PROSPECTUS

Initial Public Offering June 28, 2010

CANSO CREDIT INCOME FUND

Maximum $200,000,000
(Maximum 20,000,000 Class A Units and/or Class F Units)

Canso Credit Income Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario. The Fund proposes to offer Class A Units and Class F Units (collectively, the "**Units**"), each at a price of $10.00 per Unit (the "**Offerings**"). Class F Units are designed for fee-based and/or institutional accounts and will not be listed on a stock exchange, but are convertible into Class A Units on a monthly basis.

Overview

Canso Investment Counsel Ltd. ("**Canso**") believes that, in the current low interest rate environment, investors are seeking fixed income portfolios that generate attractive cash income, while limiting credit and interest rate risks to acceptable levels. The Canso Credit Income Fund has been established to generate attractive risk-adjusted returns throughout the credit cycle, including monthly, tax-advantaged distributions, by providing exposure to a diversified portfolio consisting primarily of corporate bonds (the "**Portfolio**"). The Portfolio will be actively managed by Canso. Canso is a leading Canadian corporate bond specialist and credit manager.

Canso believes that it is able to access market segments and exploit inefficiencies in the corporate bond market that are not available or apparent to most investors, due to its proprietary credit analysis and trading expertise. In addition, the closed end fund structure will enable Canso to employ investment strategies designed to reduce the credit risk of the Portfolio and to protect it in a rising interest rate environment.

Dedicated Corporate Bond Specialist and Credit Manager

Canso was founded in 1997 by John Carswell, and today manages a wide range of credit portfolios ranging from investment grade to distressed debt. With over $4.0 billion in assets under management, Canso's clients include corporations, insurance companies, public sector entities, endowments, pension funds, investment funds and high net worth private clients. Canso believes that it has assembled one of Canada's largest and most experienced teams of corporate bond and credit professionals.

Canso tends to be "bottom up", focusing on security selection and then adjusting the portfolio to stay within Canso's duration and term targets. Canso will vary the exposure to credit risk in the Portfolio over time during the credit cycle according to the opportunities presented in the market using what Canso calls the *Credit Shift* approach. Canso believes this approach has added significant value to Canso portfolios by protecting portfolios in bear markets and generating high returns in attractive credit markets. For example, the Canso Corporate Value Fund, which Canso manages using a substantially similar investment strategy, has produced a compound annual return of 10.4% per annum since its inception on December 31, 2000, net of fees and expenses. Moreover, the Canso Corporate Value Fund has never experienced a negative annual return since its inception.

Investment Objectives

The Fund will seek to achieve the following investment objectives:

(i) to maximize total returns for Unitholders, on a tax-advantaged basis, while reducing risk; and

(ii) to provide Unitholders with attractive monthly tax-advantaged cash distributions, initially targeted to be $0.50 per Unit per annum, representing an annual yield of 5.00% based on the original issue price of $10.00 per Unit.

It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. The Fund will be managed by Lysander Funds Limited (the "**Manager**" or "**Lysander**"), an affiliate of Canso. Commencing in December 2010, the Fund will determine and announce each quarter the distribution amount for the following quarter, based upon the Manager's estimate of distributable cash flow of the Fund for the quarter. The Fund may make additional distributions in any given year. See "Distributions".

Investment Strategy

The specific strategy to be employed by Canso from time to time in managing the Portfolio will depend on the phase of the credit cycle and the bottom up valuation of individual securities. When credit spreads are very tight, as they were in 1997 and again in early 2007, Canso's valuation focus will concentrate the Portfolio on high quality (primarily investment grade) corporate bonds which will reduce its credit risk. When credit spreads are wide, as they were in 2002 and during the "credit crunch" in 2008-2009, Canso will aim to exploit the wide credit spreads to add significant value to the Portfolio in the subsequent credit market rally. If the Portfolio existed today, it would include approximately 75% investment grade bonds.

Risk Management

Interest Rates and Foreign Currency Exposure

Canso will employ investment strategies designed to reduce the risk to the Portfolio of rising interest rates. Such strategies may include holding floating rate securities and shorting government bonds against corporate bonds with similar terms. In addition, Canso will limit the unhedged foreign currency exposure of the Portfolio to no more than 20% of the Portfolio's net asset value.

(continued on next page)

(continued from cover)

Credit Risk

Canso believes that credit market events in 2007 and 2008 demonstrated the unreliability of credit ratings insofar as they frequently did not reflect the actual credit risk of a security, even in the case of highly rated securities. Canso does not rely on published credit ratings in making investment decisions. Rather, Canso establishes a proprietary "*Canso Rating*" and "*Maximum Loss*" for each investment decision. **In constructing a portfolio, Canso focuses on maximizing risk-adjusted returns, rather than attempting to replicate the credit profile of benchmark indices**.

Use of Derivatives and Shorting

Canso will primarily use derivatives, in keeping with its investment objectives, for hedging Portfolio positions with the intention of offsetting or reducing risks associated with losses from currency fluctuations, interest rate changes and credit risks. Canso will not expose more than 10% of the Portfolio's net asset value through the use of derivatives for purposes other than hedging positions in the Portfolio.

Canso Credit Trust may also engage in short selling of securities both to hedge credit and interest rate risk and to exploit the overvaluation of securities. Junior securities may be sold short to hedge the credit risk of more senior issues. In some circumstances, the equity securities of an issuer may be sold short to hedge a long position in its debt securities. Canso believes that these additional strategies will allow the Fund to be positioned more defensively in both rising rate environments and credit downturns.

Forward Agreement

The return to the holders of Units ("**Unitholders**") and the Fund will be based upon the return on the Portfolio (or Notional Portfolio (as defined below)) by virtue of a forward purchase and sale agreement (the "**Forward Agreement**") with the Counterparty (as defined below). The Counterparty may hedge its exposure under the Forward Agreement, by acquiring units of Canso Credit Trust, which will be a newly formed Ontario trust that will acquire the Portfolio. If the Counterparty does not acquire such units in Canso Credit Trust, Canso will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings to prepay the purchase price under the Forward Agreement, pursuant to which the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date (as defined below), the Canadian Securities Portfolio (as defined below) with an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Canso Credit Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, Canso Credit Trust expects to issue units to the Counterparty with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which, Canso Credit Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of Canso Credit Trust, which, in turn, will be based on the performance of the Portfolio. If no such Canso Credit Trust units are acquired by the Counterparty, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund monthly distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. See "Overview of the Investment Structure — The Forward Agreement".

Canso Credit Trust will be a newly created investment trust established prior to the Closing (as defined herein) for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the units of Canso Credit Trust is expected to be the Counterparty or its affiliate. On the Closing Date (as defined herein), the Counterparty or one of its affiliates may subscribe for units of Canso Credit Trust with an aggregate purchase price of not less than the amount received from the Fund as the pre-payment of its purchase obligations under the Forward Agreement. Canso Credit Trust will use any subscription proceeds it receives to acquire the Portfolio. See "Overview of the Investment Structure — Canso Credit Trust".

Price: $10.00 per Class A Unit and $10.00 per Class F Unit

	Price to the Public	Agents' Fee	Net Proceeds to the Fund[(2)]
Per Unit Class A Unit	$10.00	$0.525	$9.475
Per Unit Class F Unit	$10.00	$0.225	$9.775
Minimum Total Offering[(3)(4)]	$35,000,000	$1,375,000	$33,625,000
Maximum Total Offering[(4)]	$200,000,000	$10,500,000	$189,500,000

(1) The terms of the Offerings were established through negotiation between the Agents and Canso on behalf of the Fund.

(2) Before deducting the expenses of the Offerings, estimated to be $525,000 (but not to exceed 1.5% of the gross proceeds of the Offerings) which, together with the Agents' fee, will be paid by the Fund from the proceeds of the Offerings.

(3) There will be no Closing unless a minimum of 3,500,000 Class A Units are sold. If subscriptions for a minimum of 3,500,000 Class A Units have not been received within 90 days after a final receipt for this prospectus is issued, the Offerings may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Units on or before such date. If subscriptions for a minimum of 500,000 Class F Units have not been received by the Closing Date, the Class F Units will not be issued.

(4) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offerings, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $230,000,000, $12,075,000 and $217,925,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

(continued from cover)

Beginning on the Annual Redemption Date in June 2011, Units will be redeemable at the option of Unitholders at the Redemption Net Assets per Unit in each year in on the Annual Redemption Date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Agreement to fund such redemption. Units must be surrendered for redemption at least 10 Business Days prior to the Annual Redemption Date. See "Redemption of Units".

Unitholders will also have the option to redeem Units for a cash amount equal to 100% of the Redemption Net Assets per Unit (less any costs associated with the redemption, including commissions and other such costs, if any) at the end of the term of the Forward Agreement, being on or about June 30, 2015 (the "Forward Termination Date"), regardless of whether the Manager causes the Fund to enter into a new forward agreement or causes the Fund to hold the Portfolio directly at any time after the Forward Termination Date. Units must be surrendered for redemption at least 10 Business Days prior to the Forward Termination Date. See "Redemption of Units".

Pursuant to the Recirculation Agreement (as defined herein), RBC Dominion Securities Inc. may resell Units tendered for redemption. See "Redemption of Units — Resale of Units Tendered for Redemption".

Under the terms of the Declaration of Trust, on or after the Forward Termination Date, the Manager may cause the Fund to enter into a new forward agreement with a term to be determined by the Manager at such time or, if it is not practicable to enter into such a new forward agreement at such time, the Manager may cause the Fund to invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, in each case without Unitholder approval. In the event that the Manager does not cause the Fund to enter into a new forward agreement or invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, within 30 days after the Forward Termination Date, the Manager shall terminate the Fund. **The Manager shall inform Unitholders by way of press release not less than 20 Business Days prior to the Forward Termination Date whether the Manager intends to cause the Fund to enter into a new forward agreement (and if so, the material terms of such agreement), invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio or terminate the Fund.** See "Term of the Forward Agreement".

The Canso Corporate Value Fund, which employs a substantially similar investment strategy to that which is expected to be employed for the Portfolio, has a current cash yield of approximately 5.35% per annum as of April 30, 2010. In order for the Fund to pay distributions on the Units of 5.00% per annum, funded by partial presettlements of the Forward Agreement (discussed below), while maintaining a stable Net Asset Value, the Portfolio, if it existed today, would be required to generate additional returns of approximately 0.30% in excess of its current cash yield through the sale of securities or other returns assuming (i) an aggregate size of the Offerings of $100 million; (ii) fees and expenses described under "Fees and Expenses"; (iii) initial leverage of 23% of the total assets of Canso Credit Trust; and (iv) no defaults in the securities included in the Portfolio.

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term, nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in Units including general risks of investing in corporate bonds and other credit instruments, the use of short selling and derivatives, foreign currency exposure and the use of leverage. There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. The TSX has conditionally approved the listing of the Class A Units. The listing of the Units will be subject to the Fund fulfilling all of the requirements of the TSX on or before September 23, 2010, including the distribution of the Class A Units to a minimum number of public holders. See "Risk Factors".

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank affiliate of one of the Agents. Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. The Manager is entitled to receive certain fees. See "Organization and Management of the Fund — The Manager of the Fund" and "Plan of Distribution".

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., GMP Securities L.P., Dundee Securities Corporation, Canaccord Genuity Corp., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd. and Wellington West Capital Markets Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by McCarthy Tétrault LLP.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. The Agents may over-allot or effect transactions as described under "Plan of Distribution". Registrations of interests in and transfers of Units will be made only through non-certificated interests issued under the book-entry only system administered by CDS Clearing and Depository Services Inc. Non-certificated interests representing the aggregate Class A Units and the Class F Units subscribed for under the Offerings will be recorded, in the name of CDS or its nominee, on the register of the Fund maintained by CIBC Mellon Trust Company on the date of Closing, which is expected to occur on or about July 16, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing their ownership in the Units.

Although units of Canso Credit Trust are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of Canso Credit Trust from each of the Autorité des marchés financiers and the Ontario Securities Commission. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

TABLE OF CONTENTS

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offerings and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms".

THE FUND

Canso Credit Income Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario. See "Overview of the Investment Structure".

PRODUCT OVERVIEW

Canso Investment Counsel Ltd. ("**Canso**") believes that, in the current low interest rate environment, investors are seeking fixed income portfolios that generate attractive cash income, while limiting credit and interest rate risks to acceptable levels. The Fund has been established to generate attractive risk-adjusted returns throughout the credit cycle, including monthly, tax-advantaged distributions, by providing exposure to a diversified portfolio consisting primarily of corporate bonds (the "**Portfolio**"). The Portfolio will be actively managed by Canso. Canso is a leading Canadian corporate bond specialist and credit manager.

Canso believes that it is able to access market segments and exploit inefficiencies in the corporate bond market that are not available or apparent to most investors, due to its proprietary credit analysis and trading expertise. In addition, the closed end fund structure will enable Canso to employ investment strategies designed to reduce the credit risk of the Portfolio and to protect it in a rising interest rate environment.

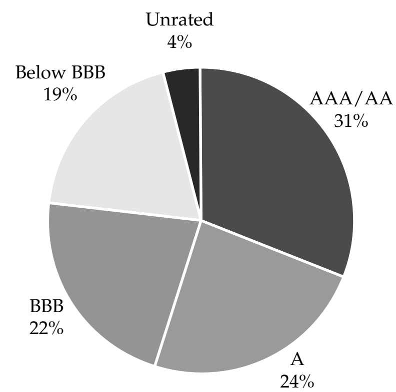
THE OFFERINGS

The Offerings:	The Fund is offering Class A Units and Class F Units (collectively, the "**Units**"). See "Plan of Distribution". The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units; and (iii) the Management Fee (as defined below) payable in respect of the Class A Units is reduced by an amount equal to the Service Amount (as defined below). Accordingly, the Net Asset Value per Unit (as defined herein) of each class will not be the same as a result of the different fees allocable to each class of Units. See "Fees and Expenses".
Price:	$10.00 per Class A Unit $10.00 per Class F Unit
Minimum and Maximum Issue:	A minimum of $35,000,000 of Class A Units (3,500,000 Class A Units), a minimum of $5,000,000 Class F Units (500,000 Class F Units) and a maximum of $200,000,000 of Class A Units and/or Class F Units (20,000,000 Class A Units and/or Class F Units).
Investment Objectives:	The Fund will seek to achieve the following investment objectives: (i) to maximize total returns for Unitholders, on a tax-advantaged basis, while reducing risk; and (ii) to provide Unitholders with attractive monthly tax-advantaged cash distributions, initially targeted to be $0.50 per Unit per annum, representing an annual yield of 5.00% based on the original issue price of $10.00 per Unit.

Investment Strategy:	Canso tends to take a "bottom up" approach to portfolio construction, focusing on security selection and then adjusting the portfolio to stay within its duration and term targets. The exposure to credit risk in the Portfolio will depend on the phase of the credit cycle and the bottom up valuation of individual securities. When credit spreads are very tight, as they were in 1997 and again in early 2007, Canso's valuation focus will concentrate the Portfolio on high quality (primarily investment grade) corporate bonds which will reduce its credit risk. When credit spreads are wide, as they were in 2002 and during the "credit crunch" in 2008-2009, Canso will aim to exploit the wide credit spreads to add significant value to the Portfolio in the subsequent credit market rally. If the Portfolio existed today, it would include approximately 75% investment grade bonds. In managing the Portfolio, Canso will employ a substantially similar investment strategy and process to that which it employs in the Canso Corporate Value Fund, which has produced a net compound annual return of 10.4% per annum since its inception on December 31, 2000, net of all fees and expenses. The Canso Corporate Value Fund has never experienced a negative annual return. See "Investment Strategy — Historical Performance of Canso Corporate Value Fund". **The Canso Corporate Value Fund differs from the Fund in certain respects. See "Historical Performance of Canso Corporate Value Fund" below.**
Risk Management:	*Interest Rate Exposure*. Canso will employ investment strategies designed to reduce the risk to the Portfolio of rising interest rates. Such strategies may include holding floating rate securities and shorting government bonds against corporate bonds with similar terms. *Credit Risk*. Canso believes that credit market events in 2007 and 2008 demonstrated the unreliability of credit ratings insofar as they frequently did not accurately reflect the actual credit risk of a security, even in the case of highly rated securities. Canso does not rely on published credit ratings in making investment decisions. Rather, Canso establishes a proprietary "*Canso Rating*" and "*Maximum Loss*" for each investment decision. In constructing a portfolio, Canso focuses on maximizing risk-adjusted returns, rather than attempting to replicate the credit profile of benchmark indices.
Use of Derivatives and Shorting:	Canso will primarily use derivatives, in keeping with its investment objectives, for hedging Portfolio positions with the intention of offsetting or reducing risks associated with losses from currency fluctuations, interest rate changes and credit risks. Canso will not expose more than 10% of the Portfolio's net asset value through the use of derivatives for purposes other than hedging positions in the Portfolio. Canso Credit Trust may also engage in short selling of securities both to hedge credit and interest rate risk and to exploit the overvaluation of securities. Junior securities may also be sold short to hedge the credit risk of more senior issues. In some circumstances, the equity securities of an issuer may be sold short to hedge a long position in its debt securities. Canso believes that these additional strategies will allow the Fund to be positioned more defensively in both rising rate environments and credit downturns.
Indicative Composition of Portfolio:	The Portfolio is expected to be similar to that of the Canso Corporate Value Fund, which Canso has managed since its inception in 2001. The Canso Corporate Value Fund and the Fund are different in several respects as more

particularly described below. The two charts below illustrate the portfolio composition by rating of the Canso Corporate Value Fund as of March 31, 2010 and the top twenty holdings of Canso Corporate Value Fund as of April 30, 2010.

