BROMPTON SPLIT BANC CORP.

ANNUAL INFORMATION FORM

March 28, 2007

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form.

In particular, this annual information form may contain forward-looking statements pertaining to distributable cash and distributions per Class A Share, Preferred Share or Unit. The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this annual information form. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

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GLOSSARY OF TERMS

In this annual information form, the following terms shall have the meanings set forth below, unless otherwise indicated:

"Advisor" means Brompton Capital Advisors Inc.

"Advisor Agreement" means the advisor agreement dated as of October 27, 2005 among the Company, the Manager and the Advisor.

"Annual Retraction Date" means the second last business day of December.

"Basic Subscription Right" means the entitlement granted under the Rights to subscribe for one Unit, consisting of one Class A Share and one Preferred Share, at a subscription price of $26.10, for each Right held.

"Black-Scholes Model" means a widely used option pricing model developed by Fischer Black and Myron Scholes in 1973. The model can be used to calculate the theoretical value of an option based on the current price of the underlying security, the strike price and term of the option, prevailing interest rates and the volatility of the price of the underlying security.

"**business day**" means any day on which the TSX is open for business.

"call option" means the right, but not the obligation, of the option holder to buy a security from the seller of the option at a specified price at any time during a specified time period or at expiry.

"cash covered put option" means a put option entered into in circumstances where the seller of the put option holds cash equivalents or other acceptable cash cover (as defined in NI 81-102) sufficient to acquire the securities underlying the option at the strike price throughout the term of the option.

"cash equivalents" means, and for the purposes of "cash cover" and "cash covered put option", "cash" as used therein means:

(a) cash on deposit at the Custodian;

(b) an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by:

  (i) any of the federal or provincial governments of Canada;

  (ii) the Government of the United States; or

  (iii) a Canadian financial institution;

  provided that, in the case of (ii) and (iii), such evidence of indebtedness has a rating of at least R-1 (mid) by DBRS or the equivalent rating from another approved rating organization; or

(c) other cash cover as defined in NI 81-102.

"**CDS**" means CDS Clearing & Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Company as the depository in respect of the book-entry-only 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 book-entry-only units deposited with CDS.

"Class A Record Date" means the last Business Day of each month.

"Class A Shareholder" means a holder of a Class A Share.

"Class A Shares" means the Class A Shares of the Company.

"Company" means Brompton Split Banc Corp.

"covered call option" means a call option entered into in circumstances where the seller of the call option holds the underlying security through the term of the option.

"CRA" means the Canada Revenue Agency or any successor organization.

"Custodian" means RBC Dexia Investor Services Trust, in its capacity as custodian under the Custodian Agreement, as appointed from time to time by the Manager.

"Custodian Agreement" means the custodian agreement, entered into between the Company and the Custodian, dated as of November 16, 2005 as it may be amended from time to time.

"DBRS" means Dominion Bond Rating Service Limited.

"Escrow Agreement" means the escrow agreement dated as of November 16, 2005 among Brompton Split Banc Trust, Computershare Trust Company of Canada and the Company.

"Extraordinary Resolution" means a resolution passed by the affirmative vote of at least 66⅔% of the votes cast, either in person or by proxy, at a meeting of Shareholders called for the purpose of approving such resolution.

"in-the-money" means in relation to a call option, a call option with a strike price less than the current market price of the underlying security and, in relation to a put option, a put option with a strike price greater than the current market price of the underlying security.

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

"Investment Guidelines" means the investment guidelines of the Company described in section 1.3 of the Annual Information Form.

"Investment Objectives" means the investment objectives of the Company described in section 1.2 of this Annual Information Form.

"**Investment Restrictions**" means the investment restrictions of the Company.

"Management Agreement" means the management agreement dated as of October 27, 2005 between the Company and the Manager, as it may be amended from time to time.

"Management Fee" means the management fee payable to the Manager described in section 8.2.2 of this Annual Information Form.

"Manager" means Brompton Funds Management Limited, or if applicable, its successor.

"Maturity Date" means November 30, 2012.

"NAV per Unit" means the NAV of the Company divided by the number of Units then outstanding.

"NAV 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 includes any other date on which the Manager elects, in its discretion, to calculate the NAV per Unit.

"Net Asset Value" or **"NAV"** means the specified net asset value which, on any date, will be equal to the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities of the Company on that date. The Net Asset Value of the Company on a particular date will be equal to (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company, including any distributions declared and not paid that are payable to Shareholders on or before such date, less (iii) the stated capital of the Class J Shares ($100) as described in section 5.0 of this Annual Information Form.

"NI 81-102" means National Instrument 81-102 of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

"NI 81-106" means National Instrument 81-106 of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

"option premium" means the selling price of an option.

"Option Advisor or Highstreet" means Highstreet Asset Management Inc.

"Option Advisor Agreement" means the option advisor agreement dated as of October 27, 2005 among the Company, the Manager and the Option Advisor, as it may be amended from time to time.

"Ordinary Resolution" means a resolution passed by the affirmative vote of at least 50% of the votes cast, either in person or by proxy, at a meeting of Shareholders called for the purpose of approving such resolution.

"out-of-the-money" means in relation to a call option, a call option with a strike price greater than the current market price of the underlying security and, in relation to a put option, a put option with a strike price less than the current market price of the underlying security.

"Portfolio" means the portfolio of common shares of the six largest Canadian banks that the Company acquired using the net proceeds of its initial public offering.

"Preferred Shareholder" means a holder of a Preferred Share.

"Preferred Share Record Date" means the last business day of March, June and September and December.

"Preferred Shares" means the preferred shares of the Company.

"put option" means the right, but not the obligation, of the option holder to sell a security to the seller of the option at a specified price at any time during a specified time period or at expiry.

"**Rebalancing Criteria**" means the rebalancing criteria as described in section 1.4 of this Annual Information Form.

"Retraction Date" means the second last business day of a month.

"Retraction Notice" means a notice delivered by a CDS Participant to CDS (at its office in Toronto) on behalf of a Shareholder who desires to exercise his or her retraction privileges.

"Retraction Payment Date" means the date that is on or before the tenth business day in the month following a Retraction Date.

"Right" means a right of the Company issued to holders of Class A Shares of record on March 15, 2006 entitling them to subscribe for a Unit and the issuance of Units upon exercise thereof.

"Service Fee" means the fee payable to each dealer whose clients hold Class A Shares. The Service Fee is calculated and paid at the end of each calendar quarter and is equal to 0.40% annually of the value of the Class A Shares held by clients of the dealers, plus any applicable taxes.

"Share" or **"Shares"** means a Class A Share or a Preferred Share.

"Shareholder" means a holder of a Class A Share or a Preferred Share.

"strike price" means in relation to a call option, the price specified in the option that must be paid by the option holder to acquire the underlying security or, in relation to a put option, the price at which the option holder may sell the underlying security.

"TSX" means the Toronto Stock Exchange.

"Unit" means a notional unit consisting of one Class A Share and one Preferred Share. The number of Units outstanding at any time will be equal to the sum of the number of Class A Shares and Preferred Shares then outstanding divided by two.

"volatility" means, in respect of the price of a security, a numerical measure of the tendency of the price to vary over time.

1.0 NAME, FORMATION AND HISTORY

Brompton Split Banc Corp. is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 14, 2005 with a registered office located at Suite 2930, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Company was formed pursuant to Articles of Incorporation and is governed by its Articles of Incorporation and the By-laws of the Company.

Prior to closing the Company's initial public offering, the Company amended its articles to create the Preferred Shares and the Class A Shares.

Pursuant to a final prospectus filed by the Company on March 1, 2006, the Company issued to the holders of its outstanding Class A Shares at the close of business (Toronto time) on March 15, 2006, transferable Rights to subscribe for and purchase an aggregate of 6,135,000 Units, each Unit consisting of one Class A Share and one Preferred Share. Each Class A Shareholder at the close of business on the record date received one Right for each Class A Share held. Rights were fully transferable and evidenced by a global rights certificate. One Right entitled the holder thereof to purchase one Unit for an aggregate subscription price of $26.10 per Unit, consisting of one Class A Share and one Preferred Share. The Rights offer expired on April 10, 2006.

1.1 Status of the Company

While the Company is technically considered to be a mutual fund corporation under the securities legislation of certain provinces of Canada, the Company is not a conventional mutual fund and has obtained exemptions from certain requirements of NI 81-102 and NI 81-106.

The Company differs from conventional mutual funds in a number of respects, most notably as follows (i) while the Class A Shares and the Preferred Shares of the Company may be surrendered at any time for redemption, the redemption price is payable monthly whereas the securities of most conventional mutual funds are redeemable daily, (ii) the Class A Shares and the Preferred Shares of the Company have a stock exchange listing whereas the securities of most conventional mutual funds do not, and (iii) unlike most conventional mutual funds, the Class A Shares and the Preferred Shares are not offered on a continuous basis. The Company obtained exemptions from the following requirements of NI 81-102:

(a) subsection 2.1(1) – to enable the Company to invest all of its net assets in the Portfolio;

(b) clause 2.6(a) – to enable the Company to obtain a credit facility for working capital purposes and provide a security interest over its assets, so long as the outstanding amount of any such borrowings of the Company does not exceed 5% of the net assets of the Company taken at market value at the time of the borrowing;

(c) section 3.3 – to permit the Company to bear the expenses of the Company's initial public offering;

(d) section 10.3 – to permit the Company to calculate the retraction price for the Class A Shares and Preferred Shares in the manner described and on the applicable Retraction Date;

(e) subsection 10.4(1) – to permit the Company to pay the retraction price for the Class A Shares and the Preferred Shares on the Retraction Payment Date;

(f) subsection 12.1(1) – to relieve the Company from the requirement to file certain compliance reports; and

(g) section 14.1 – to relieve the Company from the requirement relating to the record date for the payment of dividends or other distributions, provided that it complies with the applicable requirements of the TSX.

