

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be offered for sale and therein only by persons permitted to sell such securities.

**Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Dividend Growth Split Corp. at its head office located at Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario M5J 2T3, or by calling 1-866-642-6001, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

November 29, 2010



**\$21,230,000 (Maximum)**

### **Up to 1,100,000 Preferred Shares and 1,100,000 Class A Shares**

This short form prospectus qualifies for distribution up to 1,100,000 preferred shares (“Preferred Shares”) and up to 1,100,000 class A shares (“Class A Shares”) of Dividend Growth Split Corp. (the “Company”) at a price of \$10.00 per Preferred Share and \$9.30 per Class A Share (the “Offering”). Preferred Shares and Class A Shares are issued only on the basis that an equal number of Preferred Shares and Class A Shares will be outstanding at all times. The Company is a mutual fund corporation incorporated under the laws of the Province of Ontario. The Company invests in a portfolio of common shares of high quality, large capitalization companies, which have among the highest dividend growth rates of those companies included in the S&P/TSX Composite Index. Currently, the portfolio consists of common shares of the following 20 companies:

AGF Management Limited	IGM Financial Inc.	Royal Bank of Canada
Bank of Montreal	Industrial Alliance Insurance and Financial Services Inc.	Shaw Communications Inc.
The Bank of Nova Scotia	Manitoba Telecom Services Limited	Sun Life Financial Inc.
Canadian Imperial Bank of Commerce	Manulife Financial Corporation	TELUS Corporation
Canadian Utilities Limited	National Bank of Canada	The Toronto-Dominion Bank
Enbridge Inc.	Power Corporation of Canada	TransCanada Corporation
Great-West Lifeco Inc.	Rogers Communications Inc.	

The Preferred Shares and the Class A Shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbols “DGS.PR.A” and “DGS”, respectively. On November 26, 2010, the closing price on the

TSX of the Preferred Shares was \$10.35 and of the Class A Shares was \$9.31. The TSX has conditionally approved the listing of the additional Preferred Shares and Class A Shares. Listing will be subject to fulfilling all of the listing requirements of the TSX on or before February 21, 2011.

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**Prices: \$10.00 per Preferred Share  
\$9.30 per Class A Share**

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	Price to the Public <sup>(1)</sup>	Agents' Fee	Net Proceeds to the Company <sup>(2)</sup>
Per Preferred Share	\$10.00	\$0.3000	\$9.7000
Total Maximum Offering <sup>(3)</sup>	\$11,000,000	\$330,000	\$10,670,000
Per Class A Share	\$9.30	\$0.4650	\$8.8350
Total Maximum Offering <sup>(3)</sup>	\$10,230,000	\$511,500	\$9,718,500

<sup>(1)</sup> The offering prices were established by negotiation between the Company and the Agents (as defined below).

<sup>(2)</sup> Before deducting the expenses of issue which are estimated to be \$240,000. Such expenses, together with the Agents' fee, will be paid out of the proceeds of the Offering, provided however that the expenses of the Offering to be borne by the Company shall not exceed 1.5% of the gross proceeds of the Offering. Any such excess expenses shall be paid for by the Manager.

<sup>(3)</sup> The Company has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the Offering, to purchase up to an additional 15% of the number of Preferred Shares and Class A Shares issued at the closing of the Offering on the same terms as set forth above, which additional Preferred Shares and Class A Shares are qualified for sale under this prospectus. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$24,414,500, the Agents' fee will be \$967,725 and the net proceeds to the Company, before expenses of the Offering, will be \$23,446,775. See "*Plan of Distribution*".

The average dividend yield on the Company's portfolio securities as at November 18, 2010 was approximately 4.2%. Assuming an equal-weighted portfolio, the deduction of the Company's new issue and ongoing expenses, and that the Company pays the current level of dividends and distributions on both its Preferred Shares and Class A Shares, the portfolio will be required to generate an additional return of approximately 6.6% per annum, including from dividend growth, realized capital appreciation and option premiums, in order for the Company to maintain a stable NAV.

RBC Dominion Securities Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., GMP Securities L.P., HSBC Securities (Canada) Inc., Mackie Research Capital Corporation, Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., Dundee Securities Corporation, Desjardins Securities Inc. and Wellington West Capital Markets Inc. (the "Agents") conditionally offer the Preferred Shares and the 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. Subject to applicable laws, in connection with the distribution of the Preferred Shares and the Class A Shares, the Agents may over-allot or effect transactions as described under "*Plan of Distribution*".

