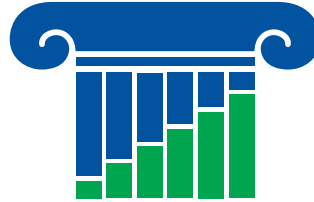


This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The Rights and Class A Shares and Preferred Shares issuable upon the exercise of Rights offered hereby have not been and will not be registered under the U.S. Securities Act and accordingly may not be offered or sold in the United States. See "Shareholders in Jurisdictions Outside of Canada".

PROSPECTUS

Rights Offering

March 1, 2006



BROMPTON SPLIT BANC CORP.

Rights to Subscribe for up to 6,135,000 Units, each Unit consisting of one Class A Share and one Preferred Share

**Subscription Price: \$26.10 per Unit
(Upon the exercise of one Right for one Unit)**

Brompton Split Banc Corp. will issue to the holders of its outstanding Class A Shares at the close of business (Toronto time) on March 13, 2006, transferable Rights to subscribe for and purchase an aggregate of 6,135,000 Units, each Unit consisting of one Class A Share and one Preferred Share. Each Class A Shareholder at the close of business on the Record Date is entitled to receive one Right for each Class A Share held. Rights are fully transferable and will be evidenced by a Global Rights Certificate. One Right entitles the holder thereof to purchase one Unit for an aggregate Subscription Price of \$26.10 per Unit, consisting of one Class A Share and one Preferred Share. Class A Shares and Preferred Shares may only be issued by the Company on the basis that an equal number of Class A Shares and Preferred Shares are and will be outstanding. The Rights offered hereby must be exercised on or before 3:30 p.m. (Toronto time) on April 10, 2006 and if exercised, holders will acquire one Class A Share and one Preferred Share for each Right exercised. Holders of Rights who exercise their Rights in full are entitled to subscribe for the Additional Units (consisting of one Class A Share and one Preferred Share), if any, offered under the Offering that are not otherwise subscribed for by the Expiry Date *pro rata* pursuant to the Additional Subscription Privilege. See "Details of the Offering – Additional Subscription Privilege". **Rights not exercised by the Expiry Date will be void and of no value.**

This prospectus qualifies the distribution of the Rights and the Class A Shares and Preferred Shares issuable upon the exercise thereof. The outstanding Class A Shares and Preferred Shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbols "SBC" and "SBC.PR.A", respectively. The closing prices for the outstanding Class A Shares and Preferred Shares on the TSX on February 23, 2006 were \$15.75, and \$10.85 respectively. The Rights will commence trading on the TSX on March 9, 2006 and the TSX conditionally approved the listing of the Class A Shares and Preferred Shares issuable upon the exercise of the Rights subject to the satisfaction of certain standard listing requirements.

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 and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share. This represents a yield on the issue price of the Class A Shares issuable upon the exercise of the Rights of 7.5% per annum.

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 and to return the issue price to holders of Preferred Shares at the time of redemption of such Shares on November 30, 2012. This represents a yield on the issue price of the Preferred Shares issuable upon the exercise of the Rights of 5.25% per annum.

	<u>Subscription Price</u>	<u>Fees Payable to Dealers⁽²⁾</u>	<u>Proceeds to the Company⁽¹⁾⁽³⁾</u>
Per Unit	\$26.10	\$0.25	\$25.85
Total ⁽³⁾	\$160,123,500	\$1,533,750	\$158,589,750

Notes:

- (1) Before deducting the expenses of the Offering, estimated to be \$235,000 (assuming the exercise of all of the Rights), which will be paid out of the gross proceeds of the Offering.
- (2) Fee payable to dealers whose clients exercise their Rights.
- (3) Assumes the exercise of all of the Rights.

The net proceeds from the exercise of Rights issued hereunder will be invested, on an approximately equally weighted basis, in additional shares for the Company's Portfolio, which consists of common shares of the six Canadian banks set out below. See "Use of Proceeds" and "The Portfolio".

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

Brompton SBC 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. Affiliates of the Manager currently manage thirteen public investment funds totalling over \$3 billion in assets as at February 23, 2006. See "The Manager". Brompton Capital Advisors Inc. is the Advisor to the Company and is responsible for investing the net proceeds of the Offering to purchase additional securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. Highstreet Asset Management Inc. is the Option Advisor to the Company and, at its discretion, selectively writes covered call options from time to time on the shares of the banks 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, in certain circumstances, where these sources are insufficient, by returning capital.

The Company utilizes the book-entry only system administered by The Canadian Depository for Securities Limited. Subscriptions for Units made in connection with the exercise of Rights issued under this Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

A subscriber may subscribe for Units by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. A Subscriber wishing to subscribe for Additional Units under the Additional Subscription Privilege must forward its request to its CDS Participant prior to the Expiry Date, along with payment for the Additional Units requested. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant, without interest or deduction.

If a Shareholder does not exercise, or sells, the Shareholder's Rights, then that Shareholder's current percentage ownership in the Company will be diluted as a result of the exercise of the Rights.

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

No underwriter has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus.

Certain legal matters in connection with the Offering will be passed upon on behalf of the Company by Osler, Hoskin & Harcourt LLP.