Canso Corporate Value Fund
Distribution of Assets by Rating Category
March 31, 2010



Top Twenty Holdings of Canso Corporate Value Fund
April 30, 2010

Fund/Index	Holdings	Book Price	Market Price	Yield to Maturity	Currency	Country of Origin	Rating[(1)]
Goldman Sachs 5.25% Jun 1, 2016	5.0%	$ 94.00	$ 99.71	5.3%	CAD	USA	A
Morgan Stanley 4.90% Feb 23, 2017	4.4%	$ 89.98	$ 97.72	5.3%	CAD	USA	A+
Royal Bank of Scotland Tier 1 6.666% Oct 5, 2017	4.1%	$ 59.53	$ 72.18	4.4%	CAD	UK	C
GE Capital Canada 5.73% Oct 22, 2037	4.1%	$ 81.48	$ 98.77	5.8%	CAD	CAN	AA
Merrill Lynch & Co 4.5% Jan 30, 2012	4.0%	$100.19	$102.19	3.2%	CAD	USA	A
Westpac Banking Group 3.75% Dec 1, 2014	3.7%	$100.13	$ 99.29	3.9%	CAD	Australia	AA
Sallie Mae 4.625% Jun 15, 2011	3.3%	$ 86.60	$ 99.63	5.0%	CAD	USA	BB+
Commonwealth Bank of Australia 3.625% Oct 14, 2014	3.1%	$100.21	$ 98.37	4.0%	CAD	Australia	AA+
Kimco North Trust III 5.99% April 13, 2018	2.7%	$100.25	$101.48	5.8%	CAD	USA	BBB+
CIT Group Inc. 7.00% May 1, 2017	2.7%	$ 93.42	$ 95.13	7.9%	USD	USA	B+
Hwy 407 Jr Extendible 7.00% 26 Jul 2010 — 7.125/40	2.5%	$105.27	$121.04	5.6%	CAD	CAN	A−
MLFA 2007-CA22 A2 4.711% Oct 12, 2016	2.5%	$100.74	$ 99.13	5.1%	CAD	CAN	AAA
Dexia Municipal Agency 4.68% Mar 9, 2029	2.5%	$ 88.16	$ 87.73	5.8%	CAD	France	AAA
Altagas Income Trust 5.49% March 27, 2017	2.3%	$100.57	$101.44	5.2%	CAD	CAN	BBB
Kimco North Trust III 5.18% Aug 16, 2013	2.3%	$ 93.51	$101.88	4.6%	CAD	USA	BBB+
Royal Bank of Scotland 5.37% May 12, 2016	2.2%	$ 39.58	$ 73.68	11.5%	CAD	UK	BB
Viterra Inc. 8.50% Jul 7, 2014	1.9%	$100.00	$109.28	6.0%	CAD	CAN	BB+
Cogeco Cable Inc. 5.95% Jun 9, 2014	1.7%	$105.07	$106.73	4.2%	CAD	CAN	BBB−
GE Capital Corp. 5.68% Sept 10, 2019	1.7%	$102.06	$105.41	5.0%	CAD	CAN	AA
Altagas Income Trust 7.42% Apr 29, 2014	1.6%	$ 99.98	$111.00	4.4%	CAD	CAN	BBB

(1) Rating derived by using the lowest rating from DBRS, S&P, and Moody’s.

The Portfolio may or may not have a ratings and holdings portfolio composition similar to the foregoing since Canso will actively manage the Portfolio over time to meet its investment objectives.

The Canso Corporate Value Fund differs from the Fund in certain respects. See “Historical Performance of Canso Corporate Value Fund” below.

Historical Performance of Canso Corporate Value Fund:

The historical compound annual returns for the Canso Corporate Value Fund, which employs a substantially similar investment strategy to that which is expected to be employed for the Portfolio, are set out in the two charts below. Included in the first chart below are returns, net of fees, as of December 31, 2009 for the one, two, three, four, five and seven year periods and since inception on December 31, 2000 of the Canso Corporate Value Fund compared against the returns for the same periods of the DEX Universe Corporate Bond Index. Included in the second chart below are calendar year returns, net of fees, as of December 31, 2009 for each year since the inception of the Canso Corporate Value Fund compared against the returns for the same periods of the DEX Universe Corporate Bond Index.

Canso Corporate Value Fund
Net Compound Annual Returns (as of December 31, 2009)

Fund/Index	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	Since Inception
Canso Corporate Value Fund	25.2%	12.4%	10.1%	9.1%	8.6%	10.6%	10.4%
DEX Universe Corporate Bond Index	16.3%	8.0%	5.9%	5.5%	5.6%	6.2%	6.9%
Outperformance	*8.9%*	*4.4%*	*4.2%*	*3.6%*	*3.0%*	*4.4%*	*3.5%*

Canso Corporate Value Fund
Annual Returns for Years Ending December 31

Fund/Index	2009	2008	2007	2006	2005	2004	2003	2002	2001
Canso Corporate Value Fund	25.2%	0.9%	5.7%	6.1%	6.5%	7.7%	24.2%	10.2%	10.0%
DEX Universe Corporate Bond Index	16.3%	0.2%	1.8%	4.4%	6.0%	7.3%	8.5%	8.6%	9.3%
Outperformance	*8.9%*	*0.7%*	*3.9%*	*1.7%*	*0.5%*	*0.4%*	*15.7%*	*1.6%*	*0.7%*

Notes:

(1) There can be no assurance that the performance of the Portfolio will equal or exceed the performance of Canso Corporate Value Fund. The past performance of the Canso Corporate Value Fund may not be repeated and may not be indicative of future profit performance.

(2) The Canso Credit Trust is subject to the investment restrictions which the Canso Corporate Value Fund is not subject to. See "Overview of the Investment Structure — Investment Restrictions of Canso Credit Trust".

The Canso Corporate Value Fund differs from the Fund in certain respects. The Fund may employ leverage and may engage in short selling, both of which are strategies that are not employed by the Canso Corporate Value Fund. The Canso Corporate Value Fund, which is generally available only to accredited investors, has a management fee for its Class C Units of 0.50% and no Service Amount, Counterparty Fee or Performance Fee (each as defined below), resulting in a lower overall management expense ratio. Unlike the Fund, the Canso Corporate Value Fund does not pay monthly distributions, nor does it offer the expected tax advantages conferred by the Forward Agreement.

The Manager:

Lysander Funds Limited (the "**Manager**" or "**Lysander**"), an affiliate of Canso, is responsible for the management and administration of the Fund. The majority shareholder of the Manager and Canso is Grip Investments Ltd. which is a corporation controlled by John Carswell. The Manager is located in Richmond Hill, Ontario. See "Organization and Management of the Fund — The Manager of the Fund".

Canso has been retained by the Manager to provide investment advisory and portfolio management services to the Fund and Canso Credit Trust.

Canso: The Portfolio will be actively managed by Canso, a corporate bond specialist and credit manager. Canso was founded in 1997 by John Carswell, a Canadian corporate bond manager with 25 years of credit experience. Canso currently has over $4.0 billion in assets under management. Its clients include corporations, insurance companies, public sector entities, endowments, pension funds, investment funds and high net worth private clients. The credit portfolios managed by Canso are normally benchmarked to the DEX Universe Corporate Bond Index and have generated exceptional long term investment track records. The mandates of Canso include investment grade corporate bonds, high yield corporate bonds, bank loans, private placement bonds, convertible bonds and distressed debt.

John Carswell began his investment career at Mutual Life in 1985 as a Private Placement and Corporate Debt Analyst. He then became a Vice President and Partner in 1992 at TAL Investment Counsel Ltd. where he was responsible for credit analysis and managing specialty credit portfolios. He then moved to Foyston, Gordon & Payne in 1992 where he was the partner responsible for Fixed Income, Preferred Shares and other specialty credit management activities. He founded Canso in 1997 to specialize in the management of specialty corporate bond and credit portfolios.

Canso believes that it has assembled one of Canada's largest and most experienced teams of corporate bond and credit professionals, including a senior credit team consisting of Gail Mudie (MBA), Heather Mason-Wood (CFA, MBA), Vivek Verma (CFA, MBA, MA (Economics)) and Joe Morin (MBA).

In addition to their senior credit team, Canso has four dedicated credit analysts who support the senior credit team as well as another four portfolio managers and analysts who also have credit responsibilities. There are also two dedicated corporate bond traders and five securities administrators, all of whom support the senior credit team.

Leverage: Canso Credit Trust may utilize various forms of borrowing, including a loan facility and margin purchases, up to 30% of the net asset value of Canso Credit Trust at the time of the borrowing.

In addition, the total exposure of Canso Credit Trust will not exceed 130%, on a daily marked-to-market basis, with total exposure calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, divided by Net Asset Value of Canso Credit Trust.

Currency Hedging: Canso Credit Trust will enter into currency hedging to reduce the effects on the Portfolio of changes in the values of foreign currencies relative to the Canadian dollar. Canso will limit the unhedged foreign currency exposure of the Portfolio to no more than 20% of the Portfolio's net asset value.

Distributions: The Fund initially intends to pay monthly distributions on all Units in an amount equal to $0.50 per Unit per annum, representing a yield of 5.00% per annum on the issue price. The initial distribution is payable to Unitholders of record on or about August 31, 2010 and will be paid no later than September 15, 2010.

The Canso Corporate Value Fund, which employs the same investment strategy and process to that which is expected to be employed for the Portfolio, has a current cash yield of approximately 5.35% per annum as of April 30, 2010. In order for the Fund to pay distributions on the Units of 5.00% per annum, funded by partial presettlements of the Forward Agreement, while maintaining a stable Net Asset Value, the Portfolio, if it existed today, would be required to generate additional returns of approximately 0.30% in excess of its current cash yield through the sale of securities or other returns assuming (i) an aggregate size of the Offerings of $100 million; (ii) fees and expenses described under "Fees and Expenses"; (iii) initial leverage of 23% of the total assets of Canso Credit Trust; and (iv) no defaults in the securities included in the Portfolio.

It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital (which are not immediately taxable, but which reduce the adjusted cost base of a Unitholder's Unit). See "Canadian Federal Income Tax Considerations".

Commencing in December 2010, the Fund will determine and announce each quarter the amount to be distributed during the following quarter based upon the Manager's estimate of distributable cash flow of the Fund for the quarter. The Fund may make additional distributions in any given year.

The Forward Agreement: The return to the holders of Units ("**Unitholders**") and the Fund will be based upon the return on the Portfolio (or Notional Portfolio (as defined below)) by virtue of a forward purchase and sale agreement (the "**Forward Agreement**") with the Counterparty (as defined below). The Counterparty may hedge its exposure under the Forward Agreement, by acquiring units of Canso Credit Trust, which will be a newly formed Ontario trust that will acquire the Portfolio. If the Counterparty does not acquire such units in Canso Credit Trust, Canso will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings to prepay the purchase price under the Forward Agreement, pursuant to which the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date (as defined below), the Canadian Securities Portfolio (as defined below) with an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Canso Credit Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, Canso Credit Trust expects to issue units to the Counterparty with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which, Canso Credit Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of Canso Credit Trust, which, in turn, will be based on the performance of the Portfolio. If no such Canso Credit Trust units are acquired by the Counterparty, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund monthly

	distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. See "Overview of the Investment Structure — The Forward Agreement".
Canso Credit Trust:	Canso Credit Trust will be a newly created investment trust established prior to the Closing (as defined herein) for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the units of Canso Credit Trust is expected to be the Counterparty or an affiliate. On the Closing Date (as defined herein), the Counterparty or one of its affiliates may subscribe for units of Canso Credit Trust with an aggregate purchase price of not less than the amount received from the Fund as the pre-payment of its purchase obligations under the Forward Agreement. Canso Credit Trust will use any subscription proceeds it receives to acquire the Portfolio. See "Overview of the Investment Structure — Canso Credit Trust".
Redemption Privileges:	**Annual Redemption Right**: Units may be redeemed at the option of Unitholders on the Annual Redemption Date of each year, commencing in June 2011. Units so redeemed will be redeemed at the Redemption Net Assets per Unit in each year on the Annual Redemption Date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Agreement to fund such redemption. Units must be surrendered for redemption at least ten Business Days prior to the Annual Redemption Date. Payment of the proceeds of redemption will be made on or before the 15th Business Day of the following month. **Forward Termination Date Redemption Right:** Unitholders will also have the option to redeem Units for a cash amount equal to 100% of the Redemption Net Assets per Unit (less any costs associated with the redemption, including commissions and other such costs, if any) on the Forward Termination Date, regardless of whether the Manager causes the Fund to enter into a new forward agreement or causes the Fund to hold the Portfolio directly at any time after the Forward Termination Date. Units must be surrendered for redemption at least 10 Business Days prior to the Forward Termination Date. Payment of the proceeds of redemption will be made on or before the 15th Business Day of the following month. **Monthly Redemption Right:** Units may be redeemed at the option of Unitholders on a Monthly Redemption Date for an amount equal to the Monthly Redemption Amount (as defined below), subject to certain conditions. See "Redemption of Units" and "Risk Factors — Significant Redemptions". The Net Asset Value per Unit will vary depending on a number of factors. See "Calculation of Net Asset Value", "Redemption of Units" and "Risk Factors".
Term of the Forward Agreement:	The Forward Agreement has a term of approximately five years ending on or about June 30, 2015 (the "**Forward Termination Date**"). Under the terms of the Declaration of Trust, on or after the Forward Termination Date, the Manager may cause the Fund to enter into a new forward agreement with a term to be determined by the Manager at such time or, if it is not practicable to enter into such a new forward agreement at such time, the Manager may cause the Fund to invest the remaining assets of

the Fund directly in securities of the kind that comprise the Portfolio, in each case without Unitholder approval. In the event that the Manager does not cause the Fund to enter into a new forward agreement or invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, within 30 days after the Forward Termination Date, the Manager shall terminate the Fund. The Manager shall inform Unitholders by way of press release not less than 20 Business Days prior to the Forward Termination Date whether the Manager intends to cause the Fund to enter into a new forward agreement, invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio or terminate the Fund. See "Term of the Forward Agreement".

Use of Proceeds: The net proceeds from the issue of the maximum number of Units offered hereby after payment of the Agents' fee and the expenses of the Offerings are estimated to be $188,975,000 ($33,100,000 if the minimum number of Class A Units are issued). The Fund will use the net proceeds of the Offerings (including any net proceeds from the exercise of the Over-Allotment Option) to prepay the purchase price under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio having an aggregate value equal to the redemption proceeds of the relevant number of units of Canso Credit Trust. See "Use of Proceeds".

Conversion of Class F Units: A holder of Class F Units may convert Class F Units into Class A Units and it is expected that liquidity for the Class F Units will be largely obtained by means of conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX. Class F Units may be converted in any month on the second last Business Day of such month by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 10 Business Days prior to the Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units; any fractional amounts will be rounded down to the nearest whole number of Class A Units. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act. See "Description of the Units — Conversion of Class F Units".

Repurchase of Class A Units: The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders. See "Description of the Units — Purchase for Cancellation".

Risk Factors: An investment in Units is subject to certain risk factors, including: (i) that there is no assurance that the Fund or Canso Credit Trust will be able to achieve their investment objectives; (ii) the fact that Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit; (iii) the fact that the Class F Units will not be listed on any stock exchange; (iv) the possible loss of some or all of the investment; (v) risk of exposure to investments in corporate bonds and other credit instruments;

	(vi) fluctuations in the value of Portfolio securities; (vii) recent global financial developments; (viii) the use of short selling; (ix) unsecured Counterparty credit risk related to the Forward Agreement; (x) risks relating to the composition of the Portfolio; (xi) interest rate fluctuations; (xii) illiquid securities; (xiii) the use of derivatives; (xiv) a prime broker holding certain assets of Canso Credit Trust; (xv) risks relating to securities lending; (xvi) risks relating to the use of leverage; (xvii) risks relating to foreign currency; (xviii) reliance on the Manager and Canso; (xix) risks relating to taxes; (xx) no ownership of the Portfolio securities by the Fund; (xxi) changes in legislation; (xxii) conflicts of interest of the Fund and Canso Credit Trust; (xxiii) the status of the Fund under Canadian securities laws; (xxiv) risks relating to significant redemptions; (xxv) the Fund's lack of operating history; (xxvi) the fact that the Fund is not a trust company; and (xxvii) the nature of the Units. See "Risk Factors".
Canadian Federal Income Tax Considerations:	The Fund intends to distribute a sufficient amount of its income for each taxation year so that it will generally not be liable for Part I tax under the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The Fund intends to make designations so that the portion of net realizable taxable capital gains of the Fund that are distributed to Unitholders will be treated as taxable capital gains to Unitholders. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net realized capital gains and other net income will reduce the adjusted cost base of the Unitholder's Units. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon their own particular circumstances. See "Canadian Federal Income Tax Considerations".
Eligibility for Investment:	In the opinion of Stikeman Elliott LLP, counsel for the Fund, and McCarthy Tétrault LLP, counsel for the Agents, provided that the Fund qualifies at all times as a "mutual fund trust" within the meaning of the Tax Act or in the case of the Class A Units, the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. Unitholders planning to hold their Units in a tax-free savings account should consult their own tax advisor to determine whether the Units are "prohibited investments" for such accounts. See "Canadian Federal Income Tax Considerations".
Organization and Management of the Fund and Canso Credit Trust:	*Lysander and Promoter:* Lysander Funds Limited is the manager of both the Fund and Canso Credit Trust and will provide all management and administrative services required by the Fund and Canso Credit Trust. Lysander may be considered to be a promoter of the Fund within the meaning of the securities legislation of certain provinces of Canada. Lysander's head office is located at 100 York Blvd., Ste. 550, Richmond Hill, Ontario L4B 1J8.

Canso: Canso will provide all investment advisory and portfolio management services required by the Fund and by Canso Credit Trust. Canso will be responsible for acquiring the securities comprising the Portfolio and maintaining the Portfolio in accordance with the investment objectives of Canso Credit Trust. Canso's head office is located at 100 York Blvd, Suite 550, Richmond Hill, Ontario L4B 1J8.

Trustee of the Fund: BNY Trust Company of Canada is the Trustee of the Fund. The Trustee's office is located in Toronto, Ontario.

Trustee of Canso Credit Trust: Lysander Funds Limited will act as trustee of Canso Credit Trust.

Canso Credit Trust: Canso Credit Trust will be a newly created investment trust established prior to the Closing Date pursuant to the CCT Declaration of Trust for the purpose of acquiring the Portfolio. The registered office of Lysander, the trustee of Canso Credit Trust is located in Richmond Hill, Ontario.

Prime Broker: Scotia Capital Inc. will act as the prime broker of Canso Credit Trust to facilitate short selling. The Prime Broker is located in Toronto, Ontario.

Auditors: The auditors of the Fund are Deloitte & Touche LLP.

Custodian: CIBC Mellon Trust Company will act as custodian of the assets of both the Fund and Canso Credit Trust. The Custodian is located in Toronto, Ontario.

Registrar and Transfer Agent: CIBC Mellon Trust Company, at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of Units.

Agents:

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., GMP Securities L.P., Dundee Securities Corporation, Canaccord Genuity Corp., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd. and Wellington West Capital Markets Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement.