An investment in the Preferred Shares or the Class A Shares involves a degree of risk. It is important for prospective purchasers to consider the risk factors described in this short form prospectus. See "*Risk Factors*".

Closing of this Offering is expected to take place on December 10, 2010, but in any event no later than December 31, 2010. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A purchaser of Preferred Shares or Class A Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares or Class A Shares are purchased.

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## GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**Business Day**” means any day on which the TSX is open for business.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participants**” means participants in CDS.

“**Class A Record Date**” means the last Business Day of each month.

“**Class A Shares**” means the class A shares of the Company.

“**Company**” means Dividend Growth Split Corp., a mutual fund corporation incorporated under the laws of the Province of Ontario.

“**CRA**” means the Canada Revenue Agency.

“**DBRS**” means DBRS Limited.

“**Investment Guidelines**” means the investment guidelines of the Company described under “*The Company*” in this Prospectus.

“**Investment Objectives**” means the investment objectives of the Company described under “*The Company*” in this Prospectus.

“**Investment Restrictions**” means the investment restrictions of the Company, including without limitation those described under “*The Company*” in this Prospectus.

“**Manager**” means Brompton Funds Management Limited, in its capacity as manager of the Company, or if applicable, its successor.

“**Maturity Date**” means November 30, 2014.

“**Minister**” means the Minister of Finance (Canada).

“**NAV**” means net asset value.

“**NAV per Unit**” means the NAV of the Company divided by the number of Units then outstanding.

“**NAV of the Company**” means (i) the aggregate value of the assets of the Company, less (ii) the aggregate value of the liabilities of the Company (the Preferred Shares will not be treated as liabilities for these purposes), including any distributions declared and not paid that are payable to Shareholders on or before such date, less (iii) the stated capital of the Class J Shares (\$100) as described in the current annual information form of the Company.

“**Offering**” means the offering of up to 1,100,000 Preferred Shares and 1,100,000 Class A Shares as contemplated in this prospectus.

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

“**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister prior to the date hereof.

“**Preferred Share Record Date**” means the last Business Day of February, May, August and November.

“**Preferred Shares**” means the preferred shares of the Company.

“**Quarterly Retraction Date**” means the second last Business Day of February, May, August and November.

“**Registered Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts.

“**Retraction Date**” means the second last Business Day of the month.

“**Retraction Payment Date**” means the day that is on or before the tenth Business Day of the month following the Retraction Date.

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

“**Tax Act**” means the *Income Tax Act* (Canada), as may be amended from time to time.

“**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.

“**United States**” means the United States of America, its territories and possessions.

“**U.S. person**” has the meaning given to such term in Regulation S under the 1933 Act.

## **FORWARD LOOKING STATEMENTS**

Certain of the statements contained in this prospectus may be forward-looking statements. The use of words such as “may,” “will,” “should,” “could,” “anticipate,” “believe,” “expect,” “intend,” “plan,” “potential,” “continue” and similar expressions have been used to identify these forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the Manager believes the expectations reflected in the forward-looking statements are reasonable, no assurance can be given that actual results will be consistent with these expectations and forward-looking statements. Potential subscribers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company and the Manager assume no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company, and Davies Ward Phillips & Vineberg LLP, counsel to the Agents, provided that the Fund qualifies as a mutual fund corporation within the meaning of the Income Tax Act (Canada) (the “Tax Act”) or if the Preferred Shares or the Class A Shares are listed on a designated stock exchange, such shares would be a qualified investment under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (collectively, “Registered Plans”). Trusts governed by registered education savings plans should consult their tax advisor as to eligibility.

Provided that the holder of a tax-free savings account does not hold a significant interest (as defined in the Tax Act) in the Company or any person or partnership that does not deal at arm’s length with the Company within the meaning of the Tax Act, and provided that such holder deals at arm’s length with the Company within the meaning of the Tax Act, the Preferred Shares and the Class A Shares offered hereby will not be a prohibited investment for a trust governed by such tax-free savings account. Generally, a holder will have a significant interest in the Company if the holder, together with persons with whom the holder does not deal at arm’s length, owns directly or indirectly 10% or more of the issued shares of any class of the shares of the Company or any corporation related to the Company within the meaning of the Tax Act.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference in and form an integral part of this prospectus:

- (a) the annual information form of the Company dated March 22, 2010 for the year ended December 31, 2009;
- (b) the annual financial statements of the Company dated March 11, 2010, together with the accompanying report of the auditors, for the fiscal year ended December 31, 2009;
- (c) the management report of fund performance of the Company dated March 11, 2010 for the fiscal year ended December 31, 2009;
- (d) the interim financial statements of the Company dated August 12, 2010, for the six-month period ending June 30, 2010; and
- (e) the management report of fund performance of the Company dated August 12, 2010 for the six-month period ended June 30, 2010.