TABLE OF CONTENTS

<p>PROSPECTUS SUMMARY 1</p> <p>GLOSSARY OF TERMS 9</p> <p>DETAILS OF THE OFFERING 13</p> <p style="padding-left: 20px;">Issue of Rights and Record Date 13</p> <p style="padding-left: 20px;">Subscription Basis 13</p> <p style="padding-left: 20px;">Commencement Date and Expiration Date 13</p> <p style="padding-left: 20px;">Subscription and Transfer Agent 13</p> <p style="padding-left: 20px;">Global Rights Certificate — Shares Held Through CDS 13</p> <p style="padding-left: 20px;">Basic Subscription Right 14</p> <p style="padding-left: 20px;">Additional Subscription Privilege 15</p> <p style="padding-left: 20px;">Sale or Transfer of Rights 15</p> <p style="padding-left: 20px;">Dilution to Existing Shareholders 15</p> <p>THE COMPANY 15</p> <p style="padding-left: 20px;">Status of the Company 16</p> <p style="padding-left: 20px;">Rating of the Preferred Shares 16</p> <p style="padding-left: 20px;">Rationale for the Company 16</p> <p>INVESTMENTS OF THE COMPANY 16</p> <p style="padding-left: 20px;">Investment Objectives 16</p> <p style="padding-left: 20px;">Investment Guidelines 16</p> <p style="padding-left: 20px;">Rebalancing Criteria 17</p> <p style="padding-left: 20px;">Investment Restrictions 17</p> <p style="padding-left: 20px;">Securities Lending 18</p> <p>THE PORTFOLIO 18</p> <p style="padding-left: 20px;">Composition 18</p> <p style="padding-left: 20px;">Portfolio Holdings 18</p> <p style="padding-left: 20px;">Voting Rights in the Portfolio Securities 19</p> <p style="padding-left: 20px;">Credit Facility 20</p> <p style="padding-left: 20px;">Covered Call Option Writing 20</p> <p style="padding-left: 20px;">Call Option Pricing 20</p> <p style="padding-left: 20px;">Call Option Volatility History 21</p> <p style="padding-left: 20px;">Utilization of Cash Equivalents 21</p> <p style="padding-left: 20px;">Use of Other Derivative Instruments 21</p> <p>MANAGEMENT OF THE COMPANY 22</p> <p style="padding-left: 20px;">Directors and Officers of the Company 22</p> <p style="padding-left: 20px;">Remuneration of Directors and Officers 25</p> <p>THE MANAGER 25</p> <p style="padding-left: 20px;">Brompton Group of Companies 26</p> <p style="padding-left: 20px;">Directors and Officers of the Manager 26</p> <p style="padding-left: 20px;">Management Agreement 27</p> <p>THE ADVISOR 29</p> <p style="padding-left: 20px;">Advisor Agreement 29</p> <p>THE OPTION ADVISOR 30</p> <p style="padding-left: 20px;">The Option Advisor 30</p>	<p style="padding-left: 20px;">Principal Advisors of Highstreet 30</p> <p style="padding-left: 20px;">Option Advisor Services 31</p> <p>CONFLICTS OF INTEREST 32</p> <p>DESCRIPTION OF SHARE CAPITAL 32</p> <p style="padding-left: 20px;">Certain Provisions of the Preferred Shares 32</p> <p style="padding-left: 20px;">Certain Provisions of the Class A Shares 34</p> <p style="padding-left: 20px;">Book Entry Only System 35</p> <p style="padding-left: 20px;">Suspension of Redemptions and Retractions 36</p> <p style="padding-left: 20px;">Purchase for Cancellation 36</p> <p>NET ASSET VALUE AND NAV PER UNIT 37</p> <p>SHAREHOLDER MATTERS 38</p> <p style="padding-left: 20px;">Meetings of Shareholders 38</p> <p style="padding-left: 20px;">Acts Requiring Shareholder Approval 38</p> <p style="padding-left: 20px;">Reporting to Shareholders 39</p> <p>CANADIAN FEDERAL INCOME TAX CONSIDERATIONS 39</p> <p style="padding-left: 20px;">Receipt of Rights 39</p> <p style="padding-left: 20px;">Exercise of Rights 40</p> <p style="padding-left: 20px;">Disposition of Rights 40</p> <p style="padding-left: 20px;">Expiry of Rights 40</p> <p>ELIGIBILITY FOR INVESTMENT 40</p> <p>USE OF PROCEEDS 40</p> <p>PLAN OF DISTRIBUTION 41</p> <p style="padding-left: 20px;">Shareholders in Jurisdictions Outside of Canada 42</p> <p style="padding-left: 20px;">United States Shareholders 42</p> <p style="padding-left: 20px;">Certain Foreign Shareholders and Undeliverable Documents 42</p> <p>CAPITALIZATION 43</p> <p>PRINCIPAL SHAREHOLDER 43</p> <p>PRICE RANGE AND TRADING VOLUME OF SHARES 43</p> <p style="padding-left: 20px;">Class A Shares 43</p> <p style="padding-left: 20px;">Preferred Shares 44</p> <p>FEES AND EXPENSES 44</p> <p style="padding-left: 20px;">Initial Expenses 44</p> <p style="padding-left: 20px;">Management Fee 44</p> <p style="padding-left: 20px;">Service Fee 44</p> <p style="padding-left: 20px;">Ongoing Expenses 44</p> <p>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 45</p> <p>MATERIAL CONTRACTS 45</p>
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TABLE OF CONTENTS
(continued)

RISK FACTORS	45
Performance of the Portfolio Issuers and Other Considerations.....	45
Concentration Risk	46
No Assurances on Achieving Objectives	46
Sensitivity to Interest Rates.....	46
Greater Volatility of the Class A Shares	46
Changes in Credit Rating	46
Reliance on the Advisor and Option Advisor.....	46
Use of Options and Other Derivative Instruments.....	47
Sensitivity to Volatility Levels.....	47
Operating History.....	47
Treatment of Proceeds of Disposition and Option Premiums.....	47
Foreign Currency Exposure.....	47
Significant Redemptions	48
Securities Lending.....	48
LEGAL OPINIONS	48
CUSTODIAN	48
PROMOTER	48
AUDITORS.....	48
REGISTRAR AND TRANSFER AGENT.....	48
PURCHASER'S STATUTORY RIGHTS	48
AUDITORS' CONSENT	50
AUDITORS' REPORT	51
CERTIFICATE OF THE COMPANY AND THE PROMOTER.....	62

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

Brompton Split Banc Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on September 14, 2005. The Manager of the Company is Brompton SBC Management Limited. The Advisor to the Company is Brompton Capital Advisors Inc. and the Option Advisor to the Company is Highstreet Asset Management Inc.

The Offering

Offering: 6,135,000 transferable Rights to subscribe for up to 6,135,000 Units, each Unit consisting of one Class A Share and one Preferred Share, on the basis of one Unit for each Right held. See "Details of the Offering".

Record Date: March 13, 2006 (at the close of business (Toronto time)).

Expiry Date: 3:30 p.m. (Toronto time) on April 10, 2006. Rights not exercised on or before the Expiry Date will be void and have no value.

Basic Subscription Right: Each Class A Shareholder at the close of business on the Record Date is entitled to receive one Right for each Class A Share held. Rights are fully transferable and will be evidenced by a Global Rights Certificate. One Right entitles the holder thereof to purchase one Unit for an aggregate Subscription Price of \$26.10 per Unit, consisting of one Class A Share at a price of \$16.10 and one Preferred Share at a price of \$10.00. Class A Shares and Preferred Shares may only be issued by the Company on the basis that an equal number of Class A Shares and Preferred Shares are and will be outstanding. Holders of Rights will acquire one Class A Share and one Preferred Share for each Right exercised. See "Details of the Offering — Basic Subscription Right".

Additional Subscription Right: Holders of Rights who exercise all of their Rights are entitled to subscribe *pro rata* for any Additional Units not subscribed for initially, if any, on or before the Expiry Date. See "Details of the Offering — Additional Subscription Privilege".

Subscription Price: \$26.10 per Unit, consisting of one Class A Share at a price of \$16.10 and one Preferred Share at a price of \$10.00.

Use of Proceeds: The proceeds from the exercise of the Rights offered hereunder are expected to be as follows:

Gross Proceeds to the Company ⁽¹⁾	\$160,123,500
Less:	
Fees payable to Dealers	\$ 1,533,750
Estimated Expenses of the Offering	<u>\$ 235,000</u>
Net Proceeds to the Company	\$158,354,750

(1) Assumes the exercise of all of the Rights.

The net proceeds will be invested by the Company in accordance with the Investment Objectives, subject to the Investment Restrictions. See "Investment Objectives" and "Investment Restrictions" under "Investments of the Company".

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Company of any minimum amount of subscription proceeds. All proceeds from subscriptions for Units will be available to the Company after payment of the fees and expenses of the Offering.

Investment Objectives:

The Company has been created to provide investors with a diversified investment in Canadian banks utilizing a split share structure on a low cost basis. The big six Canadian banks have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation. Class A Shareholders receive the benefits of high monthly cash distributions and low management fees through an equally-weighted leveraged investment in the Canadian banks. Preferred Shareholders receive attractive quarterly distributions supported by the high credit quality of the underlying assets. The Preferred Shares are 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 and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share. This represents a yield on the issue price of the Class A Shares issuable upon the exercise of the Rights of 7.5% per annum.

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 and to return the issue price to holders of Preferred Shares at the time of redemption of such Shares on November 30, 2012. This represents a yield on the issue price of the Preferred Shares issuable upon the exercise of the Rights of 5.25% per annum.

See “Investments of the Company – Investment Objectives”.

The Portfolio:

As at December 31, 2005, the Company owned a Portfolio consisting of the following common shares in the numbers indicated in the table below. Following the Offering, the Company expects to rebalance the Portfolio to maintain the Portfolio in accordance with the Company’s Investment Guidelines and Rebalancing Criteria.

