

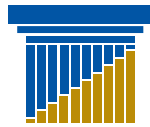
No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons.

PROSPECTUS

Initial Public Offering

September 28, 2006

BROMPTON



LIFE & BANC SPLIT CORP.

\$450,000,000 (Maximum)

18,000,000 Preferred Shares and 18,000,000 Class A Shares
\$10.00 per Preferred Share and \$15.00 per Class A Share

This prospectus qualifies the issuance of Preferred Shares and Class A Shares of Life & Banc Split Corp. The Preferred Shares and the Class A Shares are offered separately but will be issued only on the basis that an equal number of each class of shares will be issued and outstanding.

The Company has been created to provide investors with a diversified investment in Canadian banks and life insurance companies utilizing a split share structure on a low cost basis. The big six Canadian banks and the four largest Canadian life insurance companies have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation. Class A Shareholders will receive the benefits of high monthly cash distributions, the potential for capital appreciation and low management fees through an equally-weighted leveraged investment in the Canadian banks and life insurance companies. Preferred Shareholders will receive attractive quarterly distributions supported by the high credit quality of the underlying assets. The Preferred Shares have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited.

The investment objectives for the Class A Shares are to provide their holders with regular monthly cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share. The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum and to return the original issue price to holders of Preferred Shares at the time of redemption of such shares on November 29, 2013.

The net proceeds of the offering will be invested, on an equally weighted basis, in a portfolio consisting of common shares of the six Canadian banks and four Canadian life insurance companies set out below.

Banks

Bank of Montreal

Canadian Imperial Bank of Commerce

National Bank of Canada

Royal Bank of Canada

The Bank of Nova Scotia

The Toronto-Dominion Bank

Life Insurance Companies

Great-West Lifeco Inc.

Industrial Alliance Insurance and Financial Services Inc.

Manulife Financial Corporation

Sun Life Financial Inc.

Brompton Funds Management Limited is the Manager of the Company and is responsible for providing management services required by the Company. The Manager is a member of the Brompton Group of Companies which provides specialized financial products and services to clients. The Manager currently manages 14 public investment funds totalling over \$3 billion in assets as at August 31, 2006. See "The Manager". Highstreet Asset Management Inc. is the options advisor to the Company and is responsible for investing the net proceeds of the offering to purchase securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. In addition, Highstreet will at its discretion selectively write covered call options from time to time on the shares included in the Portfolio in order to generate additional distributable income for the Company. It is expected that cash distributions over the life of the Company will be derived primarily from dividends received on the securities in the Portfolio, net realized capital gains from the Portfolio, including premiums from writing covered call options on or proceeds from the sale of securities in the Portfolio and, where these other sources are insufficient, by returning capital. The Company would be required to generate a total return of approximately 9.1% per annum in order to return the original issue price of the Preferred Shares and Class A Shares to shareholders on the November 29, 2013 redemption date while making its targeted distributions.

The Preferred Shares and the Class A Shares will be redeemed by the Company on November 29, 2013. The redemption price payable by the Company for each Preferred Share outstanding on November 29, 2013 will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon; and (ii) the Net Asset Value of the Company (as defined herein) on that date divided by the number of Preferred Shares then outstanding. The redemption price payable by the Company for each Class A Share outstanding on November 29, 2013 will be equal to the greater of (i) the NAV per Unit on that date minus the sum of \$10.00 and any accrued and unpaid distributions on the Preferred Shares; and (ii) nil. Holders of Preferred Shares and Class A Shares will also be entitled to surrender their shares for retraction concurrently on an annual basis and on a monthly basis prior to November 29, 2013. See “Description of Share Capital”.

The Toronto Stock Exchange has conditionally approved the listing of the Preferred Shares and Class A Shares, subject to fulfillment by the Company of the requirements of such stock exchange on or before December 22, 2006, including distribution to a minimum number of shareholders.

There is currently no market through which the Preferred Shares or Class A Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus. The Agents may over-allot or effect transactions as described under “Plan of Distribution”.

In the opinion of counsel, if the Preferred Shares or the Class A Shares are listed on a prescribed stock exchange, Preferred Shares and Class A Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. Trusts governed by registered education savings plans should consult their own advisors as to eligibility. See “Eligibility for Investment”.

See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors in Preferred Shares and Class A Shares. There is no assurance that the Company will be able to achieve its distribution or capital preservation and appreciation objectives.

Prices: \$10.00 per Preferred Share and \$15.00 per Class A Share

	Price to the Public ⁽¹⁾	Agents' Fee	Net Proceeds to the Company ⁽²⁾
Per Preferred Share	\$10.00	\$0.30	\$9.70
Total Minimum Offering ⁽³⁾⁽⁴⁾	\$60,000,000	\$1,800,000	\$58,200,000
Total Maximum Offering ⁽⁴⁾	\$180,000,000	\$5,400,000	\$174,600,000
Per Class A Share	\$15.00	\$0.90	\$14.10
Total Minimum Offering ⁽³⁾⁽⁴⁾	\$90,000,000	\$5,400,000	\$84,600,000
Total Maximum Offering ⁽⁴⁾	\$270,000,000	\$16,200,000	\$253,800,000

Notes:

- (1) The offering prices were established by negotiation between the Company and the Agents.
- (2) Before deducting the expenses of issue estimated at \$720,000 (but not to exceed 1.5% of the gross proceeds of the offering) which, together with the Agents' fees, will be paid out of the proceeds of the offering.
- (3) There will be no closing unless a minimum of 6,000,000 Preferred Shares and 6,000,000 Class A Shares are sold. If the subscriptions for a minimum of 6,000,000 Preferred Shares and 6,000,000 Class A Shares have not been received within 90 days following the date of the issuance of the final receipt of this prospectus, the offering may not continue without the consent of the securities authorities and those who have subscribed on or before such date.
- (4) The Company has granted the Agents an over-allotment option, exercisable for a period of 30 days after the closing of the offering, to purchase up to 2,700,000 additional Preferred Shares and 2,700,000 additional Class A Shares on the same terms set forth above. This prospectus qualifies the distribution of the over-allotment option, and the Preferred Shares and the Class A Shares issuable on the exercise thereof. If the over-allotment option is exercised in full, the total price to the public under the maximum offering will be \$517,500,000, the Agents' fees will be \$24,840,000 and the net proceeds to the Company will be \$492,660,000.

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Blackmont Capital Inc., Dundee Securities Corporation, Raymond James Ltd., Research Capital Corporation, IPC Securities Corporation, Wellington West Capital Inc., and Acadian Securities Incorporated conditionally offer the Preferred Shares and Class A Shares, subject to prior sale, on a best efforts basis, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, and subject to the approval of certain legal matters by Osler, Hoskin & Harcourt LLP, on behalf of the Company, and Davies Ward Phillips & Vineberg LLP, on behalf of the Agents. See “Plan of Distribution”.

Subscriptions will be received for the Preferred Shares and the Class A Shares offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of the offering is expected to occur on or about October 17, 2006, but no later than November 30, 2006. Registrations and transfers of Preferred Shares and Class A Shares will be effected through the book entry only system administered by The Canadian Depository for Securities Limited. Beneficial owners of Preferred Shares and Class A Shares will not have the right to receive physical certificates evidencing their ownership.

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PROSPECTUS SUMMARY

The following is a summary of the principal features of this offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms". Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

The Company

Life & Banc Split Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on September 6, 2006. The Manager of the Company is Brompton Funds Management Limited. The Options Advisor to the Company is Highstreet Asset Management Inc.

The Offering

Offering: The offering consists of Preferred Shares and Class A Shares of the Company. The Preferred Shares and the Class A Shares are offered separately but will be issued only on the basis that an equal number of shares of each class will be issued and outstanding.

Amounts:

Minimum:	\$60,000,000 (6,000,000 Preferred Shares)
Maximum:	\$180,000,000 (18,000,000 Preferred Shares)
Minimum:	\$90,000,000 (6,000,000 Class A Shares)
Maximum:	\$270,000,000 (18,000,000 Class A Shares)

Prices: \$10.00 per Preferred Share
\$15.00 per Class A Share

Investment Rationale: The Company has been created to provide investors with a diversified investment in Canadian banks and life insurance companies utilizing a split share structure on a low cost basis. The big six Canadian banks and the four largest Canadian life insurance companies have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation. Class A Shareholders will receive the benefits of high monthly cash distributions, the potential for capital appreciation and low management fees through an equally-weighted leveraged investment in the Canadian banks and life insurance companies. Preferred Shareholders will receive attractive quarterly distributions supported by the high credit quality of the underlying assets. The Preferred Shares have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited.

Investment Objectives: The investment objectives for the Class A Shares are to provide their holders with regular monthly cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share.

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum and to return the original issue price to holders of Preferred Shares at the time of redemption of such shares on November 29, 2013 (the "Maturity Date").

See "Investments of the Company — Investment Objectives".

Investment Strategy: The net proceeds of the offering will be invested, on an equally weighted basis, in a portfolio consisting of common shares of the six Canadian banks and four Canadian life insurance companies set out below.

Banks

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

Life Insurance Companies

**Great-West Lifeco Inc.
Industrial Alliance Insurance and Financial Services Inc.
Manulife Financial Corporation
Sun Life Financial Inc.**

Highstreet is responsible for investing the net proceeds of the offering to purchase securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. In addition, Highstreet will at its discretion selectively write covered call options or cash covered put options from time to time on a portion of the shares held in the Portfolio to generate additional returns, when it determines it is in the interest of the Company to do so. The securities which may be subject to call options and put options and the terms of such options will vary from time to time, based on Highstreet's assessment of the market conditions.

Trading History of the Shares of the Portfolio Issuers

	Closing Prices as at August 31, 2006	2005	Closing Prices as at December 31			
			2004	2003	2002	2001
<u>Banks</u>						
Bank of Montreal	\$66.92	\$65.00	\$57.76	\$53.50	\$41.69	\$35.90
The Bank of Nova Scotia	\$47.27	\$46.14	\$40.70	\$32.90	\$26.33	\$24.48
Canadian Imperial Bank of Commerce	\$80.33	\$76.41	\$72.23	\$64.00	\$43.52	\$54.85
National Bank of Canada	\$59.97	\$60.32	\$49.56	\$43.14	\$32.30	\$29.70
Royal Bank of Canada	\$48.98	\$45.40	\$32.12	\$30.90	\$28.92	\$25.91
The Toronto-Dominion Bank	\$63.87	\$61.13	\$49.92	\$43.29	\$34.01	\$41.08
<u>Life Insurance Companies</u>						
Great-West Lifeco Inc.	\$29.27	\$30.70	\$26.70	\$22.75	\$18.62	\$17.15
Industrial Alliance Insurance and Financial Services Inc.	\$33.20	\$29.07	\$27.49	\$21.90	\$19.74	\$23.32
Manulife Financial Corporation	\$36.02	\$34.13	\$27.70	\$20.92	\$17.19	\$20.80
Sun Life Financial Inc.	\$45.52	\$46.73	\$40.15	\$32.30	\$26.71	\$33.95

Share prices are adjusted for stock splits.
Sources: Bloomberg and Thomson

Dividend History of the Shares of the Portfolio Issuers

	Dividends for the 12 months ended December 31 ⁽¹⁾					
	2006E ⁽²⁾	2005	2004	2003	2002	2001
<u>Banks</u>						
Bank of Montreal	\$2.26	\$1.85	\$1.59	\$1.34	\$1.20	\$1.12
The Bank of Nova Scotia	\$1.50	\$1.32	\$1.10	\$0.84	\$0.73	\$0.62
Canadian Imperial Bank of Commerce	\$2.78	\$2.69	\$2.35	\$1.73	\$1.64	\$1.48
National Bank of Canada	\$1.98	\$1.78	\$1.51	\$1.15	\$0.98	\$0.84
Royal Bank of Canada	\$1.44	\$1.18	\$1.01	\$0.86	\$0.76	\$0.69
The Toronto-Dominion Bank	\$1.84	\$1.64	\$1.40	\$1.20	\$1.12	\$1.12

	Dividends for the 12 months ended December 31 ⁽¹⁾					2001
	2006E ⁽²⁾	2005	2004	2003	2002	
<u>Life Insurance Companies</u>						
Great-West Lifeco Inc.	\$0.93	\$0.81	\$0.69	\$0.56	\$0.47	\$0.39
Industrial Alliance Insurance and Financial Services Inc.	\$0.60	\$0.50	\$0.41	\$0.35	\$0.32	\$0.30
Manulife Financial Corporation	\$0.70	\$0.58	\$0.47	\$0.39	\$0.30	\$0.24
Sun Life Financial Inc.	\$1.15	\$0.99	\$0.86	\$0.68	\$0.56	\$0.48

(1) Dividends are adjusted for stock splits.

