

**Prime Rate Plus Corp.**

**2005 *Annual Report***



**PRIME RATE PLUS**  
CORP

*This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.*

*Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.*

*The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.*

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## Board of Directors

Wayne Finch,  
Chairman and  
Chief Investment Officer

Peter Cruickshank,  
Managing Director and  
Chief Financial Officer

Laura Johnson,  
Managing Director and  
Portfolio Manager

William Thornhill,  
President, William C.  
Thornhill Consulting Inc.

Michael W. Sharp  
Blake, Cassels & Graydon LLP

John Steep  
Consultant

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## Corporate Details

### Auditors

PricewaterhouseCoopers LLP  
77 King Street West, P.O. Box 82  
Toronto, Ontario M5K 1G8

### Transfer Agent

Computershare  
100 University Avenue  
Toronto, Ontario M5J 2Y1

### Legal Counsel

Blake, Cassels & Graydon LLP  
Commerce Court West  
Toronto, Ontario M5L 1A9

### Custodian

RBC Dexia  
Royal Trust Tower, 77 King Street West  
11<sup>th</sup> Floor, Toronto, Ontario M5W 1P9

# Annual Management Report of Fund Performance

November 30, 2005

This is the first annual **Management Report of Fund Performance (MRFP)** of Prime Rate Plus Corp. The MRFP is a new requirement of securities regulators in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure) which has been designed to supplement the annual and semi annual financial statements. This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Company. The annual financial statements and accompanying notes are attached behind this report.

Investors may also obtain a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.primerateplus.com](http://www.primerateplus.com) or by writing to the Fund at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

If you wish to continue to receive financial reports by mail, please complete the form on the inside of the back cover of this annual report. We will continue to follow these instructions and mail your requested reports to the address on file until you contact us to change them. No action is required if you do not wish to receive financial reports from Prime Rate Plus Corp. These reports are available to view and download at [www.primerateplus.com](http://www.primerateplus.com) or [www.sedar.com](http://www.sedar.com)

## Investment Objectives and Strategies

Prime Rate Plus Corp. invests primarily in a portfolio of common shares which will include each of the following Canadian chartered banks:

Bank of Montreal	The Bank of Nova Scotia
Canadian Imperial Bank of Commerce	Royal Bank of Canada
National Bank of Canada	The Toronto-Dominion Bank

The Company may also invest up to 20% of the Net Asset Value in equity securities of Canadian or foreign financial services corporations other than the core holdings listed above. In order to supplement the dividends received on the portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares in the portfolio.

The Company offers two types of shares:

### Preferred Shares

The investment objectives with respect to the Preferred Shares are as follows:

- 1) to provide holders with cumulative preferential floating rate monthly cash dividends at a rate per annum equal to the prevailing Canadian Prime Rate plus 0.75%, with a minimum annual rate of 5.0% and a maximum annual rate of 7% based on original issue price; and
- 2) on or about December 1, 2012 (the termination date) to pay holders the original issue price (\$10) of those shares.

### Class A Shares

The investment objectives with respect to the Class A shares are as follows:

- 1) to provide holders with regular floating rate monthly cash distributions targeted to be at a rate per annum equal to the prevailing Canadian Prime Rate plus 2%, with a minimum targeted annual rate of 5% and a maximum targeted annual rate of 10.0%; and
- 2) on or about December 1, 2012 (the termination date) to pay holders the original issue price (\$15) of those shares.

## Risk

The risks of investing in the Company remain as discussed in the Annual Information form dated March 29, 2006.

## Results of Operations

This financial report covers the initial period from July 15, 2005 to November 30, 2005. Distributions to both Class A shareholders and Preferred shareholders were made at the Canadian prime plus formula as outlined above in the Investment Objectives section. The Canadian prime rate which in August, 2005 was 4.50% increased by .25% to 4.75% as at November 30, 2005 which resulted in an increase in the November monthly distributions for both classes of shares. The net asset value per unit was \$24.72 (after all distributions paid) as at November 30, 2005. As at November 30, 2005, the Company's portfolio was primarily invested in the 6 core Chartered Banks. The dividend income in the portfolio continues to be supplemented by a limited covered call writing program which provides some additional income to the portfolio while also providing some downside protection to the portfolio.