	Number of Shares	Market Value	Weight in Portfolio
Bank of Montreal	410,800	\$26,702,000	17.8%
The Bank of Nova Scotia	538,200	\$24,832,548	16.5%
Canadian Imperial Bank of Commerce	320,450	\$24,485,583	16.3%
National Bank of Canada	397,200	\$23,959,104	15.9%
Royal Bank of Canada	277,785	\$25,225,656	16.8%
The Toronto-Dominion Bank	411,850	\$25,176,391	16.7%

Price Range and Trading Volume of Shares:

The Class A Shares trade on the TSX under the symbol “SBC” . The following table sets out the high and low closing prices and average daily trading volume of the Class A Shares on the TSX for the periods indicated as reported by such exchange.

Period	High	Low	Average Daily Trading Volume
2005			
November 16-30.....	\$15.01	\$14.10	29,360
December	\$15.50	\$14.90	15,075
2006			
January	\$16.40	\$15.45	12,901
February 1 to 23	\$16.50	\$15.55	10,865

On February 23, 2006, the closing price of the Class A Shares on the TSX was \$15.75.

The Preferred Shares trade on the TSX under the symbol “SBC.PR.A” . The following table sets out the high and low closing prices and average daily trading volume of the Preferred Shares on the TSX for the periods indicated as reported by such exchange.

Period	High	Low	Average Daily Trading Volume
2005			
November 16-30.....	\$10.75	\$10.32	62,218
December	\$10.88	\$10.55	16,982
2006			
January	\$10.94	\$10.75	6,344
February 1 to 23	\$10.85	\$10.81	18,262

On February 23, 2006, the closing price of the Preferred Shares on the TSX was \$10.85.

**Investment
Strategy:**

The net proceeds of the Company's initial public offering were invested, on an approximately equally weighted basis, in common shares of the six Canadian banks which comprise the Company's Portfolio.

The Advisor is responsible for investing the net proceeds of the Offering to purchase additional securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. Highstreet, at its discretion, selectively writes 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 February 23, 2006	Closing Prices as at December 31 ⁽¹⁾				
		2005	2004	2003	2002	2001
Bank of Montreal	\$69.28	\$65.00	\$57.76	\$53.50	\$41.69	\$35.90
The Bank of Nova Scotia	\$47.85	\$46.14	\$40.70	\$32.90	\$26.33	\$24.48
Canadian Imperial Bank of Commerce	\$78.95	\$76.41	\$72.23	\$64.00	\$43.52	\$54.85
National Bank of Canada	\$63.92	\$60.32	\$49.56	\$43.14	\$32.30	\$29.70
Royal Bank of Canada	\$95.10	\$90.81	\$64.25	\$61.80	\$57.85	\$51.83
The Toronto-Dominion Bank	\$64.85	\$61.13	\$49.92	\$43.29	\$34.01	\$41.08

(1) Share prices are adjusted for stock splits.
Sources: Bloomberg, Thomson and the TSX.

Dividend History of the Shares of the Portfolio Issuers

	Dividends for the 12 months ended December 31 ⁽¹⁾				
	2005	2004	2003	2002	2001
Bank of Montreal	\$1.88	\$1.59	\$1.34	\$1.20	\$1.12
The Bank of Nova Scotia	\$1.32	\$1.10	\$0.84	\$0.73	\$0.62
Canadian Imperial Bank of Commerce	\$2.69	\$2.20	\$1.64	\$1.60	\$1.44
National Bank of Canada	\$1.78	\$1.42	\$1.08	\$0.93	\$0.82
Royal Bank of Canada	\$2.35	\$2.02	\$1.72	\$1.52	\$1.38
The Toronto-Dominion Bank	\$1.64	\$1.36	\$1.16	\$1.12	\$1.09

(1) Dividends are adjusted for stock splits.
Sources: Bloomberg, Thomson and the TSX.

Market Capitalization, Dividend Yield and Historical Total Returns

	Market Capitalization (in Millions) ⁽¹⁾	Dividend Yield ⁽²⁾	Ave. Total Return (2001 – 2005) ⁽³⁾⁽⁵⁾	Ave. Total Return (1996 – 2005) ⁽⁴⁾⁽⁵⁾
Bank of Montreal	\$34,825	2.83%	15.7%	20.0%
The Bank of Nova Scotia	\$47,277	3.01%	21.0%	24.0%
Canadian Imperial Bank of Commerce	\$26,437	3.45%	15.7%	20.6%
National Bank of Canada	\$10,610	3.00%	24.6%	23.3%
Royal Bank of Canada	\$61,400	2.69%	17.1%	23.3%
The Toronto-Dominion Bank	\$46,414	2.71%	11.0%	22.8%

(1) Market Capitalization is based on the closing market price of the banks' common shares on February 23, 2006 multiplied by the number of common shares outstanding at that date.

(2) Dividend yield equals most recently declared dividend, annualized and divided by the closing market price at February 23, 2006.

(3) Average total return is based on the period January 1, 2001 to December 31, 2005.

(4) Average total return is based on the period January 1, 1996 to December 31, 2005.

(5) Total return is calculated by dividing the sum of the appreciation in market price of the banks' common shares and dividends declared on such shares in the year by the market price of the banks' common shares at the beginning of the year.

Sources: Bloomberg, Thomson and the TSX.

Distributions: It is expected that cash distributions on the Class A Shares and the Preferred 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, in certain circumstances, where these other sources are insufficient, by returning capital.

Manager: Brompton SBC 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. Affiliates of the Manager currently manage thirteen public investment funds totalling over \$3 billion in assets as at February 23, 2006. See "The Manager".

Advisor: BCAI is the Advisor to the Company and is responsible for investing the net proceeds of the Offering to purchase additional securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. See "The Advisor".

Option Advisor: Highstreet Asset Management Inc. is the Option Advisor to the Company and, at its discretion, selectively writes covered call options from time to time on the shares of the banks included in the Portfolio in order to generate additional distributable income for the Company. See "The Option Advisor".

Eligibility for Investment: In the opinion of Osler, Hoskin & Harcourt LLP, the Rights and the Class A Shares and Preferred Shares issued on the exercise of such Rights, when issued, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans provided that the Rights, and the Class A Shares and Preferred Shares are listed on a prescribed stock exchange (which includes the TSX).

Preferred Shares

Rating: The Preferred Shares are rated Pfd-2 by DBRS.

Distributions: Holders of record of Preferred Shares on the last day of December, March, June and September are entitled to receive fixed cumulative preferential quarterly cash distributions of \$0.13125 per share and

will be paid on or before the tenth business day following the end of the period for which the distribution is payable. This represents a yield on the issue price of Preferred Shares issuable upon the exercise of the Rights of 5.25 % per annum. Such distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital. See “Description of Share Capital – Certain Provisions of the Preferred Shares”. 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 30, 2012. 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 Class A Shares and Preferred Shares outstanding at all times.

Annual Concurrent Retraction: A holder of a Preferred Share may concurrently retract an equal number of Class A Shares and Preferred Shares on the Annual Retraction Date of each year, commencing in December 2006, at a retraction price 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 Preferred 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. This represents a yield on the issue price of the Class A Shares issuable on the exercise of the Rights of 7.5% 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 non-taxable returns of capital. See “Description of Share Capital – Certain Provisions of the Class A Shares”. 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 30, 2012. 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 Class A Shares and Preferred 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 December 2006, 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 Class A Shares or Preferred 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 issue price of the Preferred Shares issuable upon the exercise of the Rights or an amount at least equal to the issue price of the Class A Shares issuable upon the exercise of the Rights;
- (iv) the market price of the Class A Shares and Preferred Shares will be sensitive to interest rate fluctuations;
- (v) the Class A Shares represent a leveraged investment and therefore the potential returns on such Class A 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 Advisor and the Option 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 limited operating history;
- (xii) if a significant number of Shares are redeemed, the trading liquidity of the Shares could be significantly reduced;
- (xiii) 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; and
- (xiv) counterparty risks associated with securities lending.