The Company also obtained an exemption from subsection 14.2(3) of NI 81-106 in order to permit the Company to calculate its NAV on a weekly basis.

1.2 Investment Objectives

The Company's Investment Objectives are:

(i) to provide holders of Preferred Shares with fixed cumulative preferential quarterly cash Distributions in the amount of $0.13125 per Preferred Share;

(ii) to return the original issue price to holders of the Preferred Shares on the Maturity Date;

(iii) to provide holders of Class A Shares with regular monthly cash Distributions to be $0.10 per Class A Share; and

(iv) to provide holders of Class A Shares with the opportunity for growth in Net Asset Value per Class A Share.

1.3 Investment Guidelines

The net proceeds of the Company's initial public offering were invested, on an approximately equally weighted basis in a portfolio of common shares of the six Canadian Banks (Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, The Bank of Nova Scotia, and The Toronto-Dominion Bank). The Advisor is responsible to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. Highstreet Asset Management Inc. is the Option Advisor to the Company and, at its discretion, selectively writes covered call options and cash covered put options from time to time in respect of the shares of the banks included in the Portfolio in order to generate additional distributable income for the Company.

The Company may from time to time hold cash and cash equivalents including short term debt instruments issued by the government of Canada or a province, short term commercial paper issued by Canadian financial institutions with a rating of at least R-1 (mid) by DBRS or the equivalent from another rating organization selected by the Advisor or term deposits.

1.4 Rebalancing Criteria

The Portfolio is rebalanced (i) at least annually, to adjust for changes in the market value of investments; and (ii) to reflect the impact of a merger, acquisition or other significant corporate actions or events of or affecting one or more of the Canadian banks in the Portfolio. As a result, the Portfolio may contain the common shares of less than six Canadian banks. In addition, between the rebalancing dates, the Company may sell Portfolio securities for working capital purposes or replace Portfolio securities with proceeds from the exercise of covered call options previously written. In order to rebalance the Portfolio, the Advisor will, at the time of rebalancing, calculate the market value of the Portfolio, less any amount to be used for working capital purposes, and divide such resultant amount by the number of issuers to be included in the Portfolio. Rebalancing transactions will be effected as soon as is reasonably practicable thereafter. As a result of changes in market prices of the shares in the Portfolio between rebalancing dates, it is not expected that the issuers included in the Portfolio will be exactly equally weighted at any given time.

The Portfolio may also be rebalanced in the event of any future offering of Shares by the Company.

2.0 INVESTMENT RESTRICTIONS

The Company is subject to certain Investment Restrictions that, among other things, limit the equity securities and other securities that the Company may acquire for the Portfolio. The Company's Investment Restrictions may not be changed without the approval of the holders of Preferred Shares and Class A Shares by a two-thirds majority vote of such holders who attend and vote at a meeting called for such purpose.

In addition, but subject to these Investment Restrictions, the Company has adopted the standard investment restrictions and practices set forth in NI 81-102 (as it may be amended from time to time), other than the restriction on investing more than 10% of the Company's assets in the securities of any one issuer at the time of investment.

During the year-ended December 31, 2006, the Company has not deviated from the rules under the Income Tax Act that apply to the status of the Shares qualifying for inclusion in registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans registered under the Income Tax Act.

3.0 DESCRIPTION OF SECURITIES

The Company is authorized to issue an unlimited number of Class A Shares, Preferred Shares and Class J Shares. The holders of Class J Shares are not entitled to receive dividends and are entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of $1.00 per share.

3.1 Principal Shareholder

All of the issued and outstanding Class J Shares of the Company are owned by a trust established for the benefit of the holders of the Class A Shares and Preferred Shares from time to time. The Class J Shares are held in escrow pursuant to the Escrow Agreement and will not be disposed of or dealt with in any manner until all the Class A Shares and Preferred Shares have been retracted or redeemed, without the express consent, order or direction in writing of the Ontario Securities Commission.

3.2 Distributions

3.2.1 Preferred Shares

Shareholders of record of Preferred Shared at 5:00 p.m. (Toronto time) on a Preferred Share record date are entitled to receive fixed, cumulative preferential quarterly cash distributions of $0.13125 per Preferred Share and are paid before the tenth business day in the month following the end of the period in respect of which the distribution is payable. These distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital. There can be no assurance that the Company will be able to pay distributions to holders of Preferred Shares. All Distributions are paid through the CDS book entry only system.

3.2.2 Class A Shares

The Company intends to pay monthly non-cumulative Distributions in an amount targeted to be $0.10 per Class A Share. Such distributions are paid on or before the tenth business day of the month following the month in respect of which the distribution is payable. Such distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital. There can be no assurance that the Company will be able to pay Distributions to the holders of Class A Shares.

No Distributions will be paid on the Class A Shares if (i) the Distributions payable on the Preferred Shares are in arrears, or (ii) in respect of a cash Distribution, after payment of the Distribution by the Company, the NAV per Unit would be less than $15.00. In addition, it is intended that the Company will not pay Distributions in excess of $0.10 per month, on the Class A Shares if after payment of the Distribution the NAV per Unit would be less than $25.00 unless the Company would need to make such Distributions so as to fully recover refundable taxes.

In the event that the Company realizes capital gains, the Company may, at its option, make a special year end capital gains distribution in certain circumstances, including where the Company has net realized capital gains, in Class A Shares and/or cash. Any capital gains distribution payable in Class A Shares may be made only after November 16, 2006, and will increase the aggregate adjusted cost base to holders of Class A Shares of such Shares. Immediately following payment of such a distribution in Class A Shares, the number of Class A Shares outstanding will be automatically consolidated such that the number of Class A Shares outstanding after such distribution will be equal to the number of Class A Shares outstanding immediately prior to such distribution

3.3 Priority

3.3.1 Preferred Shares

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

3.3.2 Class A Shares

The Class A Shares rank subsequent to the Preferred Shares but in priority to the Class J Shares with respect to the payment of Distributions and the repayment of capital on the dissolution, liquidation or winding up of the Company.

3.3.3 Class J Shares

The Class J Shares rank subsequent to both the Class A Shares and the Preferred Shares with respect to distributions on the dissolution, liquidation or winding up of the Company.

3.3.4 Acts Requiring Shareholder Approval

The following may only be undertaken with the approval of the holders of Class A Shares and Preferred Shares, each voting separately as a class, by an Ordinary Resolution, unless a greater majority is required by law, passed at a meeting called for the purpose of considering such Ordinary Resolution, provided that holders of Class A Shares and Preferred Shares holding at least 10% of the Shares outstanding on the record date of the meeting vote in favour of such Ordinary Resolution:

(a) a change of the auditors of the Company;

(b) a reorganization with, or transfer of assets to, another mutual fund corporation, if

  (i) the Company ceases to continue after the reorganization or transfer of assets; and

  (ii) the transaction results in Shareholders becoming securityholders in the other mutual fund corporation; and

(c) a reorganization with, or acquisition of assets of, another mutual fund corporation, if

(i) the Company continues after the reorganization or acquisition of assets;

(ii) the transaction results in the securityholders of the other mutual fund corporation becoming Shareholders of the Company; and

(iii) the transaction would be a significant change to the Company; and

(d) except as described herein, a change of the Manager or of the Advisor to the Company, other than a change resulting in an affiliate of such person assuming such position.

The following may only be undertaken with the approval of holders of Class A Shares and Preferred Shares, each voting separately as a class, by an Extraordinary Resolution:

(a) a change in the fundamental Investment Objectives, Investment Guidelines, Rebalancing Criteria or Investment Restrictions of the Company, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;

(b) a change of the Maturity Date;

(c) any change in the basis of calculating fees or other expenses that are charged to the Company that could result in an increase in charges to the Company;

(d) any change in the frequency of calculating the NAV per Unit to less often than weekly;

(e) any issue of Units for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of the setting of the subscription price by the Company;

(f) any material change in the Management Agreement, other than its termination; and

(g) any amendment, modification or variation in the provisions or rights attaching to the Class A Shares, Preferred Shares or Class J Shares.

Each Class A Share and each Preferred Share will have one vote at such a meeting. 10% of the outstanding Class A Shares and Preferred Shares, respectively, represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the holders of Class A Shares and Preferred Shares then present will constitute a quorum at an adjourned meeting.

Except as required by law or set out above, holders of Preferred Shares and Class A Shares will not be entitled to receive notice of, to attend or to vote at any meeting of Shareholders of the Company.