## Distributions

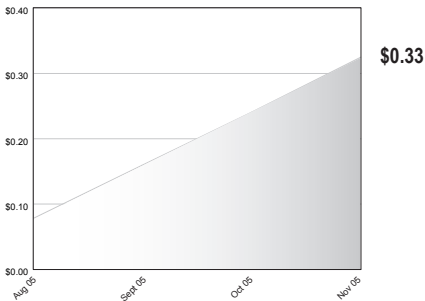
### Class A Shares – Distributions

Class A shareholders are entitled to receive regular monthly cash dividends initially targeted to yield a floating rate based on the Prime Rate in Canada plus 2% per annum on the original issue price. Distributions paid since inception on July 15, 2005 include 4 distributions at the targeted rate for a total of \$0.33 per share.

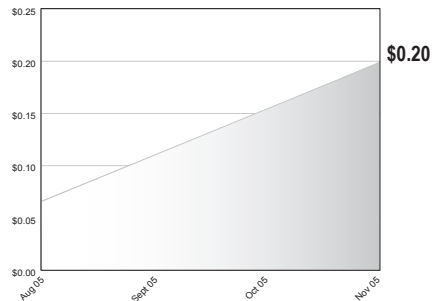
### Preferred Shares – Distributions

Preferred shareholders are entitled to receive regular monthly cash dividends initially targeted to yield a floating rate based on the Prime Rate in Canada plus 0.75% per annum on the original issue price. Distributions paid since inception on July 15, 2005 include 4 distributions at the targeted rate for a total of \$0.20 per share.

### Cumulative Distributions since inception



### Cumulative Distributions since inception



## Recent Developments

The Federal government's November 23, 2005 proposal to reduce federal taxes on ordinary dividend income received from Canadian corporations would, if enacted, be beneficial to shareholders of Prime Rate Plus Corp. as the mutual fund corporation pays ordinary dividends and capital gains dividends (which also enjoy favourable after-tax treatment).

If the proposal is enacted, both Preferred shareholders and Class A shareholders would benefit through the enhanced after-tax return they would receive on dividend payments.

## Related Party Transactions

None

### Management fees

The Investment Manager is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.65% of the Company's Net Asset Value calculated as at the last Valuation Date in each month

The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.2% of the Company's Net Asset Value calculated as at the last Valuation Date in each month.

Total management fees of \$891,954 paid for the period ended November 30, 2005 include the base management fee and the administration fee. The base management fee was used by the Investment Manager to pay costs for the managing of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used for providing or arranging for administrative services required by the Company including all operational, financial accounting, shareholder reporting and fulfilling all regulatory reporting requirements.

## Summary of Investment Portfolio

### All holdings as at November 30, 2005

Canadian Imperial Bank of Commerce	21.1	%
Toronto-Dominion Bank	19.7	%
Royal Bank of Canada	18.8	%
Bank of Montreal	18.1	%
Bank of Nova Scotia	14.3	%
National Bank of Canada	6.5	%
Manulife Financial	0.9	%
Total long positions as a percentage of net assets	99.4	%
Other net assets	0.6	%

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. Updates are available quarterly.

# Financial Highlights

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's audited annual financial statements.

## The Company's Net Asset Value (NAV) per unit

	2005 <sup>(2)</sup>
Net asset value per unit, beginning of year <sup>(1)</sup>	23.76 <sup>(3)</sup>
Increase (decrease) from operations	
Total revenue	0.24
Total expenses	(0.12)
Realized gains for the period	0.01
Unrealized gains for the period	1.35
Total increase (decrease) from operations <sup>(4)</sup>	<u>1.48</u>
Distributions <sup>(5)</sup>	
Taxable Dividends	(0.48)
Capital Gains	<u>(0.04)</u>
Total annual distributions	(0.52)
Net asset value per unit at November 30	24.72
Net asset value per Preferred share	10.00
Net asset value per Class A share	<u>14.72</u>
Net asset value per unit at November 30	24.72

<sup>(1)</sup> Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities excluding the Preferred shares of the Fund on that date divided by the number of units then outstanding

<sup>(2)</sup> Initial period was from July 15, 2005 (inception date) to November 30, 2005

<sup>(3)</sup> Initial net asset value per unit is after deducting all agents' fees and filing costs in connection with the initial public offering.