Any of the documents of the type referred to above including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Company with a

securities commission or similar authority in Canada after the date of this prospectus and prior to the termination of the Offering, will be deemed to be incorporated by reference in this prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## THE COMPANY

Dividend Growth Split Corp. is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 25, 2007 with its registered office located at Bay Wellington Tower, Brookfield Place, 181 Bay Street Suite 2930, Toronto, Ontario, M5J 2T3.

In December 2007, the Company completed its initial public offering of 1,509,000 Preferred Shares and 1,509,000 Class A Shares pursuant to a prospectus dated November 20, 2007. Preferred Shares and Class A Shares are issued only on the basis that an equal number of Preferred Shares and Class A Shares (together, a “Unit”) will be issued and outstanding at all times.

In May 2010, the Company completed a new issue from treasury of 1,115,000 Preferred Shares and 1,115,000 Class A Shares pursuant to a prospectus dated April 9, 2010.

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

This short form prospectus qualifies for distribution up to 1,100,000 Preferred Shares and up to 1,100,000 Class A Shares of the Company at a price of \$10.00 per Preferred Share and \$9.30 per Class A Share (the “Offering”). The Preferred Shares and Class A Shares are listed on the Toronto Stock Exchange (“TSX”) under the symbols DGS.PR.A and DGS, respectively. The attributes of the Preferred Shares and the Class A Shares are described under “*Description of the Shares of the Company*”.

### **Investment Objectives**

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 original 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 30, 2014 (the “Maturity Date”).

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 offered hereunder of 12.9% per annum and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share.

## Investment Guidelines

The Company invests in a portfolio of common shares of high quality, large capitalization companies, which have among the highest dividend growth rates of those companies included in the S&P/TSX Composite Index. Currently, the portfolio consists of common shares of the following 20 companies:

AGF Management Limited	IGM Financial Inc.	Royal Bank of Canada
Bank of Montreal	Industrial Alliance Insurance and Financial Services Inc.	Shaw Communications Inc.
The Bank of Nova Scotia	Manitoba Telecom Services Limited	Sun Life Financial Inc.
Canadian Imperial Bank of Commerce	Manulife Financial Corporation	TELUS Corporation
Canadian Utilities Limited	National Bank of Canada	The Toronto-Dominion Bank
Enbridge Inc.	Power Corporation of Canada	TransCanada Corporation
Great-West Lifeco Inc.	Rogers Communications Inc.	

## Portfolio Constituents: 7 Year Dividend Growth Rate and Yield

The companies included in the portfolio have the following 7-year dividend growth rates and the following dividend yields:

<b>Issuer</b>	<b>TSX Ticker Symbol</b>	<b>7 yr Dividend Growth Rate <sup>(1)</sup></b>	<b>Dividend Yield <sup>(2)</sup></b>
AGF Management Limited	AGF.B	19.6%	6.3%
Bank of Montreal	BMO	11.7%	4.7%
Bank of Nova Scotia	BNS	12.9%	3.6%
Canadian Imperial Bank of Commerce	CM	11.3%	4.5%
Canadian Utilities Limited	CU	5.8%	3.0%
Enbridge Inc.	ENB	11.1%	3.0%
Great-West Lifeco Inc.	GWO	11.8%	4.7%
IGM Financial Inc.	IGM	11.0%	4.9%
Industrial Alliance Insurance and Financial Services Inc.	IAG	16.3%	2.9%
Manitoba Telecom Services Inc.	MBT	13.1%	5.8%
Manulife Financial Corporation	MFC	4.2%	3.3%
National Bank of Canada	NA	12.6%	3.8%
Power Corporation of Canada	POW	14.5%	4.2%
Rogers Communications Inc.	RCL.B	75.5%	3.5%
Royal Bank of Canada	RY	12.8%	3.7%
Shaw Communications Inc.	SJR.B	59.3%	4.2%
Sun Life Financial Inc.	SLF	12.0%	4.9%
TELUS Corporation	T	18.8%	4.5%
Toronto-Dominion Bank	TD	11.2%	3.3%
TransCanada Corporation	TRP	6.1%	4.4%
<b>AVERAGE</b>		<b>17.6%</b>	<b>4.2%</b>