4.0 VALUATION OF PORTFOLIO SECURITIES

In determining the NAV of the Company at any time:

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

(b) the value of any security, that 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) shall be determined by taking the latest available sale price of recent date, 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 shall be used), as at the NAV Valuation Date on which the NAV of the Company is being determined, all as reported by any means in common use. For a retraction or redemption of the Company's Shares, the value of the common shares will be equal to the weighted average trading price of such Shares over the last three Business Days of the relevant month;

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

(d) the value of any security, or other asset for which a market quotation is not readily available will be its fair market value on the NAV Valuation Date on which the NAV of the Company is being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);

(e) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Company from the Custodian on the NAV Valuation Date on which NAV of the Company is being determined;

(f) 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 that approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and

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

5.0 CALCULATION OF NET ASSET VALUE

The Net Asset Value of the Company on a particular date is equal to (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company, including any distributions declared and not paid that are payable to Shareholders on or before such date, less (iii) the stated capital of the Class J Shares ($100). For greater certainty, the Preferred Shares are not treated as liabilities for these purposes.

The NAV per Unit, is, at a minimum calculated on Thursday of each week, or if any Thursday is not a business day, the immediately preceding business day, and on any redemption or retraction date for the Company's Shares and includes any other date on which the Manager elects, in its discretion, to calculate the NAV per Unit.

The NAV per Unit and NAV are calculated in Canadian dollars.

6.0 PURCHASES OF SHARES

The Class A Shares and the Preferred Shares are listed for trading on the TSX under the symbols SBC and SBC.PR.A, respectively. Registration of interests in and transfers of the Shares are made only through the book-entry only system operated by CDS and the Shares must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Shareholders must be exercised through, and all payments or other property to which such Shareholders are entitled are made or delivered by, CDS or the CDS Participant through which such Shareholder holds such Shares. Upon purchase of any Shares, Shareholders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Shares are purchased. The ability of a beneficial owner of Class A Shares or Preferred Shares to pledge such shares or otherwise take action with respect to such owners interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

7.0 REDEMPTIONS AND RETRACTIONS

7.1 Redemptions

7.1.1 Preferred Shares

All Preferred Shares outstanding on the Maturity Date will be redeemed by the Company on such date. The redemption price payable by the Company for a Preferred Share on that date will be equal to the lesser of (i) $10.00 plus any accrued and unpaid distributions thereon and (ii) the NAV of the Company on that date divided by the total number of Preferred Shares then outstanding. Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior the Maturity Date.

7.1.2 Class A Shares

All Class A Shares outstanding on the Maturity Date will be redeemed by the Company on such date. The redemption price payable by the Company for a Class A Share on that date will be equal to the greater of (i) the NAV per Unit on that date minus the sum of $10.00 plus any accrued and unpaid distributions on the Preferred Shares, and (ii) nil. Notice of redemption will be given to CDS Participants holding Class A Shares on behalf of the beneficial owners thereof at least 30 days prior to the Maturity Date.

7.2 Retraction Privileges

7.2.1 Preferred Shares

Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Company's registrar and transfer agent, but will be retracted only on the monthly Retraction Date. Preferred Shares surrendered for retraction by a Shareholder at least ten business days prior to the Retraction Date will be retracted on such Retraction Date and the Shareholder will be paid on the Retraction Payment Date. If a Shareholder makes such surrender after 5:00 p.m. (Toronto time) on the tenth business day immediately preceding a Retraction Date, the Shares will be retracted on the Retraction Date in the following month and the Shareholder will receive payment for the retracted Shares on the Retraction Payment Date in respect of such Retraction Date.

Except as noted below, holders of Preferred Shares whose Preferred Shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share equal to 96% of the lesser of (i) the NAV

per Unit determined as of such Retraction Date less the cost to the Company of the purchase of a Class A Share for cancellation; and (ii) $10.00. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share, and commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Class A Share. If the NAV per Unit is less than $10.00, plus any accrued and unpaid distributions on the Preferred Shares, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Preferred Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

A holder of Preferred Shares may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Retraction Date of each year, commencing in December 2006, at a retraction price per Unit equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. The Preferred Shares and Class A Shares must both be surrendered for retraction at least 10 business days prior to the Annual Retraction Date. Payment of the proceeds of retraction will be made on or before the tenth business day of the following month.

Any and all Preferred Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the retraction price is not paid on the Retraction Payment Date, in which event such Preferred Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares which are not retracted by the Company on the relevant Retraction Payment Date.

7.2.2 Class A Shares

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Company's registrar and transfer agent, but will be retracted only on the monthly Retraction Date. Class A Shares surrendered for retraction by a Shareholder at least ten business days prior to the monthly Retraction Date will be retracted on such Retraction Date and the Shareholder will be paid on or before the Retraction Payment Date. If a Shareholder makes such surrender after 5:00 p.m. (Toronto time) on the tenth business day immediately preceding a Retraction Date, the Class A Shares will be retracted on the Retraction Date in the following month and the Shareholder will receive payment for the retracted Shares on the Retraction Payment Date in respect of such Retraction Date.

Except as noted below, holders of Class A Shares whose Class A Shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share equal to 96% of the difference between (i) the NAV per Unit determined as of such Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. For this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio to fund the purchase of the Preferred Share. If the NAV per Unit is less than $10.00, plus any accrued and unpaid distributions on a Preferred Share, the retraction price of a Class A Share will be nil. Any declared and unpaid distributions payable on or before a Retraction Date in respect of Class A Shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

A holder of Class A Shares may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in December 2006, at a retraction price per Unit equal to the NAV per Unit on that date, less any costs associated with the retraction, including

commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. For the purpose of calculating the Net Asset Value per Unit, the value of common shares comprising the Portfolio will be equal to the weighted average trading price of such shares over the last three business days of the month of December as described under "Net Asset Value and NAV per Unit". The Class A Shares and the Preferred Shares must both be surrendered at least 10 business days prior to the Annual Retraction Date. Payment of the proceeds will be made on or before the tenth business day of the following month subject to the Manager's right to suspend retractions in certain circumstances.

Any and all Class A Shares that have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the retraction price is not paid on the Retraction Payment Date, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not retracted by the Company on the relevant Retraction Payment Date.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall 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 Shareholder's instructions will not give rise to any obligations or liability on the part of the Company or the Manager to the CDS Participant or the Shareholder.

7.3 Suspension of Redemptions and Retractions

The Manager may suspend the redemption and/or retraction of Class A Shares or Preferred Shares or payment of redemption or retraction proceeds (i) during any period when normal trading in securities owned by the Company is suspended on the TSX and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Company to execute trades in such securities, or (ii) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of its assets, only with the prior approval of the securities regulatory authorities. The suspension may apply to all requests for retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Class A Shares and Preferred Shares making such requests shall be advised by Manager of the suspension and that the retraction will be effected at a price determined on the first Retraction Date following the termination of the suspension. All such Shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Company, and declaration of suspension made by Manager shall be conclusive.

8.0 RESPONSIBILITY FOR OPERATIONS

8.1 Management of the Company

The name, municipality of residence, position with the Company and principal occupation of each of the directors and officers of the Company are set out below:

Name and Municipality of Residence and Position with the Company	Principal Occupation and Positions Held During the Last 5 Years, including Positions held with Affiliated Entities of the Company
P. MICHAEL NEDHAM Toronto, Ontario Director	Managing Director, Newport Partners LP, which is in the business of providing integrated personal and corporate wealth management, since July 2005; Managing Director, Newport Partners Inc. from July 2002 to July 2005 President, Newport Securities Inc. from September 2001 to July 2002.
PETER A. BRAATEN Toronto, Ontario Chairman and Director	Chairman, Brompton Group Limited, a financial services company, since December 2006; Chairman, Brompton Limited from November 2000 to December 2006.
JAMES W. DAVIE[(1)(2)(3)] Toronto, Ontario Chairman of the Audit Committee and Director	Corporate Director since June 2002; Managing Director, RBC Dominion Securities Inc. from June 1999 to June 2002.
ARTHUR R.A. SCACE[(1)(2)(3)] Toronto, Ontario Chairman of the Corporate Governance Committee and Director	Corporate Director since March 2006; Counsel, McCarthy Tétrault LLP from November 2003 to February 2006; Partner, McCarthy Tétrault LLP from 1972 to November 2003.
KEN S. WOOLNER[(1)(2)(3)] Calgary, Alberta Lead Director	Corporate Director since February 2006; Executive Chairman, White Fire Energy Ltd. from April 2005 to February 2006; President & Chief Executive Officer, Lightning Energy Ltd. from December 2001 to April 2005.
RAYMOND R. PETHER Toronto, Ontario Chief Executive Officer	President and Chief Executive Officer, Brompton Group Limited, a financial services company, since December 2006; President and Chief Executive Officer, Brompton Limited from April 2001 to December 2006.
MARK A. CARANCI Toronto, Ontario President	President, Brompton Funds since February 2006; Chief Financial Officer, Brompton Limited from November 2000 to January 2006.
CRAIG T. KIKUCHI Toronto, Ontario Chief Financial Officer	Chief Financial Officer, Brompton Funds since February 2006; Vice-President, Brompton Limited from August 2004 to January 2006; Controller, Brompton Limited from February 2002 to August 2004.
DAVID E. ROODE Toronto, Ontario Senior Vice President	Senior Vice-President, Brompton Funds since February 2006, Senior Vice President Brompton Limited from May 2005 to January 2006; Vice President, Brompton Limited from September 2002 to May 2005; Analyst for a financial services organization from 1998 to 2001.
MOYRA E. MACKAY Toronto, Ontario Vice-President and Secretary	Vice-President & Corporate Secretary, Brompton Funds since February 2006; Vice President & Corporate Secretary, Brompton Limited from May 2000 to January 2006.

