraction of Series 1 Preferred Shares).

Expiry of Warrants

The Warrants will expire at 4:00 p.m. (Toronto Time) on September 30, 2011. Warrants not exercised prior to the Warrant Expiry Time will be void and of no value.

Warrants Registered in the Name of CDS & Co.

Except as described below, registration of interests in and transfers of Warrants held electronically through CDS shall be made only through CDS and shall be evidenced by an Electronic CDS Warrant Position appearing on the register for Warrants of the Warrant Trustee for an amount representing the aggregate number of such Warrants outstanding from time to time. Subject to the foregoing, on the date of Closing, an Electronic CDS Warrant Position will appear on the register for Warrants of the Warrant Trustee which will evidence the aggregate number of Warrants being issued pursuant to the Offering and being delivered to CDS and no certificates will be issued to or registered in the name of any other holder of Warrants until any such Warrants are to be exercised. If the Over-Allotment Option is exercised, such Electronic CDS Warrant Position appearing on the register for Warrants of the Warrant Trustee will be adjusted to reflect the additional Warrants issued pursuant to such additional issuance of Warrants. Upon purchase of any Warrants, the owner will receive only the customary confirmation. References in this prospectus to a holder of Warrants means, unless the context otherwise requires, the owner of the beneficial interest in such Warrants. A warrant certificate shall only be issued to or registered in the name of a holder of Warrants who wishes to exercise such Warrants.

Neither the Corporation, the Custodian, the Manager nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Warrants or the accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants. The ability of a beneficial owner of Warrants to pledge such Warrants or otherwise take action with respect to such owner's interest in such Warrants (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Modification

The rights of the holders of the Warrants may be modified in accordance with the terms of the Warrant Indenture. For this purpose, among others, the Warrant Indenture will contain provisions which will make binding on all Warrantholders resolutions passed at meetings of the holders of Warrants by votes cast at such meetings by holders of not less than 66 $\frac{2}{3}$ % of the Warrants present at the meeting or represented by proxy and voted on such resolutions, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the Warrants then outstanding.

PRIOR SALES

The following sets out details regarding the prior issuances of Class A Shares and Series 1 Preferred Shares for the period since the inception of the Corporation:

Class of Shares	Date	Issue Price	Number of Securities Issued
Class A Shares ⁽¹⁾	February 22, 2008	\$10.26 / share	722,222
Class A Shares ⁽¹⁾	March 20, 2008	\$10.26 / share	42,885
Series 1 Preferred Shares	February 22, 2008	\$25.00 / share	1,440,000
Series 1 Preferred Shares	March 20, 2008	\$25.00 / share	100,000

Note:

- (1) After taking into account the consolidation of the Class A Shares that is to take place before Closing based on an estimate of the consolidation ratio.

Trading Price and Volume

Set out below is the monthly trading prices and volume of trades for the Series 1 Preferred Shares on the TSX for the period since the Series 1 Preferred Shares were first issued.

	Price		Volume
	High	Low	
February, 2008	24.74	24.00	70,000
March, 2008	24.95	23.80	32,600
April, 2008	24.35	22.80	28,900
May, 2008	24.15	22.80	24,700
June, 2008	23.95	23.00	24,600
July, 2008	23.75	19.00	34,500

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of a Class A Share, a Series 1 Preferred Share and a Warrant by a Shareholder who acquires Units pursuant to this prospectus. This summary is applicable to a Shareholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times is resident in Canada, deals at arm's length with and is not affiliated with the Corporation or the Agents and holds Class A Shares, Series 1 Preferred Shares and Warrants as capital property. Generally, Class A Shares, Series 1 Preferred Shares and Warrants will be considered to be capital property to a Shareholder provided the Shareholder does not hold these properties in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Shareholders who might not otherwise be considered to hold their Class A Shares and Series 1 Preferred Shares as capital property may, in certain circumstances, be entitled to have their Class A Shares, Series 1 Preferred Shares and all other "Canadian securities" as defined in subsection 39(6) of the Tax Act or subsequently owned by such Shareholders (but, for greater certainty, not Warrants) treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary is based on the assumptions that the Common Share Portfolio will consist of Canadian securities and that the Corporation will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act and the regulations thereunder, counsel's understanding of the current administrative policies and assessing practices of the CRA publicly available prior to the date hereof and all proposals to amend the Tax Act and the regulations thereunder (the "Tax Proposals") publicly announced prior to the date hereof and relies as to certain factual matters on certificates of officers of the Corporation and lead Agent. Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is based on the assumption that the Corporation was not established and will not be maintained primarily for the benefit of non-residents, that at no time will the total fair market value of shares of the Corporation held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships as defined by the Tax Act) exceed 50% of the fair market value of the outstanding shares of the Corporation and that no more than 10% of the Corporation's property (based on fair market value) will consist of taxable Canadian property for the purposes of the Tax Act and/or certain specified property as defined in the Tax Proposals released on September 16, 2004. This summary is also based on the assumption that the Common