See "Risk Factors".

Canadian Federal Income Tax Considerations

Based on an administrative position of the CRA, no amount will be required to be included in computing the income of a Class A Shareholder as a consequence of acquiring Rights under the Offering. The cost of a Right received under the Offering will be nil.

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Rights. For its purposes, the Company intends to issue each Class A Share for \$16.10 and each Preferred Share for \$10.00. Although the Company believes that such allocation of the aggregate subscription price per Unit is reasonable, such allocation is not binding on the CRA. A Class A Share and Preferred Share acquired by a Class A Shareholder upon the exercise of a Right will have a cost to the Class A Shareholder equal to the portion of the subscription price allocated to such Class A Share and Preferred Share, respectively, and the adjusted cost base, if any, to the Class A Shareholder that has been allocated to each Class A Share and Preferred Share in respect of the Right so exercised. The cost of a Class A Share and Preferred Share acquired by a Class A Shareholder upon the exercise of Rights will be averaged with the adjusted cost base to the Class A Shareholder of all other Class A Shares and Preferred Shares held at that time as capital property to determine the adjusted cost base of each such Class A Share and Preferred Share to the Class A Shareholder.

Upon the disposition of a Right by a Class A Shareholder, other than pursuant to the exercise thereof, the Class A Shareholder who holds such Rights as capital property will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Right to the Class A Shareholder. One half of a capital gain (a "taxable capital gain") will be included in the Class A Shareholder's income, and one half of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

Upon the expiry of an unexercised Right, a Class A Shareholder will realize a capital loss equal to the adjusted cost base, if any, of the Right to the Class A Shareholder.

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 Dealers	The Company will pay dealers a fee of \$0.25 for each Unit issued upon the exercise of the Rights offered hereby.
Expenses of the Offering	The Company will pay the expenses incurred in connection with the Offering of Rights by the Company, estimated to be \$235,000 (assuming the exercise of all of the Rights).
Fees payable to the Manager, Advisor and the Option Advisor	An annual fee of 0.55% of the Company’s NAV calculated and payable monthly, plus applicable taxes, is paid to the Manager for acting as manager of the Company. The Manager is responsible for paying the fees of the Advisor and the Option Advisor out of this amount.
Service Fee	A Service Fee is paid to each dealer whose clients hold Class A Shares. The Service Fee is calculated and paid at the end of each calendar quarter and is equal to 0.40% annually of the value of the Class A Shares held by clients of the dealers, plus any applicable taxes. For these purposes, the value of a Class A Share is the NAV per Unit less \$10.00 plus any accrued and unpaid distributions on a Preferred Share.
Ongoing Expenses	The Company pays all ordinary expenses incurred in connection with its operation and administration, currently estimated to be \$255,000 in 2006 and \$310,000 if all of the Rights are exercised. The Company is also 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:

“Additional Subscription Privilege” means the entitlement granted to holders of Rights who exercise all of their Rights to subscribe *pro rata* for Additional Units, if any, offered under the Offering that are not otherwise subscribed for by the Expiry Date.

“Additional Units” means the number of notional Units, consisting of one Class A Share and one Preferred Share, available for all additional subscriptions pursuant to the Additional Subscription Privilege.

“Advisor” means Brompton Capital Advisors Inc.

“Advisor Agreement” means the advisor agreement dated October 27, 2005 among the Company, the Manager and the Advisor.

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

“Basic Subscription Right” means the entitlement granted under the Rights to subscribe for one Unit, consisting of one Class A Share and one Preferred Share, at the Subscription Price, for each Right held.

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

“business day” means any day on which the 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.

“CRA” means the Canada Revenue Agency or any successor organization.

“**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.

“**Company**” means Brompton Split Banc Corp.

“**Commencement Date**” means the Rights will be eligible for exercise following March 14, 2006.

“**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.

“**Custodian**” means RBC Dexia Investor Services Trust, in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement dated November 16, 2005 between the Company and the Custodian.

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

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

“**Expiry Date**” means 3:30 p.m. (Toronto time) on April 10, 2006.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least 66 $\frac{2}{3}$ % of the votes cast, either in person or by proxy, at a meeting of Shareholders called for the purpose of approving such resolution.

“**Global Rights Certificate**” means a certificate in registered form evidencing the ownership of Rights.

“**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 SBC Management Limited.

“**Maturity Date**” means November 30, 2012.

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

“**NAV Valuation Date**” means, at a minimum, Thursday of each week, or if any Thursday is not a business day, the immediately preceding business day, and includes any other date on which the Manager elects, in its discretion, to calculate the NAV per Unit.

“**Net Asset Value**” or “**NAV**” means the specified net asset value which, on any date, will be equal to the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities of the Company on that date. The Net Asset Value of the Company on a particular date will be equal to (i) the aggregate value of the

assets of the Company, less (ii) the aggregate value of the liabilities of the Company, including any distributions declared and not paid that are payable to Shareholders on or before such date, less (iii) the stated capital of the Class J Shares (\$100). 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.

“**Offering**” means the distribution of Rights to subscribe for Units to holders of Class A Shares on the Record Date and the issuance of Units upon the exercise thereof.

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

“**Option Advisor**” means Highstreet.

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

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

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

“**Portfolio**” means the portfolio of common shares of the six largest Canadian banks that the Company acquired using the net proceeds of its initial public offering. See “Investments of the Company – Investment Guidelines”.

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

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

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

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

“**Record Date**” means March 13, 2006.

“**Retraction Date**” means the second last business day of a month.

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

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

“**Right**” means a right of the Company to be issued to holders of Class A Shares of record on the Record Date entitling them to subscribe for a notional unit consisting of one Class A Share and one Preferred Share in accordance with the terms of the Offering.

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

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

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

“**Subscription Agent**” means Computershare Investor Services Inc.

“**Subscription Price**” means \$26.10 per Unit, consisting of one Class A Share at \$ 16.10 and one Preferred Share at \$10.00.

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

“**TSX**” means the Toronto Stock Exchange.

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

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

DETAILS OF THE OFFERING

Issue of Rights and Record Date

Class A Shareholders at the close of business (Toronto time) on March 13, 2006 (the “Record Date”) will receive transferable Rights on the basis of one Right for each Class A Share held at that time. The Rights permit the holders thereof to subscribe for and purchase from the Company an aggregate of 6,135,000 Units, consisting of one Class A Share and one Preferred Share, assuming exercise in full of the Rights offered hereunder. The Rights are fully transferable by the holders thereof. See “Sale or Transfer of Rights”.

The Rights will be evidenced by a Global Rights Certificate registered in the name of The Canadian Depository for Securities Limited (“CDS”) or its nominee. Each Class A Shareholder holds its Class A Shares through a participant in the CDS book-based system (a “CDS Participant”) and therefore will not receive physical certificates evidencing its ownership of Rights. On the Record Date, a certificate representing the Rights will be issued in registered form to CDS or its nominee. See “Global Rights Certificate — Shares Held Through CDS”.

Subscription Basis

Each Class A Shareholder at the close of business on the Record Date is entitled to receive one Right for each Class A Share held. Rights are fully transferable and will be evidenced by a Global Rights Certificate. One Right entitles the holder thereof to purchase one Unit for an aggregate subscription price of \$26.10 (the “Subscription Price”) per Unit, consisting of one Class A Share at a price of \$16.10 and one Preferred Share at a price of \$10.00, which is approximately 102% of the closing price of a Class A Share and 92% of the closing price of a Preferred Share on the Toronto Stock Exchange (the “TSX”) on February 23, 2006. Class A Shares and Preferred Shares may only be issued by the Company on the basis that an equal number of Class A Shares and Preferred Shares are and will be outstanding. Holders of Rights will acquire one Class A Share and one Preferred Share for each Right exercised.