Name and Municipality of Residence and Position with the Company	Principal Occupation and Positions Held During the Last 5 Years, including Positions held with Affiliated Entities of the Company
LORNE ZEILER Toronto, Ontario Vice-President	Vice-President, Brompton Funds since February 2006; Vice President, Brompton Limited from September 2004 to January 2006; Senior Financial Analyst, Assante Advisory Services from 2003 to 2004; Senior Relationship Manager, Scotiabank from 1998 to 2003.
JESSICA LEUNG Toronto, Ontario Controller	Controller, Brompton Funds, since February 2006; Controller, Brompton Limited from February 2005 to January 2006; Manager, Ernst & Young LLP from October 2000 to January 2005.
ANN WONG Toronto, Ontario Controller	Controller, Brompton Funds since February 2006; Controller, Brompton Limited from September 2005to January 2006; Senior Manager, Treasury Finance Group Canadian Imperial Bank of Commerce from June 2004 to September 2005; Manager, PricewaterhouseCoopers LLP from September 2001 to June 2004.
CHRISTOPHER CULLEN Toronto, Ontario Assistant Vice-President	Assistant Vice President, Brompton Funds since March 2006; Manager Commercial Banking, CIBC Commercial Banking from September 2003 to February 2006; Associate, CIBC Commercial Banking from October 2002 to August 2003; Research Associate, UBS Securities (Canada) from May 2001 to August 2002.
JANET TOFFOLO Toronto, Ontario Assistant Vice President	Assistant Vice President, Brompton Funds since January 2007; Manager, Head Trader AGF Funds Inc. from January 1995 to June 2005.

Notes:
(1) Independent director.
(2) Member of the Corporate Governance Committee.
(3) Member of the Audit Committee.

8.2 Manager

Brompton Funds Management Limited was formed pursuant to the Business Corporation Act (Ontario) by articles of amalgamation dated October 27, 2006. Its head office is at Suite 2930, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3. Its telephone number is (416) 642-6000 and its e-mail address is info@bromptongroup.com. The Manager was organized for the purpose of managing and administering closed-end investments including the Company and is a member of the Brompton Group of Companies.

Pursuant to the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Company, and may delegate certain of its powers to third parties at no additional cost to the Company where, in the discretion of the Manager, it would be in the best interests of the Company and the Shareholders to do so.

8.2.1 Directors and Executive Officers of the Manager

8.2.2 Management Fee

The Manager receives an annual Management Fee equal to 0.55% per annum of Net Asset Value, calculated and payable monthly in arrears, plus any applicable taxes. The Manager is responsible for paying the fees payable to the Advisor and Option Advisor out of the Management Fee.

8.2.3 Service Fee

The Company pays to the Manager a Service Fee at the end of each calendar quarter equal to 0.40% per annum plus applicable taxes of the value of Class A Shares. The service fee is applied by the Manager to pay a Service Fee in an equivalent aggregate amount, plus any applicable taxes to dealers based on the number of Class A Shares held by clients of such dealer at the end of the relevant quarter. For these purposes, the value of a Class A Share is the NAV per Unit less $10.00 plus any accrued and unpaid distributions on the Preferred Share.

8.2.4 Termination of the Management Agreement

The Management Agreement may be terminated at any time by the Company on 90 days written notice and the approval of the holders of the Preferred Shares and the Class A Shares each voting separately as a class by an Ordinary Resolution passed at a duly convened meeting of the Shareholders called for the purpose of considering such Ordinary Resolution provided that the Shareholders holding at least 10% of the Preferred Shares and Class A Shares outstanding on the record date of the meeting vote in favour of such Ordinary Resolution. The Management Agreement may also be terminated by the Company:

- at any time on 30 days written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement;
- immediately in the event of the commission by the Manager of any fraudulent act; and
- automatically if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The Manager may, upon notice to the Company, may delegate certain of its powers to third parties (including without limitation, the Advisor and Option Advisor) at no additional cost to the Company where, in the discretion of the Manager, it would be in the best interests of the Company and the Shareholders to do so provided that the delegation shall not relieve the Manager of any of its obligations under the Management Agreement.

8.3 Advisor

Brompton Capital Advisors Inc. is the Advisor to the Company and is responsible for maintaining the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. The Advisor is registered as a Limited Market Dealer and an Investment Counsel and Portfolio Manager in the Province of Ontario. The principal office of the Advisor is located at Suite 2930, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

Pursuant to an agreement dated January 8, 2007, the Advisor has delegated to its functions, powers, responsibilities and duties under the Advisory Agreement. Highstreet Asset Management Inc. has agreed to perform the services of the Advisor under this agreement, however the Advisor remains responsible for all services rendered thereunder.

8.3.1 Advisor Fee

Pursuant to the terms of the Advisor Agreement, a fee is paid to the Advisor out of the Management Fee and the Company reimburses the Advisor for all reasonable costs and expenses incurred by the Advisor on behalf of the Company.

8.3.2 Termination of the Advisor Agreement

The Advisor Agreement will automatically terminate on the Redemption Date and may be terminated by the Manager on behalf of itself and on behalf of the Company:

- at any time on 90 days written notice to the Advisor;
- in the event that the Advisor is in material breach of the Advisor Agreement and the material breach has not been cured within 10 days written notice thereof to the Advisor;
- on 30 days written notice to the Advisor in the event of a persistent failure by the Advisor to perform its obligations and covenants and discharge its obligations and covenants under the Advisor Agreement;
- immediately in the event of the insolvency or liquidation of the Advisor or if the Advisor becomes bankrupt or passes a resolution approving its liquidation, winding-up or dissolution or deemed dissolution or makes a general assignment for the benefit of its creditors or if the Advisor ceases to be registered as an advisor in the category of investment counsel/portfolio manager under the Securities Act (Ontario);
- immediately if the assets of the Advisor become subject to seizure or confiscation by any public or governmental organization;
- immediately if the Advisor has lost any licence or authorization required by it to perform duties under the Advisor Agreement, including without limitation the benefit of any exemptions from the requirement to register under Canadian securities laws, or is otherwise deemed unable to perform the services delegated to it under the Advisor Agreement; or
- immediately in the event of the commission by the Advisor of any fraudulent act in the performance of its duties under the Advisor Agreement or if there has been any misrepresentation by the Advisor in the Advisor Agreement.

The Advisor Agreement may be terminated by the Advisor:

- in the event that the Company or the Manager is in material breach of the provisions of the Advisor Agreement and such breach has not been cured within 30 days written notice to the Company and the Manager;
- on 120 days written notice to the Company and the Manager;
- on 30 days written notice to the Manager in the event of a persistent failure by the Manager to perform its obligations and covenants and discharge its obligations and covenants under the Advisor Agreement; or
- immediately in events of insolvency or liquidation of the Company, or if the Company becomes bankrupt or passes a resolution approving its winding up or dissolution or deemed dissolution or makes a general assignment for the benefit of its creditors.

8.4 Option Advisor

The Option Advisor acts as Option Advisor to the Company pursuant to an Option Advisor Agreement entered into among the Company, the Manager and the Option Advisor dated as of October 27, 2005,

pursuant to which the Option Advisor selectively writes covered call and cash covered put options on behalf of the Company. The Option Advisor's principal office is located at 200, 244 Pall Mall Street, London, Ontario N6A 5P6. The Option Advisor may, with the consent of the Company, delegate any of its functions, powers, responsibilities and duties to any of its affiliates. The Option Advisor is registered as a Limited Market Dealer, Investment Counsel, Portfolio Manager and Commodity Trading Manager in the Province of Ontario.

8.4.1 The Option Advisors

The principal option advisors of Highstreet Asset Management Inc. who are responsible for the Company's selective call option writing and trading are:

Name	Length of Service and Experience in the Past 5 Years
Douglas Crocker London, Ontario Chief Risk Officer	Mr. Crocker co-founded Highstreet in 1998. In the past five years, he has co-lead Highstreet's investment team. He has primary responsibility for ensuring the level of risk assumed by Highstreet's portfolios meet client mandates.
Jeffrey Brown London, Ontario Chief Investment Officer	Mr. Brown co-founded Highstreet in 1998. In the past 5 years he has co-led Highstreet's investment team. He has been instrumental in the development of Highstreet's quantitative investment process since the firm's inception.
Shaun Arnold London, Ontario Senior Vice President, Investments	Mr. Arnold joined Highstreet's investment team in 1998. In the past 5 years he has become the lead portfolio manager for Highstreet's core Canadian equity mandate.
Robert L. Jackson London, Ontario Senior Vice President, Investments	Mr. Jackson joined Highstreet's investment team in 1998. In the past five years he has developed and implemented Highstreet's derivative program including option overlay strategies.
Noor Lalani London, Ontario Vice President, Investments	Mr. Lalani has been managing investments at Highstreet since 2002. He supports the Core Canadian manager and is co-lead on Highstreet's Canadian Growth mandates.
Melanie Blue Dorchester, Ontario Manager, Investments	Ms. Blue has been managing investments at Highstreet since 2001. She supports the investment team by providing analyses of equity mandates and risk measures.

Shaun Arnold is portfolio team leader of the Canadian Equity portfolio. Robert Jackson is portfolio team leader of the U.S. equity portfolio and option overlay strategy. The Company is subject to regular reviews by Highstreet's Chief Risk Officer and Chief Investment Officer.