(2) Assumes that dividends for balance of calendar year 2006 will be paid out at the most recently announced rates.

Sources: Bloomberg and Thomson

Market Capitalization, Dividend Yield and Historical Total Returns

	Market Capitalization (in Millions) ⁽¹⁾	Dividend Yield ⁽²⁾	Ave. Annual Total Return (2000 – 2006) ⁽³⁾⁽⁴⁾
<u>Banks</u>			
Bank of Montreal	\$33,467	3.7%	19.6%
The Bank of Nova Scotia	\$46,721	3.3%	23.6%
Canadian Imperial Bank of Commerce	\$26,967	3.5%	14.2%
National Bank of Canada	\$9,742	3.3%	21.0%
Royal Bank of Canada	\$62,768	3.3%	21.3%
The Toronto-Dominion Bank	\$46,084	3.0%	11.3%
<u>Life Insurance Companies</u>			
Great-West Lifeco Inc.	\$26,082	3.3%	22.9%
Industrial Alliance Insurance and Financial Services Inc.	\$2,649	1.9%	23.2%
Manulife Financial Corporation	\$55,920	1.9%	22.8%
Sun Life Financial Inc.	\$26,153	2.6%	19.8%

(1) Market Capitalization is based on the closing market price on August 31, 2006 multiplied by the number of shares outstanding at that date.

(2) Dividend yield is based on most recently announced quarterly dividend rates annualized, divided by the closing market price at August 31, 2006.

(3) Average annual total return is based on the period from March 31, 2000 (completion of demutualization of life insurance companies) to August 31, 2006.

(4) Total return is calculated by dividing the sum of the appreciation in market price and dividends paid in the year by the market price of the common shares at the beginning of the year.

Sources: Bloomberg and Thomson

Distributions: It is expected that cash distributions on the Preferred Shares and the Class A Shares over the life of the Company will be derived primarily from dividends received on the securities in the Company's Portfolio, net realized capital gains from the Portfolio including premiums from writing covered call options on or proceeds from the sale of securities in the Portfolio and, where these other sources are insufficient, by returning capital.

Assuming that the gross proceeds of the offering are \$200 million and fees and expenses are as presented in this prospectus, and assuming that the original issue prices of the Preferred Shares and the Class A Shares are returned to the holders on the Maturity Date, in order to achieve the Company's targeted annual distributions for the Class A Shares (which assumes that the Preferred Share distributions have been made), the Company will be required to generate an average annual total return (comprised of net realized capital gains, option premiums and dividends) on the Portfolio of 9.1%.

Use of Proceeds: The net proceeds from the issue of Preferred Shares and Class A Shares of the Company offered hereby after payment of the Agents' Fee and the offering expenses will be used by the Company to acquire the securities that will comprise the Portfolio.

Manager: Brompton Funds Management Limited is the manager of the Company and is responsible for providing management and administrative services required by the Company. The Manager is a member of the Brompton Group of Companies which provides specialized financial products and services to clients. The Manager currently manages 14 public investment funds totalling over \$3 billion in assets as at August 31, 2006. See "The Manager".

Options Advisor: Highstreet Asset Management Inc. is the Options Advisor to the Company. Highstreet is an investment management firm with total assets under management of approximately \$4 billion. Highstreet is responsible for investing the net proceeds of the offering to purchase securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. In addition, Highstreet will at its discretion selectively write covered call options from time to time on the shares included in the Portfolio in order to generate additional distributable income for the Company. See "The Options Advisor".

Eligibility for Investment: In the opinion of counsel, if the Preferred Shares or the Class A Shares are listed on a prescribed stock exchange, such shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans. Trusts governed by registered education savings plans should consult their own advisors as to eligibility.

Preferred Shares

Rating: The Preferred Shares have been provisionally rated Pfd-2 by DBRS.

Distributions: Holders of record of Preferred Shares on the last business day of December, March, June and September will be entitled to receive fixed cumulative preferential quarterly cash distributions of \$0.13125 per share to yield 5.25% per annum on the issue price of Preferred Shares and will be paid on or before the tenth business day following the end of the period for which the distribution is payable. Such distributions may consist of ordinary dividends, capital gains dividends or returns of capital. See "Description of Share Capital — Certain Provisions of the Preferred Shares". The initial distribution on the Preferred Shares payable to Preferred Shareholders of record on December 29, 2006, will be prorated based on an anticipated closing date of October 17, 2006 and is expected to be \$0.10842 per Preferred Share. There can be no assurance that the Company will be able to pay distributions to the holders of Preferred Shares.

Redemption: The Preferred Shares will be redeemed by the Company on November 29, 2013. 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 number of Preferred Shares then outstanding.

Retraction Privileges: **Monthly Retraction:** Preferred Shares may be surrendered at any time for retraction by the Company but will be retracted only on a monthly Retraction Date. Preferred Shares surrendered for retraction by a holder of Preferred Shares at least ten business days prior to a Retraction Date will be retracted on such Retraction Date and such Shareholder will be paid on or before the tenth business day of the following month. Shareholders whose Preferred Shares are retracted on a Retraction Date will be entitled to receive a retraction price per share equal to 96% of the lesser of (i) the NAV per Unit determined as of the relevant Retraction Date less the cost to the Company of the purchase of a Class A Share for cancellation, and (ii) \$10.00. The cost of the purchase of a Class A Share will include the purchase price of the Class A Share, commission and such other costs, if any, related to the liquidation of any portion of the Portfolio required to fund such purchase. See "Description of Share Capital — Certain Provisions of the Preferred Shares — Retraction Privileges". On any monthly retraction of Preferred Shares the Company will purchase for cancellation an equal number of Class A Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all times.

Annual Concurrent Retraction: A holder of a Preferred Share may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Retraction Date of each year,

commencing in November 2007, at a retraction price 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 ten 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.

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

Class A Shares

Distributions: The Company intends to pay monthly non-cumulative distributions to the holders of Class A Shares in an amount targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum. Such distributions will be paid on or before the tenth business day of the month following the month in respect of which the distribution is made. Such distributions may consist of ordinary dividends, capital gains dividends or returns of capital. See “Description of Share Capital — Certain Provisions of the Class A Shares”. The initial distribution payable to Class A Shareholders of record on October 31, 2006, will be pro-rated based on an anticipated closing date of October 17, 2006 and is expected to be \$0.04839 per Class A Share. There can be no assurance that the Company will be able to pay distributions to the holders of Class A Shares at the targeted rate or at all.

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 special distributions, meaning distributions in excess of the targeted \$0.10 per month in distributions, 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.

Redemption: The Class A Shares will be redeemed by the Company on November 29, 2013. 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 minus the sum of \$10.00 plus any accrued and unpaid distributions on the Preferred Shares, and (ii) nil.

Retraction Privileges: **Monthly Retraction:** Class A Shares may be surrendered by holders thereof at any time for retraction by the Company but will be retracted only on a monthly Retraction Date. Class A Shares surrendered for retraction by a holder of Class A Shares at least ten business days prior to a Retraction Date will be retracted on such Retraction Date and such Shareholder will be paid on or before the tenth business day of the following month. Shareholders whose Class A Shares are retracted on a Retraction Date 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 the relevant Retraction Date, and (ii) the cost to the Company of the purchase of a Preferred Share for cancellation. 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 Company’s Portfolio required to fund such purchase. If the NAV per Unit is less than \$10.00, the retraction price of a Class A Share will be nil. See “Description of Share Capital — Certain Provisions of the Class A Shares — Retraction Privileges”. On any monthly retraction of Class A Shares the Company will purchase for cancellation an equal number of Preferred Shares in the market so that there will be an equal number of Preferred Shares and Class A Shares outstanding at all times.

Annual Concurrent Retraction: 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 November 2007, at a retraction price per share 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 Class A Shares and the Preferred Shares must both be surrendered at least ten 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.

Risk Factors

An investment in Preferred Shares or Class A Shares is subject to certain risk factors, including:

- (i) the financial performance of the Portfolio;
- (ii) concentration risk;
- (iii) there is no assurance that the Company will be able to meet its distribution objectives or will return an amount equal to the original issue price of the Preferred Shares or an amount at least equal to the original issue price of the Class A Shares;
- (iv) the market price of the Preferred Shares and the Class A Shares will be sensitive to interest rate fluctuations;
- (v) the Class A Shares represent a leveraged investment and therefore the potential returns on such shares is amplified both to the benefit and detriment of the Class A Shareholders;
- (vi) there can be no assurance that the Preferred Shares will maintain their rating by DBRS. Any lowering or withdrawal of the rating may have a negative effect on the market value of the Preferred Shares;
- (vii) reliance on the Options Advisor;
- (viii) liquidity and counterparty risks associated with the writing of covered call options and cash covered put options and other risks associated with the Company's use of derivative instruments;
- (ix) change in volatility levels of the securities in the Portfolio;
- (x) foreign currency exposure;
- (xi) the Company's lack of operating history and the current absence of a public trading market for the Preferred Shares and the Class A Shares;
- (xii) the fact that the Company is relying on the CRA's published administrative position regarding the tax treatment of option transactions and has not requested or received an advance income tax ruling relating to the application of this administrative position to the Company;
- (xiii) if a significant number of Shares are redeemed, the trading liquidity of the Shares could be significantly reduced; and
- (xiv) counterparty risks associated with securities lending.

See "Risk Factors".

Canadian Federal Income Tax Considerations

Taxation of the Company: At the date of the closing of the offering, provided that the Preferred Shares or the Class A Shares are listed on a prescribed stock exchange in Canada, the Company will qualify, and intends to continue to qualify, as a mutual fund corporation under the Tax Act. As a mutual fund corporation, the Company will be entitled to capital gains refunds in respect of: (i) capital gains dividends paid by it; and (ii) qualifying redemptions. As a result thereof and of the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Company should not be subject to any significant net income tax liability.

Taxation of Shareholders Resident in Canada: **Distributions:** Dividends other than capital gains dividends ("Ordinary Dividends") received by individuals on the Preferred Shares and the Class A Shares will be subject to the normal gross-up and dividend tax credit rules for dividends received from taxable Canadian corporations. Draft legislation released by the Minister of Finance (Canada) on June 29, 2006 proposes to enhance the gross-up and dividend tax credit for "eligible dividends" (as defined) received after 2005 from taxable Canadian corporations. Ordinary Dividends received by corporations (other than specified financial institutions) on the Preferred Shares or the Class A Shares will generally be deductible in computing taxable income.

Ordinary Dividends received by corporations (other than private corporations and certain other corporations) on the Preferred Shares (but not the Class A Shares) will be subject to a 10% tax under Part IV.1 of the Tax Act to the extent that such dividends are deductible in computing taxable income.

Ordinary Dividends received by private corporations (and certain other corporations) on the Preferred Shares and Class A Shares will be subject to a refundable tax under Part IV of the Tax Act.