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offerings, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $230,000,000, $12,075,000 and $217,925,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Agents' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	3,000,000 Class A Units	Within 30 days following the Closing Date	$10.00 per Class A Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund, Canso Credit Trust and the Manager, which will therefore reduce the value of a Unitholder's investment in the Fund. For further particulars, see "Fees and Expenses".

Fees and Expenses of the Fund

Agents' Fees:	$0.525 per Class A Unit (5.25%) and $0.225 per Class F unit (2.25%).
Expenses of the Offerings:	The expenses of the Offerings are estimated to be $525,000 (but not to exceed 1.5% of the gross proceeds of the Offerings) which, together with the Agents' fee, will be paid by the Fund.
Management Fee:	The Manager will receive a management fee (the "**Management Fee**") from the Fund equal to 0.25% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes, plus an amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units (the "**Service Amount**"). See "Fees and Expenses — Fees and Expenses of the Fund — Management Fee".
Counterparty Fees:	The Fund will pay to the Counterparty an additional purchase price under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.30% per annum of the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of Canso Credit Trust). See "Fees and Expenses — Fees and Expenses of the Fund — Counterparty Fees".
Ongoing Expenses of the Fund:	The Fund will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $115,000 per annum (assuming an aggregate size of the Offerings of approximately $100 million). Such fees will generally be allocated to each class of Units *pro rata* based on the Net Asset Value per Unit of each class. The Fund will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. See "Fees and Expenses — Fees and Expenses of the Fund — Ongoing Expenses of the Fund".

Fees and Expenses of Canso Credit Trust

CCT Management Fee:	The Manager will receive a CCT Management Fee from Canso Credit Trust equal to 0.50% of the Net Asset Value of Canso Credit Trust, calculated and payable monthly in arrears, plus applicable taxes. See "Fees and Expenses — Fees and Expenses of Canso Credit Trust — CCT Management Fee".
Performance Fee:	Subject to certain terms and conditions more fully described below, the Manager will be entitled to receive a performance fee (the "**Performance Fee**") equal to 20% of Canso Credit Trust's outperformance of the DEX Universe Corporate Bond Index, after fees and expenses. The Performance Fee shall only be paid if the net asset value per unit of Canso Credit Trust exceeds the highest level previously reached for calculation of the Performance Fee and the net asset value per unit of Canso Credit Trust exceeds the cumulative performance of the DEX Universe Corporate Bond Index during the same period of time, all as more fully described below.

From and after the date (the “**Threshold Date**”) that the net asset value per unit of Canso Credit Trust is equal to or greater than 106% of the net asset value of such unit on the date of its issue (the “**Threshold Amount**”), the Manager may receive a Performance Fee. No Performance Fee will be received by the Manager unless the net asset value per unit of Canso Credit Trust is greater than or equal to the Threshold Amount.

The Performance Fee shall be calculated and accrue monthly and be paid annually, if earned, after the Threshold Date. The amount of the Performance Fee, if any, shall be determined as of December 31 of each year following the Threshold Date (the “**Determination Date**”). If the Determination Date falls on the same date that the Fund is terminated, the Manager, acting reasonably, will select another date within 10 Business Days of the termination date of the Fund, as the Determination Date.

The Performance Fee for a given Relevant Period will be an amount for each unit of Canso Credit Trust then outstanding equal to 20% of A × B, where:

A = The amount by which the Canso Performance exceeds the greater of (i) the Index Performance during the Relevant Period, and (ii) zero; and

B = The net asset value per unit of Canso Credit Trust at the Determination Date;

provided that no Performance Fee shall be payable if the Canso Performance is negative during the Relevant Period or during the fiscal year ending on the Determination Date, and further provided that after the payment of the Performance Fee, in any fiscal year, the return to a unitholder of Canso Credit Trust will not be negative.

For purposes of calculating the Performance Fee:

(1) “**Canso Performance**” means a fraction, the numerator of which is: (i) the net asset value per unit of Canso Credit Trust (calculated without taking into account the Performance Fee) as at the Determination Date, plus (ii) the distributions paid on such unit since the Benchmark Date, less (iii) the net asset value per unit of Canso Credit Trust as at the Benchmark Date, and the denominator of which is the net asset value per unit of Canso Credit Trust as at the Benchmark Date.

(2) “**Index Performance**” means a fraction, the numerator of which is (i) the level of the DEX Universe Corporate Bond Index as at the Determination Date, (ii) less the level of the DEX Universe Corporate Bond Index as at the Benchmark Date and the denominator of which is the level of the DEX Universe Corporate Bond Index as at the Benchmark Date, all of which is multiplied by 1.01 for each year included in the Relevant Period (the “**Adjustment Factor**”).

(3) “**Benchmark Date**” means initially the Threshold Date until payment of a Performance Fee, following which, the Benchmark Date shall be the date of the Determination Date on which the most recent Performance Fee is paid.

(4) “**Relevant Period**” is the period from but excluding the Benchmark Date to and including the Determination Date.

For the purposes of calculating the Performance Fee, the Adjustment Factor will be pro rated for any Relevant Period that includes a partial fiscal year.

Where Units of the Fund are redeemed on a particular Monthly Redemption Date during a fiscal year of the Fund (other than on the last Business Day of a fiscal year), Canso Credit Trust shall pay Canso a Performance Fee in respect of any concurrently redeemed units of Canso Credit Trust determined as though the Monthly Redemption Date was a Determination Date. The Adjustment Factor will be pro rated for any partial fiscal year. Any Performance Fee so determined (the "**Interim Performance Fees**") shall be payable to the Manager on the applicable Redemption Date and will be subtracted from the redemption proceeds.

See "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

Ongoing Expenses of Canso Credit Trust: Canso Credit Trust will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $90,000 per annum (assuming an aggregate size of the Offerings of approximately $100 million). Canso Credit Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. See "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Ongoing Expenses of Canso Credit Trust".

Fees and Expenses Paid by the Manager

Service Fee: The Manager will pay a service fee (the "**Service Fee**"), in an amount equal to the Service Amount plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units. See "Fees and Expenses — Fees and Expenses of the Manager".

Investment Advisory Fee: Out of the Management Fee described above, the Manager will pay a fee to Canso equal to 0.12% of the Net Asset Value of the Fund for the investment advisory and portfolio management services it provides to the Fund.

Out of the CCT Management Fee described above, the Manager will pay a fee to Canso equal to 0.23% of the Net Asset Value of Canso Credit Trust for the investment advisory and portfolio management services it provides to Canso Credit Trust.

The Manager will also pay to Canso 50% of any Performance Fee for the investment advisory and portfolio management services it provides with respect to the management of the Portfolio.

GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated.

"**Additional Distribution**" means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax, as described under "Distributions".

"**Adjustment Factor**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fee and Expenses of Canso Credit Trust — Performance Fee".

"**Agency Agreement**" means the agency agreement dated as of June 28, 2010 among the Fund, the Manager and the Agents.

"**Agents**" means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., GMP Securities L.P., Dundee Securities Corporation, Canaccord Genuity Corp., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd. and Wellington West Capital Markets Inc.

"**Annual Redemption Date**" means the last Business Day in June of each year beginning in 2011.

"**Approved Rating**" means the long-term debt rating of the Counterparty or each successor counterparty of at least A by S&P, or an equivalent rating from DBRS Limited, Moody's, Fitch Ratings or any of their respective successors.

"**Benchmark Date**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fee and Expenses of Canso Credit Trust — Performance Fee".

"**Book-Entry Only System**" means the book-entry only system administered by CDS.

"**Business Day**" means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

"**Canadian Securities Portfolio**" means a specified portfolio of securities of Canadian public issuers that are: (i) "**Canadian securities**", as defined in subsection 39(6) of the Tax Act; and (ii) listed on the TSX.

"**Canso**" means Canso Investment Counsel Ltd., and, if applicable, its successor.

"**Canso Credit Trust**" means a newly created investment trust that will be established under the laws of the Province of Ontario prior to the Closing.

"**Canso Corporate Value Fund**" is an open-ended investment trust managed by Canso since its inception on December 31, 2000.

"**Canso Performance**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**Conversion Date**" means the first Business Day of a month.

"**CCT Declaration of Trust**" means the declaration of trust by Lysander dated as of June 28, 2010 establishing Canso Credit Trust, as it may be amended from time to time.

"**CCT Investment Advisory Agreement**" means the investment advisory and portfolio management agreement dated on or prior to the Closing Date among Canso, the Manager and Canso Credit Trust.

"**CCT Management Fee**" means the management fee payable to Canso by Canso Credit Trust and as more fully described under "Fees and Expenses — Management Fee".

"**CCT Management Agreement**" means those portions of the CCT Declaration of Trust pursuant to which Lysander will perform the management functions for Canso Credit Trust.

"**CDS**" means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

"**CDS Participant**" means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

"**Class A Meeting**" means a meeting of holders of Class A Units called in accordance with the Declaration of Trust.

"**Class A Units**" means the class of transferable, redeemable units of the Fund designated as the "Class A Units".

"**Class F Meeting**" means a meeting of holders of Class F Units called in accordance with the Declaration of Trust.

"**Class F Units**" means the class of transferable, redeemable units of the Fund designated as the "Class F Units".

"**Closing**" means the issuance of Units pursuant to this prospectus on the Closing Date.

"**Closing Date**" means the date of the Closing, which is expected to be on or about July 16, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued.

"**Closing Market Price**" means, in respect of a security on a Monthly Redemption Date, (i) the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was a trade on the Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was trading on the Monthly Redemption Date and the market provides only the highest and lowest prices of the security traded on a particular day; or (iii) the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed) if there was not trading on the applicable Monthly Redemption Date.

"**Counterparty**" means The Bank of Nova Scotia and/or such other Canadian financial institutions with an Approved Rating or their affiliates as the Fund may approve.

"**CRA**" means the Canada Revenue Agency.

"**Custodian**" means CIBC Mellon Trust Company, in its capacity as custodian under the Custodian Agreement.

"**Custodian Agreement**" means the custodian agreement to be entered into on or about the Closing Date between the Fund and the Custodian, as it may be amended from time to time.

"**Declaration of Trust**" means the declaration of trust governing the Fund by BNY Trust Company of Canada dated as of June 28, 2010, as it may be amended from time to time.

"**Determination Date**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**DBRS**" means DBRS Limited, or its successors.

"**DEX Universe Corporate Bond Index**" means the DEX Universe All Corporate Bond Index calculated by PC-Bond, a wholly-owned subsidiary of TSX Group Inc. The DEX Corporate Bond Index is a total return index.

"**Extraordinary Resolution**" means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

"**Fitch**" means Fitch Ratings Ltd., or its successors.

"**Forward Agreement**" means the forward purchase and sale agreement to be entered into on or about the Closing Date between the Fund and the Counterparty, as it may be amended from time to time.

"**Forward Termination Date**" means, the date on which the term of the Forward Agreement ends, being on or about, June 30, 2015.

"**Fund**" means Canso Credit Income Fund, an investment trust established under the laws of the Province of Ontario by the Declaration of Trust.

"**High Yield Debt**" means corporate debt securities which are rated below BBB− by S&P or Fitch, below Baa3 by Moody's or below BBB(low) by DBRS.

"**Index Performance**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**Interim Performance Fees**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**Investment Advisory Agreement**" means the investment advisory and portfolio management agreement dated on or prior to the Closing Date among Canso, the Manager and the Fund.

"**Management Agreement**" means the management agreement dated as of June 28, 2010 between the Manager and the Fund, as it may be amended from time to time.

"**Management Fee**" means the management fee payable to the Manager by the Fund and as more fully described under "Fees and Expenses — Management Fee".

"**Manager**" or "**Lysander**" means Lysander Funds Limited, and, if applicable, its successor.

"**Market Price**" in respect of a security on a Monthly Redemption Date means the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

"**Meeting**" means a meeting of Unitholders called in accordance with the Declaration of Trust.

"**Monthly Redemption Amount**" means the redemption price per Class A Unit equal to the lesser of: (i) 94% of the Market Price of a Class A Unit; and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, less in each case any costs associated with the redemption, including brokerage costs.

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

"**Moody's**" means, Moody's Investors Service, Inc., or its successors.

"**Net Asset Value of the Fund**" means the net asset value of the Fund as determined by subtracting the aggregate liabilities of the Fund from the aggregate value of the assets of the Fund on the date on which the calculation is being made, as more fully described under "Calculation of Net Asset Value".

"**Net Asset Value of Canso Credit Trust**" means the net asset value of Canso Credit Trust as determined by subtracting the aggregate liabilities of Canso Credit Trust from the aggregate value of the assets of Canso Credit Trust on the date on which the calculation is being made, as more fully described under "Calculation of Net Asset Value".

"**Net Asset Value per Unit**" means, in respect of a class of Units, the portion of the Net Asset Value of the Fund allocated to the Units of such class divided by the total number of Units of such class outstanding, in each case on the date on which the calculation is being made.

"**NI 81-102**" means National Instrument 81-102 — Mutual Funds of the Canadian Securities Administrators, as amended from time to time.

"**NI 81-106**" means National Instrument 81-106 — Investment Funds Continuous Disclosure of the Canadian Securities Administrators, as amended from time to time.

"**NI 81-107**" means National Instrument 81-107 — Independent Review Committee for Investment Funds of the Canadian Securities Administrators, as amended from time to time.

"**Non-Resident Unitholder**" means a Unitholder who, for the purposes of the Tax Act, and at all relevant times, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold, Units in, or in the course of carrying on business in, Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere.

"**Notional Portfolio**" means a notional portfolio of securities which will be maintained by Canso in the event that the Counterparty does not acquire units of Canso Credit Trust, with an initial principal amount equal to the net proceeds of the Offerings (less any amount invested by the Fund directly in a portfolio of Canadian securities).

"**Offerings**" means the offering of Class A Units at a price of $10.00 per Class A Unit, the offering of Class F Units at a price of $10.00 per Class F Unit and the offering of additional Class A Units under the Over-Allotment Option at a price of $10.00 per Class A Unit, all pursuant to this prospectus.

"**Ordinary Resolution**" means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

"**Over-Allotment Option**" means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units at $10.00 per Class A Unit in an amount up to 15% of the Class A Units sold on Closing, solely to cover over-allotments, if any.

"**Performance Fee**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**Portfolio**" means the portfolio consisting primarily of corporate bonds held by Canso Credit Trust from time to time.

"**Prime Broker**" means Scotia Capital Inc., in its capacity as prime broker to Canso Credit Trust.

"**RBC DS**" means RBC Dominion Securities Inc., or its successors.

"**Recirculation Agreement**" means the recirculation agreement to be entered into on or about the Closing Date among the Fund, CIBC Mellon Trust Company and RBC DS, as it may be amended from time to time.

"**Redemption Date**" means either an Annual Redemption Date or a Monthly Redemption Date.

"**Redemption Net Assets per Unit**" means the net assets of the Fund on a per Unit basis, calculated in a similar manner to the calculation of the Net Asset Value per Unit except that, for the purposes of calculating the net assets of the Fund, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by Canso Credit Trust will be valued by taking the bid price on the Valuation Date and any short position of Canso Credit Trust will be valued by taking the ask price on the Valuation Date, calculated on a fully diluted basis, if applicable.

"**Redemption Payment Date**" means the 10th Business Day of the month immediately following a Redemption Date.

"**Registered Plan**" means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, and a tax-free savings account.

"**Relevant Period**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**S&P**" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or its successors.

"**Service Amount**" means an amount equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units, calculated and payable to the Manager as soon as practicable after the end of each calendar quarter.

"**Service Fee**" means a service fee payable by the Manager to brokers in an amount equal to the Service Amount, plus applicable taxes based on the number of the Class A Units held by clients of such brokers at the end of the relevant quarter.

"**SIFT Rules**" means the provisions of the Tax Act, including those contained in sections 104, 122 and 122.1 of the Tax Act, which apply to the taxation of a "SIFT trust" and its unitholders.

"**SIFT Trust**" means a specified investment flow-through trust for the purposes of the Tax Act.

"**Tax Act**" means the Income Tax Act (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

"**Tax Proposals**" means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

"**Threshold Amount**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**Threshold Date**" has the meaning ascribed thereto under the heading "Fees and Expenses — Fees and Expenses of Canso Credit Trust — Performance Fee".

"**Trustee**" means BNY Trust Company of Canada, in its capacity as trustee of the Fund under the Declaration of Trust.

"**TSX**" means the Toronto Stock Exchange.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

"**Unitholders**" means, the owners of the Units.

"**Units**" means the Class A Units and/or the Class F Units issued by the Fund pursuant to the Offerings, as applicable.

"**Valuation Date**" means, at a minimum, Thursday of each week or, if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

OVERVIEW OF THE LEGAL STRUCTURE OF THE FUND

Canso Credit Income Fund is a closed-end investment fund established under the laws of the Province of Ontario. BNY Trust Company of Canada is the Trustee of the Fund and Lysander Funds Limited is the Manager of the Fund. The Fund's principal office is 100 York Blvd, Suite 550, Richmond Hill, Ontario L4B 1J8. The fiscal year-end of the Fund is December 31.

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units; and (iii) the Management Fee payable in respect of the Class A Units is reduced by an amount equal to the Service Amount (as defined herein). Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See "Fees and Expenses".

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

INVESTMENT OBJECTIVES

The Fund will seek to achieve the following investment objectives:

(i) to maximize total returns for Unitholders, on a tax-advantaged basis, while reducing risk; and

(ii) to provide Unitholders with attractive monthly tax-advantaged cash distributions, initially targeted to be $0.50 per Unit per annum, representing an annual yield of 5.00% based on the original issue price of $10.00 per Unit.

It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. The Fund will be managed by the Manager. Commencing in December 2010, the Fund will determine and announce each quarter the distribution amount for the following quarter, based upon the Manager's estimate of distributable cash flow of the Fund for the quarter. The Fund may make additional distributions in any given year. See "Distributions".

OVERVIEW

Canso believes that, in the current low interest rate environment, investors are seeking fixed income portfolios that generate attractive cash income, while limiting credit and interest rate risks to acceptable levels. The Fund has been established to generate attractive risk-adjusted returns throughout the credit cycle, including monthly, tax-advantaged distributions, by providing exposure to a diversified Portfolio. The Portfolio will be actively managed by Canso. Canso is a leading Canadian corporate bond specialist and credit manager.

Canso believes that it is able to access market segments and exploit inefficiencies in the corporate bond market that are not available or apparent to most investors, due to its proprietary credit analysis and trading expertise. In addition, the closed end fund structure will enable Canso to employ investment strategies designed to reduce the credit risk of the Portfolio and to protect it in a rising interest rate environment.