Notes:

(1) 12-month trailing dividends declared to November 18, 2010 divided by dividends declared in the comparable period 7 years earlier. Source: Bloomberg

(2) As of November 18, 2010. Source: Thomson

The portfolio may contain more or less than 20 investments but shall not include less than 15 investments. Companies included in the portfolio are selected at the time of investment from large capitalization TSX listed companies that have a dividend yield of at least 2.0% per annum and have demonstrated a high dividend growth rate over the past seven-year period.

The Options Advisor is responsible for investing and maintaining the portfolio in accordance with the Investment Guidelines and rebalancing criteria. In addition the Options Advisor, in its discretion, selectively writes 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.

### 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 each voting separately as a class by an extraordinary resolution at a meeting called for such purpose.

In addition, but subject to the 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 in respect of exemptions therefrom that it has obtained.

### Maturity Date

The Maturity Date of the Company, on which date it will redeem all of the Preferred Shares and Class A Shares, is November 30, 2014.

## CONSOLIDATED CAPITALIZATION

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares. The holders of Class J Shares are not entitled to receive dividends and are entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. 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. There are 100 Class J Shares issued and outstanding. 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.

The Preferred Shares are rated Pfd-3 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.

	<b>Authorized</b>	<b>Outstanding as at June 30, 2010</b>	<b>Outstanding as at October 31, 2010</b>	<b>Outstanding as at October 31, 2010 after giving effect to this Offering</b>
Preferred Shares	Unlimited	\$31,157,460 (3,115,746 Preferred Shares)	\$31,157,460 (3,115,746 Preferred Shares)	\$42,157,460 (4,215,746 Preferred Shares)
Class A Shares	Unlimited	\$21,048,751 <sup>(1)</sup> (3,115,746 Class A Shares)	\$24,350,030 (3,115,746 Class A Shares)	\$33,498,530 <sup>(2)</sup> (4,215,746 Class A Shares)
Class J Shares	Unlimited	\$100 (100 Class J Shares)	\$100 (100 Class J Shares)	\$100 (100 Class J Shares)

	<b>Authorized</b>	<b>Outstanding as at June 30, 2010</b>	<b>Outstanding as at October 31, 2010</b>	<b>Outstanding as at October 31, 2010 after giving effect to this Offering</b>
Total Capitalization		\$52,206,311	\$55,507,590	\$75,656,090

Notes:

- (1) The capitalization of the Class A Shares is presented in accordance with Note 3 of the Company's interim financial statements.
- (2) Includes all issue-related costs of this Offering, deemed to be deducted from the gross proceeds of the maximum issuance of Class A Shares.

### USE OF PROCEEDS

The estimated net proceeds received by the Company from this Offering will be \$20,148,500 after deducting the Agents' fee and the expenses of the Offering, estimated to be \$240,000. The Company intends to use the net proceeds of the Offering for investment purposes as described under "*Investment Guidelines*" above.

### DESCRIPTION OF THE SHARES OF THE COMPANY

#### Certain Provisions of the Preferred Shares

##### *Distributions*

Holders of record of Preferred Shares at 5:00 p.m. (Toronto time) on the last Business Day of February, May, August and November (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 on the original issue price of the Preferred Shares 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.

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 "*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 to 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 second last Business Day of the month (the "Retraction Date"). Preferred Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day prior to the Retraction Date will be retracted on such Retraction Date and the Shareholder will be paid on the date that is on or before the tenth Business Day in the following month (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 Preferred Shares will be retracted on the Retraction Date in the following month and the

Shareholder will receive payment for the retracted Preferred 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. 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 second last Business Day of February, May, August and November (a “Quarterly Retraction Date”), 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 NAV 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 in which the Quarterly Retraction Date occurs. The Preferred Shares and Class A Shares must both be surrendered for retraction at least 10 Business Days prior to a Quarterly 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 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 “*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. 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 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 offered hereunder of 12.9% 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. 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, if after payment of the distribution by the Company, the NAV per Unit would be less than \$15.00. In addition, it is intended that the Company will not pay distributions in excess of the targeted \$0.10 per month, on the Class A Shares if, after payment of the distribution, the NAV per Unit would be less than \$25.00 unless the Company has to make such distributions to fully recover refundable taxes. Subject to the dividend entitlement of the holders of the Preferred Shares, the Board of Directors of the Company shall allocate

return of capital distributions first to holders of the Class A Shares before paying distributions representing return of capital to holders of the Preferred Shares.