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 as a return of capital on a Preferred Share or a Class A Share will not be required to be included in income. Instead, such amount will reduce the adjusted cost base of such Share to such Shareholder, assuming such Share is held as capital property by such Shareholder. To the extent that such adjusted cost base to such Shareholder would otherwise be a negative amount, the Shareholder will be deemed to have realized a capital gain at that time and the adjusted cost base will be increased by the amount of such deemed capital gain.

Dispositions: A disposition, whether by way of redemption, retraction or otherwise, of a Preferred Share or a Class A Share held as capital property will result in a capital gain or capital loss to the holder thereof. For a detailed explanation of certain Canadian federal income tax considerations, see “Canadian Federal Income Tax Considerations”.

Summary of Fees And Expenses Payable by the Company

The following table contains a summary of the fees and expenses payable by the Company. For further particulars see “Fees and Expenses”.

<u>Type of Charge</u>	<u>Description</u>
Fees payable to the Agents for selling Preferred Shares and Class A Shares	\$0.30 per Preferred Share \$0.90 per Class A Share
Expenses of issue	The Company will pay the expenses incurred in connection with the offering of Preferred Shares and Class A Shares by the Company, estimated to be \$720,000, but not to exceed 1.5% of the gross proceeds of the offering.
Fees payable to the Manager and the Options Advisor	An annual fee of 0.60% of the Company’s NAV calculated and payable monthly, plus applicable taxes, will be paid to the Manager for acting as manager of the Company. The Manager will be responsible for paying the fees of the Options Advisor out of this amount.
Service Fee	A Service Fee will be paid to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40% annually of the value of the Class A Shares held by clients of the dealers, plus any applicable taxes. For these purposes, the value of a Class A Share will be the NAV per Unit less \$10.00 plus any accrued and unpaid distributions on a Preferred Share.
Ongoing Expenses	The Company will pay all ordinary expenses incurred in connection with its operation and administration, estimated to be \$295,000 per annum. The Company will also be responsible for commissions and other costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

GLOSSARY OF TERMS

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

“Agency Agreement” means the agency agreement dated September 28, 2006 among the Company, the Manager, and the Agents.

“Agents” means CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Blackmont Capital Inc., Dundee Securities Corporation, Raymond James Ltd., Research Capital Corporation, IPC Securities Corporation, Wellington West Capital Inc. and Acadian Securities Incorporated.

“Annual Retraction Date” means the second last business day of November commencing in November 2007.

“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 Toronto Stock Exchange 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 Company’s 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; or
 - (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 Dominion Bond Rating Service Limited or the equivalent rating from another approved rating organization; or
- (c) other cash cover as defined in NI 81-102.

“CDS” means the Canadian Depository for Securities Limited.

“CDS Participant” means a participant in 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.

“closing” means the closing of the offering on the Closing Date.

“Closing Date” means the date of closing, which is expected to be on or about October 17, 2006 or such later date as the Company and the Agents may agree, but in any event not later than November 30, 2006.

“**Company**” means Life & Banc Split 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.

“**Custodian Agreement**” means the custodian agreement to be dated the Closing Date between the Company and the Custodian.

“**DBRS**” means Dominion Bond Rating Service Limited.

“**Escrow Agent**” means Computershare Trust Company of Canada, in its capacity as escrow agent under the Escrow Agreement.

“**Escrow Agreement**” means the escrow agreement to be dated the Closing Date among Life & Banc Split Trust, the Escrow Agent 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.

“**Highstreet**” means Highstreet Asset Management Inc.

“**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.

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

“**Manager**” means Brompton Funds Management Limited.

“**Maturity Date**” means November 29, 2013.

“**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). See “Net Asset Value and NAV per Unit”.

“**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.

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

“**option premium**” means the selling price of an option.

“**Options Advisor**” means Highstreet Asset Management Inc.

“**Options Advisor Agreement**” means the options advisor agreement dated September 28, 2006 among the Company, the Manager and the Options Advisor.

“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.

“Over-Allotment Option” means the option granted by the Company to the Agents, exercisable for a period of 30 days after the closing of the offering, to purchase up to 2,700,000 additional Preferred Shares and 2,700,000 additional Class A Shares, solely to cover over-allotments, if any.

“Portfolio” means the portfolio of common shares of the six Canadian banks and the four Canadian life insurance companies that the Company will acquire using the net proceeds of the offering. See “Investments of the Company — Investment Guidelines”.

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

“Preferred Shareholder” means a holder of a Preferred Share.

“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.

“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.

“Service Fee” means the fee payable to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be 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 Preferred Share or a Class A Share.

“Shareholder” means a holder of a Preferred Share or a Class A 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.

“Tax Act” means the *Income Tax Act* (Canada), as amended.

“TSX” means the Toronto Stock Exchange.

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

THE COMPANY

Life & Banc Split Corp. is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 6, 2006. The Articles of the Company will be amended prior to closing to create the Preferred Shares and the Class A Shares. See "Description of Share Capital". The Manager of the Company is Brompton Funds Management Limited. The Options Advisor to the Company is Highstreet Asset Management Inc.

The principal office of the Company and the Manager is located at Bay Wellington Tower, BCE Place, 181 Bay Street, Suite 2930, Toronto, Ontario, M5J 2T3. The principal office of the Options Advisor is located at 244 Pall Mall Street, Suite 200, London, Ontario, N6A 5P6.

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 applied for 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 Preferred Shares and Class A 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 Preferred Shares and Class A Shares of the Company are to have a stock exchange listing whereas the securities of most conventional mutual funds do not, and (iii) unlike most conventional mutual funds, the Preferred Shares and Class A Shares will not be offered on a continuous basis.

Rating of the Preferred Shares

The Preferred Shares have been provisionally rated Pfd-2 by DBRS. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by DBRS.

Rationale for the Company

The Company has been created to provide investors with a diversified investment in Canadian banks and life insurance companies utilizing a split share structure on a low cost basis. The big six Canadian banks and the four largest Canadian life insurance companies have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation. Class A Shareholders will receive the benefits of high monthly cash distributions, the potential for capital appreciation and low management fees through an equally-weighted leveraged investment in the Canadian banks and life insurance companies. Preferred Shareholders will receive attractive quarterly distributions supported by the high credit quality of the underlying assets. The Preferred Shares have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited. The banks and life insurance companies included in the Portfolio offer an attractive dividend yield and have a history of significant earnings growth, which has resulted in strong capital appreciation and consistent increases in the dividend rate over the past five years.

INVESTMENTS OF THE COMPANY

Investment Objectives

The investment objectives for the Class A Shares are to provide their holders with regular monthly cash distributions targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share.

The investment objectives for the Preferred Shares are to provide their holders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.13125 per Preferred Share representing a yield on the issue price of the Preferred Shares of 5.25% per annum and to return the original issue price to holders of Preferred Shares at the time of redemption of such shares on November 29, 2013.

Investment Guidelines

The net proceeds of the offering will be invested, on an equally weighted basis, in a portfolio consisting of common shares of the six Canadian banks and the four Canadian life insurance companies set out below.

Banks

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

Life Insurance Companies

Great-West Lifeco Inc.
Industrial Alliance Insurance and Financial Services Inc.
Manulife Financial Corporation
Sun Life Financial Inc.

Highstreet Asset Management Inc. is the Options Advisor to the Company and is responsible for investing the net proceeds of the offering to purchase securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. In addition, Highstreet will at its discretion selectively write covered call options and cash covered put options from time to time in respect of the shares 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 Options Advisor or term deposits (“Permitted Debt Securities”).

Rebalancing Criteria

The Portfolio will be 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 or life insurance companies in the Portfolio. As a result, the Portfolio may contain the common shares of less than six Canadian banks and less than four Canadian life insurance companies. 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 Options 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. New Preferred Shares and Class A Shares may not be issued for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of the settling of the subscription price by the Company.

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 the 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. See “Shareholder Matters — Acts Requiring Shareholder Approval”. The Company’s investment restrictions provide that the Company may:

- (a) only purchase equity securities of an issuer if such securities are common shares of the six largest Canadian banks and four largest Canadian life insurance companies, as measured by market capitalization or successors to such banks or life insurance companies. The Company will generally invest in Portfolio securities on an equal weighted basis however, the board will have discretion to determine the appropriate composition of the Portfolio in the event of mergers or other transactions involving the banks or life insurance companies, as the board may see fit;
- (b) purchase debt securities only if such securities are cash equivalents;
- (c) write a call option in respect of any security only if such security is actually held by the Company in the Portfolio at the time the option is written;
- (d) dispose of any security included in the Company’s Portfolio that is subject to a call option written by the Company only if such option has either terminated or expired;

- (e) write put options in respect of any security only if (i) the Company is permitted to invest in such security, and (ii) so long as the options are exercisable, the Company continues to hold cash equivalents sufficient to acquire the security underlying the options at the aggregate strike price of such options;
- (f) reduce the total amount of cash equivalents held by the Company, if the total amount of cash equivalents held by the Company remains an amount not less than the aggregate strike price of all outstanding put options written by the Company;
- (g) not acquire or continue to hold any security that is a “specified property” as defined in subsection 18(1) of the legislative proposals to amend the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 if the total of all amounts each of which is the fair market value of a specified property would exceed 10% of the total of all amounts each of which is the fair market value of a property of the Company;
- (h) not enter into any arrangement (including the acquisition of securities for the Portfolio and the writing of covered call options in respect thereof) where the result is a dividend rental arrangement for the purposes of the Tax Act; and
- (i) purchase derivatives and enter into derivative or other transactions, including call options and put options, and short-sale arrangements, except as specifically permitted under NI 81-102 or as permitted by the Canadian Securities Administrators.

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. A copy of such standard investment restrictions and practices will be provided by the Manager to any person on request.

Securities Lending

In order to generate additional returns, the Company may lend Portfolio shares to securities borrowers acceptable to the Company pursuant to the terms of a securities lending arrangement under which (i) the borrower will pay to the Company a negotiated securities lending fee and will make compensation payments to the Company equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Company will receive collateral security. The securities lending agent for the Company will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. All securities lending arrangements will comply with the provisions of NI 81-102 and such other conditions as the Company may require.

THE PORTFOLIO

Composition

The Company will invest the net proceeds of the offering primarily in shares of the issuers listed above under “Investments of the Company — Investment Guidelines” and may from time to time write covered call options on or cash covered put options in respect of a portion of the shares held in the Portfolio to generate additional returns.

Trading History of the Shares of the Portfolio Issuers

The following table sets forth the closing market prices of the common shares of the Portfolio on the TSX on the dates indicated:

	Closing Prices as at August 31,	2005	Closing Prices as at December 31			
	2006		2004	2003	2002	2001
<u>Banks</u>						
Bank of Montreal	\$66.92	\$65.00	\$57.76	\$53.50	\$41.69	\$35.90
The Bank of Nova Scotia	\$47.27	\$46.14	\$40.70	\$32.90	\$26.33	\$24.48
Canadian Imperial Bank of Commerce	\$80.33	\$76.41	\$72.23	\$64.00	\$43.52	\$54.85
National Bank of Canada	\$59.97	\$60.32	\$49.56	\$43.14	\$32.30	\$29.70
Royal Bank of Canada	\$48.98	\$45.40	\$32.12	\$30.90	\$28.92	\$25.91
The Toronto-Dominion Bank	\$63.87	\$61.13	\$49.92	\$43.29	\$34.01	\$41.08
<u>Life Insurance Companies</u>						
Great-West Lifeco Inc.	\$29.27	\$30.70	\$26.70	\$22.75	\$18.62	\$17.15
Industrial Alliance Insurance and Financial Services Inc.	\$33.20	\$29.07	\$27.49	\$21.90	\$19.74	\$23.32
Manulife Financial Corporation	\$36.02	\$34.13	\$27.70	\$20.92	\$17.19	\$20.80
Sun Life Financial Inc.	\$45.52	\$46.73	\$40.15	\$32.30	\$26.71	\$33.95

Share prices are adjusted for stock splits.