INVESTMENT STRATEGY

Canso tends to take a "bottom up" approach to portfolio construction, focusing on security selection and then adjusting the portfolio to stay within its duration and term targets. The exposure to credit risk in the Portfolio will depend on the phase of the credit cycle and the bottom up valuation of individual securities. When credit spreads are very tight, as they were in 1997 and again in early 2007, Canso's valuation focus will concentrate the Portfolio on high quality (primarily investment grade) corporate bonds which will reduce its credit risk. When credit spreads are wide, as they were in 2002 and during the "credit crunch" in 2008-2009, Canso will aim to exploit the wide credit spreads to add significant value to the Portfolio in the subsequent credit market rally. If the Portfolio existed today, it would include approximately 75% investment grade bonds.

In managing the Portfolio, Canso will employ a similar investment strategy and process to that which it employs in the Canso Corporate Value Fund, which has produced a net compound annual return of 10.4% per annum since its inception on December 31, 2000, net of all fees and expenses. The Canso Corporate Value Fund has never experienced a negative annual return. See "Historical Performance of Canso Corporate Value Fund".

While the Portfolio will consist primarily of corporate bonds and other credit instruments, it is expected that Canso will, from time to time, hold other securities in the Portfolio as a result of exchanges, recapitalization and other reorganizations. The strategy employed by Canso in the Canso Corporate Value Fund, which is expected to be substantially similar to the investment strategy employed for the Portfolio has historically included convertible and distressed bonds. Canso may also purchase additional securities which may include, but are not limited to, equity securities, income trusts and exchange-traded funds. The aggregate exposure to securities other than bonds, other credit instruments and credit exchange-traded funds will be limited to 20% of the Portfolio's net asset value. The Portfolio may from time to time also include a significant amount of cash and/or cash equivalents.

Risk Management

Interest Rate Exposure

Canso will employ investment strategies designed to reduce the risk to the Portfolio of rising interest rates. Such strategies may include holding floating rate securities and shorting government bonds against corporate bonds with similar terms.

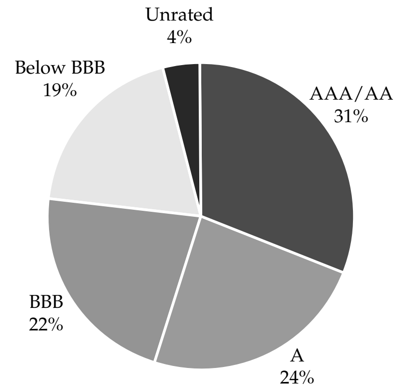
Credit Risk

Canso believes that credit market events in 2007 and 2008 demonstrated the unreliability of credit ratings insofar as they frequently did not accurately reflect the actual credit risk of a security, even in the case of highly rated securities. Canso does not rely on published credit ratings in making investment decisions. Rather, Canso establishes a proprietary "*Canso Rating*" and "*Maximum Loss*" for each investment decision. In constructing a portfolio, Canso focuses on maximizing risk-adjusted returns, rather than attempting to replicate the credit profile of benchmark indices.

Indicative Portfolio Composition

The Portfolio is expected to be similar to that of the Canso Corporate Value Fund. The Canso Corporate Value Fund and the Fund are different in several respects as more particularly described below. The two charts below illustrate the portfolio composition by rating of the Canso Corporate Value Fund as of March 31, 2010 and the top twenty holdings of Canso Corporate Value Fund as of April 30, 2010.

Canso Corporate Value Fund
Distribution of Assets by Rating Category
March 31, 2010



Top Twenty Holdings of Canso Corporate Value Fund
April 30, 2010

Fund / Index	Holdings	Book Price	Market Price	Yield to Maturity	Currency	Country of Origin	Rating[1]
Goldman Sachs 5.25% Jun 1, 2016	5.0%	$ 94.00	$ 99.71	5.3%	CAD	USA	A
Morgan Stanley 4.90% Feb 23, 2017	4.4%	$ 89.98	$ 97.72	5.3%	CAD	USA	A+
Royal Bank of Scotland Tier 1 6.666% Oct 5, 2017	4.1%	$ 59.53	$ 72.18	4.4%	CAD	UK	C
GE Capital Canada 5.73% Oct 22, 2037	4.1%	$ 81.48	$ 98.77	5.8%	CAD	CAN	AA
Merrill Lynch & Co 4.5% Jan 30, 2012	4.0%	$100.19	$102.19	3.2%	CAD	USA	A
Westpac Banking Group 3.75% Dec 1, 2014	3.7%	$100.13	$ 99.29	3.9%	CAD	Australia	AA
Sallie Mae 4.625% Jun 15, 2011	3.3%	$ 86.60	$ 99.63	5.0%	CAD	USA	BB+
Commonwealth Bank of Australia 3.625% Oct 14, 2014	3.1%	$100.21	$ 98.37	4.0%	CAD	Australia	AA+
Kimco North Trust III 5.99% April 13, 2018	2.7%	$100.25	$101.48	5.8%	CAD	USA	BBB+
CIT Group Inc. 7.00% May 1, 2017	2.7%	$ 93.42	$ 95.13	7.9%	USD	USA	B+
Hwy 407 Jr Extendible 7.00% 26 Jul 2010 — 7.125/40	2.5%	$105.27	$121.04	5.6%	CAD	CAN	A−
MLFA 2007-CA22 A2 4.711% Oct 12, 2016	2.5%	$100.74	$ 99.13	5.1%	CAD	CAN	AAA
Dexia Municipal Agency 4.68% Mar 9, 2029	2.5%	$ 88.16	$ 87.73	5.8%	CAD	France	AAA
Altagas Income Trust 5.49% March 27, 2017	2.3%	$100.57	$101.44	5.2%	CAD	CAN	BBB
Kimco North Trust III 5.18% Aug 16, 2013	2.3%	$ 93.51	$101.88	4.6%	CAD	USA	BBB+
Royal Bank of Scotland 5.37% May 12, 2016	2.2%	$ 39.58	$ 73.68	11.5%	CAD	UK	BB
Viterra Inc. 8.50% Jul 7, 2014	1.9%	$100.00	$109.28	6.0%	CAD	CAN	BB+
Cogeco Cable Inc. 5.95% Jun 9, 2014	1.7%	$105.07	$106.73	4.2%	CAD	CAN	BBB−
GE Capital Corp. 5.68% Sept 10, 2019	1.7%	$102.06	$105.41	5.0%	CAD	CAN	AA
Altagas Income Trust 7.42% Apr 29, 2014	1.6%	$ 99.98	$111.00	4.4%	CAD	CAN	BBB

(1) Rating derived by using the lowest rating from DBRS, S&P, and Moody's

The Portfolio may or may not have a ratings and holdings portfolio composition similar to the foregoing as Canso will manage the Portfolio over time to meet its investment objectives.

The Canso Corporate Value Fund differs from the Fund in certain respects. See "Historical Performance of Canso Corporate Value Fund" below.

Historical Performance of Canso Corporate Value Fund

The historical compound annual returns for the Canso Corporate Value Fund, which employs a substantially similar investment strategy to that which is expected to be employed for the Portfolio, are set out in the two charts below. Included in the first chart below are returns, net of fees, as of December 31, 2009 for the one, two, three, four, five and seven year periods and since inception on December 31, 2000 of the Canso Corporate Value Fund compared against the returns for the same periods of the DEX Universe Corporate Bond Index. Included in the second chart below are calendar year returns, net of fees, as of December 31, 2009 for each year since the inception of the Canso Corporate Value Fund compared against the returns for the same periods of the DEX Universe Corporate Bond Index.

Canso Corporate Value Fund
Net Compound Annual Returns (as of December 31, 2009)

Fund / Index	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	Since Inception
Canso Corporate Value Fund	25.2%	12.4%	10.1%	9.1%	8.6%	10.6%	10.4%
DEX Universe Corporate Bond Index	16.3%	8.0%	5.9%	5.5%	5.6%	6.2%	6.9%
Outperformance	***8.9%***	***4.4%***	***4.2%***	***3.6%***	***3.0%***	***4.4%***	***3.5%***

Canso Corporate Value Fund
Annual Returns for Years Ending December 31

Fund / Index	2009	2008	2007	2006	2005	2004	2003	2002	2001
Canso Corporate Value Fund	25.2%	0.9%	5.7%	6.1%	6.5%	7.7%	24.2%	10.2%	10.0%
DEX Universe Corporate Bond Index	16.3%	0.2%	1.8%	4.4%	6.0%	7.3%	8.5%	8.6%	9.3%
Outperformance	***8.9%***	***0.7%***	***3.9%***	***1.7%***	***0.5%***	***0.4%***	***15.7%***	***1.6%***	***0.7%***

Notes:

(1) There can be no assurance that the performance of the Portfolio will equal or exceed the performance of Canso Corporate Value Fund. The past performance of the Canso Corporate Value Fund may not be repeated and may not be indicative of future profit performance.

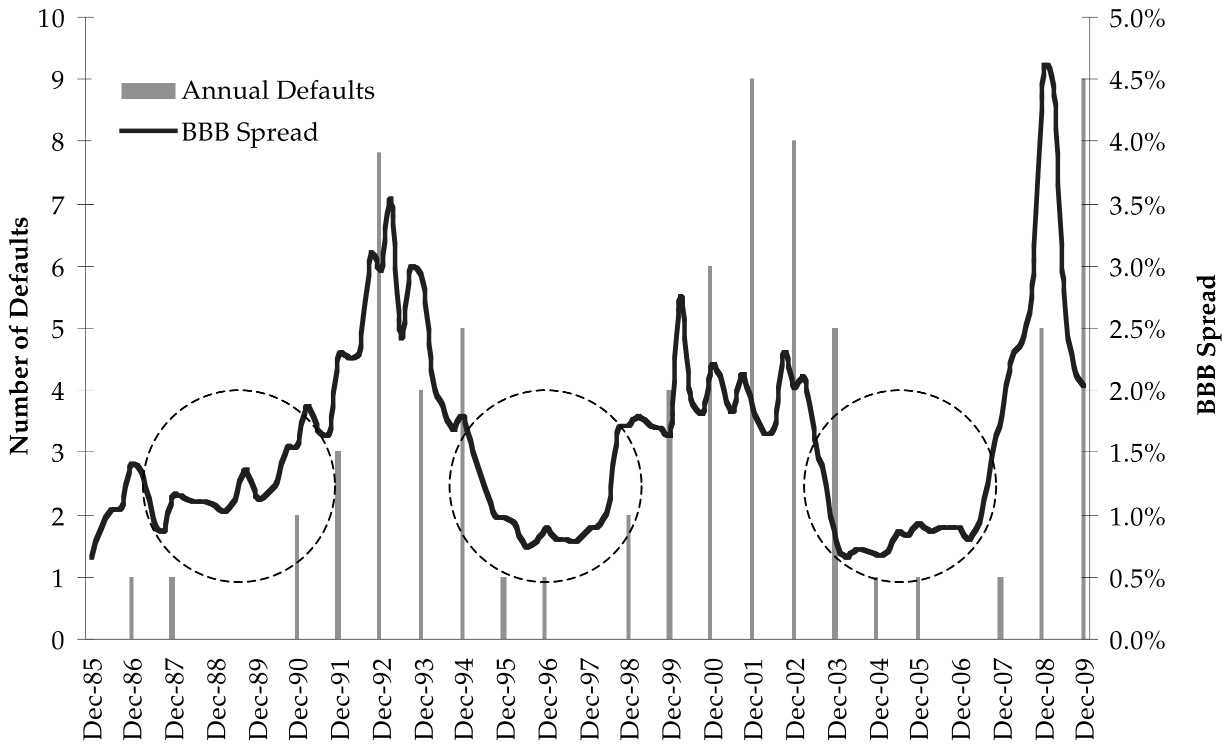
(2) The Canso Credit Trust is subject to the investment restrictions which the Canso Corporate Value Fund is not subject to. See "Overview of the Investment Structure — Investment Restrictions of Canso Credit Trust".

The Canso Corporate Value Fund differs from the Fund in certain respects. The Fund may employ leverage and may engage in short selling, both of which are strategies that are not employed by the Canso Corporate Value Fund. The Canso Corporate Value Fund, which is generally available only to accredited investors, has a management fee for its Class C Units of 0.50% and no Service Amount, Counterparty Fee or Performance Fee, resulting in a lower overall management expense ratio. Unlike the Fund, the Canso Corporate Value Fund does not pay monthly distributions, nor does it offer the expected tax advantages conferred by the Forward Agreement.

Credit Cycle

Canso believes that credit markets move in both interest rate and credit cycles. The specific strategy employed by Canso from time to time in managing the Portfolio will depend on the valuation of individual securities and the interest rate and credit cycle. The credit cycle is illustrated in the chart below which indicates how the number of defaults and the credit spread percentages in the corporate bond market change through the credit cycle. The three circled areas in the chart below represent the period of time in the credit cycle when defaults are low, credit spreads are tight and speculation is high when capital is easily available. At this point, Canso believes that as monetary policy tightens, defaults increase and credit spreads widen as investors liquidate their positions. The cycle then repeats itself as indicated in the chart below with a return to lower defaults and tighter credit spreads.

The Credit Cycle
(DEX BBB Bond Spread vs. # of Canadian Defaults)



Sources: Standard & Poors 2009, TSX Group

(1) Vertical bars represent the number of Canadian defaults as of December 31 in the applicable year.

(2) The horizontal line represents the additional yield of issues rated BBB by major credit rating agencies relative to Government of Canada bonds.

Canso will vary the exposure of the Portfolio to credit risk over time during the credit cycle according to the opportunities presented in the market using what Canso calls the *Credit Shift* approach. When credit spreads are very tight, as they were in 1997 and again in early 2007, Canso will focus its portfolios on high quality holdings, as Canso believes that the relatively tight credit spreads on lower quality holdings during these periods do not justify the associated risk of such holdings. As credit spreads increase, Canso will also increase the level of lower quality holding to take advantage of large credit spreads. In Canso's opinion, this approach will add significant value to the Portfolio by protecting the Portfolio in bear markets and generating high returns when they are available.

Canso currently employs the *Credit Shift* approach in the Canso Corporate Value Fund, which employs a substantially similar investment strategy to that which is expected to be employed for the Portfolio. For example, although the Canso Corporate Value Fund permits 100% investment in below investment grade securities, the Canso Corporate Value Fund was invested in only 4% of such securities in 2007 just prior to the credit crisis. When credit spreads were wide, as they were in 2002 and during the credit crunch in 2008-2009, Canso aimed to exploit the wide credit spreads in the Canso Corporate Value Fund to add significant value to client portfolios in the subsequent credit market rally.

Canso also believes that interest rates move in cycles, dictated by monetary policy and economic factors. Canso alters the overall duration of the portfolio of corporate bonds held in its portfolios depending on its expectation for interest rates and credit spreads. The Canso Corporate Value Fund, which employs a substantially similar investment strategy to that which is expected to be employed for the Portfolio, is not restricted by term or duration like other portfolios managed by Canso. The term and duration of holdings within the Canso Corporate Value Fund are chosen to maximize the total return. Canso anticipates that the additional strategies allowed in the Portfolio will enhance its ability to add value through interest rate hedging and through the short sale of government bonds. Where the investment strategy for the Portfolio suggests only long portfolio holdings, Canso Credit Trust will be able to short government bonds against its long corporate bond holdings. This will allow it to benefit from the additional yield and capital gain potential of long term corporate bonds while hedging the high interest rate risk of these positions. While the Portfolio will primarily consist of corporate bonds, Canso will also be able to hold floating rate bonds, bank loans and other securities with variable rate coupons.

The Canso Investment Philosophy

The Canso investment process is focused on fundamental research and security selection. Canso believes that cheap investments are not popular and buyers must do independent research to find undervalued securities. Canso does not make investment decisions on term or yield curve. Its portfolios are built to maximize the credit spread, credit opportunity and the term cohort where the spread potential is the best.

Canso aggressively manages the average duration of its portfolios as interest rates and credit spreads vary. During times where there is a general spread narrowing environment, such as in 2002 and 2009, Canso intends that the Portfolio will emphasize holdings of a longer term and duration where the potential for upside is the highest. When long credit spreads are not as attractive, such as in 2006 to 2007, Canso intends that the Portfolio will emphasize holdings of a shorter term and duration.

The Canso Credit Process

On an individual issue basis, Canso tends to be "bottom up", focusing on security selection and then adjusting the portfolio to stay within Canso's duration and term targets. Canso does not rely on published credit ratings in making investment decisions. It establishes a proprietary "*Canso Rating*" and "*Maximum Loss*" for investment decision making. Each issue is analyzed on a risk/return basis and a position is established only if the risks are compensated for in the valuation. The portfolios are constructed to maximize yield at an acceptable level of credit risk. Once a position is established, it is held until it becomes overvalued or a better value security is discovered. All securities are purchased with the intention that the position can be held to maturity. The strategy is "buy and hold", but takes advantage of changing valuations and market opportunity.

Canso aims to include in its managed portfolios the most attractively priced bonds available at any time on a risk/return basis. A database of securities and issuers is maintained, which is constantly reviewed and updated. Canso has a team of five senior credit professionals and four dedicated research analysts as well as four other portfolio managers and analysts who contribute credit research. Each team member has responsibility for research and analysis of a distinct set of issuers, including issuers whose securities Canso does not hold but are monitoring. Each analyst is responsible for assessing corporate developments and reporting these to the other team members. The issuers are assigned to different analysts across industries and securities to ensure that expertise is developed outside of a narrow specialization. This helps to provide a high level of peer review and avoid overvaluation.

The analysis process starts with the individual bond or issuer and each analyst builds a proprietary and fundamental Canso assessment of its risk and return. The financial analysis includes a cash flow sensitivity analysis and ratio analysis on an ongoing basis. The legal structure of issues is determined by reviewing trust indentures to ensure a full understanding of the covenant patterns, structure and security ranking of the issue. The Canso internal research includes direct discussions with management and via quarterly investor conference calls and discussion with investment bankers and lawyers where necessary. External research is used as "intelligence gathering" which includes credit rating services, custom research boutiques and investment dealers.