Commencement Date and Expiration Date

The Rights will be eligible for exercise following March 14, 2006 (the “Commencement Date”). The Rights will expire at 3:30 p.m. (Toronto time) on April 10, 2006 (the “Expiry Date”). Holders who exercise the Rights will become holders of Class A Shares and Preferred Shares issued through the exercise of the Rights on the completion of the Offering, which is expected to occur on or before the fifth business day following the Expiry Date. **RIGHTS NOT EXERCISED PRIOR TO THE EXPIRY DATE WILL BE VOID.**

Subscription and Transfer Agent

Computershare Investor Services Inc. (the “Subscription Agent”) has been appointed the agent of the Company to receive subscriptions and payments from holders of Rights, to act as registrar and transfer agent for the Rights and to perform certain services relating to the exercise and transfer of Rights. The Company will pay for the services of the Subscription Agent. Subscriptions and payment under the Offering should be sent to the Subscription Agent at:

By Mail:

Computershare Investor Services Inc.
P.O. Box 7021
31 Adelaide Street East
Toronto, ON M5C 3H2
Attention: Corporate Actions

By Registered Mail, Hand or by Courier:

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Attention: Corporate Actions

Global Rights Certificate — Shares Held Through CDS

All Shareholders hold their Shares through a CDS Participant. As a result, one Global Rights Certificate representing the Rights will be issued in registered form to CDS and will be deposited with CDS on the

Commencement Date. The Company expects that each Shareholder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for its participants holding Rights.

None of the Company, the Manager, or the Subscription Agent, will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Rights, or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holders must arrange purchases or transfers of Rights through CDS Participants. It is anticipated by the Company that each such purchaser of Units or holder of a Right will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Right is issued or such Units are purchased in accordance with the practices and policies of such CDS Participant.

Basic Subscription Right

Each Class A Shareholder at the close of business on the Record Date is entitled to receive one Right for each Class A Share held. Rights are fully transferable and will be evidenced by a Global Rights Certificate. One Right entitles the holder thereof to purchase one Unit, at the Subscription Price per Unit. Class A Shares and Preferred Shares may only be issued by the Company on the basis that an equal number of Class A Shares and Preferred Shares are and will be outstanding. The Rights offered hereby must be exercised on or before 3:30 p.m. (Toronto time) on the Expiry Date and if exercised, holders will acquire one Class A Share and one Preferred Share for each Right exercised. Holders of Rights who exercise their Rights in full are entitled to subscribe for the Additional Units, if any, offered under the Offering that are not otherwise subscribed for by the Expiry Date *pro rata* pursuant to the Additional Subscription Privilege.

CDS Participants that hold Rights for more than one beneficial holder may, upon providing evidence satisfactory to the Company and the Subscription Agent, exercise Rights on behalf of its accounts on the same basis as if the beneficial owners of Class A Shares were holders of record on the Record Date.

A subscriber may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of this Offering to the CDS Participant which holds the subscriber's Rights (the "Basic Subscription Right").

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber's brokerage account or, by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Subscription Agent prior to the Expiry Date. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.

Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Units for resale to any such person.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Additional Subscription Privilege

Each holder of Rights who has initially subscribed for all of the Units to which such holder is entitled pursuant to the Basic Subscription Right may subscribe for additional Units (the “Additional Units”), if available, at a price equal to the Subscription Price for each Additional Unit (the “Additional Subscription Privilege”).

The number of Additional Units will be the difference, if any, between the total number of Units issuable upon exercise of Rights and the total number of Units subscribed and paid for pursuant to the Basic Subscription Right at the Expiry Date. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of (a) the number of Additional Units which that subscriber has subscribed for under the Additional Subscription Privilege and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Units available to be issued by a fraction, the numerator of which is the number of Rights issued to that applicant and the denominator of which is the aggregate number of Rights issued to all Class A Shareholders that have subscribed for Additional Units under the Additional Subscription Privilege. If any holder of Rights has subscribed for fewer Additional Units than such holder’s *pro rata* allotment of Additional Units, the excess Additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for Additional Units under the Additional Subscription Privilege, each holder of Rights must forward their request to a CDS Participant prior to the Expiry Date. Payment for Additional Units, in the same manner as for the Basic Subscription Right, must accompany the request when it is delivered to a CDS Participant. Any excess funds will be returned through CDS by the Subscription Agent, without interest or deduction. Payment of such price must be received by the Subscription Agent prior to the Expiry Date, failing which the subscriber’s entitlement to such Additional Units shall terminate. Accordingly, the subscriber must deliver its payment and instructions to a CDS Participant sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.

Sale or Transfer of Rights

Holders of Rights in Canada may, instead of exercising their Rights to subscribe for Class A Shares and Preferred Shares, sell or transfer their Rights. Holders of Rights through CDS Participants who wish to sell or transfer their Rights must do so in the same manner in which they sell or transfer Shares, namely, by providing instructions to the CDS Participant holding their Rights in accordance with the policies and procedures of the CDS Participant.

Dilution to Existing Shareholders

If a Shareholder wishes to retain its current percentage equity ownership in the Company and assuming that all Rights are exercised, it should purchase all of the Units for which it may subscribe pursuant to the Rights delivered under the Offering. If that Shareholder does not do so and other holders of Rights exercise any of their Rights, that Shareholder’s current percentage ownership in the Company will be diluted by the issue of Class A Shares and Preferred Shares under this Offering.

THE COMPANY

Brompton Split Banc Corp. is a mutual fund corporation incorporated under the laws of the Province of Ontario on September 14, 2005. The Company completed its initial public offering on November 16, 2005. The Manager of the Company is Brompton SBC Management Limited. The Advisor to the Company is Brompton Capital Advisors Inc. and the Option Advisor to the Company is Highstreet Asset Management Inc.

The principal office of the Company, the Manager and the Advisor is located at Suite 2930, Bay-Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3. The principal office of the Option 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 obtained exemptions from certain requirements of NI 81-102 and NI 81-106.

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

Rating of the Preferred Shares

The Preferred Shares are 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 utilizing a split share structure on a low cost basis. The big six Canadian banks have a history of strong earnings growth, which has resulted in increases in their dividend rates and capital appreciation. Class A Shareholders receive the benefits of high monthly cash distributions and low management fees through an equally-weighted leveraged investment in the Canadian banks. Preferred Shareholders receive attractive quarterly distributions supported by the high credit quality of the underlying assets. The Preferred Shares are rated Pfd-2 by Dominion Bond Rating Service Limited. The banks 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 and to provide holders of Class A Shares with the opportunity for growth in net asset value per Class A Share. This represents a yield on the issue price of the Class A Shares issuable upon the exercise of the Rights of 7.5% per annum.

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 and to return the issue price to holders of Preferred Shares at the time of redemption of such Shares on November 30, 2012. This represents a yield on the issue price of the Preferred Shares issuable upon the exercise of the Rights of 5.25% per annum.

Investment Guidelines

After completion of the Company's initial public offering on November 16, 2005, the net proceeds were invested on an approximately equally weighted basis in the Portfolio, which consists of common shares of the six Canadian banks set out below. See "The Portfolio".

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

Brompton Capital Advisors Inc. is the Advisor to the Company and is responsible for investing the net proceeds of the Offering to purchase additional securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria. Highstreet Asset Management Inc. is the

Option Advisor to the Company and, at its discretion, selectively writes covered call options and cash covered put options from time to time in respect of the shares of the banks included in the Portfolio in order to generate additional distributable income for the Company.