Sources: Bloomberg and Thomson

Dividend History of the Shares of the Portfolio Issuers

The following table sets forth the dividends paid on the calendar years indicated:

	Dividends for the 12 months ended December 31 ⁽¹⁾					
	2006E ⁽²⁾	2005	2004	2003	2002	2001
<u>Banks</u>						
Bank of Montreal	\$2.26	\$1.85	\$1.59	\$1.34	\$1.20	\$1.12
The Bank of Nova Scotia	\$1.50	\$1.32	\$1.10	\$0.84	\$0.73	\$0.62
Canadian Imperial Bank of Commerce	\$2.78	\$2.69	\$2.35	\$1.73	\$1.64	\$1.48
National Bank of Canada	\$1.98	\$1.78	\$1.51	\$1.15	\$0.98	\$0.84
Royal Bank of Canada	\$1.44	\$1.18	\$1.01	\$0.86	\$0.76	\$0.69
The Toronto-Dominion Bank	\$1.84	\$1.64	\$1.40	\$1.20	\$1.12	\$1.12
<u>Life Insurance Companies</u>						
Great-West Lifeco Inc.	\$0.93	\$0.81	\$0.69	\$0.56	\$0.47	\$0.39
Industrial Alliance Insurance and Financial Services Inc.	\$0.60	\$0.50	\$0.41	\$0.35	\$0.32	\$0.30
Manulife Financial Corporation	\$0.70	\$0.58	\$0.47	\$0.39	\$0.30	\$0.24
Sun Life Financial Inc.	\$1.15	\$0.99	\$0.86	\$0.68	\$0.56	\$0.48

(1) Dividends are adjusted for stock splits.

(2) Assumes that dividends for balance of calendar year 2006 will be paid out at the most recently announced rates.

Sources: Bloomberg and Thomson

Market Capitalization, Dividend Yield and Historical Total Returns

	Market Capitalization (in Millions) ⁽¹⁾	Dividend Yield ⁽²⁾	Ave. Annual Total Return (2000 – 2006) ⁽³⁾⁽⁴⁾
<u>Banks</u>			
Bank of Montreal	\$33,467	3.7%	19.6%
The Bank of Nova Scotia	\$46,721	3.3%	23.6%
Canadian Imperial Bank of Commerce	\$26,967	3.5%	14.2%
National Bank of Canada	\$9,742	3.3%	21.0%
Royal Bank of Canada	\$62,768	3.3%	21.3%
The Toronto-Dominion Bank	\$46,084	3.0%	11.3%
<u>Life Insurance Companies</u>			
Great-West Lifeco Inc.	\$26,082	3.3%	22.9%
Industrial Alliance Insurance and Financial Services Inc.	\$2,649	1.9%	23.2%
Manulife Financial Corporation	\$55,920	1.9%	22.8%
Sun Life Financial Inc.	\$26,153	2.6%	19.8%

(1) Market Capitalization is based on the closing market price on August 31, 2006 multiplied by the number of shares outstanding at that date.

(2) Dividend yield is based on the most recently announced quarterly dividend rates annualized, divided by the closing market price at August 31, 2006.

(3) Average annual total return is based on the period from March 31, 2000 (completion of demutualization of life insurance companies) to August 31, 2006.

(4) Total return is calculated by dividing the sum of the appreciation in market price and dividends paid in the year by market price of the common shares at the beginning of the year.

Sources: Bloomberg and Thomson

Voting Rights in the Portfolio Securities

Shareholders will have no voting rights in respect of securities held by the Company. The Company has delegated to the Manager the responsibility for voting on matters for which the Company receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer included in the Portfolio. In fulfilling these duties, the Manager has appointed the Options Advisor and the Options Advisor has adopted the following policies and procedures: (i) it is the Options Advisor's policy to seek to ensure that proxies for securities held by the Company are voted consistently and in the best interests of the Company; (ii) the Options Advisor has engaged the services of a reputable third party that specializes in voting proxies and whose established guidelines and practices meet the Manager's fiduciary responsibility outlined above, to vote the proxies related to the securities held by the Company and to provide information related to such voting for the purpose of providing the necessary reporting by the Company; (iii) the Manager proposes to adopt the written policies and procedures of the Options Advisor that are based on established guidelines and practices; (iv) the Options Advisor will review the recommendations made by such third party from time to time to monitor compliance with the established policies and procedures.

The policies of the third party service provider adopted by the Options Advisor set forth guidelines for voting on routine matters including appointment of auditors and the election of directors and on non-routine matters such as shareholder rights plans, mergers and corporate restructurings and share based compensation plans. The Options Advisor will review voting positions taken by the service provider to ascertain whether proxies are voted in compliance with the established policies and procedures. The Options Advisor will maintain annual proxy voting records for the Company for record keeping purposes.

Credit Facility

The Company intends to establish a credit facility which 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.

Covered Call Option Writing

The Company intends to sell call options 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 will receive 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 will retain the option premium. See “Call Option Pricing”.

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 will depend 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. See “Call Option Pricing”.

When a call option is written on a security in the Portfolio, the amounts that the Company will be able to realize on the security during the term of the call option will be 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 will forego 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.

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
<i>Price volatility of the underlying security</i>	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.
<i>The difference between the strike price and the market price of the underlying security at the time the option is written</i>	The smaller the positive difference (or the larger the negative difference), the greater the option premium.
<i>The term of the option</i>	The longer the term, the greater the call option premium.
<i>The “risk-free” or benchmark interest rate in the market in which the option is issued</i>	The higher the risk-free interest rate, the greater the call option premium.

Factor	Description
<i>The distributions expected to be paid on the underlying security during the relevant term</i>	The greater the distributions, the lower the call option premium.

Call Option Volatility History

The historical average of the trailing 30-day volatility history (expressed in percentage terms on an annualized basis) for all of the common shares currently that would be included in the Portfolio for the seven-year period ending August 31, 2006 is as follows:

	<u>Average</u>	<u>Low</u>	<u>High</u>	<u>Current</u>
Representative Portfolio⁽¹⁾	21.6%	10.6%	44.9%	17.1%

⁽¹⁾ Data provided by Highstreet.

The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to future volatility levels of the securities in the Portfolio.

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 will only be written in respect of securities in which the Company is permitted to invest. See “Investments of the Company — Investment Restrictions”.

The holder of a put option purchased from the Company will have 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 will receive 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 will retain the option premium.

Required Return

Based on the assumptions that the gross proceeds of the offering are \$200 million and fees and expenses are as presented in this prospectus, in order to achieve the Company’s targeted annual distributions for the Class A Shares (which assumes that the Preferred Share distributions have been made) and assuming the original issue prices of the Preferred Shares and the Class A Shares are returned to the holders of the Maturity Date, the Company will be required to generate an average annual total return (comprised of net realized capital gains, option premiums and dividends) on the Portfolio of 9.1%.

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.

MANAGEMENT OF THE COMPANY

Directors and Officers of the Company

The board of directors of the Company currently consists of five members. Directors are appointed to serve on the board of directors of the Company until such time as they retire or are removed and their successors are appointed.

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

<u>Name and Municipality of Residence</u>	<u>Position with the Company</u>	<u>Principal Occupation</u>
PETER A. BRAATEN Toronto, Ontario	Chairman of the Board and Director	Chairman, Brompton Limited
JAMES W. DAVIE ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Audit Committee and Director	Corporate Director
ARTHUR R.A. SCACE ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Corporate Governance Committee and Director	Corporate Director
P. MICHAEL NEDHAM Toronto, Ontario	Director	Managing Director, Newport Partners LP
KEN S. WOOLNER ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Lead Director	Corporate Director
RAYMOND R. PETHER Toronto, Ontario	Chief Executive Officer	Chief Executive Officer, Brompton Limited
MARK A. CARANCI Toronto, Ontario	President	President, Brompton Funds LP
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds LP
DAVID E. ROODE Toronto, Ontario	Senior Vice-President	Senior Vice-President, Brompton Funds LP
MOYRA E. MACKAY Toronto, Ontario	Vice-President and Secretary	Vice-President and Corporate Secretary, Brompton Funds LP
LORNE ZEILER Toronto, Ontario	Vice-President	Vice-President, Brompton Funds LP

Notes:

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

A description of the experience and background relevant to the business of the Company for certain of the directors and officers of the Company is set out below.

Peter A. Braaten (Chairman and Director)

Mr. Braaten has over 35 years experience in the investment business in Canada and the United Kingdom. Mr. Braaten co-founded the Brompton Group of companies in 2000. In addition to his position as Chairman of Brompton Limited and Chairman of Brompton Funds Management Limited, Mr. Braaten is a director of Brompton Equity Split Corp. and Brompton Split Banc Corp. Formerly, Mr. Braaten was one of the founders of a financial services organization in 1979 and was a partner of the organization from 1981 to 1998. Mr. Braaten has also held a number of positions with an investment management firm, an investment bank and two Canadian banks. Mr. Braaten received an honours Bachelor of Arts degree in Economics and Mathematics from the University of Western Ontario and a Master of Business Administration degree from the University of British Columbia. Mr. Braaten is also a director of Welton Energy Corporation.

James W. Davie (Chairman of the Audit Committee and Director)

Mr. Davie has over 30 years of investment banking experience and currently serves as a corporate director. Mr. Davie has held a number of senior positions at RBC Dominion Securities Inc. since 1973 including Managing Director of Investment Banking or head of Equity Capital Markets from 1987 to 1999. Mr. Davie received a Bachelor of Commerce degree from the University of Toronto and a Master of Business Administration from Queen's University. In addition to his position as a director of Brompton Funds Management Limited, Mr. Davie is a director of Brompton Equity Split Corp., Brompton Split Banc Corp., Addax Petroleum Corporation, Range Royalty Limited Partnership and Taylor Gas Liquids Ltd. and is a trustee of Bloorview Kids Rehab.

Arthur R.A. Scace (Chairman of the Corporate Governance Committee and Director)

Mr. Scace is an independent director and former partner of McCarthy Tétrault LLP and has over 35 years of legal and business experience. Mr. Scace began his career at McCarthy Tétrault LLP in 1967 and became a partner in 1972. Mr. Scace served as the Managing Partner of the Toronto office from 1989 to 1996 and as the firm's National Chairman from 1997 to 1999. Mr. Scace received a Bachelor of Arts degree from the University of Toronto, a Bachelor of Arts degree from Oxford University as a Rhodes Scholar, a Master of Arts degree from Harvard University, and a Bachelor of Laws degree from Osgoode Hall Law School at York University. Mr. Scace is also a Queen's Counsel, has been appointed as a member of the Order of Canada and has received honorary Doctorates of Law from The Law Society of Upper Canada, York University, the University of Toronto and Trinity College of the University of Toronto. In addition to his position as a director of Brompton Funds Management Limited, Mr. Scace is a director of Brompton Equity Split Corp., Brompton Split Banc Corp., Chairman of the Board of Directors of The Bank of Nova Scotia and a director of several other Canadian companies, and is a former Treasurer of The Law Society of Upper Canada.

P. Michael Nedham (Director)

Mr. Nedham has over 35 years experience in the investment business. In 2000 he co-founded Newport Partners Inc. and currently serves as a managing director of Newport Partners LP. Mr. Nedham has been a managing director of Burns Fry Limited (1974–1986), a co-founder and managing director of Lancaster Financial Inc. (1986–1995) and subsequent to its sale in 1995 to TD Securities Inc., he became one of its managing directors. Mr. Nedham has a Bachelor of Science in Engineering from Queen's University and a Master of Business Administration from the University of Western Ontario and is a member of the Canadian Institute of Chartered Business Valuators. He is a director of Brompton Funds Management Limited, Brompton Equity Split Corp., Brompton Split Banc Corp. and Cinemavault.com, Inc.