After the initial review is completed, a team meeting is then held to consider the issue in question. Active participation by all investment staff is encouraged and the meetings are structured to allow full and open discussion. Given the wide range of experience and analytical skill in the Canso professional staff, it is a priority to encourage debate and a complete assessment of important issues. The *Canso Rating* is then assigned to the issuer. The *Canso Rating* is viewed as the probability of default of a security and corresponds to traditional published credit ratings. A *Maximum Loss* is also established for each security. The *Maximum Loss* establishes the loss inherent in a default scenario taking into account the structure, covenants and security for each issue.

Weekly meetings are held to assess new information, although decisions are frequently made on an opportunistic basis between meetings. Issuers held in portfolios are reviewed on a quarterly basis or more frequently as required. When a corporate development arises, the analyst responsible will present their analysis and recommendation to the other team members who provide peer review and input. After the development has been thoroughly reviewed, the portfolio manager makes the investment decision. A valuation is established for each security by referring to other similar issuers, current market pricing and long term normalized valuations. Canso frequently evaluates new issues but does not buy them on initial issue. It maintains research coverage and then may buy these issues when the valuation becomes cheaper. Canso has developed *ResearchIT*, a proprietary credit research tool which stores all relevant information and analyst notes in a dedicated database.

Canso *Credit Shift*

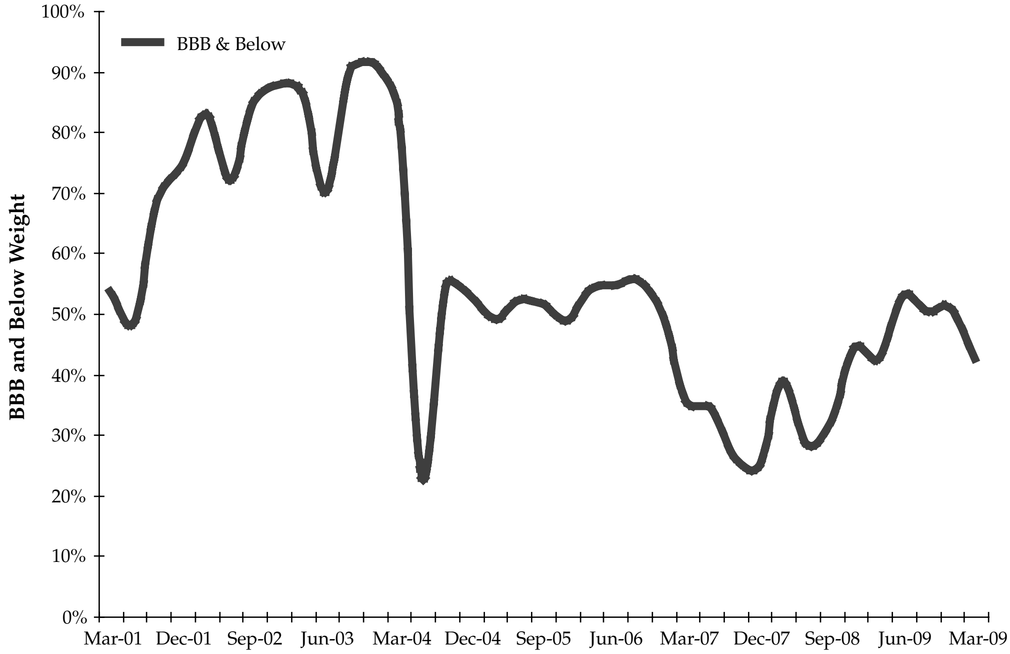
The exposure to credit risk in Canso portfolios varies over time depending on market opportunities and Canso's proprietary and bottom-up security selection. Canso calls this the *Credit Shift* approach, which Canso feels has added significant value to its portfolios by protecting portfolios in bear markets and generating high returns in attractive credit markets. Canso constructs its portfolios to attempt to maximize risk-adjusted returns without reference to market indices. As an example, prior to the credit crisis in 2007 and 2008, Canso had only 4% of its portfolios in financial issues compared to the DEX Universe Corporate Bond Index weighting of more than 60% in financial issues.

Canso also believes that traditional "high yield" mandates are restrictive as they tend to force managers into always holding lower quality securities. Canso has rejected these mandates in favour of the strategy employed in the Canso Corporate Value Fund which allows for investment in highly rated securities when appropriate.

The following chart illustrates how Canso has employed the *Credit Shift* approach in the Canso Corporate Value Fund. The chart shows that the exposure to issues rated BBB and below by major credit rating agencies has ranged from 20% to 90% in the Canso Corporate Value Fund over the period of March 2001 to March 2009. Prior to the credit crisis in 2007 and 2008 the weight in these issues in the Corporate Value Fund was only 25% of the portfolio. It is also notable that during the credit crisis of 2007 and 2008 the portfolio in the Canso

Corporate Value Fund held only 4% in below investment grade issues compared to the 100% threshold that is allowed by the strategy of the Canso Corporate Value Fund.

Canso Credit Shift



Canso risk management incorporates its proprietary credit techniques. Each portfolio position is formally assessed at purchase and both a *Canso Rating* and *Maximum Loss* is assigned for each issue. Canso established its *Maximum Loss* system in 1998 as a measure of the downside or capital risk of an issue. The potential loss in each security is then compared to the normalized value-added of the portfolio to establish the appropriate position sizing.

In Canso's opinion, the Canso *Credit Shift* orientation reduces the risk of Canso portfolios by reducing credit risk in speculative markets and by making portfolios more diversified by industry, issuer and credit rating.

Corporate Debt

Corporate debt is issued by companies to finance operations and refinance existing debt maturities. This debt generally pays interest quarterly or semi-annually and repays principal on the maturity date. Independent credit ratings help investors analyze credit risk and also contribute to market efficiencies by providing credible and independent assessments of credit risk. Corporate debt securities which are rated below BBB− by S&P or Fitch, below Baa3 by Moody's or BBB(low) by DBRS are classified as "**High Yield Debt**" (or speculative grade). A lower credit rating suggests a greater risk of default. According to S&P's rating definitions, a company rated BBB has adequate capacity to meet its financial commitments. However, in the opinion of Canso, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the company to meet its financial commitments. Debt rated BB, B, and CCC by S&P is regarded as having speculative characteristics. BB indicates the least degree of speculation and CCC a higher degree. High Yield Debt also includes debt not formally rated by an "approved rating organization" as defined in NI 81-102, but bearing yields equivalent.

Use of Derivatives and Shorting

Canso Credit Trust may invest in or use derivative instruments, other than commodity derivatives, for hedging or investment purposes consistent with its investment objectives and subject to the investment restrictions of Canso Credit Trust, including the restriction on net exposure.

Canso will primarily use derivatives, in keeping with its investment objectives as a corporate bond and credit fund, for hedging Portfolio positions with the intention of offsetting or reducing risks associated with losses from currency fluctuations, interest rate changes and credit risks. No assurance can be given that the Portfolio will be hedged from any particular risk from time to time, except foreign currency risk. In addition, Canso may employ derivative strategies in the Portfolio, in keeping with the Fund's investment objectives, to invest indirectly in, or gain exposure to, securities or financial markets. Canso will not expose more than 10% of the Portfolio's net asset value through the use of derivatives for purposes other than hedging positions in the Portfolio.

Derivative instruments employed may include, but are not limited to, swaps, forward contracts, and futures contracts. A swap agreement is an instrument that effects the exchange of a sequence of cash flows that derive from two different financial instruments. Forward contracts (over-the-counter) and futures contracts (exchange-traded) are contracts to exchange (buy or sell) an underlying instrument for a fixed price at a specific, future delivery date.

Canso Credit Trust may also engage in short selling of securities both to hedge credit and interest rate risk and to exploit the overvaluation of securities. Junior securities may be sold short to hedge the credit risk of more senior issues. In some circumstances, the equity securities of an issuer may be sold short to hedge a long position in its debt securities. Canso believes that these additional strategies will allow the Fund to be positioned more defensively in both rising rate environments and credit downturns.

Currency Hedging

Canso Credit Trust will enter into currency hedging to reduce the effects on the Portfolio of changes in the values of foreign currencies relative to the Canadian dollar. Canso will limit the unhedged foreign currency exposure of the Portfolio to no more than 20% of the Portfolio's net asset value.

Leverage

Canso Credit Trust may utilize various forms of borrowings, including a loan facility and margin purchases, up to 30% of the net asset value of Canso Credit Trust at the time of the borrowing.

In addition, the total exposure of Canso Credit Trust will not exceed 130%, on a daily marked-to-market basis, with total exposure calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, divided by Net Asset Value of Canso Credit Trust.

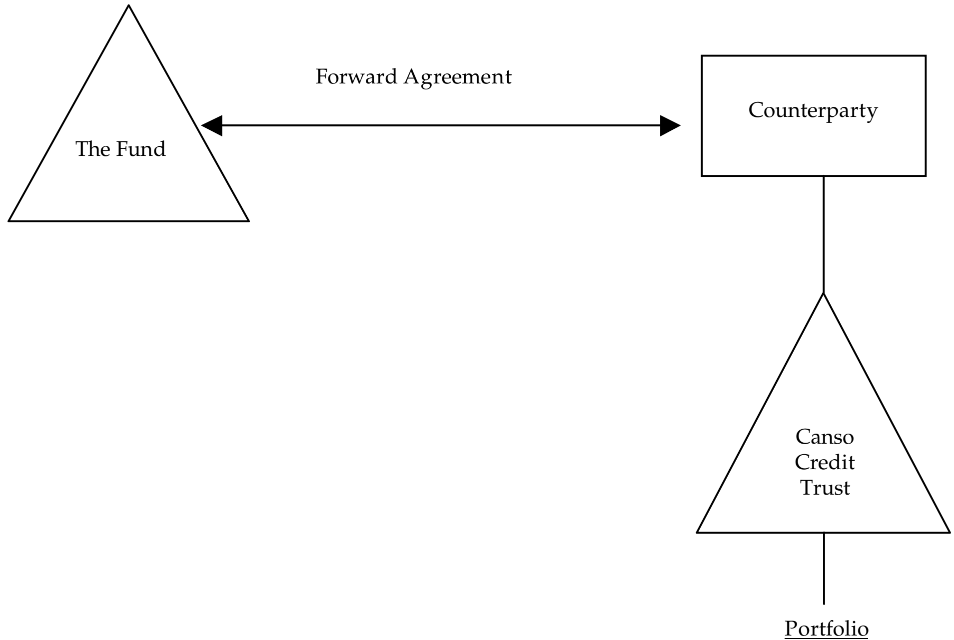
Securities Lending

In order to generate additional returns, Canso Credit Trust may lend securities included in the Portfolio to securities borrowers acceptable to Canso Credit Trust pursuant to the terms of a securities lending agreement between Canso Credit Trust and such borrower. Under any such securities lending agreement: (i) the borrower will pay to Canso Credit Trust a negotiated securities lending fee and will make compensatory payments to Canso Credit Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) Canso Credit Trust will receive collateral security.

OVERVIEW OF THE INVESTMENT STRUCTURE

Canso Credit Trust

The following diagram provides an overview of the underlying investment structure of the Fund.



Canso Credit Trust will be a newly created investment trust established prior to the Closing for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the units of Canso Credit Trust is expected to be the Counterparty or an affiliate. On the Closing Date, the Counterparty or one of its affiliates may subscribe for units of Canso Credit Trust with an aggregate purchase price of not less than the amount received from the Fund as the pre-payment of the purchase price under the Forward Agreement. Canso Credit Trust will use any subscription proceeds it receives to acquire the Portfolio.

Units of Canso Credit Trust will be redeemable at the demand of its unitholders. On redemption, a Canso Credit Trust unitholder will receive for each unit of Canso Credit Trust redeemed an amount equal to the Net Asset Value per unit of Canso Credit Trust. The Net Asset Value per unit of Canso Credit Trust will be equal to the amount by which the total assets of Canso Credit Trust exceed its total liabilities on a per unit basis.

Canso Credit Trust will generally receive interest income from corporate bonds and other credit instruments included in the Portfolio. The net income of Canso Credit Trust will consist primarily of interest income, less expenses of Canso Credit Trust. Canso Credit Trust will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that Canso Credit Trust has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by Canso Credit Trust will be paid through the issuance of additional units of Canso Credit Trust. Immediately after any such distribution of units, the number of outstanding units of Canso Credit Trust will be consolidated such that each unitholder of Canso Credit Trust (including the Counterparty or an affiliate, for so long as it is a unitholder) will hold after the consolidation the same number of units of Canso Credit Trust as it held before the distribution of additional units.

Investment Restrictions of the Fund

The Fund will be subject to the investment restrictions set out below. The investment restrictions of the Fund, which are set forth in the Declaration of Trust, provide that the Fund will not:

(a) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than "Canadian securities" for the purposes of the Tax Act;

(b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;

(c) make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" for purposes of the Tax Act and will not acquire any property that would be "taxable Canadian property" of the Fund as such term is defined in the Notice of Ways and Means Motion of March 22, 2010 (if the definition were read without reference to paragraph (b) thereof) or other "specified property" as defined in the Tax Proposals released on September 16, 2004; or

(d) make or hold any investment that would result in the Fund being a SIFT Trust.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation, including NI 81-102. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 — *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

Investment Restrictions of Canso Credit Trust

Canso Credit Trust will be subject to certain investment restrictions, which are set out in the CCT Declaration of Trust. The investment restrictions of Canso Credit Trust provide that Canso Credit Trust will not:

(a) be net short;

(b) have total exposure exceeding 130%, on a daily marked-to-market basis, with total exposure calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, divided by Net Asset Value of Canso Credit Trust;

(c) borrow money, including pursuant to a loan facility or by purchasing securities on margin, if, immediately following such borrowing, the aggregate amount borrowed would exceed 30% of the Net Asset Value of Canso Credit Trust;

(d) invest more than 10% of its net assets in the securities of any single issuer (as determined at the time of purchase), other than securities issued or guaranteed by: (i) the Government of Canada, the Government of the United States, a province, state or territory thereof; or (ii) another country provided that such securities are rated AAA by S&P or the equivalent rating from Moody's, DBRS, or Fitch;

(e) invest more than 10% of its net assets in illiquid securities (which for these purposes means securities, the resale of which, is restricted by a representation, undertaking or agreement by Canso Credit Trust (or by Canso Credit Trust's predecessor in title) or by law);

(f) have aggregate exposure to securities other than bonds, including credit instruments and credit exchange-traded funds, greater than 20% of the Portfolio's net asset value;

(g) expose more than 10% of the Portfolio's net asset value through the use of derivatives for purposes other than hedging positions in the Portfolio;

(h) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, Canso Credit Trust would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;

(i) with the exception of securities of Canso Credit Trust's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with Canso or any of their respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by Canso or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of Canso may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with NI 81-107;

(j) make or hold any investments in entities that would be "foreign affiliates" of Canso Credit Trust for purposes of the Tax Act;

(k) make or hold any securities in any non-resident trusts, other than "exempt foreign trusts" as proposed by the Federal Budget of March 4, 2010 (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);

(l) at any time, hold any property that is a "non-portfolio property" for the purposes of the SIFT Rules; or

(m) make or hold any investments that could require Canso Credit Trust to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act (or pursuant to any amendments to such provisions, subsequent provisions as enacted into law, or successor provisions thereto).

If the percentage restriction in paragraph (b) is exceeded, the Fund will sell Portfolio securities in an orderly manner and use the proceeds therefrom to reduce the outstanding short position. If a percentage restriction on investment or use of assets set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or the aggregate value of Canso Credit Trust's assets will not be considered a violation of the investment restrictions or require the elimination of any investment. If Canso Credit Trust receives from an issuer subscription rights to purchase securities of that issuer, and, if Canso Credit Trust exercises those subscription rights at a time when Canso Credit Trust's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, Canso Credit Trust has sold at least as many securities of the same class and value as would result in the investment restriction being complied with. Notwithstanding the foregoing, the restrictions in (c) and (j) to (m) above must be complied with at all times and may necessitate the selling of investments from time to time.

The Forward Agreement

The return to Unitholders and the Fund will be based upon the return on the Portfolio (or Notional Portfolio) by virtue of the Forward Agreement with the Counterparty. The Counterparty may hedge its exposure under the Forward Agreement, by acquiring units of Canso Credit Trust, which will be a newly formed Ontario trust that will acquire the Portfolio. If the Counterparty does not acquire such units in Canso Credit Trust, Canso will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings to prepay the purchase price under the Forward Agreement.

Pursuant to the Forward Agreement which the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of a corresponding number of units of Canso Credit Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, Canso Credit Trust expects to issue units to the Counterparty with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which, Canso Credit Trust will use to acquire the Portfolio. The initial value of the Portfolio will be equal to the net proceeds of the Offerings. In such case, the return to the Fund, by virtue of the Forward Agreement, be based on the return of Canso Credit Trust, which, in turn, will be based on the performance of the Portfolio. If no such Canso Credit Trust units are acquired by the Counterparty, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. Upon entering into the Forward Agreement, the long-term debt of the Counterparty must have an Approved Rating.

In the event that the Counterparty does not acquire units in Canso Credit Trust and Canso maintains a Notional Portfolio, Canso will provide the same continuous disclosure documentation regarding the Notional Portfolio as would be required for the Fund. The method used to determine the value of the Notional Portfolio will comply with NI 81-106 and the auditors of the Fund will have the same involvement as they would with the Fund. The counterparty and Canso would also agree to the policies, procedures and mechanisms that would need to be put in place with respect to the Notional Portfolio and the value of the Notional Portfolio would be calculated in accordance with same principles required for the Portfolio.

The terms of the Forward Agreement will provide that the Forward Agreement may, in certain circumstances, be settled prior to the Forward Termination Date at the request of the Fund. The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date: (i) to fund monthly distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. Pursuant to the terms of the Forward Agreement, the Counterparty will, in connection with a requested partial settlement, deliver to the Fund securities of certain of the issuers in the Canadian Securities Portfolio based on the partial settlement amount. It is intended that any capital gain or income realized by the Fund on the sale of such securities to fund a redemption will generally be allocated to the redeeming Unitholder.

The Forward Agreement may be terminated prior to the Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement, which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold, which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under, or comply with any material provisions of, the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of Canso Credit Trust to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, it is anticipated that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination prior to the Forward Termination Date, the Manager may, in its discretion, on behalf of the Fund enter into a replacement forward agreement on terms satisfactory to the Manager in its sole discretion, or the Manager may cause the termination of the Fund and may take such other action as it considers necessary under the circumstances.