Share Portfolio will not be lent, directly or indirectly, to the Counterparty under the Forward Agreement. This summary assumes that the Corporation will comply with the investment restrictions.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Class A Shares, Series 1 Preferred Shares and Warrants. Moreover, the income and other tax consequences of acquiring, holding or disposing of these properties will vary depending on the investor's particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel expresses no views herein in respect of the deductibility of interest on any funds borrowed by a Shareholder to acquire Units, Class A Shares, and Warrants. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, Class A Shares, Series 1 Preferred Shares and Warrants, based on their particular circumstances.

Tax Status of the Corporation

This summary is based on the assumptions that the Corporation will qualify at all times as a “mutual fund corporation” within the meaning of the Tax Act and that the Corporation has elected under the Tax Act to be a “public corporation” from the date it was established. In order to qualify as a “mutual fund corporation”, the Corporation must be a “public corporation”, the sole undertaking of the Corporation must, in general, be the investing of its funds in property (other than real property or interests in real property), and at least 95% of the fair market value of all of the issued shares of the capital stock of the Corporation must be redeemable at the demand of the holders of those shares. If the Corporation were to fail to qualify as a “mutual fund corporation”, the income tax considerations described below would, in some respects, be materially different.

Provided the Series 1 Preferred Shares continue to be listed on a designated stock exchange in Canada (which currently includes the TSX) or, following the Closing, provided the Class A Shares are listed on a designated stock exchange in Canada, the Corporation will qualify as a “mutual fund corporation” and a “financial intermediary corporation” as defined in the Tax Act. The Corporation has advised counsel that it intends to continue to qualify as a mutual fund corporation and a financial intermediary corporation throughout each taxation year in which any Series 1 Preferred Shares, or Class A Shares are outstanding and this summary assumes that will be the case.

Tax Treatment of the Corporation

As a mutual fund corporation, the Corporation is entitled in certain circumstances to a refund of tax paid or payable by it in respect of its net realized capital gains. Also, as a mutual fund corporation, the Corporation is entitled to maintain a capital gains dividend account in respect of its realized net capital gains and from which it may elect to pay dividends (“capital gains dividends”) which are treated as capital gains in the hands of the Shareholders of the Corporation. In certain circumstances where the Corporation has realized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions. See “Canadian Federal Income Tax Considerations — Tax Treatment of Shareholders”.

The Corporation will not realize any income, gain or loss upon entering into the Forward Agreement. Gains or losses realized by the Corporation on the sale of the Common Share Portfolio will be taxed as capital gains or losses. The sale of securities acquired pursuant to the Exchange Option or held within the Common Share Portfolio may give rise to the realization of capital gains by the Corporation. If the obligations of the Corporation and the Counterparty under the Forward Agreement are settled by making cash payments, a payment made or received by the Corporation may be treated as an income outlay or receipt, as applicable. If the Corporation delivers securities in the Common Share Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement and receives a payment from the Counterparty equal to the price stipulated in the Forward Agreement, the Corporation will realize capital gains (or losses) equal to the amount by which such purchase price (less reasonable costs of disposition) exceeds (or is less than) the aggregate adjusted cost base of such securities.

In computing income for a taxation year, the Corporation will be required to include in income the amount of the dividends, if any, received by the Corporation in the year. In computing taxable income, the Corporation will generally be permitted to deduct the amount of all dividends received by it from taxable Canadian corporations. The Corporation will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations.