Ken S. Woolner (Lead Director)

Mr. Woolner has over 20 years experience in the oil and gas industry and currently serves as a corporate director. From April 2005 to February 2006, Mr. Woolner was Executive Chairman of White Fire Energy Ltd., a public oil and gas company operating in Western Canada and a trustee of Sequoia Oil & Gas Trust. Mr. Woolner was President and Chief Executive Officer of Lightning Energy Ltd. from December 2001 to April 2005, when it merged with Argo Energy Ltd. to create Sequoia Oil & Gas Trust and White Fire Energy Ltd. Mr. Woolner was the President and Chief Executive Officer and a director of Velvet Exploration Ltd. from April 1997 to July 2001 when it was acquired by El Paso Oil & Gas Inc. and was a director of El Paso Oil and Gas Canada Inc. from July 2001 to May 2002. From November 1991 to March 1997, Mr. Woolner was employed by Morrison Petroleums Ltd., a public oil and gas company, in various positions including Vice-President, Marketing and Executive Vice President of CGGS Canadian Gas Gathering Systems Inc., a private company managed by Morrison Petroleums Ltd. In addition, Mr. Woolner was a director of Nevis Ltd., the underlying operating company of Western Facilities Fund, a public income trust. Mr. Woolner is a director of Brompton Funds Management Limited and is a director of Brompton Equity Split Corp. and Brompton Split Banc Corp. Mr. Woolner is a professional engineer and received a Bachelor of Science in Geological Engineering from the University of Toronto.

Raymond R. Pether (Chief Executive Officer)

Mr. Pether has over 30 years experience in the investment business having held numerous high level oil and gas, banking, real estate finance and investment positions. Mr. Pether co-founded the Brompton Group of companies in 2000 and as Chief Executive Officer of Brompton Limited provides direction to all activities of the group. Formerly, Mr. Pether was President and Chief Executive Officer of Western Facilities Fund, a public income trust engaged in the operation of oil and gas midstream assets from June 1998 to April 2001. Mr. Pether was also Chief Operating Officer of two public oil and gas companies, from January 1994 to November 2000. Prior thereto, Mr. Pether held several senior positions with a financial services organization and with a number of major banks. Mr. Pether received a Bachelor of Arts degree in Economics from the University of Western Ontario and a Master of Business Administration degree from McMaster University. Mr. Pether is also a director and Chief Executive Officer of Welton Energy Corporation, an oil and gas company based in Calgary, Alberta.

Mark A. Caranci (President)

Mr. Caranci has over 14 years of financial experience with public and private companies. Mr. Caranci was appointed as the Chief Financial Officer of Brompton Limited in 2000 and held that position for all of the Brompton Group of companies until February 2006 when he became President of Brompton Funds LP. Formerly, Mr. Caranci was Vice-President of a financial services organization from 1996 to 2000. Mr. Caranci has held various senior positions with public companies, including Chief Financial Officer of Western Facilities Fund from December 2000 to April 2001 and Vice-President of Finance of a public oil and gas company. Prior to 1996, Mr. Caranci worked at Price Waterhouse, Chartered Accountants. Mr. Caranci is a Chartered Accountant and is a member of the Ontario Institute of Chartered Accountants and received a Bachelor of Commerce degree from the University of Toronto.

Craig T. Kikuchi (Chief Financial Officer)

Mr. Kikuchi has over nine years of financial experience with public and private companies. Mr. Kikuchi joined Brompton Limited in 2002 as Controller, served as Vice-President and became Chief Financial Officer of Brompton Funds LP in February 2006. Prior to joining Brompton, Mr. Kikuchi worked for PricewaterhouseCoopers LLP from September 1996 to January 2002, where he held progressively senior roles, including the role as manager in both the assurance and business advisory services practice and the taxation and legal services practice. Mr. Kikuchi is a Chartered Accountant and is a member of the Ontario Institute of Chartered Accountants. He is also a CFA charter holder and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree in Economics from the University of Western Ontario.

David E. Roode (Senior Vice-President)

Mr. Roode has over 14 years of business experience in merchant banking and public accounting and joined Brompton in 2002 and is currently a Senior Vice-President of Brompton Funds LP. Mr. Roode was Vice-President at a publicly-listed merchant bank from 1999 to 2001. From September 1991 to August 1996, he held progressively senior roles at Ernst & Young LLP, lastly as an audit manager. Mr. Roode is a Chartered Accountant and a member of the Ontario Institute of Chartered Accountants. He received a Bachelor of Arts degree in Economics from Queen's University and a Master of Business Administration degree from the University of Western Ontario.

Moyra E. MacKay (Vice-President and Secretary)

Ms. MacKay has over 25 years of experience in the investment business, having held positions in real estate and resource finance and investment and financial services companies. Ms. MacKay is Vice-President and Corporate Secretary of Brompton Funds LP. Prior to joining Brompton in 2000, Ms. MacKay was Vice-President of two public oil and gas companies and a financial services organization which was registered with the Securities and Futures Authority in London, U.K. Ms. MacKay received a Bachelor of Arts degree from the University of Western Ontario.

Lorne Zeiler (Vice-President)

Mr. Zeiler has over nine years of business experience in banking, financial analysis and business development. Mr. Zeiler joined Brompton Limited in September 2004 as Assistant Vice-President and is currently Vice-President of Brompton Funds LP. Prior to joining Brompton, Mr. Zeiler was a Senior Financial Analyst with Assante Advisory Services from 2003 to 2004 and a Senior Relationship Manager in the Corporate Cash & Treasury Department with Scotiabank from 1998 to 2003. Mr. Zeiler is a CFA charter holder and is a member of the Toronto CFA Society. He received a Bachelor of Arts degree from McGill University and a Master of International Business Administration from the Schulich School of Business at York University.

No director or officer of the Company is, or within ten years prior to the date of this prospectus has been, a director, officer or promoter of any issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemptions for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subjected to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person, except as follows.

On August 14, 1990, the Ontario Securities Commission made an order ceasing trading by Middlefield Capital Fund and Middlefield Financial Limited in shares of HERO Industries Ltd., a Canadian public corporation, and denying Middlefield Capital Fund and Middlefield Financial Limited access to certain statutory exemptions in respect of trading in shares of HERO Industries Ltd. This cease trade order related to an acquisition of shares of HERO Industries Ltd. by Middlefield Financial Limited for resale to Middlefield Capital Fund, an equity investment fund managed by Middlefield Ventures Limited, an affiliate of Middlefield Financial Limited. This purchase, while made in technical compliance with the requirements of the *Securities Act* (Ontario), was found by the Ontario Securities Commission to

violate the spirit of the *Securities Act* (Ontario) as it was designed, and had the effect of, defeating a formal takeover bid for the shares of HERO Industries Ltd. The order provided that it did not apply to trades in respect of the acceptance of a formal takeover bid made for shares of HERO Industries Ltd. in compliance with the *Securities Act* (Ontario) and that it would cease to apply upon the completion of a formal takeover bid made by Middlefield Capital Fund or Middlefield Financial Limited, or an associate or an affiliate thereof, in compliance with the *Securities Act* (Ontario) at a minimum price set out in the order. In October 1996, a wholly-owned subsidiary of Middlefield Financial Limited completed a takeover bid for HERO Industries Ltd. above the threshold price referred to in the order. This resulted in the order ceasing to apply. During the period from July 1990 to October 1996, Peter Braaten was a director and Raymond Pether was an officer of Middlefield Financial Limited.

The Canadian Securities Administrators have approved the final version of NI 81-107, which provided all necessary approvals are obtained, is scheduled to come into force on November 1, 2006. NI 81-107 will require all publicly offered investment funds, such as the Company, to establish an independent review committee to whom the Manager must refer all conflict of interest matters for review or approval. NI 81-107 will also impose obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee will be required to be comprised of a minimum of three independent members, and will be subject to requirements to conduct regular assessments and provide reports to the Company and to Shareholders in respect of its functions. While the initial members of the independent review committee will be required to be appointed within six months of the date NI 81-107 comes into force, full compliance with NI 81-107 will not be required until one year from the date it comes into force.

The Manager intends to implement any additional requirements to comply with NI 81-107 after it comes into force, including appointing the members of the independent review committee.

Remuneration of Directors and Officers

The officers and directors of the Company, other than the non-management directors of the Company, will receive their remuneration from the Manager. The fees of the non-management directors of the Company, expenses of the directors of the Company and the premiums for directors' and officers' insurance coverage for the directors and officers of the Company are paid by the Company. Compensation for the non-management directors of the Company is currently \$10,000 per director per year.

THE MANAGER

Brompton Funds Management Limited was incorporated pursuant to the *Business Corporations Act* (Ontario) on January 16, 2004 and provides management services for all Brompton funds. The Manager's head office is located at Bay Wellington Tower, BCE Place, 181 Bay Street, Suite 2930, Toronto, Ontario, M5J 2T3. The Manager was organized for the purpose of managing and administering closed-end investments including the Company and is also the manager or administrator of 14 other publicly listed closed-end funds.

The Manager is the manager or administrator of the following publicly listed closed-end funds:

<u>Name of Fund</u>	<u>Inception Date</u>	<u>Ticker Symbol</u>	<u>Description of Portfolio Securities</u>
Brompton VIP Income Fund	Feb-02	VIP.UN	Income trusts and high-yield debt
Brompton Stable Income Fund	Dec-02	BSR.UN	Income trusts and investment grade debt
Brompton Equal Weight Income Fund	Jul-03	EWI.UN	Equal weight portfolio of 100 income trusts
Business Trust Equal Weight Income Fund	Oct-03	BWI.UN	Equal weight portfolio of business income trusts
Brompton Equity Split Corp.	Apr-04	BE and BE.PR.A	Canadian equities
Flaherty & Crumrine Investment Grade Preferred Fund	May-04	FAC.UN	Investment grade U.S. preferred securities
Brompton Equal Weight Oil & Gas Income Fund	Oct-04	OGF.UN	Equal weight portfolio of oil and gas income trusts

<u>Name of Fund</u>	<u>Inception Date</u>	<u>Ticker Symbol</u>	<u>Description of Portfolio Securities</u>
Flaherty & Crumrine Investment Grade Fixed Income Fund	Dec-04	FFI.UN	Investment grade U.S. fixed income securities
Brompton Advantaged Equal Weight Oil & Gas Income Fund	Mar-05	AOG.UN	Tax advantaged exposure to an equal weight portfolio of oil and gas income trusts
Brompton Tracker Fund	Jul-05	BTF.UN	Equal weight portfolio of income trusts included in the S&P®/TSX® Composite Index
Brompton Split Banc Corp.	Nov-05	SBC and SBC.PR.A	Equal weight portfolio of equity securities of Canadian banks
YEARS Financial Trust	Dec-05	YTU.UN	Pursuant to a reorganization of the fund in December 2005, equity securities of Canadian financial sector issuers
Brompton Advantaged Tracker Fund	Feb-06	ATF.UN	Tax advantaged exposure to an equal weight portfolio of income trusts included in the S&P®/TSX® Composite Index
Brompton Top 50 Compound Growth Fund	May-06	CGF.UN	Tax deferred exposure to an equal weight portfolio of the top 50 yielding income trusts included in the S&P®/TSX® Composite Index

Brompton Group of Companies

The Brompton Group of companies provides specialized financial products and services to clients. Brompton and its directors and officers have extensive experience in managing financial assets and public and private entities, including the management of closed-end funds. Brompton currently manages 14 public investment funds with total assets of over \$3 billion. Asset management services are provided by Brompton Funds LP and its affiliates.