FEES AND EXPENSES

Fees and Expenses of the Fund

Initial Fees and Expenses

The expenses of the Offerings (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be

$525,000 (but not to exceed 1.5% of the gross proceeds of the Offerings), will be paid by the Fund from the gross proceeds of the Offerings. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund equal to 0.25% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes plus a Service Amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% of the Net Asset Value attributable to the Class A Units plus applicable taxes.

Trustee Fee

The Trustee is entitled to receive a fee from the Fund, currently $5,000 per annum, plus applicable taxes.

Counterparty Fees

The Fund will pay to the Counterparty an additional purchase price under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.30% per annum of the notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of Canso Credit Trust).

Ongoing Expenses of the Fund

The Fund will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $115,000 per annum (assuming an aggregate size of the Offerings of approximately $100 million). Such fees will generally be allocated to each class of Units *pro rata* based on the Net Asset Value per Unit of each class. The Fund will also be responsible for its transactional costs and any extraordinary expenses that may be incurred from time to time.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to the Fund than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

Fees and Expenses of Canso Credit Trust

CCT Management Fee

The Manager will receive a CCT Management Fee from Canso Credit Trust equal to 0.50% of the Net Asset Value of Canso Credit Trust, calculated and payable monthly in arrears, plus applicable taxes.

Performance Fee

Subject to certain terms and conditions more fully described below, the Manager will be entitled to receive a performance fee (the "**Performance Fee**") equal to 20% of Canso Credit Trust's outperformance of the DEX Universe Corporate Bond Index, after fees and expenses. The Performance Fee shall only be paid if the net asset value per unit of Canso Credit Trust exceeds the highest level previously reached for calculation of the Performance Fee and the net asset value per unit of Canso Credit Trust exceeds the cumulative performance of the DEX Universe Corporate Bond Index during the same period of time, all as more fully described below.

From and after the date (the "**Threshold Date**") that the net asset value per unit of Canso Credit Trust is equal to or greater than 106% of the net asset value of such unit on the date of its issue (the "Threshold Amount"), the Manager may receive a Performance Fee. No Performance Fee will be received by the Manager unless the net asset value per unit of Canso Credit Trust is greater than or equal to the Threshold Amount.

The Performance Fee shall be calculated and accrue monthly and be paid annually, if earned, after the Threshold Date. The amount of the Performance Fee, if any, shall be determined as of December 31 of each year following the Threshold Date (the "**Determination Date**"). If the Determination Date falls on the same date that the Fund is terminated, the Manager, acting reasonably, will select another date within 10 Business Days of the termination date of the Fund, as the Determination Date.

The Performance Fee for a given Relevant Period will be an amount for each unit of Canso Credit Trust then outstanding equal to 20% of A $\times$ B, where:

A = The amount by which the Canso Performance exceeds the greater of (i) the Index Performance during the Relevant Period, and (ii) zero; and

B = The net asset value per unit of Canso Credit Trust at the Determination Date;

provided that no Performance Fee shall be payable if the Canso Performance is negative during the Relevant Period or during the fiscal year ending on the Determination Date, and further provided that after the payment of the Performance Fee, in any fiscal year, the return to a unitholder of Canso Credit Trust will not be negative.

For purposes of calculating the Performance Fee:

(1) "**Canso Performance**" means a fraction, the numerator of which is: (i) the net asset value per unit of Canso Credit Trust (calculated without taking into account the Performance Fee) as at the Determination Date, plus (ii) the distributions paid on such unit since the Benchmark Date, less (iii) the net asset value per unit of Canso Credit Trust as at the Benchmark Date, and the denominator of which is the net asset value per unit of Canso Credit Trust as at the Benchmark Date.

(2) "**Index Performance**" means a fraction, the numerator of which is (i) the level of the DEX Universe Corporate Bond Index as at the Determination Date, (ii) less the level of the DEX Universe Corporate Bond Index as at the Benchmark Date and the denominator of which is the level of the DEX Universe Corporate Bond Index as at the Benchmark Date, all of which is multiplied by 1.01 for each year included in the Relevant Period (the "**Adjustment Factor**").

(3) "**Benchmark Date**" means initially the Threshold Date until payment of a Performance Fee, following which, the Benchmark Date shall be the date of the Determination Date on which the most recent Performance Fee is paid.

(4) "**Relevant Period**" is the period from but excluding the Benchmark Date to and including the Determination Date.

For the purposes of calculating the Performance Fee, the Adjustment Factor will be pro rated for any Relevant Period that includes a partial fiscal year.

Where Units of the Fund are redeemed on a particular Monthly Redemption Date during a fiscal year of the Fund (other than on the last Business Day of a fiscal year), Canso Credit Trust shall pay Canso a Performance Fee in respect of any concurrently redeemed units of Canso Credit Trust determined as though the Monthly Redemption Date was a Determination Date. The Adjustment Factor will be pro rated for any partial fiscal year. Any Performance Fee so determined (the "**Interim Performance Fees**") shall be payable to the Manager on the applicable Redemption Date and will be subtracted from the redemption proceeds.

Ongoing Expenses of Canso Credit Trust

Canso Credit Trust will pay for all of its expenses incurred in connection with its operation and administration, estimated to be $90,000 per annum (assuming an aggregate size of the Offerings of approximately $100 million). Canso Credit Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time.

Additional Services

Any arrangements for additional services between Canso Credit Trust and Canso, or any affiliate thereof, that have not been described in this prospectus will be on terms that are no less favourable to Canso Credit Trust than those available from arm's length persons (within the meaning of the Tax Act) for comparable services Canso Credit Trust will pay all expenses associated with such additional services.

Fees and Expenses of the Manager

The Manager will pay the Service Fee which will be an amount equal to the Service Amount, plus applicable taxes to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of Class F Units.

Out of the Management Fee described above, the Manager will pay a fee to Canso equal to 0.12% of the Net Asset Value of the Fund for the investment advisory and portfolio management services it provides to the Fund.

Out of the CCT Management Fee described above, the Manager will pay a fee to Canso equal to 0.23% of the Net Asset Value of Canso Credit Trust for the investment advisory and portfolio management services it provides to Canso Credit Trust.

The Manager will also pay to Canso 50% of any Performance Fee for the investment advisory and portfolio management services it provides with respect to the management of the Portfolio.

RISK FACTORS

Certain risk factors relating to the Fund, Canso Credit Trust and the Units are described below. As a result of the Forward Agreement, Unitholders are exposed to risks relating to Canso Credit Trust. Additional risks and uncertainties not currently known to the Manager or Canso, or that are currently considered immaterial, may also impair the operations of the Fund or Canso Credit Trust. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund, and the ability of the Fund to make distributions on the Units, could be materially adversely affected.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund or Canso Credit Trust will be able to achieve their respective investment objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Fund will appreciate or be preserved. By virtue of the Forward Agreement, changes in the relative weightings between the various types of securities making up the Portfolio can affect the overall yield to Unitholders.

Trading Price of Class A Units

The Class A Units may trade in the market at a discount to the Net Asset Value per Unit with respect to the Class A Units and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Unit with respect to the Class A Units.

Class F Units

Class F Units will not be listed on any stock exchange. It is expected that liquidity for the Class F Units will largely be obtained by means of conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

General Risks of Investing in Corporate Bonds and Other Credit Instruments

Generally, corporate bonds and other credit instruments will decrease in value when interest rates rise and increase in value when interest rates decline. The Net Asset Value of Canso Credit Trust will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of corporate bonds and other credit instruments is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate bonds and other credit instruments may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the corporate bonds and other credit instruments that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer. Global financial markets have experienced a significant repricing in recent months that has contributed to a reduction in liquidity and the availability of credit enhancing the likelihood of default by some issuers due to diminishing profitability or an inability to refinance existing debt.

Fluctuation in Value of Portfolio Securities

The value of the Units will vary according to the value of the securities included in the Portfolio by virtue of the Forward Agreement. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of Canso Credit Trust or Canso, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation, credit markets and other financial market conditions. As a result of its exposure to the Portfolio, the Fund will also be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which Canso Credit Trust invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change.

Recent Global Financial Developments

Global financial markets have experienced a sharp increase in volatility during recent months. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not materially and adversely affect economies around the world in the near to medium term. Some of these economies may experience significantly diminished growth or a recession. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of Canso Credit Trust and the value of the securities included in the Portfolio.

Use of Short Selling

Selling securities short may result in the loss of an amount greater than the amount invested since there is theoretically no limit to the price to which the securities that have been sold short may rise before the short position is closed out. In addition, the supply of securities which can be borrowed in order to maintain short positions fluctuates from time to time. There is no assurance that the lender of securities or financial instruments will not require the security to be repaid before Canso wishes to do so, thereby requiring Canso Credit Trust to borrow the security elsewhere or purchase the security in the market at an unattractive price. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that any borrowing fee will not increase during the borrowing period, adding to the expense of a short sale strategy. In addition, there is no assurance that a security sold short can be repurchased due to supply and demand constraints in the marketplace.

Forward Agreement Counterparty Risk

In entering into the Forward Agreement, the Fund is exposed to the unsecured credit risk associated with the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreement or that the proceeds from the sale of Canadian securities acquired pursuant to the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of Canadian securities acquired pursuant to the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of Canso Credit Trust or the Counterparty and the Counterparty is not responsible for the returns of the Portfolio.

Composition of Portfolio

The composition of the securities included in the Portfolio taken as a whole may vary widely from time to time and may be concentrated by commodity, industry or geography, resulting in the securities included in the Portfolio being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that Canso Credit Trust will suffer a loss because of declines in the prices of securities in those sectors or industries. Although Canso believes it is unlikely, at any time, the Portfolio could potentially consist of 100% non-investment grade bonds.

Interest Rate Fluctuations

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

Illiquid Securities

There is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or at their respective par or net asset values.

Use of Derivatives

Canso Credit Trust may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by Canso taking into account factors including transaction costs. There can be no assurance that Canso Credit Trust's hedging strategies will be effective. Canso Credit Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by Canso Credit Trust of margin deposits in the event of the bankruptcy of the dealer with whom Canso Credit Trust has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of Canso Credit Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If Canso Credit Trust is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the futures or forward contract terminates, as the case may be. The inability to close out futures and forward positions could also have an adverse impact on Canso Credit Trust's ability to use derivative instruments to effectively hedge the Portfolio.

Use of a Prime Broker to Hold Assets

Some or all of the assets of Canso Credit Trust may be held in one or more margin accounts due to the fact that Canso Credit Trust may sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the assets of Canso Credit Trust in such accounts, which may result in a potential loss of such assets. As a result, the assets of Canso Credit Trust could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, Canso Credit Trust may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

Securities Lending

Canso Credit Trust may engage in securities lending. Although Canso Credit Trust will receive collateral for the loans and such collateral will be marked-to-market, Canso Credit Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral proves to be insufficient to reconstitute the Portfolio of loaned securities.

Use of Leverage

Canso Credit Trust may utilize a loan facility or other forms of leverage in order to implement its investment strategy. While leverage may increase the potential for total returns, it may also potentially increase losses. If income and appreciation on investments made with borrowed funds are less than the cost of leverage, the value of Canso Credit Trust's net assets will decrease. Any event which adversely affects the value of an investment held by Canso Credit Trust will be magnified to the extent leverage is employed. Many leveraged transactions involve the posting of collateral. Increases in the amount of margin or similar payments could result in the need for trading at times or prices that are disadvantageous to Canso Credit Trust and which could result in a loss for Canso Credit Trust.

Currency Exposure

As the Portfolio will be invested in securities, including those traded in United States dollars, the Net Asset Value of the Fund, when measured in Canadian dollars, will, to the extent it has not been hedged against, be affected by changes in the value of the United States dollar relative to the Canadian dollar. Canso will limit the unhedged foreign currency exposure of the Portfolio to no more than 20% of the Portfolio's net asset value, however, no assurance can be given that the Fund will not be adversely affected by changes in foreign exchange rates or other factors. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent Canso's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Reliance on Canso

Canso will manage the Portfolio held by Canso Credit Trust in a manner consistent with the investment objectives and the investment restrictions of Canso Credit Trust. The Fund will gain exposure to the Portfolio through the Forward Agreement. The officers of Canso who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, however, there is no certainty that such individuals, including John Carswell, will continue to be employees of Canso until the termination of Canso Credit Trust.

Taxation of the Fund

In determining its income for tax purposes, the Fund will not treat the entering into of the Forward Agreement or the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and capital losses for the purposes of the Tax Act. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses. If, contrary to the advice of counsel to the Fund or as a result of a change of law, including the general anti-avoidance rule, the entering into of the Forward Agreement or the acquisition of Canadian Securities Portfolio securities under the Forward Agreement were a taxable event, or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

On October 31, 2003 the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the Tax Proposal were to apply to the Fund deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been received to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

No Ownership Interest

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own any securities held by the Fund or Canso Credit Trust.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Conflicts of Interest — the Fund

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund and Canso Credit Trust. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund and Canso Credit Trust, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, Canso Credit Trust and the Manager.

Conflicts of Interest — Canso Credit Trust

Canso and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund and Canso Credit Trust. Although none of the directors or officers of Canso will devote his or her full time to the business and affairs of the Fund and Canso Credit Trust, each director and officer of Canso will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund, Canso Credit Trust and Canso.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

Significant Redemptions

In part, the purpose of the redemption rights granted to Unitholders described under the heading "Redemption of Units" is to reduce the extent to which Class A Units trade at a substantial discount. While the redemption rights aim to provide investors with liquidity, there can be no assurance that they will reduce trading discounts. Furthermore, if a substantial number of Units are redeemed, the number of Units outstanding could be significantly reduced with the effect of decreasing liquidity of the Units in the market. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower Net Asset Value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could cause the termination of the Fund without Unitholder approval. See "Redemption of Units" and "Term of the Forward Agreement".

Operating History

The Fund is a newly organized investment trust with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the Offerings.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

Nature of Units

The Units are neither fixed income nor traditional equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

DISTRIBUTIONS

The Fund initially intends to pay monthly distributions on all Units in an amount equal to $0.50 per Unit per annum, representing a yield of 5.00% per annum on the issue price. The initial distribution is payable to Unitholders of record on or about August 31, 2010 and will be paid no later than September 15, 2010.

The Canso Corporate Value Fund, which employs the same investment strategy and process to that which is expected to be employed for the Portfolio, has a current cash yield of approximately 5.35% per annum as of April 30, 2010. In order for the Fund to pay distributions on the Units of 5.00% per annum, funded by partial presettlements of the Forward Agreement, while maintaining a stable Net Asset Value, the Portfolio, if it existed today, would be required to generate additional returns of approximately 0.30% in excess of its current cash yield through the sale of securities or other returns assuming (i) an aggregate size of the Offerings of $100 million; (ii) fees and expenses described under "Fees and Expenses"; (iii) initial leverage of 23% of the net asset value of Canso Credit Trust; and (iv) no defaults in the securities included in the Portfolio.

It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital (which are not immediately taxable, but which reduce the adjusted cost base of a Unitholder's Unit). See "Canadian Federal Income Tax Considerations".

Commencing in December 2010, the Fund will determine and announce each quarter the amount to be distributed during the following quarter based upon the Manager's estimate of distributable cash flow of the Fund for the quarter. The Fund may make additional distributions in any given year.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will not generally be liable for income tax under Part I of the Tax Act, the Declaration of Trust provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly distributions paid or made payable to Unitholders during the year. In the event that the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units will be automatically consolidated on a basis such that each Unitholder of the Fund will hold after the consolidation the same number of Units of the Fund as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution. See "Canadian Federal Income Tax Considerations".

REDEMPTION OF UNITS

Annual Redemptions

Annual Redemption Right

Units may be redeemed at the option of Unitholders on the Annual Redemption Date of each year, commencing in June 2011. Units so redeemed will be redeemed at the Redemption Net Assets per Unit on the Annual Redemption Date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Agreement to fund such redemption. Units must be surrendered for redemption at least ten Business Days prior to the Annual Redemption Date. Payment of the proceeds of redemption will be made on or before the 15th Business Day of the following month.

Forward Termination Date Redemptions

Unitholders will also have the option to redeem Units for a cash amount equal to 100% of the Redemption Net Assets per Unit (less any costs associated with the redemption, including commissions and other such costs, if any) on the Forward Termination Date, regardless of whether the Manager causes the Fund to enter into a new forward agreement or causes the Fund to hold the Portfolio directly at any time after the Forward Termination Date. Units must be surrendered for redemption at least 10 Business Days prior to the Forward Termination Date. Payment of the proceeds of redemption will be made on or before the 15th Business Day of the following month.

Monthly Redemptions

Units may be redeemed at the option of Unitholders on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 94% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, less in each case any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount. Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount, and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Class A Unit.

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Forward Termination Date in order to fund redemptions. The value of the Forward Agreement on a Monthly Redemption Date and, accordingly, the Net Asset Value per Unit on a Monthly Redemption Date and the redemption price will be dependent upon the performance of Canso Credit Trust and the Net Asset Value of Canso Credit Trust units.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

Resale of Units Tendered for Redemption

The Fund will enter into the Recirculation Agreement with RBC DS on or prior to the Closing Date whereby RBC DS will agree to use commercially reasonable efforts to find purchasers for any Class A Units tendered for redemption up to two Business Days prior to the relevant Redemption Date. The Fund may, but is not obliged to, require RBC DS to seek such purchasers. In such event, the amount to be paid to the Unitholder on the Redemption Date will be an amount equal to the proceeds of the sale of the Class A Units, less any applicable commission payable to RBC DS. Such amount shall not be less than the amount that a Unitholder would have been otherwise entitled to receive on the Redemption Payment Date.

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances, all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business 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 Fund, any declaration of suspension made by the Manager on behalf of the Fund will be conclusive.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and McCarthy Tétrault 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 Units by a Unitholder who acquires Units pursuant to this prospectus. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units 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 or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary is based on the assumptions that the Canadian Securities Portfolio will consist solely of "Canadian securities" for purposes of the Tax Act and that the Fund 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 current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof, and the Tax Proposals. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial 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 not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an 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 Unitholder to purchase Units. **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, based on their particular circumstances.**

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust, the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units and certain investment criteria referred to under "Overview of the Investment Structure — Investment Restrictions of the Fund". Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans.