As a “financial intermediary corporation” the Corporation is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Corporation and is not generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Corporation on “taxable preferred shares” as defined in the Tax Act. As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Corporation is generally subject to a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on taxable dividends received by the Corporation during the year to the extent that such dividends were deductible in computing the Corporation’s taxable income for the year. This tax is refundable upon payment by the Corporation of sufficient dividends other than capital gains dividends (“Ordinary Dividends”).

To the extent that the Corporation earns net income, after expenses, from sources other than taxable capital gains and dividends from taxable Canadian corporations, the Corporation will be subject to income tax on such income and no refund of such tax will be available. The Corporation has advised counsel that it is not anticipated that the Corporation will be subject to any material non-refundable Canadian income tax.

On October 31, 2003, the Department of Finance released, for public consultation, draft proposed amendments to the Tax Act (the “October 2003 Tax Proposals”) that would require, for taxation years commencing after 2004, that there be a reasonable expectation of profit from a business or property for a taxpayer to realize a loss from such business or property, and that make it clear that profit in this sense does not include capital gains. As part of the February 23, 2005 Federal Budget, the Department of Finance announced that it has developed a more modest legislative initiative and that it will, at an early opportunity, release an alternative tax proposal for comment. No such alternative proposal has been released to date. Under the October 2003 Tax Proposals, a taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer carried on, and can reasonably be expected to carry on, the business, or has held, and can reasonably be expected to hold, the property. In computing its income for tax purposes, the Corporation may deduct reasonable administrative and other expenses incurred by it for the purpose of earning income from property. The Corporation may deduct costs or expenses of this Offering not reimbursed. If the deduction of losses of the Corporation is limited under the October 2003 Tax Proposals or any alternative Tax Proposals, the taxable income of the Corporation in future years may be increased, and the Corporation may increase the amount of capital gains dividends paid to Shareholders.

The Corporation will realize a capital gain equal to the amount allocated to Warrants which are not exercised before the Warrant Expiry Time.

Amendments to the Tax Act relating to the taxation of specified investment flow-through trusts and partnerships contained in Bill C-52 received Royal Assent on June 22, 2007 (the “SIFT Rules”). The SIFT Rules do not apply to mutual fund corporations and, accordingly, the SIFT Rules do not apply to the Corporation.

Tax Treatment of Shareholders

The Exchange Option

An Investor who disposes of freely tradeable securities of an Issuer held as capital property in exchange for Units pursuant to the Exchange Option generally will realize a capital gain (or a capital loss) in the taxation year of the Investor in which the disposition of such securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such securities to the Investor. For this purpose, the proceeds of disposition to the Investor will equal the aggregate of the fair market value of the Units received by the Investor and the amount of any cash received by the Investor in lieu of fractional Units. The cost to an Investor of Units so acquired will be equal to the fair market value of the securities disposed of in exchange for such Units at the time of disposition less any

cash received in lieu of fractional Units, which sum would generally be equal to or would approximate the fair market value of the Units received as consideration for the freely tradeable securities of an Issuer. The cost of a Unit will be required to be allocated on a reasonable basis between the Class A Share and the Warrant. (See “Tax Treatment of Warrants”). To the extent that an Investor has received distributions on certain freely tradeable securities of an Issuer which were in excess of the Investor’s share of the net income and net realized capital gains of the relevant Issuer, those distributions may have resulted in a reduction of the Investor’s adjusted cost base of such securities.

Owning Shares

The amount of any capital gains dividend received by a Shareholder from the Corporation will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the capital gains dividend is received.

Where a capital gains dividend is paid by delivering Shares of the Corporation or paid in cash and reinvested in Shares, the cost of such shares acquired by a Shareholder will be equal to the amount of such dividend or the cash so reinvested. For the purposes of determining the adjusted cost base to a Shareholder of the shares, when Class A Shares are acquired, the cost of the newly acquired Class A Shares will be averaged with the adjusted cost base of all of the Class A Shares owned by the Shareholder as capital property immediately before that time; and similarly, when Series 1 Preferred Shares are acquired, the cost of the newly acquired Series 1 Preferred Shares will be averaged with the adjusted cost base of all of the Series 1 Preferred Shares owned by the Shareholder as capital property immediately before that time.