<sup>(4)</sup> Total increase (decrease) from operations is before the payment of Preferred and Class A share distributions and is calculated based on the weighted average number of units outstanding during the year.

<sup>(5)</sup> Distributions are to Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

## Ratios And Supplemental Data

	2005 <sup>(1)</sup>
Net assets (millions)	\$284.9
Number of units outstanding <sup>(2)</sup>	11,525,000
Base Management expense ratio <sup>(3)</sup>	1.30%
Management expense ratio including one time initial offering expenses <sup>(4)</sup>	6.50%
Portfolio turnover rate <sup>(5)</sup>	0.5%
Trading expense ratio <sup>(6)</sup>	0.07%
Closing market price (TSX): Preferred shares	\$11.15
Closing market price (TSX): Class A shares	\$14.45

<sup>(1)</sup> Results for the period July 15, 2005 (inception date) to November 30, 2005.

<sup>(2)</sup> This information is provided as at November 30, 2005.

<sup>(3)</sup> A separate base management expense ratio has been presented to reflect the normal operating expenses of the Fund excluding the one time initial offering expenses. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net assets during the period.

<sup>(4)</sup> Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company.

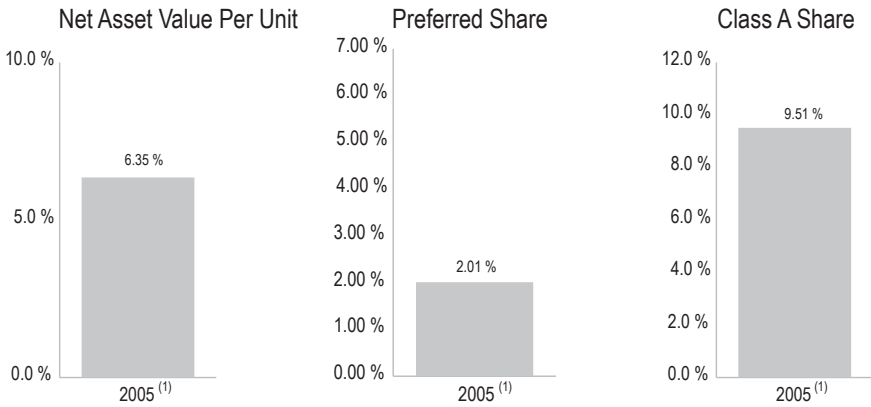
<sup>(5)</sup> The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds.

<sup>(6)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the period.

## Past Performance

The past performance of 1) the net asset value per unit (1 Preferred share and 1 Class A share) 2) the Preferred share on net asset value basis and the 3) Class A share on a net asset value basis for the annual periods ending November 30 is presented in the bar charts below. In respect to the charts displayed below, please note the following:

- the performance information shown assumes that all cash distributions made by the Company during the periods shown were reinvested in the applicable additional securities of the Fund
- the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
- past performance of the Company does not necessarily indicate how it will perform in the future.



<sup>(1)</sup> Based on the initial period from July 15, 2005 (inception date) to November 30, 2005



# Auditors' Report

December 22, 2005

## Auditors' Report

### To the Shareholders of Prime Rate Plus Corp.

We have audited the statement of portfolio investments of **Prime Rate Plus Corp.** (the "Company") as at November 30, 2005, the statement of financial position as at November 30, 2005 and the statement of operations and retained earnings, changes in shareholders' equity and cash flow for the period from July 15, 2005 (date of commencement) to November 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and the results of its operations and cash flow for the period from July 15, 2005 to November 30, 2005 in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