The Company may from time to time hold cash and cash equivalents including short term debt instruments issued by the government of Canada or a province, short term commercial paper issued by Canadian financial institutions with a rating of at least R-1 (mid) by DBRS or the equivalent from another rating organization selected by the Advisor or term deposits (“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 in the Portfolio. As a result, the Portfolio may contain the common shares of less than six Canadian banks. In addition, between the rebalancing dates, the Company may sell Portfolio securities for working capital purposes or replace Portfolio securities with proceeds from the exercise of covered call options previously written. In order to rebalance the Portfolio, the Advisor will, at the time of rebalancing, calculate the market value of the Portfolio, less any amount to be used for working capital purposes, and divide such resultant amount by the number of issuers to be included in the Portfolio. Rebalancing transactions will be effected as soon as is reasonably practicable thereafter. As a result of changes in market prices of the shares in the Portfolio between rebalancing dates, it is not expected that the issuers included in the Portfolio will be exactly equally weighted at any given time.

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

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 Class A Shares and the Preferred 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, as measured by market capitalization or successors to such banks. 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 bank mergers or other transactions involving the banks, 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 Custodian as 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

Proceeds from the Company’s initial public offering were invested, on an approximately equally weighted basis, in the Portfolio described below. Proceeds from the exercise of Rights issued hereunder will be invested in additional common shares of the banks for the Portfolio. Following the Offering, the Company expects to rebalance the Portfolio to maintain the Portfolio in accordance with the Company’s Investment Guidelines and Rebalancing Criteria. The Company 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.

Portfolio Holdings

As at December 31, 2005 the Company owned a Portfolio consisting of the following common shares in the numbers indicated in the table below.

	Number of Shares	Market Value	Weight in Portfolio
Bank of Montreal	410,800	\$26,702,000	17.8%
The Bank of Nova Scotia	538,200	\$24,832,548	16.5%
Canadian Imperial Bank of Commerce	320,450	\$24,485,583	16.3%
National Bank of Canada	397,200	\$23,959,104	15.9%
Royal Bank of Canada	277,785	\$25,225,656	16.8%
The Toronto-Dominion Bank	411,850	\$25,176,391	16.7%

Trading History of the Shares of the Portfolio Issuers

	Closing Prices as at February 23, 2006	Closing Prices as at December 31 ⁽¹⁾				
		2005	2004	2003	2002	2001
Bank of Montreal	\$69.28	\$65.00	\$57.76	\$53.50	\$41.69	\$35.90
The Bank of Nova Scotia	\$47.85	\$46.14	\$40.70	\$32.90	\$26.33	\$24.48
Canadian Imperial Bank of Commerce	\$78.95	\$76.41	\$72.23	\$64.00	\$43.52	\$54.85
National Bank of Canada	\$63.92	\$60.32	\$49.56	\$43.14	\$32.30	\$29.70
Royal Bank of Canada	\$95.10	\$90.81	\$64.25	\$61.80	\$57.85	\$51.83
The Toronto-Dominion Bank	\$64.85	\$61.13	\$49.92	\$43.29	\$34.01	\$41.08

(1) Share prices are adjusted for stock splits.
Sources: Bloomberg, Thomson and the TSX.

Dividend History of the Shares of the Portfolio Issuers

	Dividends for the 12 months ended December 31 ⁽¹⁾				
	2005	2004	2003	2002	2001
Bank of Montreal	\$1.88	\$1.59	\$1.34	\$1.20	\$1.12
The Bank of Nova Scotia	\$1.32	\$1.10	\$0.84	\$0.73	\$0.62
Canadian Imperial Bank of Commerce	\$2.69	\$2.20	\$1.64	\$1.60	\$1.44
National Bank of Canada	\$1.78	\$1.42	\$1.08	\$0.93	\$0.82
Royal Bank of Canada	\$2.35	\$2.02	\$1.72	\$1.52	\$1.38
The Toronto-Dominion Bank	\$1.64	\$1.36	\$1.16	\$1.12	\$1.09

(1) Dividends are adjusted for stock splits.
Sources: Bloomberg, Thomson and the TSX.

Market Capitalization, Dividend Yield and Historical Total Returns

	Market Capitalization (in Millions) ⁽¹⁾	Dividend Yield ⁽²⁾	Ave. Total Return (2001 – 2005) ⁽³⁾⁽⁵⁾	Ave. Total Return (1996 – 2005) ⁽⁴⁾⁽⁵⁾
Bank of Montreal	\$34,825	2.83%	15.7%	20.0%
The Bank of Nova Scotia	\$47,277	3.01%	21.0%	24.0%
Canadian Imperial Bank of Commerce	\$26,437	3.45%	15.7%	20.6%
National Bank of Canada	\$10,610	3.00%	24.6%	23.3%
Royal Bank of Canada	\$61,400	2.69%	17.1%	23.3%
The Toronto-Dominion Bank	\$46,414	2.71%	11.0%	22.8%

- (1) Market Capitalization is based on the closing market price of the banks' common shares on February 23, 2006 multiplied by the number of common shares outstanding at that date.
- (2) Dividend yield equals most recently declared dividend, annualized and divided by the closing market price at February 23, 2006.
- (3) Average total return is based on the period January 1, 2001 to December 31, 2005.
- (4) Average total return is based on the period January 1, 1996 to December 31, 2005.
- (5) Total return is calculated by dividing the sum of the appreciation in market price of the banks' common shares and dividends declared on such shares in the year by the market price of the banks' common shares at the beginning of the year.
- Sources: Bloomberg, Thomson and the TSX.

Voting Rights in the Portfolio Securities

Holders of Class A Shares or Preferred Shares do not have any voting rights in respect of the shares of the banks held in the Portfolio. The Advisor does not intend to vote proxies as the Portfolio is managed on a passive basis.

Credit Facility

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

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 receives option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Company will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Company may repurchase a call option it has written that is in-the-money by paying the market value of the call option. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option, the option will expire and the Company will retain the underlying security. In each case, the Company retains the option premium. 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 depends upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. See “Call Option Pricing”.

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

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.

Factor	Description
<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.
<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 held in the Portfolio for the seven-year period ending February 23, 2006 is as follows:

	<u>Average</u>	<u>Low</u>	<u>High</u>	<u>Current</u>
Portfolio⁽¹⁾	21.6%	9.3%	42.0%	10.7%

(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 are only written in respect of securities in which the Company is permitted to invest. See “Investment Restrictions”.

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

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 and Director	Chairman, Brompton Limited
JAMES W. DAVIE ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Audit Committee and Director	Corporate Director
DONALD L. LENZ Toronto, Ontario	Director	Managing Director, Newport Securities LP
ARTHUR R.A. SCACE ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Chairman of the Corporate Governance Committee and Director	Counsel, McCarthy Tétrault LLP
KEN S. WOOLNER ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta	Lead Director	Executive Chairman, White Fire Energy Ltd. and a trustee of Sequoia Oil & Gas Trust, an oil and gas production trust
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 and is Chairman of Brompton Limited and Chairman of the management companies of each of the Brompton funds. 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 and 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 the management companies of certain of the Brompton funds, Mr. Davie is a director of Addax Petroleum Corporation, Navigo Energy Inc., Profico Energy Management Ltd. and Taylor Gas Liquids Ltd. and is a trustee of Bloorview Macmillan Children's Centre.