The amount of any payment received by a Shareholder from the Corporation as a return of capital on a either a Class A Share or a Preferred Share will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant class of shares to the Shareholder. To the extent that the adjusted cost base to the holder of the relevant class of shares would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain from the disposition of such class of shares at that time, equal to the negative amount, and the adjusted cost base of that class of shares will be increased to nil.

A person acquiring Shares may become taxable on income or capital gains accrued or realized before such person acquired such Shares.

Shareholders must also include in income Ordinary Dividends, if any, paid to them by the Corporation. For individual Shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules applicable to taxable dividends paid by taxable Canadian corporations. The Tax Act provides for an enhanced gross-up and dividend tax credit for “eligible dividends” received from a corporation resident in Canada which are so designated by the corporation paying the dividend. The Corporation has advised counsel that it is not anticipated that Ordinary Dividends will be paid by the Corporation.

Disposition of Shares

Upon the redemption or other disposition of a Share by a Shareholder, a capital gain (or a capital loss) will be realized by the Shareholder to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. Generally, one half of a capital gain (a taxable capital gain) is included in computing income and one half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the detailed provisions of the Tax Act in that regard.

Individuals (other than certain trusts) who realize net capital gains, or receive dividends, may be subject to an alternative minimum tax under the Tax Act.

Tax Treatment of Warrants

A purchaser of a Unit offered by this prospectus will be required to allocate the price paid for a Unit on a reasonable basis between the Class A Share and the Warrant in order to determine their respective costs to the purchaser for purposes of the Tax Act. The Corporation has informed counsel that it will allocate \$9.20 to each Class A Share and \$0.80 to each Warrant. Although the Corporation believes this allocation to be reasonable, it

is not binding upon the CRA or an investor. A successful challenge by the CRA to this allocation will affect the adjusted cost base calculations accordingly.

Exercise of Warrants

No gain or loss will be realized by an investor upon exercise of a Warrant. When a Warrant is exercised, the cost to the investor of the Series 1 Preferred Share thus acquired will be the aggregate of the adjusted cost base, for that holder, of the Warrant and the price paid for the Series 1 Preferred Share upon exercise of the Warrant. The cost to a holder of a Series 1 Preferred Share acquired upon the exercise of a Warrant must be averaged with the adjusted cost base (determined immediately before the exercise of the Warrant) of all other Series 1 Preferred Shares held by the shareholder as capital property immediately before the time of the exercise of the Warrant to determine the adjusted cost base of each Series 1 Preferred Share thereafter.

Disposition or Expiry of Warrants

The disposition of a Warrant or expiry of an unexercised Warrant will generally result in a capital gain (or capital loss) to the investor to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Warrant to the investor. The expiry of an unexercised Warrant will generally result in a capital loss equal to the adjusted cost base, if any, of the Warrant to the Investor. See discussion of capital gains and losses generally under “Disposition of Shares” above.

ELIGIBILITY FOR INVESTMENT

Subject to the qualifications and assumptions under the heading “Canadian Federal Income Tax Considerations”, Class A Shares, Warrants and Series 1 Preferred Shares (acquired on the exercise of the Warrants) will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and, for 2009 and subsequent taxation years, tax free savings accounts, provided that, at all relevant times: (i) in the case of the Class A Shares and Series 1 Preferred Shares, either the Class A Shares or the Series 1 Preferred Shares are listed on a designated stock exchange (which includes the TSX); and (ii) in the case of the Warrants, the Warrants are listed on a designated stock exchange (which includes the TSX).

RISK FACTORS

An investment in the Units is subject to a number of risk factors that should be considered by a prospective purchaser. Investors should carefully consider the risk factors set out below, the information set out elsewhere in this short form prospectus, and the information included in the documents incorporated by reference herein. In particular, those risk factors identified in the Annual Information Form under the heading “Risk Factors” apply to an investment in the Class A Shares as well as to an investment in the Preferred Shares. Such risk factors could materially affect the Corporation’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation.