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 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. Non-resident shareholders may be subject to withholding tax and therefore the consolidation may result in such non-resident holding fewer Class A Shares than prior to the distribution and consolidation.

Distributions will be payable to holders of Class A Shares of record at 5:00 p.m. (Toronto time) on the last Business Day of each month (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 *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 a Preferred Share, 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 a monthly Retraction Date. Class A Shares surrendered for retraction by 5:00 p.m. (Toronto time) on the tenth Business Day 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 a Quarterly Retraction Date, 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 NAV 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 in which the Quarterly Retraction Date occurs. The Class A Shares and the Preferred Shares must both be surrendered at least 10 Business Days prior to a Quarterly 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. 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. 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.

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 no later than 5:00 p.m. (Toronto time) on the relevant notice date. 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.

## Meetings of Shareholders and Acts Requiring Shareholder Approval

### *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 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;
- (b) 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
- (c) except as described herein, a change of the Manager to the Company, other than a change resulting in an affiliate of the Manager 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 “*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. Five 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.

The auditor of the Company may be changed without the prior approval of the Shareholders of the Company provided that the independent review committee approves the change and Shareholders are sent written notice at least 60 days before the effective date of the change.

Notwithstanding the foregoing, in certain circumstances, the Company's reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of Shareholders provided that the independent review committee approves the transaction pursuant to NI 81-107, the reorganization or transfer complies with certain requirements of NI 81-102 and NI 81-107, as applicable, and Shareholders are sent written notice at least 60 days before the effective date of the change.

### ***Reporting to Shareholders***

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

### **DISTRIBUTION HISTORY**

The Company has declared aggregate dividends on the Preferred Shares of \$1.57 per share, representing 12 quarterly dividends of \$0.13125 per Preferred Share (\$0.12837 per Preferred Share for the first dividend) declared quarterly since the commencement of investment operations in December 2007 until November 18, 2010.

During the same period, the Company has declared aggregate distributions on the Class A Shares of \$3.09 per share, representing 31 monthly distributions of \$0.10 per Class A Share (\$0.09355 per Class A Share for the first distribution).

### **EARNINGS COVERAGE RATIOS**

The Company's dividend requirements on all of its Preferred Shares, after giving effect to the maximum issue of the Preferred Shares in this Offering, amounted to \$1,642,634 for the 12-month period ended December 31, 2009 and \$1,819,666 for the 12-month period ended June 30, 2010. The Company's net income available for the payment of dividends on the Preferred Shares for those periods was \$1,364,719 and \$1,317,523, respectively, which represents 0.831 times and 0.724 times, respectively the aggregate dividend requirements on the Preferred Shares for those periods, after giving effect to the maximum issue.

If the net proceeds of this Offering had been invested since the commencement of investment operations, the Company's net income available for the payment of dividends on the Preferred Shares for the 12-month period ended December 31, 2009 and the 12-month period ended June 30, 2010 would have been \$2,070,679 and \$1,965,673, respectively, which represents 1.261 times and 1.080 times, respectively the aggregate dividend requirements on the Preferred Shares for those periods.

### **PRIOR SALES**

On April 19, 2010, the Company completed a new issue from treasury of 1,115,000 Preferred Shares at a price of \$10.00 per Preferred Share and 1,115,000 Class A Shares at a price of \$9.75 per Class A Share.

### **TRADING PRICES AND VOLUMES**

The following table sets forth the reported high and low sale prices and the trading volume for the Preferred Shares and the Class A Shares on the TSX and the high and low Net Asset Values of the Class A Shares for each of the months indicated.