8.4.2 Option Advisor Fee

Pursuant to the terms of the Option Advisor Agreement, a fee is paid to the Option Advisor by the Manager and the Company reimburses the Option Advisor for all reasonable costs and expenses incurred by the Option Advisor on behalf of the Company.

8.4.3 Termination of the Option Advisor Agreement

The Option Advisor Agreement will automatically terminate on the Redemption Date. The Option Advisor Agreement may also be terminated by the Manager on behalf of itself and the Company:

- At any time on 90 days written notice to the Option Advisor;

- In the event that the Option Advisor is in material breach of the Option Advisor Agreement and the material breach has not been cured within 10 days written notice to the Option Advisor;

- On 30 days written notice to the Option Advisor in the event of a persistent failure by the Option Advisor to perform its obligations and covenants and discharge its obligations and covenants under the Option Advisor Agreement;

- Immediately in the event of insolvency or liquidation of the Option Advisor or if the Option Advisor becomes bankrupt or passes a resolution approving its liquidation, winding-up or dissolution or deemed dissolution or makes a general assignment for the benefit of its creditors;

- immediately if the assets of the Option Advisor become subject to seizure or confiscation by any public or governmental organization;

- immediately if the Option Advisor has lost any registration, licence or other authorization required by it to perform the duties under the Option Advisor Agreement, including without limitation the benefit of any exemption from the requirement to register under Canadian securities laws, or is otherwise deemed unable to perform the services delegated to it under the Option Advisor Agreement; or

- immediately in the event of the commission by the Option Advisor of any fraudulent act in the performance of its duties under the Option Advisor Agreement or if there has been any misrepresentation by the Option Advisor in the Option Advisor Agreement.

The Option Advisor Agreement may be terminated by the Option Advisor:

- in the event that the Company or the Manager is in material breach of the provisions of the Option Advisor Agreement and such breach has not been cured within 30 days written notice to the Company or the Manager;

- on 120 days written notice to the Company or the Manager;

- on 30 days written notice to the Manager in the event of a persistent failure by the Manager to perform its obligations and covenants and discharge its obligations and covenants under the Option Advisor Agreement; or

- immediately in the events of insolvency or liquidation of the Company, or if the Company becomes bankrupt or passes a resolution approving its winding up or dissolution or deemed dissolution or makes a general assignment for the benefit of its creditors.

8.4.4 Brokerage and Soft Dollar Arrangements

The only criteria considered when deciding who to trade with is to use the appropriate broker for the trade. Appropriateness considers the liquidity of the trade, the coverage provided by the broker, and the broker's ability to mitigate disturbance costs. The Option Advisor may engage in trades with brokers who provide services incidental to trading or advising provided that in all other respects the broker meets the Option Advisor's service standards and costs.

8.5 Custodian

Pursuant to the Custodian Agreement, the Custodian is responsible for certain aspects of the day-to-day administration of the Company and provides safekeeping and custodial services in respect of the Company's assets. The address of the Custodian is 77 King Street West, Toronto, Ontario M5W 1P9.

8.5.1 Custodian Fees

In consideration for its services, the Company pays to the Custodian such compensation as agreed upon in writing between the Company and the Custodian, from time to time and reimburses the Custodian for all reasonable costs and expenses incurred by the Custodian on behalf of the Company.

8.5.2 Termination of the Custodian Agreement

The Company or the Custodian may at any time terminate the Custodian Agreement without penalty by giving at least 60 days prior written notice. Such prior notice is not required and termination will be immediate in the event that:

- either party is declared bankrupt or insolvent; or
- the assets or the business of either party shall become liable to seizure or confiscation by any public or governmental authority.

8.6 Valuation Services

The Company has appointed RBC Dexia Investor Services Trust to provide the Company, with valuation services. Such services include the calculation of the Company's weekly Net Asset Value per Unit, calculated in accordance with the Company's valuation parameters set out in section 4.0.

8.7 Auditors, Registrar and Transfer Agent

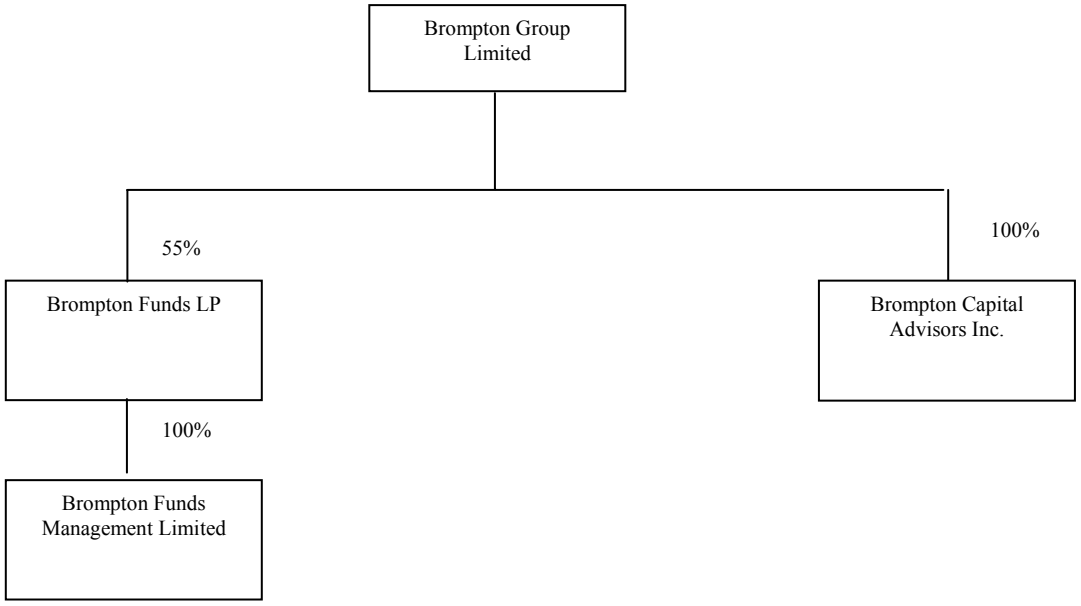
The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, located at Suite 3000, Box 82, Royal Trust Tower, Toronto-Dominion Centre, 77 King Street West, Toronto, Ontario M5K 1G8.

Computershare Investor Services Inc., at its principal offices in Toronto is the registrar and transfer agent for the Preferred Shares and Class A Shares. The Company acts as the registrar and transfer agent for the Class J Shares.

9.0 CONFLICTS OF INTEREST

9.1 Principal Holders of Securities and Affiliated Entities

The Manager is an affiliated entity of the Advisor as set forth in the following diagram:



Notes:
Mr. Braaten indirectly controls Brompton Group Limited ("BGL"). Directors and officers of the Manager, including Mr. Braaten, indirectly owns of record and beneficially an aggregate of more than 95% of the shares of BGL.

BGL owns of record and beneficially 55% of the partnership interests of Brompton Funds LP ("BFLP") and, owns indirectly, 55% of the shares of the general partner of BFLP. BFLP owns of record and beneficially all of the voting securities of the Manager.

The remaining 45% of the partnership interests of BFLP and 45% of the shares of the general partner of BFLP are owned of record and beneficially by Newport Partners Holdings LP which also controls Newport Partners LP. Mr. Nedham, a director of the Manager, is a managing director of Newport Partners LP.

In addition, Brompton Capital Advisors Inc., the Advisor, is wholly owned by BGL. Mr. Pether holds the office of Chairman of the Advisor. Mr. Caranci holders the office of Executive Vice President of the Advisor and Ms. MacKay holds the office of Vice President and Corporate Secretary of the Advisor.

The amount of fees received by the Manager including the advisory fee and option advisory fee, is contained in the audited financial statements of the Company. More information on remuneration of the Manager, the Advisor and the Option Advisor is set out in sections 8.2.2, 8.3.1 and 8.4.2, respectively.

The Manager, the Portfolio Manager and the Option Advisor and their directors and officers engage in the promotion, management or investment management of one or more funds or trusts which invest primarily in income funds. The Portfolio Manager and Option Advisor acts as the investment advisor or administrator for other entities and may in the future act as the investment advisor to other entities and which are considered competitors of the Company. The services of the Manager are not exclusive to the Company.

In addition, the directors and officers of the Manager and the Portfolio Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Company may acquire securities. The Manager, the Portfolio Manager, the Option Advisor or their affiliates may be a manager of one or more issuers in which the Company may acquire securities and may be managers or administrators of funds that invest in the same securities as the Company. Although none of the directors or officers of the Manager or the Portfolio Manager will devote his or her full time to the business and affairs of the Company, each director and officer of the Manager or the Portfolio 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 Company, the Manager and the Portfolio Manager, as applicable.

10.0 CORPORATE GOVERNANCE

Brompton supports good governance practices for its funds. Brompton Split Banc Corp. has its own Board of Directors and committees which are responsible for the overall stewardship of the business and affairs of the Company.

The Board consists of 5 directors, 3 of whom are independent of management. Details regarding the names, principal occupations and committee memberships of the Board are set out in section 8.1.4. The Board believes that the number of directors is appropriate and only non-management directors are compensated. Amounts paid as compensation to the directors are reviewed annually to ensure they realistically reflect the responsibilities and risk involved in being an effective director. The Board has appointed a Governance Committee which is responsible for making recommendations to the Board with respect to developments in the area of governance and practices of the Board. Individual directors may engage an outside advisor at the expense of the Company subject to the approval of the Governance Committee.