Trading Price of the Class A Shares Relative to Net Asset Value

Securities of certain exchange listed investment funds in Canada have traded at a discount from their net asset values. The risk associated with securities of a listed investment fund is a risk separate and distinct from the risk that the Corporation’s NAV may decrease. The Corporation cannot predict whether the Class A Shares will trade at a discount from, a premium to, or at the NAV per Class A Share.

Warrants

If a holder of Class A Shares does not exercise, or sells, the Warrants, then the value of the Class A Shares held by that holder may be diluted as a result of the exercise of Warrants by others.

Exchange Option

Units may represent a less liquid investment than securities of Issuers. Depending on the value of the securities of the Issuers on closing, the Exchange Option may be dilutive to the Corporation. The value of the Issuers may increase subsequent to the Pricing Period. However, the Exchange Ratios will not be changed.

Common shares received pursuant to the Exchange Option will become part of the Common Share Portfolio sold forward under the Forward Agreement shortly following the Closing. Under the Forward Agreement, the Counterparty has agreed to pay to the Corporation on the Forward Termination Date as the purchase price for the Common Share Portfolio an amount determined with reference to the net redemption proceeds of the Reference Number of units of the Reference L.P. less costs incurred in connection with any hedging which may be done. As a result of these hedging costs and changes in the value of the common shares received pursuant to the Exchange Option between the end of the Pricing Period and the date on which they are added to the Common Share Portfolio, the net asset value represented by the additional Reference Number of units determined at that time may not be equal to the aggregate value of the common shares received pursuant to the Exchange Option, as determined based on the pricing used for purposes of calculating the Exchange Ratios. Further, it is anticipated that common shares received pursuant to the Exchange Option will be replaced by securities of a lesser number of Issuers with a view to reducing the hedging costs under the Forward Agreement over the long term. The substituting of these shares within the Common Share Portfolio may give rise to the realization of capital gains by the Corporation, although the Corporation does not expect such gains to be material in the aggregate.

Leverage

Leverage is provided to the Corporation through the issuance of the Preferred Shares. If the Portfolio suffers a decrease in value, the leverage component will cause a decrease in NAV in excess of that which would otherwise be experienced. Increased leverage will result from the issuance of the Preferred Shares on the exercise of the Warrants, as well as from any redemptions or purchases for cancellation of the Class A Shares.

Dilution

Class A Shares may be issued at prices which may be less than NAV per Class A Share. The value of the Class A Shares will be diluted if additional Class A Shares are issued at prices less than NAV per Class A Share.

Potential future sales of Class A Shares

Subject to compliance with applicable securities laws and the Agency Agreement as described under “Plan of Distribution”, C.A. Bancorp may sell some or all of its Class A Shares in the future. No assurances can be given as to whether such future sales of Class A Shares will have a material adverse effect on the market price of the Class A Shares prevailing from time to time. However, the future sale of a substantial number of Class A Shares by C.A. Bancorp, or the perception that such sales could occur, could adversely affect prevailing market prices for the Class A Shares.

Subordination of Class A Shares

The Class A Shares rank subordinate to the Preferred Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Corporation. In the event of the insolvency or winding-up of the Corporation, the Corporation may not have enough assets remaining after payments to holders of Preferred Shares to pay any amounts to holders of Class A Shares.

Credit Risk

The Corporation is exposed to credit risk resulting from the possibility that C.A. Bancorp may default on its financial obligations to the Corporation including under the Commitment Agreement or under the Note. The Corporation may also be exposed to credit risk resulting for the possibility that the Counterparty fails to fulfill its obligations, which could severely impact the Corporation’s financial condition and performance.

Market Fluctuations

The Corporation may invest in investment grade Canadian fixed income securities pending investment of the proceeds of the Offering in the Common Share Portfolio. Such securities fluctuate in value depending on market conditions, the general fortunes of the issuer and the health of the economy as a whole, and their value may diminish.

LEGAL MATTERS

Certain legal matters relating to the Offering will be passed upon by Borden Ladner Gervais LLP, on behalf of the Corporation, and by Blake, Cassels & Graydon LLP, on behalf of the Agents. As at the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, and the partners and associates of Blake, Cassels & Graydon LLP, as a group, own, directly or indirectly, less than 1% of the outstanding Units of the Corporation.