On September 16, 2004, the Minister of Finance released Tax Proposals under which a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents (including partnerships with one or more non-resident members) is more than 50% of the aggregate fair market value of all units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" within the meaning of the Tax Act and modified by the Minister of Finance's Notice of Ways and Means Motion of March 22, 2010 or certain other types of specified property. Such draft amendments do not provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Minister of Finance has suspended implementation of those proposed changes pending further consultation with interested parties. Under the Declaration of Trust, the Fund is restricted from acquiring investments that are "taxable Canadian property" as such term is defined in the Tax Act (without reference to paragraph (b) of that definition) and modified by the Minister of Finance's Notice of Ways and Means Motion of March 22, 2010 or other types of specified property. If the Fund were not to qualify as a mutual fund trust at all times, the income tax consequences described below would in some respects be materially and adversely different.

This summary is also based on the assumption that the Fund will at no time be a SIFT Trust. Provided the Fund complies with the investment restrictions, as described under the heading "Overview of Investment Structure — Investment Restrictions of the Fund", the Fund should not hold any investment that would result in the Fund being a SIFT Trust.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel has been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its income, including its net realized capital gains as described under "Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (a "**capital gains refund**"). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may deduct the costs and expenses of the Offerings paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in computing the Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its "Canadian securities" treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

On October 31, 2003 the Department of Finance announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If such Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the Tax Proposals of October 31, 2003 would be released for comment. To date, no such alternative proposal has been released.

Taxation of Unitholders

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash or additional Units. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholders' proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain ("**taxable capital gain**") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan and capital gains realized on the disposition of Units are generally not taxable under Part I of the Tax Act while retained in the Registered Plan, provided that the Units are qualified investments under such a Registered Plan. See "Eligibility for Investment". Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Taxation Implications of the Fund's Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, as described under "Distributions", the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel for the Fund, and McCarthy Tétrault LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or in the case of Class A Units, the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by Registered Plans. See "Canadian Federal Income Tax Considerations".

Notwithstanding the foregoing, if the Units are "prohibited investments" for the purposes of a tax-free savings account, a holder of the account will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, or in which the holder has a significant interest, which, in general terms, means the ownership of 10% or more of the value of the Fund's outstanding Units by the holder, either alone or together with persons with whom the holder does not deal at arm's length. Unitholders are advised to consult their own tax advisors in this regard.

ORGANIZATION AND MANAGEMENT OF THE FUND

The Manager of the Fund

Lysander Funds Limited, an affiliate of Canso, will be the Manager of the Fund and will provide all management and administrative services required by the Fund. The Manager was incorporated under the *Business Corporations Act* (Ontario) on March 30, 2009. The majority shareholder of the Manager and Canso is Grip Investments Ltd. which is a corporation controlled by John Carswell. The Manager's head office is located at 100 York Blvd., Ste. 550, Richmond Hill, Ontario L4B 1J8.

Canso has been retained by the Manager to provide investment advisory and portfolio management services to the Manager and the Fund.

Directors and Officers of the Manager

The Board of Directors of the Manager currently consists of three members. The name, municipality of residence and office with the Manager of each director and senior officer is set out below. The directors do not have a fixed term of office.

Name	Municipality of Residence	Office with the Manager
Richard Usher-Jones	Toronto, Ontario, Canada	President and Chief Executive Officer
Timothy Hicks	Toronto, Ontario, Canada	Chief Investment Officer, Chief Financial Officer and Director
John Carswell	Richmond Hill, Ontario, Canada	Director
Lee Wong	Markham, Ontario, Canada	Director
Ian Mauchan	Toronto, Ontario, Canada	Vice President
Brenda Burns	Toronto, Ontario, Canada	Corporate Secretary
Raymond Oh	Richmond Hill, Ontario, Canada	Director

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust and the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund, to make all decisions regarding the business of the Fund and has authority to bind the Fund. The Manager may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The Declaration of Trust and Management Agreement provide that the Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the affairs of the Fund except if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund or otherwise in accordance with the provisions of the Declaration of Trust.

Under the terms of the Declaration of Trust and the Management Agreement, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Fund, including, without limitation (a) entering into, on behalf of the Fund, the Forward Agreement and administering the Forward Agreement; (b) authorizing and paying expenses incurred on behalf of the Fund; (c) appointing the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Fund; (d) providing office space and facilities; (e) preparing accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns as may be required by applicable law; (f) monitoring the ability of the Fund to pay distributions; (g) communicating with Unitholders; (h) ensuring that the Net Asset Value per Unit is calculated and published; (i) ensuring that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements; (j) calling meetings of Unitholders as required; and (k) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In consideration for these services, the Fund will pay to the Manager the Management Fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. See "Fees and Expenses — Management Fee". The Manager and each of its directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Declaration of Trust or Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust and the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution of the Unitholders. In the event the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee by Ordinary Resolution to remove the Manager and appoint a successor Manager. The Management Agreement may be terminated at any time by the Trustee, on behalf of the Fund, on 90 days written notice to the Manager with the approval of the Unitholders by an Extraordinary Resolution.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

Canso

Pursuant to the Investment Advisory Agreement, the Manager has retained Canso to provide investment advisory and portfolio management services to the Manager and the Fund. Pursuant to the CCT Investment Advisory Agreement, the Manager has also retained Canso to provide investment advisory and portfolio management services to Canso Credit Trust, including managing the Portfolio.

Canso was founded by John Carswell who began his career as a credit analyst at Mutual Life. He was a partner, credit analyst and fixed income portfolio manager at TAL Investment Counsel Ltd. and Foyston, Gordon & Payne prior to establishing Canso in 1997. The other senior credit and portfolio managers of Canso are:

Name	Description of Background and Experience
Gail Mudie, MBA	Gail joined Canso in 1998 and has 28 years of experience in treasury, corporate banking, credit and corporate bond management.
Heather Mason Wood, CFA, MBA	Heather joined Canso in 2003 and has 25 years of experience as a credit analyst, corporate banker, commercial banker and risk analyst.
Vivek Verma CFA, MBA, MA (Economics)	Vivek joined Canso in 2002 and has 12 years of experience as a credit rater, credit analyst and corporate bond manager.
Joe Morin, MBA	Joe joined Canso in 2009 and has 14 years of experience in international trade finance, credit ratings, and credit analysis.

Canso also has another four dedicated credit analysts who support the senior credit team as well as another four portfolio managers and analysts who also have significant credit responsibilities. There are also two dedicated corporate bond traders and five securities administrators who support the senior credit team.

The investment decisions made by these individuals are not subject to the oversight, approval or ratification of any committee of the Fund.

Conflicts of Interest

The directors and officers of the Manager or Canso may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund or Canso Credit Trust may acquire securities. The Manager or Canso and its affiliates or associates may be managers or portfolio managers of one or more issuers in which the Fund or Canso Credit Trust may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Fund or Canso Credit Trust. The services of the Manager and Canso are not exclusive to the Fund or Canso Credit Trust. The Manager or Canso may in the future act as the manager or investment advisor to other funds and companies and may in the future act as the manager or investment advisor to other funds which invest in debt securities and which are considered competitors of the Fund or Canso Credit Trust.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services.

Independent Review Committee

The Manager has appointed the following members to its independent review committee, which will also act as the independent review committee for Canso Credit Trust.

Paul Fahey: Paul Fahey is currently retired and was formerly a Vice-President and partner of Aurion Capital Management Inc.

Merri Jones: Merri Jones is currently an independent consultant for the Canadian Investment Industry.

Marlene K. Puffer: Dr. Marlene K. Puffer is founder and Managing Director of Twist Financial Corp.

The mandate and responsibilities of the independent review committee will be set out in its charter. The independent review committee will be responsible for carrying out those responsibilities required to be undertaken pursuant to NI 81-107, including reviewing each conflict of interest matter referred by the Manager to the independent review committee for its recommendation or approval, conducting regular assessments as required by NI 81-107 and reporting to the Unitholders and Manager on at least an annual basis, as required by NI 81-107.

The independent review committee will prepare a report, at least annually, of its activities for Unitholders which will be available on the Manager's website at www.lysanderfunds.com, or at the Unitholder's request at no cost, by contacting Canso at 905-881-8853.

Remuneration of Directors, Officers and Independent Review Committee Members

The officers of the Manager will receive their remuneration from the Manager. The directors of the Manager do not receive any director fees. Compensation for members of the independent review committee in respect of the Fund is currently $10,000 per member per annum. The expenses of the directors of the Manager and the premiums for directors' and officers' insurance coverage for the directors and officers of the Manager are paid by the Manager. The fees and other reasonable expenses of members of the independent review committee, as well as premiums for insurance coverage for such members, are paid by the Fund and other applicable investment funds managed by the Manager on a *pro rata* basis. In addition, the Fund has agreed to indemnify the members of the independent review committee against certain liabilities.

The Trustee

BNY Trust Company of Canada is the trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The address of the Trustee is 4 King Street West, Suite 1101, Toronto, Ontario, M5H 1B6.

The Trustee or any successor trustee may resign upon 90 days written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Fund or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses — Ongoing Expenses of the Fund" and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

The Custodian

CIBC Mellon Trust Company at its office in Toronto, Ontario will be separately appointed as the custodian of the assets of the Fund and Canso Credit Trust. The Custodian will be responsible for safekeeping of all the investments and other assets of the Fund and Canso Credit Trust delivered to it (but not those assets of the Fund or Canso Credit Trust not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Fund or Canso Credit Trust pledged to a counterparty and not directly held by the Custodian. In addition, the Custodian will calculate the Net Asset Value of the Fund.

Auditors

The auditors of the Fund are Deloitte & Touche LLP, at its offices in Toronto, Ontario.

Transfer Agent and Registrar

CIBC Mellon Trust Company will act as transfer agent and registrar for the Units and will maintain the securities registers at its office in Toronto, Ontario.

The Promoter

The Manager may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. The Manager will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to the Manager as described under "Fees and Expenses".

MANAGEMENT OF CANSO CREDIT TRUST

Canso Credit Trust

Canso Credit Trust will be a newly created investment trust established by Lysander as trustee prior to the Closing Date, pursuant to the CCT Declaration of Trust, for the purpose of acquiring the Portfolio. The registered office of Lysander, the trustee of Canso Credit Trust, is located in Richmond Hill, Ontario. Canso has been retained by the Manager to provide investment advisory and portfolio management services to Canso Credit Trust and to manage the Portfolio.

Canso Credit Trust will be authorized to issue an unlimited number of transferable, redeemable units, each of which will represent an equal, undivided interest in the net assets of Canso Credit Trust. Each unit of

Canso Credit Trust will entitle a holder thereof to the same rights and obligations as a holder of any other unit of Canso Credit Trust and no unitholder of Canso Credit Trust will be entitled to any privilege, priority or preference in relation to any other unitholder. Each unitholder of Canso Credit Trust will be entitled to one vote for each Canso Credit Trust unit held and will be entitled to participate equally with respect to any and all distributions made by Canso Credit Trust. On termination of Canso Credit Trust, all Canso Credit Trust unitholders of record holding outstanding Canso Credit Trust units will be entitled to receive any assets of Canso Credit Trust remaining after payment of all debts, liabilities and liquidation expenses of Canso Credit Trust. All holders of units of Canso Credit Trust must be residents of Canada for purposes of the Tax Act.

Duties and Services to be Provided by Lysander as Manager

Pursuant to the CCT Declaration of Trust and the CCT Management Agreement, the Manager has authority to manage the business and affairs of Canso Credit Trust, to make all decisions regarding the business of Canso Credit Trust and to bind Canso Credit Trust. The Manager may delegate certain of its powers to third parties at no additional cost to Canso Credit Trust where, in the discretion of the Manager, it would be in the best interests of Canso Credit Trust to do so.

The Manger is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of Canso Credit Trust and to exercise the care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances. The CCT Declaration of Trust and CCT Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the assets of Canso Credit Trust or the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve Canso Credit Trust or wind up the affairs of Canso Credit Trust except if, in its opinion, it would be in the best interests of the unitholders of Canso Credit Trust to terminate Canso Credit Trust or otherwise in accordance with the provisions of the CCT Declaration of Trust.

Pursuant to the provisions of the CCT Declaration of Trust and the CCT Management Agreement, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to Canso Credit Trust, including, without limitation (a) authorizing and paying expenses incurred on behalf of Canso Credit Trust; (b) appointing the Custodian, Prime Broker, auditors, legal counsel and other organizations or professionals serving Canso Credit Trust; (c) providing office space and facilities; (d) preparing accounting, management and other reports, including such interim and annual reports to unitholders, financial statements, tax reporting to unitholders and income tax returns as may be required by applicable law; (e) monitoring the ability of Canso Credit Trust to pay distributions; (f) communicating with unitholders; (g) ensuring that the Net Asset Value of Canso Credit Trust per unit is calculated; (h) ensuring that Canso Credit Trust complies with all regulatory requirements; (i) calling meetings of unitholders as required; and (j) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of Canso Credit Trust.

In consideration for these services, Canso Credit Trust will pay to the Manager the CCT Management Fee and will reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of Canso Credit Trust. See ''Fees and Expenses — CCT Management Fee''. The Manager and each of its directors, officers, employees, consultants and agents will be indemnified and will be reimbursed by Canso Credit Trust to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of Canso Credit Trust, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to Canso Credit Trust described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the CCT Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of Canso Credit Trust. The Manager may resign if Canso Credit Trust is in breach or default of the provisions of the CCT Declaration of Trust or the CCT Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to Canso Credit Trust. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for purposes of the Tax Act. The Manager may not be removed other than by an extraordinary resolution of the unitholders of Canso Credit Trust. In the event Canso is in material breach or default of the provisions of the CCT Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days notice of such breach or default to the Manager, the trustee of Canso Credit Trust shall give notice thereof to unitholders and unitholders may direct the trustee of Canso Credit Trust by ordinary resolution to remove the Manager and appoint a successor manager.

The services of the Manager and the officers and directors of the Manager are not exclusive to Canso Credit Trust. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

Portfolio Manager

Pursuant to the CCT Investment Advisory Agreement, the Manager has retained Canso to provide investment advisory and portfolio management services to Canso Credit Trust. Canso will cause Canso Credit Trust to acquire the securities of the issuers that comprise the Portfolio and will manage the Portfolio, subject to the investment restrictions of Canso Credit Trust.

The Trustee

Lysander is the trustee of Canso Credit Trust. The trustee of Canso Credit Trust is responsible for certain aspects of the administration of Canso Credit Trust as described in the CCT Declaration of Trust. The address of Lysander, the trustee of Canso Credit Trust, is 100 York Blvd., Suite 550, Richmond Hill, Ontario.

The trustee of Canso Credit Trust or any successor trustee may resign upon 90 days written notice to the Manager or may be removed by an extraordinary resolution passed at a meeting of unitholders called for such purpose. Any such resignation or removal will become effective only on the appointment of a successor trustee. If, after notice of resignation has been received from the trustee of Canso Credit Trust, no successor has been appointed within 90 days of such notice, the trustee of Canso Credit Trust, the Manager or any unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee.

The CCT Declaration of Trust provides that the trustee of Canso Credit Trust will not be liable in carrying out its duties under the CCT Declaration of Trust except in cases where the trustee of Canso Credit Trust fails to act honestly and in good faith with a view to the best interests of the Canso Credit Trust or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the CCT Declaration of Trust contains other customary provisions limiting the liability of the trustee of Canso Credit Trust and indemnifying the trustee of Canso Credit Trust in respect of certain liabilities incurred by it in carrying out its duties.

The trustee of Canso Credit Trust is not entitled to receive fees from Canso Credit Trust so long as the trustee is also the manager of Canso Credit Trust as described under "Fees and Expenses" and to be reimbursed by Canso Credit Trust for all expenses which are reasonably incurred by the trustee of Canso Credit Trust in connection with the activities of Canso Credit Trust.

Conflicts of Interest

The services of Canso are not exclusive to Canso Credit Trust. Canso and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the promotion or management of any other fund, trust or investment portfolio. Since Canso will continue to manage the investments of its other clients, Canso may acquire or dispose of the same investment for Canso Credit Trust and for one or more of its other clients. However, because of the different investment policies, Canso may be selling an investment for one client and buying the same investment for another client. Under the CCT Management Agreement, Canso has agreed to allocate opportunities to acquire and dispose of investments fairly among Canso Credit Trust and its other clients.

The primary consideration in all portfolio transactions will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers, Canso considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to Canso Credit Trust or to Canso or its affiliates. This allows Canso to supplement their own investment research activities and obtain the views and information of others prior to making investment decisions.

Prime Broker

Scotia Capital Inc. at its office in Toronto, Ontario, will be appointed as the prime broker of Canso Credit Trust to facilitate short selling of securities pursuant to an agreement between Canso Credit Trust and the Prime Broker.

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Custodian will calculate the Net Asset Value of the Fund. The Fund has applied for discretionary relief from the applicable securities regulators to permit it to calculate Net Asset Value per Unit only on each Valuation Date. At a minimum, the Valuation Date will be Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to have the Custodian calculate the Net Asset Value per Unit. The Fund will make available to the financial press for publication on a weekly basis, the Net Asset Value per Unit. Such amount will also be available on the Manager's website at www.lysanderfunds.com.

Valuation Policies and Procedures

For reporting purposes other than financial statements, the Net Asset Value of the Fund or Canso Credit Trust on a particular date will be equal to (i) the aggregate value of the assets of the Fund or Canso Credit Trust less (ii) the aggregate value of the liabilities of the Fund or Canso Credit Trust. The Net Asset Value per Unit for each class of Units on a particular date will be equal to the Net Asset Value of the Fund or Canso Credit Trust allocated to that class, including an allocation of any net realized capital gains or other amounts payable to unitholders of that class on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value of the Fund or Canso Credit Trust on a Valuation Date, the value of the aggregate assets, and any short positions, of the Fund or Canso Credit Trust on such Valuation Date will be determined as follows:

(a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair value thereof;

(b) the value of any bonds, debentures, other debt obligations and short positions will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the Manager, in its discretion, deems appropriate (“**Mid Price**”). Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;

(c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date (“**Close Price**”), or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the value of the assets is being determined, all as reported by any means in common use;

(d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;

(e) the value of any security or other asset for which a market quotation is not readily available will be its fair value on the Valuation Date on which the value of the assets is being determined as determined by the Manager (generally the Manager will value such securities as it considers fair and reasonable, and if there is an industry practice for valuing such securities or assets, will follow that industry practice);

(f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Custodian on the Valuation Date on which the value of the assets is being determined;

(g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm’s length transaction which approximates a trade effected in a published market, unless a different fair value is determined to be appropriate by the Manager;

(h) the value of the Forward Agreement and any other forward contract will be the value that would be realized by the Fund if, on the date on which the value of the assets is being determined, the Forward Agreement or any other forward contract were closed out in accordance with its terms; and

(i) the value of any security or property to which, in the opinion of the Manager, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts.