Donald L. Lenz (Director)

Mr. Lenz has over 30 years of experience in the investment banking business. Mr. Lenz was vice-president and director of the Corporate and Investment Banking Division of RBC Dominion Securities Inc. from 1986 to 1999. From 1976 to 1986, Mr. Lenz was employed with Goldman Sachs and Co. in New York as vice-president corporate finance specializing in Canada. Mr. Lenz began his investment career in 1969 with A.E. Ames & Co. Incorporated, initially with the money market department and subsequently as vice-president, fixed income sales and trading. In addition to his position as a director of certain of Brompton funds, Mr. Lenz is a member of the Board of Directors of DataMirror Corporation, Mad Catz Interactive, Inc., Trizec Canada Inc., Enmax Corporation, and Cancer Care Ontario. Mr. Lenz received a Bachelor of Science in Chemical Engineering from the University of Saskatchewan in 1970.

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

Mr. Scace is counsel at McCarthy Tétrault and formerly was a partner of the firm and has over 35 years of legal and business experience. Mr. Scace began his career at McCarthy Tétrault 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 and has received honorary Doctorates of Law from The Law Society of Upper Canada and York University. In addition to his position as a director of certain of the Brompton funds, Mr. Scace is Chairman of the board of directors of The Bank of Nova Scotia and a board member of several other Canadian companies, and is a former Treasurer of The Law Society of Upper Canada.

Ken S. Woolner (Lead Director)

Mr. Woolner has over 20 years experience in the oil and gas industry. Since April 2005, Mr. Woolner has been 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 Limited 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 Petroleum 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 the management companies of several Brompton funds. 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 is currently Chief Financial Officer of Brompton Funds LP. Prior to joining Brompton, Mr. Kikuchi worked for PricewaterhouseCoopers LLP from September 1996 to January 2002 where he held progressively senior roles, including as a 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 Limited in 2002 as Vice-President. 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 Limited. Prior to Brompton, 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 eight 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. 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 Manager 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.

Remuneration of Directors and Officers

The officers and directors of the Company, other than the non-management directors of the Company, 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 SBC Management Limited was incorporated pursuant to the *Business Corporations Act* (Ontario) on September 14, 2005. Its head office is at Suite 2930 Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3. The Manager was organized for the purpose of managing and administering closed-end investments including the Company. The Manager is a member of the Brompton Group of Companies.

Affiliates of the Manager are the managers or administrators 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 funds and high-yield debt
Brompton Stable Income Fund	Dec-02	BSR.UN	Income funds and investment grade debt
Brompton Equal Weight Income Fund	Jul-03	EWI.UN	Equal weight portfolio of income funds
Business Trust Equal Weight Income Fund	Oct-03	BWI.UN	Equal weight portfolio of business income funds
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 funds
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	March-05	AOG.UN	Tax advantaged exposure to an equal weight portfolio of oil and gas income funds
Brompton Tracker Fund	July-05	BTF.UN	Equal weight portfolio of income funds 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	Feb-01	YTU.UN	Portfolio of Canadian equity securities of financials sector issuers
Brompton Advantaged Tracker Fund	Feb-06	ATF.UN	Tax advantaged exposure to an equal weight portfolio of income funds 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. Affiliates of the Manager currently manage thirteen public investment funds and private capital with total assets of over \$3 billion. Asset management services are provided by Brompton Funds LP and its affiliates. The Manager also offers merchant banking services to its clients.

The Manager and its directors and officers have extensive experience in managing financial assets and public and private entities, including the management of closed-end funds. The Brompton Group of Companies operates out of offices in Toronto at Suite 2930, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario M5J 2T3.

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
RAYMOND R. PETHER Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer, Brompton Limited
MARK A. CARANCI Toronto, Ontario	President and Director	President, Brompton Funds LP
CRAIG T. KIKUCHI Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Brompton Funds LP
MOYRA E. MACKAY Toronto, Ontario	Vice-President, Secretary and Director	Vice-President and Corporate Secretary, Brompton Funds LP
DAVID E. ROODE Toronto, Ontario	Senior Vice-President	Senior Vice-President, Brompton Funds LP
LORNE ZEILER Toronto, Ontario	Vice-President	Vice-President, Brompton Funds LP

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 Advisor to invest the net proceeds of the Offering 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 Option Advisor to the Company. The Manager is 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 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 Class A Shares and Preferred Shares and retractions and redemptions of Class A Shares and Preferred 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 Class A Shares and the Preferred 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 pays to the Manager the Management Fee and reimburses 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, the Advisor or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, disregard of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Management Agreement.

The Manager calculates quarterly and pays 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 is 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 is 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 Class A Shares and Preferred Shares by an Ordinary Resolution passed at a duly convened meeting of Shareholders called for the purpose of considering such resolution provided Shareholders holding at least 10% of the Class A Shares and Preferred 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 ADVISOR

Brompton Capital Advisors Inc. is the advisor to the Company and is responsible for investing the net proceeds of the Offering to purchase additional securities for the Portfolio and to maintain the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria.

The Advisor is registered as a Limited Market Dealer and an Investment Counsel and Portfolio Manager in the Province of Ontario. The principal office of the Advisor is located at Suite 2930, Bay-Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

Advisor Agreement

The services provided by the Advisor pursuant to the Advisor Agreement include purchasing the securities that comprise the Portfolio and maintaining the Portfolio in accordance with the Investment Guidelines and Rebalancing Criteria, subject to the Investment Restrictions. The Advisor also makes investment decisions as to the purchase and sale of Portfolio investments. Under the Advisor Agreement, the 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 Advisor Agreement provides that the 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 Advisor is entitled to fees for its services which are paid by the Manager out of its management fee and is reimbursed for all reasonable costs and expenses incurred by the Advisor on behalf of the Company. In addition,

the 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 Advisor or any of its officers, directors, employees, consultants or agents in the exercise of its duties as the Advisor.

THE OPTION ADVISOR

The Option Advisor

Highstreet acts as option advisor to the Company. Highstreet is an investment management firm with total assets under management of approximately \$3 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.

Highstreet, at its discretion, selectively writes covered call options from time to time on the shares of the banks included in the Portfolio in order to generate additional distributable income for the Company.

Principal Advisors of Highstreet

The principal advisors of Highstreet who are responsible for the Company's 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, Risk Management	7 (since inception)	10
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, Risk Management)

Mr. Jackson has over 10 years of experience in investments and risk management. He is currently Vice President, Risk Management at Highstreet and has served in that role since the firm's inception in 1998 and is responsible for option overlay strategies. 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.

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.

Option Advisor Services

The option advisor services provided by Highstreet include managing the call option writing and put option writing program of the Company in accordance with the Investment Objectives, Investment Guidelines and Rebalancing Criteria of the Company. In the writing of option contracts, the Option Advisor seeks to obtain overall services and prompt execution of orders on favourable terms.

The Option 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 Shareholders of the Company and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent option advisor would exercise in comparable circumstances. However, the Option Advisor will not be liable in any way for any default, failure or defect in any of the securities of the Company, nor will it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. The Option Advisor will, however, incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Option Advisor Agreement.

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

The Option Advisor is entitled to fees for providing option advisory services and is reimbursed for all reasonable costs and expenses incurred by Highstreet on behalf of the Company. All such fees and expenses are paid to the Option Advisor by the Manager. In addition, the Option Advisor and each of its directors, officers, employees and agents will be indemnified by the Company for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against Highstreet or any of its officers, directors, employees or agents in the exercise of its duties as investment management, except those resulting from Highstreet's wilful misconduct, bad faith, negligence or breach of its obligations under the Option Advisor Agreement.