Directors and Officers of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each director and certain officers are set out below:

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
PETER A. BRAATEN Toronto, Ontario	Chairman of the Board and Director	Chairman, Brompton Limited
JAMES W. DAVIE ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Audit Committee and Director	Corporate Director
ARTHUR R.A. SCACE ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Corporate Governance Committee and Director	Corporate Director
P. MICHAEL NEDHAM Toronto, Ontario	Director	Managing Director, Newport Partners LP
KEN S. WOOLNER ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Lead Director	Corporate Director
RAYMOND R. PETHER Toronto, Ontario	Chief Executive Officer	Chief Executive Officer, Brompton Limited
MARK A. CARANCI Toronto, Ontario	President	President, Brompton Funds LP
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds LP
DAVID E. ROODE Toronto, Ontario	Senior Vice-President	Senior Vice-President, Brompton Funds LP
MOYRA E. MACKAY Toronto, Ontario	Vice-President and Secretary	Vice-President and Corporate Secretary, Brompton Funds LP
LORNE ZEILER	Vice-President	Vice-President,

<u>Name and Municipality of Residence</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
Toronto, Ontario		Brompton Funds LP

Notes:

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

Management Agreement

Pursuant to the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Company and to make all decisions regarding the business of the Company and has authority to bind the Company. The Manager may, pursuant to the terms of the Management Agreement, 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. The Manager has engaged the Options Advisor to invest the net proceeds of the offering, to acquire the Portfolio and to manage the Portfolio in accordance with the Investment Objectives and Investment Guidelines and Rebalancing Criteria. The Manager has engaged Highstreet to act as Options Advisor to the Company. The Manager will be responsible for paying the fees of Highstreet out of the Management Fee.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Shareholders of the Company and to exercise the care, diligence and skill that a reasonably prudent and qualified manager would exercise in comparable circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect of the Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Company or wind up the Company's affairs except, if in its opinion, the Net Asset Value of the Company is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Company and it would be in the best interest of Shareholders to terminate the Company or otherwise in accordance with the provisions of the Articles of Incorporation. See "Shareholder Matters".

Under the terms of the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Company, including, without limitation:

- (a) monitoring the performance of persons appointed to manage the Portfolio in accordance with the Investment Objectives and Investment Guidelines and Rebalancing Criteria, as well as managing relationships with the custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Company;
- (b) monitoring the suitability of the Investment Guidelines and Rebalancing Criteria and preparing for adoption by the Shareholders of any amendments to the Investment Restrictions which the Manager believes are in the best interests of the Company and Shareholders;
- (c) the authorization and payment on behalf of the Company of expenses incurred on behalf of the Company and the negotiation of contracts with third party providers of services (including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers);
- (d) the provision of office space, telephone service, office equipment, facilities, supplies and executive, secretarial and clerical services;
- (e) the preparation of accounting, management and other reports, including such interim and annual reports to Shareholders, financial statements, tax reporting to Shareholders and income tax returns;
- (f) keeping and maintaining the books and records of the Company and the supervision of compliance by the Company with record keeping requirements under applicable regulatory regimes;
- (g) the calculation of the amount, and the determination of the frequency, of distributions by the Company;

- (h) communications and correspondence with Shareholders and the preparation of notices of distributions to Shareholders;
- (i) ensuring that the NAV per Unit of the Company is calculated and that the NAV per Preferred Share and per Class A Share is provided to the financial press;
- (j) general investor relations and responding to investors' inquiries in respect of the Company;
- (k) dealing with banks and custodians, including the maintenance of bank records;
- (l) liquidating the Portfolio in an orderly manner, to the extent necessary, and using the proceeds therefrom to fund distributions on the Company's Preferred Shares and Class A Shares and retractions and redemptions of Preferred Shares and Class A Shares or for any other reason where the Company requires cash to meet its obligations;
- (m) obtaining such insurance as the Manager considers appropriate for the Company;
- (n) arranging for the provision of services by CDS for the administration of the Book-Entry Only System with respect to the Preferred Shares and the Class A Shares;
- (o) reviewing fees and expenses charged to the Company and ensuring the timely payment thereof; and
- (p) ensuring:
 - (i) that the Company complies with all regulatory requirements and applicable stock exchange listing requirements;
 - (ii) the preparation and delivery of the Company's reports to, and dealing with, relevant securities regulatory authorities and any similar organization of any government or any stock exchange to which the Company is obligated to report;
 - (iii) the organization of meetings of Shareholders; and
 - (iv) the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Company.

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

The Manager will calculate quarterly and pay at the end of each calendar quarter to each dealer whose clients hold Class A Shares a Service Fee and any applicable taxes. The Service Fee will be equal to 0.40% annually of the value of Class A Shares held by clients of the dealer. For these purposes, the value of a Class A Share will be the NAV per Unit less \$10.00 plus any accrued and unpaid distributions on a Preferred Share.

The Management Agreement may be terminated at any time by the Company on 90 days' written notice with the approval of the holders of Preferred Shares and Class A Shares by an Ordinary Resolution passed at a duly convened meeting of Shareholders called for the purpose of considering such resolution provided that Shareholders holding at least 10% of the Preferred Shares and Class A Shares, respectively, that are outstanding on the record date of the meeting vote in favour of such resolution. The Management Agreement may 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. The Management Agreement may be terminated immediately by the Company in the event of the commission by the Manager of any fraudulent act and shall be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors. The Manager may assign the Management Agreement to an affiliate of the Manager at any time. The Manager may resign upon 120 days' notice. Other than fees and expenses payable to the Manager pursuant to the Management Agreement up to and including the date of termination, no additional payments will be required to be made to the Manager as a result of any termination.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Company. The Manager and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in any other activity including the administration of any other company or trust.

THE OPTIONS ADVISOR

Highstreet has been retained to act as options advisor to the Company. Highstreet is an investment management firm with total assets under management of approximately \$4 billion, including a family of pooled funds and investments for numerous corporate accounts, pension plans and endowment funds. Highstreet's principal office is located at 244 Pall Mall Street, Suite 200, London, Ontario, N6A 5P6.

Highstreet is registered as a Limited Market Dealer, Investment Counsel, Portfolio Manager and Commodity Trading Manager in the Province of Ontario.

Options Advisor Agreement

The services to be provided by the Options Advisor pursuant to the Options Advisor Agreement will include purchasing the securities to comprise the Portfolio and maintaining the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria, subject to the Investment Restrictions. The Options Advisor will also make investment decisions as to the purchase and sale of Portfolio investments in accordance with the Rebalancing Criteria. In addition, Highstreet will at its discretion selectively write covered call options from time to time on the shares included in the Portfolio in order to generate additional distributable income for the Company. Under the Options Advisor Agreement, the Options Advisor is required to act at all times on a basis which is fair and reasonable to the Company, to act honestly and in good faith with a view to the best interests of the Manager, the Company and its shareholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Options Advisor Agreement provides that the Options Advisor shall not be liable in any way for any default, failure or defect in, or any loss or diminution of value of, any of the securities of the Company, if it has satisfied the duties and standard of care, diligence and skill set forth above.

The Company can terminate the Options Advisor Agreement at any time on 10 days' notice for an uncured breach of the Options Advisor Agreement by the Options Advisor following notice of such breach by the Company or immediately in events of insolvency or liquidation of the Options Advisor or if the Options Advisor 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. The Company may also terminate the Options Advisor Agreement on ninety days notice. In such circumstances, the Manager intends to appoint a successor. The Options Advisor's appointment may be immediately terminated by the Company, in the event of the commission by the Options Advisor of any fraudulent act in the performance of its duties under the Options Advisor Agreement or any misrepresentation in the Options Advisor Agreement.

The Options Advisor is entitled to fees for its services which will be paid by the Manager out of its management fee and will be reimbursed for all reasonable costs and expenses incurred by the Options Advisor on behalf of the Company. In addition, the Options Advisor and each of its directors, officers, employees, consultants and agents will be indemnified by the Company for all liabilities and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Options Advisor or any of its officers, directors, employees, consultants or agents in the exercise of its duties as the Options Advisor.

Principal Advisors of Highstreet

The principal advisors of Highstreet who will be responsible for the Company's portfolio and selective covered call option writing and trading are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with Highstreet</u>	<u>Years with Highstreet</u>	<u>Years of Investment Management Experience</u>
DOUGLAS K. CROCKER London, Ontario	Chief Risk Officer	7 (since inception)	22
ROBERT L. JACKSON London, Ontario	Vice President, Investments	7 (since inception)	10
SHAUN T. ARNOLD London, Ontario	Vice President, Investments	7 (since inception)	12
MELANIE BLUE Dorchester, Ontario	Manager, Investments	4	12

Except as indicated below, each of the foregoing has held his or her current office or has held a similar office in Highstreet since joining Highstreet. The team of individuals responsible for option writing at Highstreet all have significant experience in managing derivative portfolios.

Douglas K. Crocker (Chief Risk Officer)

Mr. Crocker co-founded Highstreet in 1998. He has 22 years of investment experience. Prior to Highstreet, he was employed by the investment subsidiary of a large Canadian life insurance company. There, Mr. Crocker was the Director, Risk Management and held overall responsibility for all derivative products, totalling over \$2 billion in notional principal amount. Mr. Crocker was also responsible for the development and implementation of a VaR based risk management system. From 1984 to 1990, Mr. Crocker held progressively senior positions within Global Treasury at a Canadian chartered bank. Before joining the bank, Mr. Crocker was a researcher for The Ontario Economic Council, where he co-authored several economic studies. Mr. Crocker received his Bachelor of Arts (Honours Economics) from the University of Western Ontario in 1978 and his Master of Arts (Economics) from Queen's University in 1983.

Robert L. Jackson (Vice President, Investments)

Mr. Jackson has over 10 years of experience in investments and risk management. He is currently Vice President, Investments at Highstreet and has served in that role since the firm's inception in 1998. Prior to 1998, Mr. Jackson was a Risk Analyst within the investment management team at a large Canadian life insurance company. He received an honours Bachelor of Arts degree in Statistics from the University of Western Ontario in 1987 and a Master of Mathematics degree from the University of Waterloo in 1988.

Shaun T. Arnold (Vice President, Investments)

Mr. Arnold is the portfolio leader of Highstreet's core Canadian equity portfolios. He has been with the firm since inception in 1998. He has over 12 years of investment management experience. Prior to joining Highstreet, he was a portfolio manager with a large financial institution. Mr. Arnold has a Bachelor of Arts degree in Economics from the University of Western Ontario, is a CA and a CFA charterholder.

Melanie Blue (Manager, Investments)

Ms. Blue has five years of experience in public accounting and over 12 years of experience in investment management and joined Highstreet in 2001 as Manager, Investments. Ms. Blue has held roles within the areas of auditing, financial reporting and risk management and derivatives. Ms. Blue is a Chartered Accountant and a member of the Ontario Institute of Chartered Accountants. She received a Bachelor of Science degree in Applied Math from the University of Western Ontario in 1989.

The co-founders of Highstreet are Messrs Rob Badun, Douglas Crocker and Jeff Brown. These individuals have an average of over 20 years of investment experience and have worked together as an investment team for 15 years. Prior to forming Highstreet in 1998, they worked together at a large Canadian life insurance company for eight years. There, they were key members of the investment team that was responsible for managing all of the publicly traded securities portfolios. At its peak, these assets totalled in excess of \$15 billion. Included in this total were assets

from such insurance company's segregated funds, pension fund, and several of the insurance lines. In addition, the team was responsible for managing assets on behalf of all of the companies within the insurance company's corporate family. Mr. Jackson and Ms. Blue were members of the same investment team prior to joining Highstreet.

CONFLICTS OF INTEREST

The directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Company may acquire securities. The Manager and its affiliates may be managers or portfolio managers of one or more issuers in which the Company may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Company. The Manager invests in diversified portfolios consisting of units of income funds, high yield debt, investment grade debt and/or common shares. The services of the Manager are not exclusive to the Company. The Manager may in the future act as the investment advisor to other funds and companies and may in the future act as the investment advisor to other funds which invest in equity securities and which are considered competitors of the Company.