**Toronto, Ontario**

# Prime Rate Plus Corp.

## Statement of Financial Position

As at November 30

	2005
<b>Assets</b>	(\$)
Investments* - at market value	281,322,716
Cash	5,433,696
Interest, dividends and other receivables	12,300
<b>Total Assets</b>	<b><u>286,768,712</u></b>
<b>Liabilities</b>	
Fees and other accounts payable	406,433
Distributions payable	1,500,651
Preferred shares (note 3)	115,250,000
	<u>117,157,084</u>
<b>Shareholders' Equity</b>	
Class A and Class B shares (note 4)	158,546,000
Retained earnings	11,065,628
	<u>169,611,628</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b><u>286,768,712</u></b>
*cost \$265,769,977	
Number of units (1 Preferred share and 1 Class A share) outstanding	11,525,000
Net asset value per unit	\$24.72
Net asset value per Preferred share	\$10.00
Net asset value per Class A share	\$14.72

Approved on behalf of the Board of Directors



**Wayne Finch**  
Chairman and  
Chief Investment Officer



**Peter Cruickshank**  
Managing Director and  
Chief Financial Officer

# Prime Rate Plus Corp.

## Statement of Operations and Retained Earnings

For the period from July 15 to November 30, 2005

	For the period July 15, 2005 to Nov 30, 2005 (\$)
<b>Income</b>	
Dividends	2,671,045
Interest	122,628
	<u>2,793,673</u>
<b>Expenses</b> (note 5)	
Management fees	891,954
Service fees	301,412
Audit fees	15,888
Directors' fees	7,374
Custodian fees	24,820
Other operating expenses	38,614
Goods and services tax	68,504
	<u>1,348,566</u>
<b>Net investment income before distributions on Preferred shares</b>	<b>1,445,107</b>
<b>Distributions on Preferred shares</b> (note 3 and 6)	<b>(2,294,493)</b>
<b>Net investment loss for the period</b>	<b>(849,386)</b>
<b>Realized and unrealized gain on investments and options</b>	
Net realized gain on investments and options	107,900
Change in unrealized appreciation of investments	15,552,739
	<u>15,660,639</u>
<b>Net gain on investments and options for the period</b>	<b>15,660,639</b>
<b>Increase in net assets from operations for the period</b>	<b>14,811,253</b>
<b>Retained earnings - Beginning of period</b>	<b>-</b>
<b>Distributions on Class A shares</b> (note 4 and 6)	<b>(3,745,625)</b>
<b>Retained earnings - End of period</b>	<b>11,065,628</b>
<b>Increase in net assets from operations per Class A share</b>	<b>1.29</b>

# Prime Rate Plus Corp.

## Statement of Changes in Shareholders' Equity

For the period from July 15 to November 30, 2005

	For the period from July 15, 2005 to Nov 30, 2005 (\$)
<b>Shareholders' equity - Beginning of period</b>	-
<b>Increase in net assets from operations</b>	14,811,253
Gross proceeds from issue of Class A shares	172,875,000
Agents' fees and filing costs in connection with the initial public offering	(14,330,000)
Net proceeds from issue of Class A shares (note 4)	158,545,000
Net proceeds from issue of Class B shares (note 4)	1,000
Distributions on Class A shares From return of capital	(3,745,625)
<b>Increase in net assets for the period</b>	<b>169,611,628</b>
<b>Shareholders' equity - End of period</b>	<b>169,611,628</b>

# Prime Rate Plus Corp.

## Statement of Cash Flow

For the period from July 15 to November 30, 2005

For the period  
from July 15, 2005  
to Nov 30, 2005

### Cash flow from Operating activities

Net investment (loss)	(849,386)
Proceeds from sale of investments	1,319,400
Purchase of investments	(266,981,477)
Net change in receivable balances	(12,300)
Net change in payable balances	1,907,084
Cash flow from operations	(264,616,679)

### Cash flow from Shareholder activities

Gross proceeds from the issue of Class A shares and Preferred shares*	288,126,000
Agents' fee and filing fees in connection with the initial public offering	(14,330,000)
Distributions on Class A shares	(3,745,625)
Cash flow from Shareholder activities	270,050,375