	<u>NAV - Class A</u>		<u>Market Price - Class A Shares</u>		<u>Market Price – Preferred Shares</u>			
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Volume</u>	<u>Low</u>	<u>High</u>	<u>Volume</u>
<b>2010</b>								
November 1 - 26	\$7.67	\$7.95	\$9.26	\$9.95	169,592	\$10.15	\$10.50	48,433
October	\$7.75	\$8.09	\$9.17	\$10.00	77,772	\$10.06	\$10.45	96,221
September	\$7.34	\$7.69	\$8.00	\$9.50	122,982	\$10.18	\$10.45	21,189
August	\$6.66	\$7.26	\$8.10	\$9.05	32,291	\$10.14	\$10.36	95,225
July	\$7.16	\$7.53	\$8.60	\$9.20	49,348	\$10.05	\$10.36	22,494
June	\$6.76	\$7.71	\$8.75	\$9.75	74,214	\$10.05	\$10.15	25,633
May	\$7.34	\$8.20	\$9.00	\$9.90	89,073	\$10.06	\$10.24	107,784
April	\$8.49	\$8.88	\$9.06	\$9.99	209,856	\$10.10	\$10.30	309,080
March	\$8.18	\$9.00	\$8.60	\$10.15	80,191	\$9.95	\$10.32	43,034
February	\$7.16	\$7.81	\$8.35	\$9.24	43,831	\$10.25	\$10.39	14,937
January	\$7.48	\$8.00	\$8.07	\$8.89	57,024	\$10.01	\$10.29	30,110
<b>2009</b>								
December	\$7.51	\$8.02	\$7.35	\$8.30	79,501	\$10.01	\$10.25	21,290
November	\$7.10	\$7.45	\$7.50	\$8.59	66,594	\$9.96	\$10.22	21,829

Source: Thomson

On November 26, 2010, the closing prices of the Class A Shares and Preferred Shares on the TSX were \$9.31 and \$10.35, respectively. As at November 26, 2010, the Net Asset Value per Unit was \$18.06.

#### PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of November 29, 2010 (the “Agency Agreement”) among the Manager, the Company, Highstreet, and the Agents, the Agents have agreed to offer the Preferred Shares and the Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The offering prices for the Preferred Shares and the Class A Shares were established by negotiation between the Company and the Agents. The Agents will receive a fee equal to \$0.3000 (3.0%) for each Preferred Share sold and \$0.4650 (5.0%) for each Class A Share sold, and will be reimbursed for out of pocket expenses incurred. 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 fee. While the Agents have agreed to use their best efforts to sell the Preferred Shares and the Class A Shares offered under this short form prospectus, the Agents will not be obligated to purchase Preferred Shares or Class A Shares which are not sold.

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. 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 is expected to occur on December 10, 2010, but no later than December 31, 2010.

The TSX has conditionally approved the listing of the additional Preferred Shares and Class A Shares. Listing will be subject to the fulfilling all of the listing requirements of the TSX on or before February 21, 2011.

The Agents may not, throughout the period of distribution, bid for or purchase the Preferred Shares or the Class A Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Preferred Shares or the Class A Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable stock exchanges 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. In connection with the 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.

The Preferred Shares and the Class A Shares have not been and will not be registered under the 1933 Act or any state securities laws and, subject to certain exemptions, may not be offered or sold within the United States or to U.S. persons. The Agents have agreed that they will not offer for sale or sell or deliver the Preferred Shares or the Class A Shares within the United States or to U.S. persons.

## 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 or 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 counsels' understanding of the current published administrative policies and assessing practices 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 the TSX. This summary is based on the assumption that the Company complies at all material times with the conditions prescribed in the Tax Act and the Regulations to qualify as a "mutual fund corporation" as defined in the Tax Act. 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 Objectives*" and "*Investment Restrictions*" 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 Proposed Amendments and assumes that all Proposed Amendments will be enacted in the form proposed. 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 described herein. This summary does not apply to (i) a Shareholder that is a "financial institution" as defined in section 142.2 of the Tax Act, (ii) to a Shareholder an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act, or (iii) to a Shareholder that has elected to have the "functional currency" reporting rules in section 261 of the Tax Act apply.

**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**

As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid or payable by it in respect of its net realized capital gains. 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 (see "*Tax Treatment of Shareholders*" below). In certain circumstances where the Company has realized 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 qualifying redemptions.

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

The Company has elected in accordance with the 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 33½% 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 purchases the portfolio with the objective of earning dividends thereon over the life of the Company, writes covered call options with the objective of increasing the yield on the portfolio beyond the dividends received on the portfolio and writes cash covered put options to increase returns and to reduce the net cost of purchasing securities upon the exercise of put options. Thus, having regard to the foregoing and in accordance with the CRA’s published administrative policies, transactions undertaken by the Company in respect of shares comprising the portfolio and options on such shares are treated and reported by the Company as arising on capital account.