To assist the Board in monitoring the Company's financial reporting and disclosure, the Board has established an Audit Committee. The Audit Committee consists of 3 members, all of whom are independent. The responsibilities of the Audit Committee include, but are not limited to, review of the Company's financial statements and the annual audit performed by PricewaterhouseCoopers LLP ("PWC"), the auditor of the Company; oversight of internal control and of the Company's compliance with tax laws and regulations. PWC reports to the Audit Committee and the Audit Committee and PWC have direct communication channels to discuss and review specific issues as appropriate.

The Board is responsible for developing the Company's approach to governance issues and, together with the Manager, is evolving a best practices governance procedure. To ensure the proper management of the Company and compliance with regulatory requirements, the Board of Directors has adopted policies, procedures and guidelines relating to business practices, risk management control, and internal conflicts of interest. As part of managing its business practices, the Board has adopted a Whistleblower Policy, a Privacy Policy and a Proxy Voting Policy.

The Whistleblower Policy establishes a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters pertaining to the Company. The Privacy Policy dictates the manner in which the Company and the Manager may collect, use and disclose personal information regarding the Shareholders. The Proxy Voting Policy is described in section 10.1. As part of its risk management, the Board has adopted a Disclosure Policy. The Disclosure Policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Board has adopted a Code of Business Ethics and an Insider Trading Policy. The Code of Business Ethics and Insider Trading Policy, address, among other things, ethical business practices and handling of material information and purchasing or selling of securities by insiders.

As a result of the new legislation introduced in late 2006, the Manager intends to appoint an Independent Review Committee in 2007 to deal with potential conflict of interest matters between the Manager and the Company.

The Manager maintains a website for the Company at www.bromptongroup.com. The mandate of the Board is available on the website. The Manager has an investor relations line to respond to inquiries from Shareholders.

10.1 Proxy Voting Policy

Pursuant to the Option Advisor Agreement, Highstreet is authorized to exercise all rights and privileges incidental to ownership of the securities in the portfolio. Highstreet has a proxy voting policy which is approved by Highstreet's board of directors. The overriding obligation of the policy is that all proxies are voted to protect and enhance the long-term value of an investment. Highstreet's proxy voting policy does not provide for any opportunity to vote based on any other criteria.

Highstreet has delegated to a third party the obligation to vote proxies according to the proxy voting policy. This relationship provides additional control over how proxies are voted.

The Company has adopted Highstreet's proxy voting policies and procedures which are summarized below.

Highstreet votes all proxies to ensure that the shareholder's best interests are being served.

While Highstreet reserves the right to vote on all matters on a case-by-case basis, their voting guidelines include:

- a majority of directors should be independent;
- all directors should be elected annually based on individual merit;
- proposals regarding compensation are evaluated on the basis of how well they provide incentive and by how well they reflect current market conditions;
- Highstreet will vote against proposals to create new stock options and against any proposal that would continue or expand an existing stock option plan;
- Directors should receive part of their compensation in shares and should be held for the duration of a director's term; and
- Shareholder rights plans are reviewed on a case-by-case basis and the Portfolio Manager will not generally support shareholder rights plans that go beyond ensuring equal treatment of shareholders in connection with a change of control of the company and providing the board of the target company sufficient time to determine whether there is a course of action that will provide shareholders with a better alternative.

Highstreet's Code of Conduct (the "Code") includes the following prohibition that "no officer of Highstreet shall serve on the Board of any publicly listed company in which Highstreet may invest on behalf of its clients". Additionally, the Code requires employees to invest in the company's pooled funds or funds managed by the company or in the shares of its parent company. The Code reduces the potential for a conflict of interest to exist.

The policies and procedures that the Company follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-866-642-6001 or by writing to the Manager at Suite 2930, Box 793, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, ON M5J 2T3.

The Company's voting record for the most recent period ended June 30 of each year is available free of charge to any Shareholder of the Company upon request at any time after August 31 of that year. The Company has made its proxy voting record available on its website at www.bromptongroup.com

10.2 Securities Lending

In order to generate additional returns, the Manager has entered into a written securities lending agreement (a "Securities Lending Agreement") on behalf of the Company with the Custodian, as agent for the Company, to administer any securities lending transaction for the Company.

The Manager manages the risks associated with securities lending by requiring the Custodian, pursuant to the Securities Lending Agreement, to:

- Enter into securities lending, repurchase or reverse purchase transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties");

- Maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;

- Establish daily the market value of both the securities loaned by the Company under a securities lending transaction or sold by the Company under a repurchase transaction and the cash or collateral held by the Company. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the Company to make up the shortfall;

- Ensure that no more than 50% of the total assets of the Company are out on loan at one time; and

- Ensure that the collateral to be delivered to the Company is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Company.

The transaction may be terminated by the Company at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Manager has written procedures that set out the objectives, goals and risk management practices with respect to securities lending arrangements which are reviewed annually by the Board of Directors. The Securities Lending Agreement is approved by the Board of Directors of the Manager and securities lending arrangements and risks are monitored by the Manager. The Custodian conducts simulations to test the portfolio under stress conditions.

10.3 Credit Facility

The Company has established a credit facility that may be used by the Company for working capital purposes. The Company expects that the maximum amount it borrows thereunder will be limited to 5% of NAV. The Company may pledge Portfolio shares as collateral for amounts borrowed thereunder.

10.4 Covered Call Option Writing

The Company intends to sell call options from time to time in respect of some or all of the common shares held in the portfolio. Such call options may be either exchange-traded options or over-the-counter options. Since call options will be written only in respect of common shares that are in the portfolio and the Investment Restrictions of the Company prohibit the sale of securities subject to an outstanding option, the call options will be covered call options at all times.

The holder of a call option purchased from the Company will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Company at the strike price per security. By selling call options, the Company receives option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Company will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Company may repurchase a call option it has written that is in-the-money by paying the market value of the call option. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option, the option will expire and the Company will retain the underlying security. In each case, the Company retains the option premium.

The amount of option premium depends upon, among other factors, the volatility of the price of the underlying security: generally, the higher the volatility, the higher the option premium. In addition, the amount of the option premium depends upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium.

When a call option is written on a security in the portfolio, the amounts that the Company is able to realize on the security during the term of the call option is limited to the dividends received prior to the exercise of the call option during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company foregoes potential returns resulting from any price appreciation of the security underlying the option above the strike price in favour of the certainty of receiving the option premium.

10.5 Call Option Pricing

Many investors and financial market professionals price call options based on the Black-Scholes Model. In practice, however, actual option premiums are determined in the marketplace and there can be no assurance that the values generated by the Black-Scholes Model can be attained in the market.

Under the Black-Scholes Model (modified to include distributions), the primary factors that affect the option premium received by the seller of a call option are the following:

Factor	Description
Price volatility of the underlying security	The volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or trailing the date of calculation.
The difference between the strike price and the market price of the underlying security at the time the option is written	The smaller the positive difference (or the larger the negative difference), the greater the option premium.
The term of the option	The longer the term, the greater the call option premium.

Factor	Description
The "risk-free" or benchmark interest rate in the market in which the option is issued	The higher the risk-free interest rate, the greater the call option premium.
The distributions expected to be paid on the underlying security during the relevant term	The greater the distributions, the lower the call option premium.

10.6 Utilization of Cash Equivalents

The Company may, from time to time, hold a portion of its assets in cash equivalents. The Company may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash covered put options, which is intended to generate additional returns and to reduce the net cost of acquiring the securities subject to the put options and for working capital purposes. Such cash covered put options are only written in respect of securities in which the Company is permitted to invest.

The holder of a put option purchased from the Company has the option, exercisable during a specific time period or at expiry, to sell the securities underlying the option to the Company at the strike price per security. By selling put options, the Company receives option premiums, which are generally paid within one business day of the writing of the option. The Company, however, must maintain cash equivalents in an amount at least equal to the aggregate strike price of all securities underlying the outstanding put options that it has written. If at any time during the term of a put option or at expiry the market price of the underlying securities is below the strike price, the holder of the option may exercise the option and the Company will be obligated to buy the securities from the holder at the strike price per security. In such case, the Company will be obligated to acquire a security at a strike price, which may exceed the then current market value of such security. If, however, the option is out-of-the-money at the expiration of the put option, the holder of the option will likely not exercise the option and the option will expire. In each case, the Company retains the option premium.

10.7 Use of Other Derivative Instruments

In addition to writing covered call options and cash covered put options, to the extent permitted by Canadian securities regulators from time to time, the Company may also purchase call options and put options with the effect of closing out existing call options and put options written by the Company. The Company may also purchase put options in order to protect the Company from declines in the market prices of the individual securities in the Portfolio or in the value of the Portfolio as a whole. The Company may enter into trades to close out positions in such permitted derivatives.