Net increase in cash 5,433,696

Cash, beginning of period -

**Cash, end of period 5,433,696**

\*includes 1,000 Class B shares

# Prime Rate Plus Corp.

## Statement of Portfolio Investments

As at November 30, 2005

No. of shares	Description	Average cost/ (Premiums received) (\$)	Market value(\$)
<b>Canadian Core Common Equities</b>			
821,000	Bank of Montreal	48,813,675	51,476,700
910,000	Bank of Nova Scotia	37,719,310	40,640,600
801,400	Canadian Imperial Bank of Commerce	60,847,052	60,257,266
300,000	National Bank of Canada	16,957,375	18,528,000
600,000	Royal Bank of Canada	46,944,150	53,412,000
930,000	Toronto-Dominion Bank	52,374,686	56,172,000
	<b>Total Canadian Core Common Equities (99.7%)</b>	<b><u>263,656,248</u></b>	<b><u>280,486,566</u></b>
<b>Other Canadian Common Equities</b>			
41,000	Manulife Financial Corp.	2,510,335	2,753,150
	<b>Total Other Canadian Common Equities (1.0%)</b>	<b><u>2,510,335</u></b>	<b><u>2,753,150</u></b>
	<b>Total Canadian Common Equities (100.7%)</b>	<b><u>266,166,583</u></b>	<b><u>283,239,716</u></b>
<b>Call Options written (100 shares per contract)</b>			
<b>Canadian call options written</b>			
(1,000)	Bank of Montreal, December 2005 @ \$58	(80,500)	(565,000)
(900)	Bank of Montreal, January 2006 @ \$60	(44,046)	(297,000)
(900)	Canadian Imperial Bank of Commerce, December 2005 @ \$76	(35,550)	(72,000)
(200)	Manulife Financial, December 2005 @ \$62	(23,400)	(105,000)
(200)	Manulife Financial, December 2005 @ \$66	(15,600)	(33,000)
(1,000)	Royal Bank of Canada, December 2005 @ \$86	(102,000)	(395,000)
(1,000)	Toronto-Dominion Bank, December 2005 @ \$56	(95,510)	(450,000)
	<b>Total Canadian call options written (-0.7%)</b>	<b><u>(396,606)</u></b>	<b><u>(1,917,000)</u></b>
	<b>Total Investments (100%)</b>	<b><u>265,769,977</u></b>	<b><u>281,322,716</u></b>

The Statement of Portfolio Investments is at November 30, 2005 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

# Prime Rate Plus Corp.

## Notes to Financial Statements

For the period from July 15, 2005 to November 30, 2005

### 1. Incorporation

Prime Rate Plus Corp (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on May 25, 2005 and began investment operations on July 15, 2005. The manager of the Company is Quadravest Inc. (the Manager) and the investment manager is Quadravest Capital Management Inc. (Quadravest). All shares outstanding on December 1, 2012, the termination date of the Company, will be redeemed by the Company on that date.

### 2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting periods. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

#### Valuation of investments

Investments are recorded in the financial statements at their market values at the end of the period, determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices. Shares or other securities for which market quotations are not readily available are valued at fair market values as determined by the Manager.
- Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

#### Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the value of investments in shareholders' equity.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

# Prime Rate Plus Corp.

## Notes to Financial Statements

For the period from July 15, 2005 to November 30, 2005

### 3. Preferred shares

The Company is authorized to issue an unlimited number of Preferred shares.

Issued and outstanding	November 30, 2005
11,525,000 Preferred shares	<u>\$115,250,000</u>

On July 15, 2005, 11,200,000 Preferred shares were issued at \$10 per share. An additional 325,000 Preferred shares were issued for proceeds of \$3,250,000.

Preferred shares are entitled to cumulative preferential floating rate monthly cash dividends at a rate per annum equal to the Prime Rate in Canada plus 0.75% with a minimum annual rate of 5.0% and a maximum annual rate of 7.0% (based on the original issue price).