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

## **Distributions**

The policy of the Company is to pay quarterly distributions on the Preferred Shares and monthly distributions on the Class A Shares and, in addition, to pay special year-end distributions 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, including, if applicable, the enhanced gross-up and credit for Ordinary Dividends designated by the Company as eligible dividends. 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 the Preferred Shares or Class A Shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire such shares in the ordinary course of its business, or (b) at the time of the receipt of the dividends by the specified financial institution, such shares are listed on a designated stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding Preferred Shares or Class A Shares, as the case may be, 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 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on the Preferred Shares or Class A 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 23 $\frac{1}{3}$ %.

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 Preferred Share or Class 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, the tax-deferred contribution to the Company of securities in the portfolio by certain Shareholders and the adjusted cost base of other securities currently held by 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 Preferred Share or Class 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 Preferred Share or Class 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 Preferred Share or Class A Share will generally be the weighted average of the cost of such share acquired by a Shareholder at a particular time and the aggregate adjusted cost base of any other such share 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.

Generally, the Preferred Shares and Class A Shares will qualify as “Canadian securities” for purposes of making an irrevocable election under the Tax Act to deem Canadian securities held by the investor to be capital property and to deem all dispositions of Canadian securities held by the investor to be dispositions of 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.

## **RISK FACTORS**

Certain risk factors relating to the Company, the Class A Shares and the Preferred Shares are described below. Additional risks and uncertainties not currently known to the Company, or that are currently considered immaterial, may also impair the operations of the Company. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Company and the ability of the Company to make distributions on the Preferred Shares or Class A Shares, could be materially adversely affected.

### **Performance of the Portfolio Issuers and Other Considerations**

The NAV per Unit varies as the value of the securities in the portfolio changes. The Company has no control over the factors that affect the value of the securities in the portfolio. Factors unique to each portfolio company, such as changes in its management, strategic direction, achievement of goals, mergers, acquisitions and divestitures, changes in distribution policies and other events, may affect the value of its 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 Preferred Shares or Class A Shares. Preferred Shares or Class A Shares of the Company may trade in the market at a discount to their value and there can be no assurance that such shares will trade at a price equal to their value.

### **Recent Global Financial Developments**

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities, contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession, the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also significantly and adversely affect the prospects of the Company and the value of the portfolio. A substantial decline in the North American equities markets could be expected to have a material negative effect on the Company and the market prices of the Preferred Shares or 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 in the portfolio, the level of option premiums received and the value of the securities comprising the portfolio. As the dividends and distributions received by the Company may not be sufficient to meet the Company’s objectives in respect of the payment of distributions, the Company may depend on the receipt of option premiums and the realization of capital gains to meet those objectives. Although many investors and financial market professionals price options based on the Black-Scholes Model, in practice actual option premiums are determined in the marketplace and there is no assurance that the premiums predicted by such pricing model can be attained.

### **Sensitivity to Interest Rates**

The market prices of the Preferred Shares and Class A Shares may be affected by the level of interest rates prevailing from time to time. A rise in interest rates may have a negative impact on the market prices of the Shares and increase the cost of borrowing of the Company, if any. 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 prices 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 fact that the Preferred Shares are entitled to a fixed amount upon the termination or 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 accrue to the benefit of the holders of Class A Shares. Conversely, any losses incurred by the portfolio accrue to the detriment of the holders of the Class A Shares since the Preferred Shares rank prior to the Class A Shares in respect of distributions and proceeds upon the winding-up of the Company.

### **Changes in Credit Rating**

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

### **Reliance on Highstreet**

Highstreet will manage the portfolio in a manner consistent with the Investment Objectives, Investment Guidelines and rebalancing criteria of the Company. The employees of Highstreet who will be primarily responsible for writing options and rebalancing 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 employees of Highstreet who will be primarily responsible for the writing of such options will continue to be employees of Highstreet 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 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, 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.

### **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.

### **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 policies and assessing practices. 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 policy, 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 gains dividend elections.

### **Significant Redemptions**

If a significant number of Shares are retracted, the trading liquidity of the Shares could be significantly reduced. In addition, the expenses of the Company would be spread among fewer Shares resulting in a potentially 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 the 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.