10.8 Use of Derivative Instruments – General

The objectives and goals for derivatives are governed by the prospectus of the Company. In addition, Highstreet has written policies and procedures that outline risk management for derivatives. The Chief Risk Officer is responsible for setting and reviewing policies and procedures as required and reviews are done on an annual basis. The Highstreet Board of Directors approves all Highstreet investment policies. The Chief Risk Officer approves each strategy that defines option writing targets for a given mandate and is responsible for monitoring changes to these targets. A monthly report on strategy implementation is distributed to the Chief Risk Officer, the Chief Investment Officer and the Compliance Coordinator. Covered call overlay strategies have a maximum allowable option exposure of 100% of the notional value of the underlying portfolio. Highstreet has procedures in place to ensure that this limit is not breached.

Derivative trading and market risk is reviewed regularly by the Chief Risk Officer and the Chief Investment Officer, independent of portfolio managers. Highstreet utilizes its proprietary risk management platform to regularly manage the risk in its funds, and supplements this with scenario-based analyses to stress test portfolios.

11.0 INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Income Tax Act and at all relevant times, are resident or are deemed to be resident in Canada, hold their Preferred Shares and their Class A Shares as capital property, and deal at arm's length with and are not affiliated with the Company. This summary is based upon the current provisions of the Income Tax Act and the regulations thereunder (the "Regulations"), and the Company's understanding of the current published administrative practices and assessing policies of the CRA. This summary is based on the assumption that the Class A Shares or the Preferred Shares will at all times be listed on a prescribed stock exchange in Canada (which currently includes the TSX). This summary is based on the assumption that the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada and at no time will the total fair market value of the shares of the Company held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships within the meaning of the Income Tax Act) exceed 50% of the fair market value of all of the outstanding shares of the Company. This summary is based upon the assumption that the Company will at all relevant times comply with its Investment Restrictions and hold only permitted investments. This summary is based on the assumption that the issuers of securities held by the Company will not be foreign affiliates of the Company or a shareholder of the Company. This summary also takes into account all specific proposals to amend the Income Tax Act or the Regulations announced prior to the date hereof by the Minister of Finance (the "Proposed Amendments") and assumes that all Proposed Amendments will be enacted in the form prepared. No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Preferred Shares and Class A Shares. This summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations. This summary does not apply to Shareholders that are "financial institutions" as defined in section 142.2 of the Income Tax Act, or to a Shareholder an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Income Tax Act.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Accordingly, Shareholders are advised to consult their own tax advisors with respect to their individual circumstances.

11.1 Tax Treatment of the Company

The Company currently qualifies and intends at all relevant times to qualify as a "mutual fund corporation" as defined in the Income Tax Act. The Company has filed the necessary election under the Income Tax Act so that it was deemed to be a "public corporation" and therefore qualified as a mutual fund corporation throughout its first taxation year. As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Company has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains

dividends and/or capital gains redemptions. Also, as a mutual fund corporation, the Company is entitled to maintain a capital gains dividend account in respect of its realized net capital gains and from which it may elect to pay dividends ("Capital Gains Dividends") which are treated as capital gains in the hands of the Shareholders of the Company (see 11.3 below).

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

The Company has elected in accordance with the Income Tax Act to have each of its "Canadian securities" treated as capital property. Such an election will ensure that gains or losses realized by the Company on Canadian securities are treated as capital gains or capital losses.

The Company qualifies as a "financial intermediary corporation" (as defined in the Income Tax Act) and, thus, is not subject to tax under Part IV.1 of the Income Tax Act on dividends received by the Company and is not generally liable to tax under Part VI.1 of the Income Tax Act on dividends paid by the Company on "taxable preferred shares" (as defined in the Income Tax Act). As a mutual fund corporation (which is not an "investment corporation" as defined in the Income Tax Act), the Company is generally subject to a refundable tax of 33⅓ under Part IV of the Income Tax Act on taxable dividends received by the Company during the year to the extent that such dividends were deductible in computing the Company's taxable income for the year. This tax is refundable upon payment by the Company of sufficient dividends other than Capital Gains Dividends ("Ordinary Dividends").

Premiums received on covered call options and cash covered put options written by the Company that are not exercised prior to the end of the year will constitute capital gains of the Company in the year received, unless such premiums are received by the Company as income from a business of buying and selling securities or the Company has engaged in a transaction or transactions considered to be an adventure in the nature of trade. The Company purchases securities for the portfolio with the objective of earning dividends thereon over the life of the Company, writes covered call options with the objective of increasing the yield on the portfolio beyond the dividends received on the portfolio and writes cash covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Thus, having regard to the foregoing and in accordance with the CRA's published administrative practices, transactions undertaken by the Company in respect of shares comprising the Portfolio and options on such shares are treated and reported by the Company as arising on capital account.

Premiums received by the Company on covered call (or cash covered put) options that are subsequently exercised will be added in computing the proceeds of disposition (or deducted in computing the adjusted cost base) to the Company of the securities disposed of (or acquired) by the Company upon the exercise of such call (or put) options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the Company in the previous year, such capital gain will be reversed.

The Company is required to compute all amounts, including interest, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Income Tax Act. As a consequence, the amount of income, expenses and capital gains or capital losses may be affected by changes in the value of foreign currency relative to the Canadian dollar.

To the extent that the Company earns income (other than dividends from taxable Canadian corporations and taxable capital gains) including interest or dividends from corporations other than taxable Canadian

corporations, the Company will be subject to income tax on such income and no refund will be available in respect thereof.

11.2 Dividend Distributions

The policy of the Company is to pay quarterly dividends on the Preferred Shares and monthly dividends on the Class A Shares and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Company has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains realized on the writing of options that are outstanding at year end) or where the Company needs to pay a dividend in order to recover refundable tax not otherwise recoverable upon payment of monthly dividends. While the principal sources of income of the Company are expected to include taxable capital gains as well as dividends from taxable Canadian corporations, to the extent that the Company earns net income, after expenses, from other sources, including dividends from non-Canadian sources and interest income upon interim investment of its reserves, the Company will be subject to income tax on such income and no refund of such tax will be available.

Given the investment and dividend policy of the Company and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Company does not expect to be subject to any appreciable amount of non-refundable Canadian income tax.

11.3 Tax Treatment of Shareholders

Shareholders of the Company must include in income Ordinary Dividends paid to them by the Company. For individual Shareholders, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. For corporate Shareholders, other than "specified financial institutions" (as defined in the Income Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation. Recent amendments to the Income Tax Act enacted on February 21,2007, provide an enhanced dividend gross-up and tax credit for eligible dividends received after 2005 from taxable Canadian corporations.

In the case of a Shareholder that is a specified financial institution, Ordinary Dividends received on a particular class of shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire the shares in the ordinary course of its business; or (b) at the time of the receipt of the dividends by the specified financial institution the shares of that class are listed on a prescribed stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding shares of that class by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm's length (within the meaning of the Income Tax Act). For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner's share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

Ordinary Dividends received by a corporation (other than a "private corporation" or a "financial intermediary corporation", as defined in the Income Tax Act) on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the Income Tax Act to the extent that such dividends are deductible in computing the corporation's taxable income.

A Shareholder that is a private corporation or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a 33⅓% refundable tax under Part IV of the Income Tax Act on Ordinary Dividends received on the Shares to the extent that such dividends are deductible in computing the

Shareholder's taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a Shareholder, the rate of Part IV tax payable by the Shareholder is reduced to 23⅓%.

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

The amount of any payment received by a Shareholder from the Company as a return of capital on a Share will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant Share to the Shareholder. To the extent that the adjusted cost base to the Shareholder would otherwise be a negative amount, the Shareholder will be considered to have realized a capital gain at that time and the Shareholder's adjusted cost base will be increased by the amount of such deemed capital gain. See 11.4 below.

Having regard to the dividend policy of the Company, a person acquiring Shares may become taxable on income or capital gains accrued or realized before such person acquired such Shares.

11.4 Disposition of Shares

Upon the redemption, retraction or other disposition of a Share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. If the Shareholder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. The adjusted cost base of each Share will generally be the weighted average of the cost of the Shares of that class acquired by a Shareholder at a particular time and the aggregate adjusted cost base of any Shares of that class held immediately before the particular time.

Generally Shares will qualify as "Canadian securities" for purposes of making an irrevocable election under the Income Tax Act to deem all Canadian securities held by the investor to be capital property and to deem any disposition of Canadian securities held to be a disposition of a capital property for the purposes of the Income Tax Act. This election is not available to all taxpayers under all circumstances and therefore investors considering making such an election should consult their tax advisors.

One half of a capital gain (a taxable capital gain) is included in computing income and one half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the provisions of the Income Tax Act. A Shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on its aggregate investment income, which includes an amount in respect of taxable capital gains.

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

12.0 MATERIAL CONTRACTS

The Company and/or the Manager or Brompton Split Banc Trust are party to the Management Agreement, the Advisory Agreement, the Option Advisor Agreement, the Custodian Agreement and the Escrow Agreement. Copies of these material contracts may be accessed by prospective or existing Shareholders at www.sedar.com under the Company's profile. They are also available at the Company's office during normal business hours. Details in respect of the Management Agreement, Advisor Agreement, Option Advisor Agreement and Custodian Agreement can be found in sections 8.2, 8.3, 8.4 and 8.5.

12.1 Escrow Agreement

The Escrow Agreement dated as of November 16, 2005 was entered into by Brompton Split Banc Trust, the Company and the Escrow Agent. The Escrow Agreement outlines the responsibilities and duties of the Escrow Agent in relation to the Class J Shares of the Company.

