

Monthly Update

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

Objectives

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

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

Class A Shares (TSX: PDV):

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

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

Distributions (by record date)

	PDV	PDV.PR.A	Total
Total to Date	\$2.9281	\$1.6641	\$4.5923
2008 YTD	\$0.4625	\$0.2563	\$0.7188
2007	\$1.2156	\$0.6854	\$1.9010
2006	\$1.1625	\$0.6500	\$1.8125
2005	\$0.0875	\$0.07247	\$0.15997

**Initial distribution for the period Nov 16/05 to Dec 31/05.*

Commentary

In April dramatic action was taken by central banks around the world including the Bank of Canada which lowered the overnight lending rate another ½ percentage point. Lowering interest rates and providing liquidity to the market appears to have stabilized the credit crisis situation and allowed the market a confidence that has not been seen this year. This action by the BOC appears to have continued to stabilize the market throughout the month of May. The Toronto Stock Market hit an all time high (14,714) up 6.4% year to date with the crux of the return stemming from the commodity sector. The financial services sector has not performed well during this period of time with concerns about the ongoing announcements of the credit crisis / loan write downs. The nervousness is keeping large extended balances of cash in many investors' pockets until the credit concerns dissipate. It should be noted that the Canadian financial sector has little overall exposure to the U.S. sub prime loans.

TSX Group Inc. (TSX: X) and Montreal Exchange Inc. (TSX: MX) announced the completion of their business combination to create TMX Group Inc. (May 08). X is a holding of Prime Dividend.

The Prime Dividend portfolio has a current dividend yield of approx. 3.8%.

Details

Gross Proceeds:	\$60,000,000
Units Issued:	2,400,000
Inception Date:	Nov 16, 2005
Termination Date:	Dec 1, 2012
Net Asset Value:	\$22.34 (May 31/08)
Cash Weighting:	1%
Canadian Equity Weighting:	99%
PDV.PR.A Trading Price:	\$10.45 (May 31/08)
Current Yield:	5.3% annually
Asset Coverage:	223%
Market Capitalization:	\$22,655,182
PDV Trading Price:	\$11.09 (May 31/08)
Current Yield:	9.1% annually
Market Capitalization:	\$24,042,676

Top Holdings (sorted by weight)

TransAlta Corporation	TA
AGF Management	AGF
TransCanada Corporation	TRP
Bell Canada Inc.	BCE
Canadian Imperial Bank of Commerce	CM
Toronto-Dominion Bank	TD
TSX Group Inc.	X
Manulife Financial	MLF
IGM Financial	IGM
Power Financial	PWF
National Bank of Canada	NA
Royal Bank of Canada	RY
CI Financial Income Fund	CIX
Bank of Montreal	BMO
Sun Life Financial	SLF
Bank of Nova Scotia	BNS
Great-West Lifeco	GWL

Weightings subject to change at any time.