In addition, Highstreet is engaged in a wide range of investment management, investment advisory and other business activities. The services of Highstreet under the Options Advisor Agreement are not exclusive and nothing in the Options Advisor Agreement prevents Highstreet or any of its affiliates from providing similar services to other investment funds or clients (whether or not their investment objectives, strategies and criteria are similar to those of the Company) or from engaging in other activities. Highstreet's investment decisions for the Company will be made independently of those made on behalf of its other clients or for its own investments. On occasion, however, Highstreet may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of Highstreet are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. In this regard, Highstreet will endeavour to allocate investment opportunities to the Company on a pro rata basis.

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares of which, before giving effect to the offering under this prospectus, there are issued and outstanding 100 Class J Shares.

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J Shares will be entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. The Class J Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to distributions on the dissolution, liquidation or winding-up of the Company.

A trust established for the benefit of the holders from time to time of the Preferred Shares and the Class A Shares owns all of the issued and outstanding Class J Shares. See "Principal Shareholder".

The Company does not currently intend to issue additional Preferred Shares or Class A Shares following completion of this offering except as disclosed herein.

The following is a summary of certain provisions of the Preferred Shares and Class A Shares offered hereby.

Certain Provisions of the Preferred Shares

Distributions

Holders of record of Preferred Shares at 5:00 p.m. (Toronto time) on a Preferred Share Record Date will be entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.13125 per share to yield 5.25% per annum and will be paid before the tenth business day in the month following the end of the period in respect of which the distribution is payable. Such distributions may consist of ordinary dividends, capital gains dividends or returns of capital. The initial distribution on the Preferred Shares payable to Preferred Shareholders of record on December 29, 2006, will be pro-rated based on an anticipated closing date of October 17, 2006 and is expected to be \$0.10842 per Preferred Share. There can be no assurance that the Company will be able to pay distributions to holders of Preferred Shares.

All cash distributions will be paid through CDS' book-entry only system or paid in such other manner as may be agreed to by the Company. Each holder of Preferred Shares will be mailed annually, no later than February 28, information necessary to enable such Shareholder to complete an income tax return with respect to amounts paid or

payable by the Company in respect of the preceding calendar year. See “Description of Share Capital — Book Entry Only System” and “Canadian Federal Income Tax Considerations”.

Redemptions

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.

Retraction Privileges

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 November 2007 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 herein and in the manner described under “Description of Share Capital — Book Entry Only System”. 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.

Priority

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.

Certain Provisions of the Class A Shares

Distributions

The Company intends to pay monthly non-cumulative distributions to the holders of Class A Shares in an amount targeted to be \$0.10 per Class A Share representing a yield on the issue price of the Class A Shares of 8.0% per annum. Such distributions will be 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

returns of capital. The initial distribution payable to Class A Shareholders of record on October 31, 2006, will be prorated based on an anticipated closing date of October 17, 2006 and is expected to be \$0.04839 per Class A Share. 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 special distributions, meaning distributions in excess of the targeted \$0.10 per month in distributions, 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 the first anniversary of the closing date 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.

Distributions will be payable to holders of Class A Shares of record at 5:00 p.m. (Toronto time) on the Class A Record Date. All cash distributions will be paid through CDS' book-entry only system or paid in such other manner as may be agreed to by the Company. Each holder of Class A Shares will be mailed annually, no later than February 28, information necessary to enable such Shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year. See "Description of Share Capital — Book Entry Only System" and "Canadian Federal Income Tax Considerations".

Redemptions

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.

Retraction Privileges

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 November 2007 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 securities comprising the Portfolio will be equal to the weighted average trading price of such securities over the last three business days of the month of November 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 prescribed herein and in the manner described under "Book Entry Only System" below. 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.

Priority

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 out of the Portfolio on the dissolution, liquidation or winding up of the Company.

Book Entry Only System

Registration of interests in and transfers of the Preferred Shares and Class A Shares will be made only through the book-entry only system. On or about October 17, 2006, but no later than November 30, 2006, the Company will deliver to CDS certificates evidencing the aggregate number of Preferred Shares and Class A Shares subscribed for under this offering. Preferred Shares and Class A Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Preferred Shares or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Preferred Shares or Class A Shares. Upon purchase of any Preferred Shares or Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Preferred Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

An owner of such Preferred Shares or Class A Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner's intention to retract such shares, no later than 5:00 p.m. (Toronto time) on the relevant notice date. An owner who desires to retract Preferred Shares or Class A Shares should ensure that the CDS Participant is provided with a Retraction Notice sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare Investor Services Inc., the registrar and transfer agent of the Company. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to retract Preferred Shares or Class A Shares, an owner shall be deemed to have irrevocably surrendered such shares for retraction and appointed such CDS Participant to act as his exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Retraction Notice which 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 retraction 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 retraction privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Company to the CDS Participant or to the owner.

The Company has the option to terminate registration of the Preferred Shares or Class A Shares through the book-entry only system in which case certificates for Preferred Shares or Class A Shares in fully registered form would be issued to beneficial owners of such shares or to their nominees.

Suspension of Redemptions and Retractions

The Manager may suspend the redemption and/or retraction of Preferred Shares or Class A 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 Preferred Shares and Class A 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, any declaration of suspension made by Manager shall be conclusive.

Purchase for Cancellation

Subject to applicable law, the Company may at any time or times purchase Preferred Shares and Class A Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the business day immediately prior to such purchase up to a maximum in any twelve month period of 10% of the outstanding public float of Preferred Shares and Class A Shares.

NET ASSET VALUE AND NAV PER UNIT

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). For greater certainty, the Preferred Shares will not be treated as liabilities for these purposes.

The NAV per Unit, the NAV per Preferred Share and the NAV per Class A Share, will, at a minimum be 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, per Preferred Share and per Class A Share. The Company will make available to the financial press for publication on a weekly basis the NAV per Preferred Share and the NAV per Class A Share, as well as through the Internet at www.bromptongroup.com and upon request to the Manager.

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 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, dividend or other amount received (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 bid price 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 latest available bid price quoted by a major dealer or recognized information provider in such securities;
- (d) where a covered clearing corporation option, option on futures or an over-the counter option is written, the option premium received by the Company will, so long as the option is outstanding, be reflected as a deferred credit which will be valued at an amount equal to the fair market value of an option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;
- (e) 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;
- (f) 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;
- (g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at fair market value as determined by the Manager; and
- (h) 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.

The NAV and NAV per Unit, per Preferred Share and per Class A Share will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Company may obtain. The NAV and NAV per Unit, per Preferred Share and per Class A Share will be calculated in Canadian dollars.

SHAREHOLDER MATTERS

Meetings of Shareholders

Except as required by law or set out below, 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.

Acts Requiring Shareholder Approval

The following may only be undertaken with the approval of the holders of Preferred Shares and Class A 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 Preferred Shares and Class A 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 Options 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 Preferred Shares and Class A 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 as described under “Investments 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;
- (g) any amendment, modification or variation in the provisions or rights attaching to the Preferred Shares, Class A Shares or Class J Shares.

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

Reporting to Shareholders

The Company will deliver to Shareholders annual and interim financial statements of the Company as may be required by applicable law.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company, and Davies Ward Phillips & Vineberg LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the 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 facts set out in this prospectus, the current provisions of the Tax Act and the regulations thereunder (the “Regulations”), and counsel’s understanding of the current published administrative practices and assessing policies of the CRA and relies as to certain factual matters on certificates of officers of the Company and lead Agent. 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 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 investment restrictions and permitted investments will at all relevant times be as set out under the heading “Investments of the Company” and that the Company will at all times comply with such 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 Tax Act or the Regulations announced prior to the date hereof by the Minister of Finance (Canada) (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 Tax Act, or to a Shareholder an interest in which is a “tax shelter investment” as defined in subsection 143.2(1) of the Tax Act.

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

Tax Treatment of the Company

The Company currently qualifies and has advised counsel that it intends at all relevant times to qualify as a “mutual fund corporation” as defined in the Tax Act. The Company has informed counsel that it intends to file the necessary election under the Tax Act so that it will be deemed to be a “public corporation” and therefore can qualify 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 “Tax Treatment of Shareholders” 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 will elect in accordance with the 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 Tax Act) and, thus, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Company and is not generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Company is generally subject to a refundable tax of 33⅓% under Part IV of the 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 will purchase the Portfolio with the objective of earning dividends thereon over the life of the Company, will write covered call options with the objective of increasing the yield on the Portfolio beyond the dividends received on the Portfolio and will write 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 will be 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 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.

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 significant amount of non-refundable Canadian income tax.

Tax Treatment of Shareholders

Shareholders 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. Draft legislation released by the Minister of Finance (Canada) on June 29, 2006 proposes to enhance the gross-up and dividend tax credit for “eligible dividends” (as defined) received after 2005 from taxable Canadian corporations. For corporate Shareholders, other than “specified financial institutions” (as defined in the Tax Act), Ordinary Dividends will normally be deductible in computing the taxable income of the corporation.

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 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 Tax Act) on Preferred Shares will generally be subject to a 10% tax under Part IV.1 of the 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 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 "Disposition of Shares" 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.

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.

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 Tax Act. A Shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax on aggregate investment income, which includes an amount in respect of taxable capital gains.

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

Generally Shares will qualify as "Canadian securities" for purposes of making an election under the Tax Act to deem Canadian securities held by the investor to be capital property and to deem any disposition Canadian securities held to be a disposition of a capital property for the purposes of the 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.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP and Davies Ward Phillips & Vineberg LLP, if the Preferred Shares or the Class A Shares are listed on a prescribed stock exchange, all Shares will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. Trusts governed by registered education savings plans should consult their own advisors as to eligibility.

USE OF PROCEEDS

The Company will use the proceeds from the sale of Preferred Shares and Class A Shares as follows:

	Maximum Offering	Minimum Offering
Gross proceeds to the Company	\$450,000,000	\$150,000,000
Agents' fees.....	\$21,600,000	\$7,200,000
Expenses of issue.....	<u>\$780,000</u>	<u>\$710,000</u>
Net proceeds to the Company.....	<u>\$427,620,000</u>	<u>\$142,090,000</u>

The Company will use the net proceeds of the offering (including any net proceeds from the exercise of the Over-Allotment Option) to invest in securities in accordance with the Investment Objectives, Investment Guidelines and Rebalancing Criteria of the Company as described herein (see "Investments of the Company — Investment Restrictions") as soon as possible after closing and fund the ongoing fees and expenses of the Company as described herein (see "Fees and Expenses").

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to offer the Preferred Shares and Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The Agents will receive a fee equal to \$0.30 for each Preferred Share sold and \$0.90 for each Class A Share sold and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered hereby, the Agents will not be obligated to purchase Preferred Shares and Class A Shares which are not sold.

The Company has granted the Agents an Over-Allotment Option. This prospectus qualifies the distribution of the Over-Allotment Option, and the Preferred Shares and the Class A Shares issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of this offering. To the extent that the Over-Allotment Option is exercised, the additional Preferred Shares and Class A Shares will be offered at the offering prices hereunder and the Agents will be entitled to a fee of \$0.30 per Preferred Share and \$0.90 per Class A Share purchased.

If subscriptions for a minimum of 6,000,000 Preferred Shares and Class A Shares have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this offering may not continue without the consent of those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum offering is not achieved by the Company and the necessary consents are not obtained or if the closing of the offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Preferred Shares and Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on October 17, 2006 or such later date as may be agreed upon by the Company and the Agents that is on or before November 30, 2006.

The Toronto Stock Exchange has conditionally approved the listing of the Preferred Shares and Class A Shares, subject to fulfillment by the Company of the requirements of such stock exchange on or before December 22, 2006, including distribution to a minimum number of shareholders.