PROMOTER

C.A. Bancorp has taken the initiative in organizing the Corporation and accordingly may be considered to be a “promoter” of the Corporation within the meaning of the securities legislation of certain provinces of Canada. As at the date of this prospectus, C.A. Bancorp owns, directly or indirectly, an aggregate of approximately 765,107 Class A Shares of the Corporation, after taking into account the consolidation of the Class A Shares that is to take place before Closing based on an estimate of the consolidation ratio. C.A. Bancorp receives fees from the Corporation and is entitled to reimbursement of expenses incurred in relation to the Corporation as described under “Fees and Expenses”.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Deloitte & Touche LLP, Suite 1400, Brookfield Place, 181 Bay Street, Toronto, Ontario.

The transfer agent and registrar for the Class A Shares and the Series 1 Preferred Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the short form prospectus ("Prospectus") of C.A. Bancorp Canadian Realty Finance Corporation (the "Corporation") dated August 27, 2008 relating to the sale and issue of units (with each unit consisting of one Class A Share and one preferred share, Series 1 purchase warrant) of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference, in the above-mentioned Prospectus, of our report dated July 17, 2008 to the board of directors of the Corporation on the following financial statements:

- Consolidated statements of net assets as at June 30, 2008;
- Consolidated statement of investment portfolio as at June 30, 2008; and
- Consolidated statements of operations, of changes of net assets and of cash flows for the period February 22, 2008 to June 30, 2008.

We also consent to the use, through incorporation by reference, in the Prospectus of our report dated January 31, 2008, to the board of directors of the Corporation on the statement of net assets as at December 31, 2007.

We also consent to the use, through incorporation by reference, in the Prospectus of our report dated March 7, 2008, to the shareholders of C.A. Bancorp Inc. (the "Company") on the consolidated balance sheets of the Company as at December 31, 2007 and 2006, and the consolidated statements of operations and comprehensive income (loss), deficit and accumulated other comprehensive income, and of cash flows for the years then ended.

Toronto, Canada
August 27, 2008

(Signed) DELOITTE & TOUCHE LLP
Licensed Public Accountants
Chartered Accountants

CERTIFICATE OF THE CORPORATION AND THE PROMOTER

Dated: August 27, 2008

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut.

C.A. BANCORP CANADIAN REALTY FINANCE CORPORATION

(Signed) MARK GARDHOUSE
Chief Executive Officer

(Signed) PAOLO DE LUCA
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN F. DRISCOLL
Director

(Signed) ROBERT WOLF
Director

**C.A. BANCORP INC.
(as Promoter)**

(Signed) MARK GARDHOUSE
President

CERTIFICATE OF THE AGENTS

Dated: August 27, 2008

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut.

CANACCORD CAPITAL CORPORATION

CIBC WORLD MARKETS INC.

NATIONAL BANK FINANCIAL INC.

By: (Signed) BINA N. PATEL

By: (Signed) DONALD A. FOX

By: (Signed) TIM EVANS

TD SECURITIES INC.

By: (Signed) CAMERON GOODNOUGH

BLACKMONT
CAPITAL INC.

HSBC SECURITIES
(CANADA) INC.

RAYMOND
JAMES LTD.

WELLINGTON WEST
CAPITAL INC.

By: (Signed) CHARLES A.V.
PENNOCK

By: (Signed) BRENT
LARKAN

By: (Signed) J. GRAHAM
FELL

By: (Signed) BRENT
BOTTOMLEY

DUNDEE SECURITIES
CORPORATION

GMP SECURITIES L.P.

INDUSTRIAL ALLIANCE
SECURITIES INC.

By: (Signed) ONORIO LUCCHESI

By: (Signed) NEIL SELFE

By: (Signed) PAUL BERNARD

JORY CAPITAL INC.

LAURENTIAN BANK
SECURITIES INC.

MANULIFE SECURITIES
INCORPORATED

By: (Signed) PATRICK COONEY

By: (Signed) MICHEL RICHARD

By: (Signed) WILLIAM PORTER

DESJARDINS
SECURITIES INC.

RESEARCH CAPITAL
CORPORATION

RICHARDSON PARTNERS
FINANCIAL LIMITED

By: (Signed) BETH SHAW

By: (Signed) DAVID J. KEATING

By: (Signed) DAVID FINNBOGASON

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