



August 2008

Monthly Update

Prime Rate Plus Corp is an Investment Corporation designed to pay monthly cash dividends. The Corporation invests in a diversified, high quality portfolio consisting of six Canadian Banks. Two types of shares are available, a Class A and a Preferred.

Objectives

Preferred Shares (TSX: PPL.PR.A):

(i) to provide holders of the Preferred Shares with cumulative preferential monthly cash dividends at a rate per annum equal to the Prime Rate in Canada plus 0.75% (minimum 5%, maximum 7%) based on original issue price of \$10.00 per share (ii) on or about December 1, 2012 (termination date), to pay the holders of the Preferred Shares the original issue price (\$10) of those shares.

Class A Shares (TSX: PPL):

(i) to provide holders of the Class A Shares with regular floating rate monthly cash distributions targeted to be at a rate per annum equal to the Prime Rate in Canada plus 2.0% (minimum 5%, maximum 10%) based on original issue price of \$15.00 per share (ii) on or about December 1, 2012 (termination date), to pay the holders of Class A Shares at least the original issue price (\$15) of those shares.

The current Prime Rate in Canada is **4.75%**.

Distributions (by record date)

| | PPL | PPL.PR.A | Total |
|----------------------|-----------------|-----------------|-----------------|
| Total to Date | \$3.5063 | \$1.9762 | \$5.4824 |
| 2008 YTD | \$0.7156 | \$0.3938 | \$1.1094 |
| 2007 | \$1.2156 | \$0.6854 | \$1.9010 |
| 2006 | \$1.1625 | \$0.6500 | \$1.8125 |
| 2005 | \$0.4125 | \$0.2470* | \$0.6595 |

*Initial distribution for the period July 15/05 to Dec 29/05.

Commentary

Overall financial markets continue to be adversely impacted by the confluence of record high commodity prices and the continuing credit related problems originating from the US sub prime lending market. These conditions have caused economic growth to slow considerably in both Canada and the United States while at the same time high commodity prices are beginning to lead to a marked increase in inflationary pressures. The month of August was better for investors with slightly positive monthly returns for both the TSX and the S&P 500, though year-to-date both indices have negative returns. It is difficult to know when these conditions will ease, however the financial markets tend to act as a leading indicator and have in the past anticipated economic recoveries, sometimes 6 to 12 months in advance of the actual pick up in economic activity. Based on market recoveries over the past 25 years, the financial services sector has quite often been among the strongest leading sectors.

Toronto Dominion Bank (TMX: TD) increased their quarterly dividend to \$0.61 per share, a 3% increase (Aug/08).

The Prime Rate Plus portfolio has a current dividend yield of approx. 4.6%.

Details

| | |
|--------------------------------|---------------------|
| Gross Proceeds: | \$288,125,000 |
| Units Issued: | 11,525,000 |
| Inception Date: | July 15, 2005 |
| Termination Date: | Dec 1, 2012 |
| Net Asset Value: | \$20.52 (Aug 29/08) |
| Cash Weighting: | 1% |
| Canadian Equity Weighting: | 99% |
| PPL.PR.A Trading Price: | \$10.35 (Aug 29/08) |
| Current Yield: | 5.3% annually |
| Asset Coverage: | 205% |
| Market Capitalization: | \$111,764,992 |
| PPL Trading Price: | \$10.59 (Aug 29/08) |
| Current Yield: | 9.6% annually |
| Market Capitalization: | \$114,356,645 |

Top Holdings (sorted by weight)

| | |
|------------------------------------|-----|
| Toronto-Dominion Bank | TD |
| Bank of Nova Scotia | BNS |
| Canadian Imperial Bank of Commerce | CM |
| Royal Bank of Canada | RY |
| Bank of Montreal | BMO |
| National Bank of Canada | NA |

Weightings subject to change at any time.