Pursuant to policy statements of certain Canadian securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Preferred Shares or Class A Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares and the Class A Shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in

connection with this offering, the Agents may over-allot or effect transactions in connection with their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

CAPITALIZATION

The capitalization of the Company at September 28, 2006 and at such date as adjusted to give effect to the issue and sale of the Preferred Shares and the Shares offered hereby, is set forth in the table below:

	<u>Authorized</u>	<u>Outstanding as at September 28, 2006</u>	<u>To be outstanding as at September 28, 2006 after giving effect to these issues⁽¹⁾ (unaudited)</u>
Liabilities			
Preferred Shares	Unlimited	Nil	\$180,000,000 (18,000,000 shares)
Share Capital			
Class A Shares	Unlimited	Nil	\$270,000,000 (18,000,000 shares)
Class J Shares	Unlimited	\$100 (100 shares)	\$100
Issue Costs		Nil	\$(22,380,000)
Total Capitalization ⁽²⁾		<u>\$100</u>	<u>\$427,620,100</u>

Notes:

- (1) Assumes the maximum amount of the offering.
- (2) See Note 3 to the Statement of Financial Position.

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 Preferred Shares and Class A Shares from time to time. The Class J Shares will be held in escrow pursuant to the Escrow Agreement and will not be disposed of or dealt with in any manner until all the Preferred Shares and Class A Shares have been retracted or redeemed, without the express consent, order or direction in writing of the Ontario Securities Commission.

FEES AND EXPENSES

Initial Expenses

The expenses of the offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents' fees, be paid by the Company from the gross proceeds of the offering. The initial expenses are estimated to be \$720,000, but will not exceed 1.5% of the gross proceeds of the offering.

Management Fee

The Manager will receive an annual Management Fee equal to 0.60% per annum of Net Asset Value, calculated and payable monthly in arrears, plus any applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs shall be pro-rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days of such month. The Manager is responsible for paying the fees payable to the Options Advisor out of the Management Fee.

Service Fee

The Company will pay 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 will be 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 will be the NAV per Unit less \$10.00 plus any accrued and unpaid distributions on the Preferred Share. The Service Fee

payable to the Manager and the Service Fee payable by the Manager in respect of the quarter ending December 31, 2006 shall be pro-rated based on the fraction that the number of days from and including the closing of the offering to and including December 31, 2006 is of the number of days in the quarter ending December 31, 2006.

Ongoing Expenses

The Company will also pay for all expenses incurred in connection with its operation and administration, including, without limitation, all costs of Portfolio transactions, fees payable to the Manager, Options Advisor, debt service costs, the Service Fee, custodial fees, legal, audit and valuation fees and expenses, fees and expenses of the non-management directors of the Company, fees of the members of the independent review committee, expenses related to compliance with NI 81-107, reasonable fees and expenses relating to the voting of proxies by a third party, premiums for directors' and officers' insurance coverage for the directors and officers of the Manager and the Company, costs of reporting to Shareholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Company and investor relations, taxes, brokerage commissions, costs and expenses relating to the issue of shares, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Company may incur and all amounts paid on account of indebtedness of the Company, but excluding the fees payable to the Options Advisor. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Options Advisor, the Custodian and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Company. The Company will also pay for all expenses incurred in connection with its termination on or about the Maturity Date.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, debt service and other costs and brokerage expenses related to Portfolio transactions, will be approximately \$295,000 per year (assuming an offering size of approximately \$200 million).

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager, the Options Advisor and the Custodian will receive the fees described under "Fees and Expenses" for their respective services to the Company and will be reimbursed by the Company for all expenses incurred in connection with the operation and administration of the Company.

In accordance with the requirements of the provincial securities regulatory authorities in connection with the offering, the Manager has undertaken to file insider trading reports, as if the Company was not a mutual fund corporation, in accordance with applicable securities legislation, for itself and to cause its affiliates, its directors and senior officers and the directors and senior officers of its affiliates who might ordinarily receive knowledge of material facts or changes with respect to the Company prior to the general disclosure of such facts and changes to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable securities legislation in respect of trades made by them in Preferred Shares or Class A Shares. The foregoing undertakings shall remain in full force until such time as all the Preferred Shares and Class A Shares have been redeemed.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Preferred Shares and Class A Shares:

- (a) the Management Agreement described under "The Manager — Management Agreement";
- (b) the Options Advisor Agreement described under "The Options Advisor — Options Advisor Agreement";
- (c) the Agency Agreement described under "Plan of Distribution"; and
- (d) the Escrow Agreement described under "Principal Shareholder".

Copies of the agreements referred to above after the execution thereof may be inspected during business hours at the principal office of the Company during the course of distribution of the Preferred Shares and Class A Shares offered hereby.

RISK FACTORS

The following are certain considerations relating to an investment in Preferred Shares or Class A Shares which prospective investors should consider before purchasing such shares:

Performance of the Portfolio Issuers and Other Considerations

The NAV per Unit varies as the value of the securities in the Portfolio vary. 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 ten issuers in the financial services 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

As the Company is targeting quarterly distributions of \$0.13125 per Preferred Share and monthly distributions of \$0.10 per Class A Share, 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 in so far as returns in excess of the amounts payable to holders of Preferred Shares accrues 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 Options Advisor

The Options Advisor will manage the Portfolio in a manner consistent with the Investment Objectives, Investment Guidelines and Rebalancing Criteria of the Company. In addition, the Options Advisor may change the composition of the Portfolio without shareholder approval in many cases. The officers of the Options 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 Options Advisor who will be primarily responsible for the management of the Portfolio will continue to be employees of the Options 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 Highstreet 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 Highstreet or the Company.

Operating History

The Company is a newly organized investment Company with no previous operating history. There is currently no public market for the Preferred Shares or the Class A Shares and there can be no assurance that an active public market will develop or be sustained after completion of this offering.

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.

Significant Redemptions

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

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.

LEGAL OPINIONS

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon by Osler, Hoskin & Harcourt LLP, on behalf of the Company, and Davies Ward Phillips & Vineberg LLP on behalf of the Agents.

CUSTODIAN

Pursuant to the Custodian Agreement, the Custodian is responsible for certain aspects of the day-to-day administration of the Company, including executing instruments on direction of the Company, processing redemptions, NAV calculations, net income and net realized capital gains of the Company and maintaining the books and records of the Company.

The address of the Custodian is 77 King Street West, Toronto, Ontario, M5W 1P9.

The Custodian is entitled to receive fees from the Company as described under “Fees and Expenses” and to be reimbursed for all expenses and liabilities which are properly incurred by the Custodian in connection with the activities of the Company.

PROMOTER

The Manager has taken the initiative in organizing the Company and accordingly may be considered to be a “promoter” of the Company within the meaning of the securities legislation of certain provinces of Canada. The Manager will receive fees from the Company and will be entitled to reimbursement of expenses incurred in relation to the Company as described under “Fees and Expenses”.

AUDITORS

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

REGISTRAR AND TRANSFER AGENT

Pursuant to the Registrar and Transfer Agency Agreement to be signed on or prior to closing, Computershare Investor Services Inc., at its principal offices in Toronto will be appointed the registrar and transfer agent for the Preferred Shares and Class A Shares.

PURCHASERS' STATUTORY RIGHTS

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

AUDITORS' REPORT

To the Board of Directors of Life & Banc Split Corp.

We have audited the statement of financial position of Life & Banc Split Corp. (the "Company") as at September 28, 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Company as at September 28, 2006 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
September 28, 2006

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

LIFE & BANC SPLIT CORP.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 28, 2006

	Actual
ASSETS	
Cash	\$100
Investment in portfolio securities	-----
Total.....	\$100
 LIABILITIES	
Preferred Shares.....	-----
EQUITY	
Class A Shares	-----
Class J Shares	\$100
Issue Costs.....	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$100

Approved by the Board:

By: (Signed) PETER A. BRAATEN
 Director

By: (Signed) P. MICHAEL NEDHAM
 Director

NOTES TO STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 28, 2006

1. Organization and Share Capital

Life & Banc Split Corp. (the “Company”) was incorporated under the laws of the Province of Ontario by Articles of Incorporation dated September 6, 2006.

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares. The Company issued 100 Class J Shares to Life & Banc Split Trust for cash consideration of \$100.

2. Significant Accounting Policies

Investments

The Company’s investment in portfolio securities is recorded on a trade date basis and is presented at market value.

Issue Costs

Issue costs incurred in connection with the offering are charged to equity.

3. Agency Agreement and Custodian

The Company has engaged CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Blackmont Capital Inc., Dundee Securities Corporation, Raymond James Ltd., Research Capital Corporation, IPC Securities Corporation, Wellington West Capital Inc. and Acadian Securities Incorporated to offer for sale to the public pursuant to a prospectus dated September 28, 2006 the Shares described in Note 1.

The Company has retained RBC Dexia Investor Services Trust (the “Custodian”) under a Custodian Agreement dated on or about October 17, 2006 to act as custodian of the assets of the Company and is also responsible for certain aspects of the Company’s day-to-day operations. In consideration for the services provided by the Custodian, the Company will pay a monthly fee to be agreed upon between the Custodian and the Company.

4. Management, Options Advisor and Service Fees

The Company has retained Brompton Funds Management Limited (the “Manager”) to act as manager under the Management Agreement dated September 28, 2006 and Highstreet Asset Management Inc. (the “Options Advisor”) to act as its Options Advisor under the Options Advisor Agreement dated September 28, 2006. Pursuant to such agreements, the Manager and the Options Advisor are collectively entitled to fees at the annual rate of 0.60% of the NAV of the Company. Such fees are calculated and payable monthly.

The Manager also collects from the Company a Service Fee equal to 0.40% annually of the net asset value of the Class A Shares which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers. This Service Fee is payable quarterly.

AUDITORS' CONSENT

We have read the prospectus of Life & Banc Split Corp. (the "Company") dated September 28, 2006 relating to the issue and sale of Preferred Shares and Class A shares of the Company. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the board of directors of the Company on the statement of financial position of the Company as at September 28, 2006. Our report is dated September 28, 2006.

Toronto, Ontario
September 28, 2006

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: September 28, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of *The Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), the *Securities Act* (Yukon), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

LIFE & BANC SPLIT CORP.

By: (Signed) RAYMOND R. PETHER

Chief Executive Officer

By: (Signed) CRAIG T. KIKUCHI

Chief Financial Officer

On behalf of the board of directors

By: (Signed) PETER A. BRAATEN

Director

By: (Signed) P. MICHAEL NEDHAM

Director

BROMPTON FUNDS MANAGEMENT LIMITED
(as Promoter)

By: (Signed) RAYMOND R. PETHER
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: September 28, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of *The Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), the *Securities Act* (Yukon), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

RBC DOMINION SECURITIES INC.

By: (Signed) RONALD W.A. MITCHELL

By: (Signed) EDWARD V. JACKSON

SCOTIA CAPITAL INC.

By: (Signed) BRIAN D. MCCHESENEY

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

TD SECURITIES INC.

By: (Signed) DAVID R. THOMAS

By: (Signed) MICHAEL D. SHUH

By: (Signed) CAMERON GOODNOUGH

HSBC SECURITIES (CANADA) INC.

By: (Signed) JAY K. LEWIS

CANACCORD CAPITAL CORPORATION

DESJARDINS SECURITIES INC.

By: (Signed) RON SEDRAN

By: (Signed) BETH A. SHAW

BLACKMONT CAPITAL INC.

**DUNDEE SECURITIES
CORPORATION**

RAYMOND JAMES LTD.

**RESEARCH CAPITAL
CORPORATION**

By: (Signed) CHARLES PENNOCK

By: (Signed) BRETT A. WHALEN

By: (Signed) SARA MINATEL

By: (Signed) DAVID J. KEATING

IPC SECURITIES CORPORATION

WELLINGTON WEST CAPITAL INC.

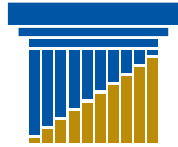
By: (Signed) KELLY D. KLATIK

By: (Signed) BRENT BOTTOMLEY

ACADIAN SECURITIES INCORPORATED

By: (Signed) DAVID K. BEAZLEY

BROMPTON



LIFE & BANC SPLIT CORP.

BROMPTON
FUNDS