If Computershare Trust Company of Canada (the "Escrow Agent") should wish to resign, it must give at least three months written notice to the Company, which may, with the written consent of the Ontario Securities Commission, appoint another Escrow Agent in its place and such appointment shall be binding on the Company.

In consideration for its services, the Company pays to the Escrow Agent such compensation as agreed upon in writing between the Company and the Escrow Agent, from time to time and reimburses the Escrow Agent for all reasonable costs and expenses incurred by the Escrow Agent on behalf of the Company.

13.0 REMUNERATION OF DIRECTORS and OFFICERS

The Manager is paid the Management Fee as disclosed in section 8.2.2. The non-management directors receive directors fees of $10,000 per year attended and directors are reimbursed for expenses incurred. For the most recently completed financial year $6.37 in expenses were reimbursed to such directors. In addition, the Company pays the expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Portfolio Manager, the Custodian or Trustees and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Company.

14.0 OTHER MATERIAL INFORMATION

14.1 Risk Factors

There are many risks associated with an investment in Preferred Shares or Class A Shares, some of which are outlined below:

Performance of the Portfolio Issuers and Other Considerations

The NAV per Unit varies as the value of the securities in the Portfolio varies. The Company has no control over the factors that affect the value of the securities in the Portfolio. Factors unique to each company included in the Portfolio, such as changes in their management, strategic direction, achievement of goals, mergers, acquisitions and divestitures, changes in distribution policies and other events, may affect the value of the common shares and other securities in the Portfolio. A substantial drop in the North American equities markets could have a negative effect on the Company and could lead to a significant decline in the value of the Portfolio and the value of the Shares.

Concentration Risk

The Company will be invested at all times in up to six issuers in one industry. The Company's holdings will be less diversified and the NAV per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Preferred Shares and the Class A Shares.

No Assurances on Achieving Objectives

There is no assurance that the Company will be able to achieve its distribution objective or will return to

investors an amount equal to or in excess of the original issue price of the Preferred Shares or the Class A Shares. There is no assurance that the Company will be able to pay quarterly distributions on the Preferred Shares or monthly distributions on the Class A Shares. The funds available for distributions to Shareholders will vary according to, among other things, the dividends and distributions paid on all of the securities, the level of option premiums received and the value of the securities comprising the Portfolio. As the dividends and distributions received by the Company may not be sufficient to meet the Company's objectives in respect of the payment of distributions, the Company may depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such pricing model can be attained.

Sensitivity to Interest Rates

The market price of the Preferred Share and Class A Shares may be affected by the level of interest rates prevailing from time to time. Shareholders who wish to redeem or sell their Preferred Shares or Class A Shares prior to the Maturity Date will therefore be exposed to the risk that the market price of the Preferred Shares and Class A Shares may be negatively affected by interest rate fluctuations.

Greater Volatility of the Class A Shares

An investment in the Class A Shares represents a leveraged investment by virtue of the Preferred Shares which have priority in payment of any distributions or any proceeds from the winding-up of the Company. This leverage amplifies the potential return to investors of Class A Shares insofar as returns in excess of the amounts payable to holders of Preferred Shares accrue to the benefit of the holders of Class A Shares. Conversely, any losses incurred by the Portfolio accrue to the detriment of the holders of the Class A Shares since the Preferred Shares rank prior to the Class A Shares in respect of distributions and proceeds upon the winding-up of the Company.

Changes in Credit Rating

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There can be no assurance that the Preferred Shares will maintain their rating by DBRS for any given period of time or that the rating will not be lowered or withdrawn entirely by DBRS if in DBRS' judgment circumstances so warrant. A lowering or withdrawal of the rating of the Preferred Shares may have a negative effect on the market value of the Preferred Shares.

Reliance on the Advisor and Option Advisor

The Advisor and the Option Advisor will manage the Portfolio in a manner consistent with the Investment Objectives, Investment Guidelines and Rebalancing Criteria of the Company. In addition, the Advisor may change the composition of the Portfolio without shareholder approval in many cases. The officers of the Advisor and the Option Advisor who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios and writing covered call and cash covered put options in connection with managing such investment portfolios. There is no certainty that the officers of the Advisor and Option Advisor who will be primarily responsible for the management of the Portfolio and option writing program will continue to be employees of the Advisor or Option Advisor throughout the term of the Company.

Use of Options and Other Derivative Instruments

The Company is subject to the full risk of its investment position in the securities comprising the

Portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Company, should the market price of such securities decline. In addition, the Company will not participate in any gain on the securities that are subject to outstanding call options above the strike price of the options.

There is no assurance that a liquid exchange or over-the-counter market will exist to permit the Company to write covered call options or cash covered put options or purchase cash covered put options on desired terms or to close out option positions should the Option Advisor desire to do so. The ability of the Company to close out its positions may also be affected by exchange imposed daily trading limits on options or the lack of a liquid over-the-counter market. If the Company is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires. In addition, upon the exercise of a put option, the Company will be obligated to acquire a security at the strike price which may exceed the then current market value of such security.

In purchasing call or put options or selling call or writing put options or entering into forward or future contracts, the Company is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations.

Sensitivity to Volatility Levels

The Company intends to sell call options in respect of some or all of the securities held in the Portfolio. Such call options may be either exchange traded options or over-the-counter options. By selling call options, the Company will receive option premiums. The amount of option premium depends upon, among other factors, the implied volatility of the price of the underlying security as, generally, the higher the implied volatility, the higher the option premium. The level of implied volatility is subject to market forces and is beyond the control of the Option Advisor or the Company.

Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Company will treat option premiums received on the writing of covered call options and cash covered put options and any losses sustained on closing out options as capital gains and capital losses, as the case may be, in accordance with its understanding of the CRA's published administrative and assessing practice. Gains or losses on the disposition of shares, including the disposition of shares held in the portfolio upon exercise of a call option, will be treated as capital gains or losses. The CRA's practice is not to grant an advance income tax ruling on the characterization of items as capital gains or income and no advance ruling has been requested or obtained.

If, contrary to the CRA's published administrative practice, some or all of the transactions undertaken by the Company in respect of options were treated on income rather than capital account, after-tax returns to Shareholders could be reduced, the Company could be subject to non-refundable income tax from such transactions and the Company could be subject to penalty taxes in respect of excessive capital dividend elections.

Foreign Currency Exposure

As the portfolio may contain some securities and options denominated in U.S. dollars, the NAV of the Company and the value of distributions and option premiums received by the Company will, when measured in Canadian dollars, be affected by fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

Securities Lending

The Company may engage in securities lending. Although the Company will receive collateral for the loans and such collateral will be marked-to-market, the Company will be exposed to the risk of loss should the borrower default on its obligations to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Significant Retractions

Class A Shares and Preferred Shares are retractable annually and monthly as described in Section 7.2. The purpose of the annual concurrent retraction right is to prevent the Class A Shares and Preferred Shares from trading at a substantial discount to NAV per Unit and to provide Class A Shareholders with the right realize their investment once per year without any trading discount to the NAV. While the annual concurrent retraction right provides holders of Class A Shares the option of annual liquidity at NAV, there can be no assurance that it will reduce trading discounts. If a significant number of Class A Shares and Preferred Shares are retracted or redeemed, the trading liquidity of the Class A Shares and Preferred Shares could be significantly reduced. In addition, the expenses of the Company would be spread among fewer Class A Shares and Preferred Shares potentially resulting in lower NAV.

14.2 Accounting Changes

National Instrument 81-106 Investment Company Continuous Disclosure ("NI 81 106") requires investment funds, such as the Company, to calculate its Net Asset Value in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Changes to Canadian GAAP were recently implemented by the Accounting Standards Board of the Canadian Institute of Chartered Accountants with the introduction of section 3855 Financial Instruments – Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 requires public securities to be priced at the closing bid for long positions and the closing ask price for short positions. Currently, most securities are valued by investment funds at the last trade or closing price. Section 3855 was to take effect, in all respects, for financial years commencing October 1, 2006. However, the Canadian securities regulatory authorities ("CSRA") acknowledged that the new standard resulted in significant difficulties for investment funds when calculating Net Asset Value for purposes other than financial statements. In September 2006 the CSRA granted blanket relief to investment funds subject to NI 81 106, which includes the Company, from having to calculate its Net Asset Value for any purpose, other than for the purpose of financial statements, provided that: (i) the investment fund continues to calculate Net Asset Value for purposes other than its financial statements in accordance with Canadian GAAP without giving effect to section 3855; and (ii) the notes to the financial statements include a reconciliation of the Net Asset Value calculated in accordance with section 3855 to the Net Asset Value calculated without giving effect to section 3855. The exemptive relief is effective until the earlier of (i) September 30, 2007; and (ii) the effective date of any amendments to NI 81 106 to address this issue.

ANNUAL INFORMATION FORM FOR BROMPTON SPLIT BANC CORP.

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Telephone:	(416) 642-6000
Fax:	(416) 642-6001
Website:	www.bromptongroup.com

ADDITIONAL INFORMATION:

Additional information about the Company is available in the Company's management report of fund performance and financial statements. Copies of these documents may be obtained at no cost:

- By calling (416) 642-6000 or toll-free at 1-866-642-6001,
- Direct from your dealer, or
- By email at info@bromptongroup.com.

Copies of these documents and other information about the Company, such as information circulars and material contracts, are also available on the Company's website at www.bromptongroup.com or on SEDAR at www.sedar.com.