The Net Asset Value per Unit of a class is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

Reporting of Net Asset Value

The Net Asset Value per Unit will be available to Unitholders at no cost on the Manager’s website at www.lysanderfunds.com, posted on each Valuation Date and displaying the date upon which it was calculated. The Net Asset Value per Unit, as calculated based on the methodology described above, may differ from the net assets per unit as calculated under Canadian generally accepted accounting principles (“**GAAP**”). The primary difference arises from the use of Mid Price or Close Price for the valuation of investments in the calculation of Net Asset Value per Unit, whereas GAAP requires the use of bid price to value investments. The Fund’s financial statements will provide a reconciliation of Net Asset Value per Unit and net assets per unit calculated under GAAP.

DESCRIPTION OF THE UNITS

The Units

The beneficial interests in the net assets and net income of the Fund are divided into units of two classes, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units; and (iii) the Management Fee payable in respect of the Class A Units is reduced by an amount equal to the Service Amount (as defined herein). Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units.

Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario) and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Conversion of Class F Units

A holder of Class F Units may convert Class F Units into Class A Units and it is expected that liquidity for the Class F Units will be largely obtained by means of conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX. Class F Units may be converted in any month on the second last Business Day of such month by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 10 Business Days prior to the Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units; any fractional amounts will be rounded down to the nearest whole number of Class A Units. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

Purchase for Cancellation

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Unit of a Class A Unit immediately prior to the date of any such purchase of Class A Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Units are then listed.

Book Entry Only System

Registration of interests in and transfers of the Units will be made only through non-certificated interests issued under the Book-Entry Only System. Non-certificated interests representing the aggregate Class A Units and the Class F Units subscribed for under the Offerings will be recorded, in the name of CDS or its nominee, on the register of the Fund maintained by CIBC Mellon Trust Company on the Closing Date. Class A Units and Class F Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

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

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee by a written requisition specifying the purpose of the meeting, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. The Trustee may convene a Class A Meeting or Class F Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class. A Class A Meeting must be convened if requisitioned by Unitholders holding not less than 10% of the Class A Units then outstanding by a written requisition specifying the purpose of the meeting. A Class F Meeting must be convened if requisitioned by Unitholders holding not less than 10% of the Class F Units then outstanding by a written requisition specifying the purpose of the meeting.

Notice of all meetings of Unitholders (whether a meeting of all Unitholders, a Class A Meeting or a Class F Meeting) will be given in accordance with applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding (whether Class A Units or Class F Units). The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than five percent of the Class A Units then outstanding. The quorum for a Class F Meeting is two or more holders of Class F Units present in person or represented by proxy holding not less than five percent of the Class F Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, shall be dissolved, but in any other case, the meeting shall stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting shall be deemed to constitute a quorum.

The Fund does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

Amendment of Declaration of Trust

Except as provided below, the Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by the written consent in lieu of a meeting if there is only one Unitholder.

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution (a separate class vote is also required if one class of Units would be affected differently than the other in respect of items (d) through (f), inclusive):

(a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;

(b) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

(c) any material change in the Management Agreement or a change in the Manager, other than a change in the Manager where the new manager is an affiliate of the Manager;

(d) any increase in the Management Fee;

(e) any amendment, modification or variation in the provisions or rights attaching to the Units;

(f) any change in the frequency of calculating the Net Asset Value per Unit to less often than each Valuation Date;

(g) the issuance of additional Units, including any offering of rights, warrants or options to existing Unitholders to acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the offering, as the case may be; or (ii) by way of Unit distribution;

(h) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;

(i) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and

(j) any amendment to the above provisions except as permitted by the Declaration of Trust.

Notwithstanding the foregoing, the Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, to:

(a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;

(b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

(c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;

(d) maintain the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;

(e) provide added protection or benefit to Unitholders; or

(f) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under "Term of the Forward Agreement".

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including unaudited interim and audited annual financial statements, prepared in accordance with Canadian generally accepted accounting principles. The Fund will provide Unitholders with the option to receive annual and interim financial statements and annual and interim management reports of the Portfolio performance for Canso Credit Trust. The Fund will make available to each Unitholder annually and before March 31 of the following year information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

TERM OF THE FORWARD AGREEMENT

The Forward Agreement has a term of approximately five years ending on the Forward Termination Date. Under the terms of the Declaration of Trust, on or after the Forward Termination Date, the Manager may cause the Fund to enter into a new forward agreement with a term to be determined by the Manager at such time or, if it is not practicable to enter into such a new forward agreement at such time, the Manager may cause the Fund to invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio, in each case without Unitholder approval. In the event that the Manager does not cause the Fund to enter into a new forward agreement or invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio within 30 days after the Forward Termination Date, the Manager shall terminate the Fund. The Manager shall inform Unitholders by way of press release not less than 20 Business Days prior to the Forward Termination Date whether the Manager intends to cause the Fund to enter into a new forward agreement, invest the remaining assets of the Fund directly in securities of the kind that comprise the Portfolio or terminate the Fund.

The Declaration of Trust also provides that the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager will provide at least 30 days prior notice of such termination to Unitholders by way of press release. Upon such a termination, the Fund will pre-settle the Forward Agreement (or any subsequent forward agreement entered into by the Fund, if applicable), liquidate the Canadian Securities Portfolio and distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, and which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the termination date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved. The Manager may also terminate the Fund in the event of an early termination of the Forward Agreement (or any subsequent forward agreement entered into by the Fund, if applicable), provided that the Manager has given Unitholders notice of such termination at least 60 days in advance of such early termination.

The Declaration of Trust provides that prior to the termination of the Fund, the Manager will dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Units offered hereby after payment of the Agents' fee and the expenses of the Offerings are estimated to be $188,975,000 ($33,100,000 if the minimum number of Class A Units are issued). The Fund will use the net proceeds of the Offerings (including any net proceeds from the exercise of the Over-Allotment Option) to prepay its purchase price under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio having an aggregate value equal to the redemption proceeds of the relevant number of units of Canso Credit Trust. The Fund may also directly hold a small amount of the same securities as are held in the Portfolio.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of $10.00 per Unit. The offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offerings, the Agents will be paid a fee of $0.525 per Class A Unit and $0.225 per Class F Unit sold under the Offerings and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offerings. 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 any Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing Date and gives the Agents the right to offer additional Class A Units in an amount equal to up to 15% of the aggregate number of Class A Units sold on Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Units will be sold at $10.00 per Unit and the Agents will be paid a fee of $0.525 per Class A Unit sold. This prospectus qualifies the grant of the Over-Allotment Option as well as distribution of the Class A Units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Class A Units. The listing of the Units will be subject to the Fund fulfilling all of the requirements of the TSX on or before September 23, 2010, including the distribution of the Class A Units to a minimum number of public holders.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Units has been obtained. If subscriptions for a minimum of 3,500,000 Class A Units (or $35,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offerings may not continue without the consent of the securities regulatory authorities and those who have subscribed for Class A Units on or before such date. In the event such consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offerings will be returned to such purchasers promptly without interest or deduction. In addition, if subscriptions for a minimum of 500,000 Class F Units (or $5,000,000) have not been received by the Closing Date, the Class F Units will not be issued. In such case subscription proceeds received from prospective purchasers in respect of the Class F Units will be returned to such purchasers promptly without interest or deduction. The maximum number of Class A Units and/or Class F Units which will be sold is 20,000,000 or $200,000,000. Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers. 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. The Closing will take place on or about July 16, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued.

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank affiliate of one of the Agents. Accordingly, in that event, the Fund may be considered to be a "connected issuer" of such Agents. See "Overview of the Investment Structure — The Forward Agreement".

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the

Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with this Offerings, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Although units of Canso Credit Trust are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of Canso Credit Trust from each of the Autorité des marchés financiers and the Ontario Securities Commission. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Pursuant to the Agency Agreement, the Fund and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager is entitled to receive the Management Fee from the Fund and the CCT Management Fee and the Performance Fee from Canso Credit Trust. See "Organization and Management of the Fund", "Management of Canso Credit Trust" and "Fees and Expenses". The Manager has retained Canso to provide investment advisory and portfolio management services for the Fund and Canso Credit Trust and will pay Canso a fee for these services out of the Management Fee and CCT Management Fee, respectively.

PROXY VOTING DISCLOSURE

The Fund does not hold voting securities, but is exposed to securities held in the Portfolio by means of the Forward Agreement. Canso is authorized to exercise all rights and privileges incidental to ownership for the Portfolio. Canso Credit Trust will adopt Canso's proxy voting policy (the "**Proxy Voting Policy**"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. In connection with any meeting at which Canso Credit Trust as a holder of debt securities is entitled to vote, Canso may retain a third party service provider to provide proxy analysis, vote recommendations and vote execution services on behalf of Canso, all in accordance with the Proxy Voting Policy. However, the ultimate decision as to how to cast a vote rests with Canso, based on what Canso believes to be in the best interests of Canso Credit Trust.

The Proxy Voting Policy generally provides for voting in favour of management's recommendations, unless there are specific circumstances for voting against and/or Canso believes that Canso Credit Trust's best interests would be better served by voting against such recommendations. Canso will also document the reasons for a decision to cast a proxy vote in a manner that deviates from any standing policy. The Proxy Voting Policy includes policies and procedures for dealing with non-routine matters, including corporate restructurings, mergers and acquisitions, proposals affecting security holder rights and executive compensation. These matters will usually be addressed on a case-by-case basis with a focus on the best interests of Canso Credit Trust and the potential impact of the vote on the value of Canso Credit Trust. The Proxy Voting Policy also includes policies and procedures for dealing with potential conflicts of interest, and if required, such matters will be referred to the independent review committee for final determination.

The policies and procedures that Canso Credit Trust follows when voting proxies relating to the Portfolio will be available on request, at no cost, by writing to the Manager at 100 York Blvd., Ste. 550, Richmond Hill, Ontario L4B 1J8.

Canso Credit Trust's voting record, if any, for the previous year ended June 30 will be available free of charge to any Unitholder of the Fund upon request at any time after August 31 of such year and will be made available on the Manager's website at www.lysanderfunds.com.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager or to which either of them will become a party at or prior to the Closing, other than during the ordinary course of business, are as follows:

(a) the Declaration of Trust referred to under "Organization and Management of the Fund — The Trustee";

(b) the Management Agreement referred to under "Organization and Management of the Fund — Duties and Services to be Provided by the Manager";

(c) the Investment Advisory Agreement referred to under "Organization and Management of the Fund — Canso";

(d) The Custodian Agreement referred to under "Organization and Management of the Fund — The Custodian";

(e) the Agency Agreement referred to under "Plan of Distribution";

(f) the Forward Agreement referred to under "Overview of the Investment Structure — The Forward Agreement"; and

(g) the Recirculation Agreement referred to under "Redemption of Units — Resale of Units Tendered for Redemption".

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Manager during the period of distribution to the public of the Units offered under the Offerings and for a period of 30 days thereafter. Copies of the Declaration of Trust may be obtained at any time from the Manager on written request.

EXPERTS

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of the Fund by Stikeman Elliott LLP and on behalf of the Agents by McCarthy Tétrault LLP.

The Fund's auditors are Deloitte & Touche LLP, Chartered Accountants, who have prepared an independent auditors' report dated June 28, 2010 in respect of the Fund's statement of net assets as at June 28, 2010. Deloitte & Touche LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

EXEMPTIONS AND APPROVALS

The Fund has applied to the Ontario Securities Commission pursuant to Part 17 of NI 81-106 for relief from the requirement to calculate Net Asset Value per Unit at least once every business day as required by Part 14 of NI 81-106. Provided that relief is granted, the Fund will calculate Net Asset Value per Unit on each Valuation Date which at a minimum, will be Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of his or her province of residence for the particulars of these rights or consult with a legal advisor.

In addition, the Trustee has agreed on behalf of the Fund that purchasers in the Province of Québec have the right to withdraw from an agreement to purchase Units which may be exercised within two Business Days after receipt or deemed receipt of a prospectus of Canso Credit Trust.

AUDITORS' CONSENT

We have read the prospectus of Canso Credit Income Fund (the ''**Fund**'') dated June 28, 2010 relating to the initial public offering of Class A Units and Class F Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Unitholder and the Trustee of the Fund on the statement of net assets of the Fund as at June 28, 2010. Our report is dated June 28, 2010.

Toronto, Ontario
June 28, 2010

Deloitte & Touche LLP
Chartered Accountants Licensed Public Accountants

AUDITORS' REPORT

To the Unitholder and the Trustee of Canso Credit Income Fund

We have audited the statement of net assets of Canso Credit Income Fund (the "**Fund**") as at June 28, 2010. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this financial statement presents fairly, in all material respects, the financial position of the Fund as at June 28, 2010 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 28, 2010

Deloitte & Touche LLP
Chartered Accountants Licensed Public Accountants

CANSO CREDIT INCOME FUND

STATEMENT OF NET ASSETS

As at June 28, 2010

Assets	
Cash	$10.00
Unitholder's Equity	
Unitholder's Equity (Note 1)	$10.00

The accompanying notes are an integral part of this statement of net assets.

Approved on behalf of Canso Credit Income Fund
By: Lysander Funds Limited

By: (signed) JOHN CARSWELL
Director

By: (signed) TIMOTHY HICKS
Director

CANSO CREDIT INCOME FUND
NOTES TO STATEMENT OF NET ASSETS
As at June 28, 2010

1. ORGANIZATION AND UNITHOLDER'S EQUITY

Canso Credit Income Fund (the "**Fund**") is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of June 28, 2010.

The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class F Units (collectively, the "**Units**"). The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units; and (iii) the Management Fee (as defined below) payable in respect of the Class A Units is reduced by an amount equal to the Service Amount (as defined below). Accordingly, the Net Asset Value per Unit (as defined herein) of each class will not be the same as a result of the different fees allocable to each class of Units.

On June 28, 2010, the Fund was settled and issued an initial Class A Unit for cash consideration of $10.00 to Lysander Funds Limited (the "**Manager**").

2. NATURE OF BUSINESS

To achieve its investment objectives, the Fund will use substantially all of the net proceeds of the offering of Class A Units and the offering of Class F Units to pre-pay its obligations under one or more forward purchase and sale agreements (collectively the "**Forward Contract**") which the Fund will enter into with The Bank of Nova Scotia or an affiliate thereof (the "**Counterparty**") pursuant to which the Fund will acquire on or about June 30, 2015 listed securities of Canadian public issuers that are "Canadian securities" for the purposes of the *Income Tax Act* (Canada) having a value equal to an amount determined based on the economic return provided by an actively managed portfolio (the "**Portfolio**") consisting primarily of corporate bonds. The Portfolio will be held by Canso Credit Trust (the "**Trust**"). The return to the unitholders and the Fund will be dependent upon the total return on the Portfolio as a result of the Forward Contract. The Trust will utilize leverage through borrowing, pursuant to a loan facility to be entered into by the Trust with one or more Canadian chartered banks, to increase exposure to the Portfolio by an amount up to approximately 30% of the net asset value of the Trust at the time of borrowing.

This statement of net assets has been prepared in accordance with Canadian generally accepted accounting principles.

3. MANAGEMENT AND SERVICE FEES

The Manager will receive a management fee (the "**Management Fee**") from the Fund equal to 0.25% per annum of the net asset value of the Fund, calculated and payable monthly in arrears, plus applicable taxes, plus an amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the net asset value attributable to the Class A Units (the "**Service Amount**"), plus applicable taxes.

The Fund will pay to the Counterparty an additional purchase amount under the Forward Contract, calculated weekly and payable quarterly in arrears, of 0.25% per annum of the notional amount of the Forward Contract (being effectively equal to the net asset value of Canso Credit Trust).

4. AGENCY AGREEMENT

The Fund and the Manager have entered into an agency agreement with RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., GMP Securities L.P., Dundee Securities Corporation, Canaccord Genuity Corp., HSBC Securities (Canada) Inc., Macquarie Private Wealth Inc., Raymond James Ltd. and Wellington West Capital Markets Inc. (collectively, the "**Agents**") dated as of June 28, 2010 pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public, a minimum of 3,500,000 Class A Units and a maximum of 20,000,000 Class A Units and/or Class F Units at $10.00 per Unit. In consideration for their services in connection with the offering, the Agents will be paid a fee of $0.525 per Class A Unit and $0.225 per Class F Unit.

As set forth in the initial public offering prospectus of the Fund dated June 28, 2010, the Fund proposed to issue a minimum of 3,500,000 Class A Units and a maximum of 20,000,000 Class A Units and/or Class F Units at $10.00 per Unit.

5. CAPITAL DISCLOSURES

The Manager has policies and procedures in place to manage the capital of the Fund in accordance with the Fund's investment objectives, strategies and restrictions as detailed in the prospectus. Information about the capital of the Fund is described in Note 1 above, and the Fund does not have externally imposed capital requirements.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: June 28, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces of Canada.

CANSO CREDIT INCOME FUND
by its Manager, Lysander Funds Limited

By: (signed) RICHARD USHER-JONES
Chief Executive Officer

By: (signed) TIMOTHY HICKS
Chief Financial Officer

On behalf of the Board of Directors
of
LYSANDER FUNDS LIMITED

By: (signed) TIMOTHY HICKS
Director

By: (signed) JOHN CARSWELL
Director

By: (signed) LEE WONG
Director

By: (signed) RAYMOND OH
Director

LYSANDER FUNDS LIMITED
as Manager and Promoter

By: (signed) RICHARD USHER-JONES
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: June 28, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces of Canada.

RBC Dominion Securities Inc.	CIBC World Markets Inc.
By: (signed) Christopher Bean	By: (signed) Michael D. Shuh
BMO Nesbitt Burns Inc.	Scotia Capital Inc.
By: (signed) Mark W. Lobsinger	By: (signed) Brian D. McChesney

National Bank Financial Inc.

By: (signed) Timothy Evans

GMP Securities L.P.	Dundee Securities Corporation
By: (signed) Neil Selfe	By: (signed) Harold Wolkin
Canaccord Genuity Corp.	HSBC Securities (Canada) Inc.
By: (signed) Ron Sedran	By: (signed) Brent Larkan
Macquarie Private Wealth Inc.	Raymond James Ltd.
By: (signed) Raymond Sawicki	By: (signed) J. Graham Fell

Wellington West Capital Markets Inc.

By: (signed) Scott Larin

Canso

MERRILL
CORPORATION CANADA
Printed In Canada
10-8633-1