### **Accrued Gains**

The adjusted cost base to the Company for tax purposes of shares of certain securities in its portfolio may be less than their fair market value. Accordingly, all Shareholders may be liable for tax on capital gains attributable to such securities to the extent such capital gains tax is not refundable to the Company and such capital gains are therefore distributed as a capital gains dividend.

## **INTEREST OF EXPERTS**

Certain legal matters relating to the Offering 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. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP as a group, and the partners and associates of Davies Ward Phillips & Vineberg LLP as a group, each own less than one percent of the outstanding Class A Shares or Preferred Shares of the Company.

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, who have prepared an auditors' report dated March 11, 2010 in respect of the financial statements of the Company as at and for the years ended December 31, 2009 and 2008. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

#### **TRANSFER AGENT AND REGISTRAR, CUSTODIAN AND AUDITORS**

Computershare Investor Services Inc. is the registrar and transfer agent for the Class A Shares and Preferred Shares.

Pursuant to the Custodian Agreement, RBC Dexia Investor Services Trust is responsible for certain aspects of the day-to-day administration of the Company and provides safekeeping and custodial services in respect of the Company's assets. The address of the Custodian is 155 Wellington Street West, Toronto, Ontario, M5V 3L3.

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, Suite 3000, P.O. Box 82, Royal Trust Tower, TD Centre, Toronto, Ontario, M5K 1G8.

#### **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 of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## **AUDITORS' CONSENT**

We have read the short form prospectus (the "Prospectus") of Dividend Growth Split Corp. (the "Company") dated November 29, 2010, 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 auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the Prospectus, of our report to the shareholders of the Company on the statement of investments as at December 31, 2009, the statements of financial position as at December 31, 2009 and 2008 and the statements of operations and deficit, changes in shareholders' equity and cash flows for the years then ended. Our report is dated March 11, 2010.

Toronto, Canada,  
November 29, 2010

(signed) PricewaterhouseCoopers LLP  
Chartered Accountants, Licensed Public Accountants

**CERTIFICATE OF THE COMPANY AND THE MANAGER**

Dated: November 29, 2010

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**Dividend Growth Split Corp.**

(signed) "Mark A. Caranci"  
President, Chief Executive Officer and Director

(signed) "Craig T. Kikuchi"  
Chief Financial Officer

**On behalf of the Board of Directors**

(signed) "Peter A. Braaten"  
Director

(signed) "Raymond R. Pether"  
Director

**Brompton Funds Management Limited  
(as Manager)**

(signed) "Mark A. Caranci"  
President, Chief Executive Officer and Director

(signed) "Craig T. Kikuchi"  
Chief Financial Officer

**On behalf of the Board of Directors**

(signed) "Peter A. Braaten"  
Director

(signed) "Raymond R. Pether"  
Director

**CERTIFICATE OF THE AGENTS**

Dated: November 29, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**RBC DOMINION SECURITIES INC.**

By (signed): "Edward V. Jackson"

**CIBC WORLD MARKETS INC.**

By (signed): "Michael D. Shuh"

**TD SECURITIES INC.**

By (signed): "Sean Martin"

**BMO NESBITT BURNS INC.**

By (signed): "Robin Tessier"

**NATIONAL BANK FINANCIAL  
INC.**

By (signed): "Tim Evans"

**SCOTIA CAPITAL INC.**

By (signed): "Brian D. McChesney"

**GMP  
SECURITIES  
L.P.**

By (signed):  
"Neil Selfe"

**HSBC  
SECURITIES  
(CANADA)  
INC.**

By (signed):  
"Brent Larkan"

**MACKIE  
RESEARCH  
CAPITAL  
CORPORATION**

By (signed):  
"David J.  
Keating"

**MACQUARIE  
PRIVATE  
WEALTH INC.**

By (signed): "Ray  
Sawicki"

**MANULIFE  
SECURITIES  
INCORPORATED**

By (signed): "David  
MacLeod"

**RAYMOND  
JAMES LTD.**

By (signed): "J.  
Graham Fell"

**CANACCORD GENUITY CORP.**

By (signed): "Ron Sedran"

**DUNDEE SECURITIES CORPORATION**

By (signed): "Aaron Unger"

**DESJARDINS SECURITIES INC.**

By (signed): "Beth Shaw"

**WELLINGTON WEST CAPITAL MARKETS INC.**

By (signed): "Scott Larin"