All Preferred shares outstanding on December 1, 2012 will be redeemed by the Company on that date. For accounting purposes, the Preferred shares have been presented as liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

Preferred shares trade under the symbol "PPL.PR.A" on the Toronto Stock Exchange (TSX). Preferred shares trading price on the TSX was \$11.15 as at November 30, 2005. Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of July in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of July. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at November 30, 2005 was \$24.72. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

### 4. Class A shares and Class B shares

#### Authorized

An unlimited number of Class A shares  
1,000 Class B shares

<u>Issued and outstanding</u>	November 30, 2005
11,525,000 Class A shares	\$158,545,000
1,000 Class B shares	<u>\$1,000</u>
	<u>\$158,546,000</u>

Class A shares were issued at \$15 per share. Class A share distributions are floating rate monthly cash distributions targeted to be at a rate per annum equal to the Prime Rate in Canada plus 2.0% with a minimum targeted annual rate of 5.0% and a maximum targeted annual rate of 10% (based on the original issue price). All Class A shares outstanding on December 1, 2012 will be redeemed by the Company on that date.

# Prime Rate Plus Corp.

## Notes to Financial Statements

For the period from July 15, 2005 to November 30, 2005

Class A shares trade under the symbol "PPL" on the Toronto Stock Exchange (TSX). Class A shares trading price on the TSX was \$14.45 as at November 30, 2005. Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Preferred share (together, a "unit") in the month of July in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of July. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at November 30, 2005 was \$24.72. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

On July 15, 2005, the Company issued 11,200,000 Class A shares for a gross proceeds of \$168,000,000. An additional 325,000 Class A shares were issued on July 29, 2005 for proceeds of \$4,875,000. Agents' fees of \$13,830,000 and filing costs of \$500,000 were incurred in connection with this offering.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On July 15, 2005, the Company issued \$1,000 Class B shares to Quadravest Capital Management Inc., the Company's investment manager, for cash consideration of \$1,000.

### 5. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.20% of the net assets of the Fund, which includes the outstanding Preferred shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net assets of the Company, which includes the outstanding Preferred shares, calculated as at each monthly valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$891,954 incurred during the period include the administration fee and base management fee.

# Prime Rate Plus Corp.

## Notes to Financial Statements

For the period from July 15, 2005 to November 30, 2005

### 5. Expenses (continued)

Total brokerage commission paid during the year by the Company for its portfolio transactions were \$180,815.

### 6. Distributions

The Company's investment objectives are to provide floating monthly distributions to both the Preferred and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2012.

Distributions per share were as follows:

November 30, 2005

Preferred shares	\$0.1991
Class A shares	\$0.325

### 7. Income Taxes

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) (the Act) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

The Company is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.

### 8. Financial instruments and risk management

The fair values of the Company's assets and liabilities are affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies.

## **Quadravest Capital Management Inc.**

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm's tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to Quadravest.

Quadravest's investment strategy combines equity investments with covered call writing. Quadravest has completed initial public offerings for fifteen products in excess of \$2.0 billion.

# Request For Financial Statements

## Prime Rate Plus Corporation (PMPQ)

Dear Shareholder:

The financial reports for Prime Rate Plus Corp. will be available online to view or download at [www.primerateplus.com](http://www.primerateplus.com) and [www.sedar.com](http://www.sedar.com).

If you wish to receive our financial statements by mail, please choose one of the following options:

- 1) Register online at [www.computershare.com/ca/maillinglist](http://www.computershare.com/ca/maillinglist) or
- 2) Complete, detach and return this form by mail to:  
Computershare Investor Services  
Stock and Bond Transfer Department  
100 University Avenue, 9th floor  
Toronto, ON  
M5J 2Y1

Your name will then be placed on the Supplemental Mailing List maintained by our Transfer Agent and Registrar, Computershare Investor Services. Once submitted, your preference will remain a standing instruction. You can change your preference at any time by contacting Computershare using either one of the methods listed above.

If you have any questions about this procedure, please contact Computershare Investor Services by phone at 1-800-564-6253 or by email at [service@computershare.com](mailto:service@computershare.com).

To:

### Computershare Investor Services and Prime Rate Plus Corp. (PMPQ)

Please add my name to the Supplemental Mailing List for Prime Rate Plus Corp. and send me the financial statements as indicated below:

<input type="checkbox"/> Interim Financial Statements (includes Management Report of Fund Performance)	Name: _____ (Please print)
<input type="checkbox"/> Annual Financial Statements (includes Management Report of Fund Performance)	Address: _____ _____ _____ _____
	Postal/Zip: _____



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