CONFLICTS OF INTEREST

The directors and officers of the Manager and the Advisor may be directors, officers, shareholders or unitholders of one or more issuers in which the Company may acquire securities. The Manager, the Advisor and their 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. Affiliates of the Manager invest in diversified portfolios consisting of units of income funds, high yield debt, investment grade debt and/or common shares. Although the Manager does not currently engage in any other business, its services are not exclusive to the Company. The services of the Advisor under the Advisor Agreement are not exclusive and nothing in the Advisor Agreement prevents the Advisor 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. The Manager and the Advisor 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. Nothing in the Advisor Agreement prevents the Advisor 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). If the Company and one or more of the other clients of the Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. In this regard, the Advisor will endeavour to allocate investment opportunities to the Company on a *pro rata* basis.

In addition, Highstreet is engaged in a wide range of investment management, investment advisory and other business activities. The services of Highstreet under the Option Advisor Agreement are not exclusive and nothing in the Option 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 are 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 Class A Shares, Preferred Shares and Class J Shares of which, before giving effect to the Offering under this prospectus, there are issued and outstanding 6,135,000 Preferred Shares, 6,135,000 Class A Shares and 100 Class J Shares. New Class A Shares and Preferred 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 setting of the subscription price by the Company.

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J Shares 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 Class A Shares and the Preferred 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 Class A Shares and the Preferred Shares owns all of the issued and outstanding Class J Shares. See "Principal Shareholder".

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

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 are entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.13125 per Share and are paid before the tenth business day in the month following the end of the period in respect of which the distribution is payable. This represents a yield on the issue price of the Preferred Shares issuable upon the exercise of the Rights of

5.25% per annum. Such distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital. There can be no assurance that the Company will be able to pay distributions to holders of Preferred Shares.

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

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

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed 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. This represents a yield on the issue price of the Class A Shares issuable on the exercise of the Rights of 7.5% per annum. Such distributions are paid on or before the tenth business day of the month following the month in respect of which the distribution is payable. Such distributions may consist of ordinary dividends, capital gains dividends or non-taxable returns of capital. There can be no assurance that the Company will be able to pay distributions to the holders of Class A Shares.

No distributions will be paid on the Class A Shares if (i) the distributions payable on the Preferred Shares are in arrears, or (ii) in respect of a cash distribution, after payment of the distribution by the Company, the NAV per Unit would be less than \$15.00. In addition, it is intended that the Company will not pay 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 November 16, 2006, the first anniversary of the closing date of the initial public offering, 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 are 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 are 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 December 2006, at a retraction price per Unit equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Portfolio required to fund such retraction. For the purpose of calculating the Net Asset Value per Unit, the value of common shares comprising the Portfolio will be equal to the weighted average trading price of such shares over the last three business days of the month of December as described under "Net Asset Value and NAV per Unit". The Class A Shares and the Preferred Shares must both be surrendered at least 10 business days prior to the Annual Retraction Date. Payment of the proceeds will be made on or before the tenth business day of the following month subject to the Manager's right to suspend retractions in certain circumstances.

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

The retraction right must be exercised by causing written notice to be given within the notice periods 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 Rights, and the Class A Shares and the Preferred Shares issuable upon exercise of the Rights will be made only through the book-entry only system. On or about March 14, 2006, the Company will deliver to CDS a Global Rights Certificate evidencing the aggregate number of Rights issued hereunder. Rights must be exercised and the Class A Shares and Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Rights, Class A Shares or Preferred 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 Rights, Class A Shares or Preferred Shares. Upon the purchase of any Class A Shares and Preferred Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Class A Shares or Preferred Shares means, unless the context otherwise requires, the owner of the beneficial interest in such Shares.

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

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

NET ASSET VALUE AND NAV PER UNIT

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

The NAV per Unit, is, at a minimum calculated on Thursday of each week, or if any Thursday is not a business day, the immediately preceding business day, and on any redemption or retraction date for the Company's Shares and includes any other date on which the Manager elects, in its discretion, to calculate the NAV per Unit. The Company makes available to the financial press for publication on a weekly basis the NAV per Unit, 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 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 sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the NAV Valuation Date on which the NAV of the Company is being determined, all as reported by any means in common use. For a retraction or redemption of the Company's Shares, the value of the common shares will be equal to the weighted average trading price of such Shares over the last three Business Days of the relevant month;
- (c) the value of any security, that is traded over-the-counter will be priced at the average of the last bid and ask prices quoted by a major dealer recognized information provider in such securities;
- (d) the value of any security, or other asset for which a market quotation is not readily available will be its fair market value on the NAV Valuation Date on which the NAV of the Company is being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- (e) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Company from the Custodian on the NAV Valuation Date on which NAV of the Company is being determined;
- (f) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction that approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and

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

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

SHAREHOLDER MATTERS

Meetings of Shareholders

Except as required by law or set out below, holders of Class A Shares and Preferred Shares are not 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 Class A Shares and Preferred Shares, each voting separately as a class, by an Ordinary Resolution, unless a greater majority is required by law, passed at a meeting called for the purpose of considering such Ordinary Resolution, provided that holders of Class A Shares and Preferred Shares holding at least 10% of the Shares outstanding on the record date of the meeting vote in favour of such Ordinary Resolution:

- (a) a change of the auditors of the Company;
- (b) a reorganization with, or transfer of assets to, another mutual fund corporation, if
 - (i) the Company ceases to continue after the reorganization or transfer of assets; and
 - (ii) the transaction results in Shareholders becoming securityholders in the other mutual fund corporation; and
- (c) a reorganization with, or acquisition of assets of, another mutual fund corporation, if
 - (i) the Company continues after the reorganization or acquisition of assets;
 - (ii) the transaction results in the securityholders of the other mutual fund corporation becoming Shareholders of the Company; and
 - (iii) the transaction would be a significant change to the Company; and
- (d) except as described herein, a change of the Manager or of the Advisor to the Company, other than a change resulting in an affiliate of such person assuming such position.

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

- (a) a change in the fundamental investment objectives, investment guidelines, rebalancing criteria or investment restrictions of the Company 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 Class A Shares, Preferred Shares or Class J Shares.

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

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, the following is a general summary of the principal Canadian federal income tax considerations of the receipt of Rights under the Offering. This summary is only applicable to Class A Shareholders who, for the purposes of the Tax Act, are resident in Canada, deal at arm's length with the Company and hold their Class A Shares, and will hold the Rights, and the Class A Shares and Preferred Shares issued pursuant to the exercise of the Rights, as capital property. This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations") and counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the "CRA"). This summary also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), but does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, or the CRA's published administrative practices. No assurances can be given that the Proposed Amendments will be enacted as proposed or at all. See "Risk Factors".

This summary does not apply to a Class A Shareholder that is a "financial institution" or "specified financial institution" as defined for purposes of the Tax Act, nor does it apply to a taxpayer an interest in which is a tax shelter investment for the purposes of the Tax Act.

This summary is of a general nature only and does not take into account or consider the tax laws of any province or territory or of any jurisdiction outside Canada. This is a general summary of the principal Canadian federal income tax considerations of the receipt of Rights under the Offering. Class A Shareholders should consult the prospectus dated October 27, 2005, for a summary of the principal Canadian federal income tax considerations relating to the Shares. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Class A Shareholder, and no representations concerning the tax consequences to any particular Shareholder are made. Class A Shareholders should consult their own tax advisers regarding the income tax considerations applicable to them having regard for their particular circumstances.

Receipt of Rights

Based on an administrative position of the CRA, no amount will be required to be included in computing the income of a Class A Shareholder as a consequence of acquiring Rights under the Offering. The cost of a Right received under the Offering will be nil. The cost of a Right acquired by a Class A Shareholder will be averaged with the adjusted cost base to the Class A Shareholder of any other Rights held at that time as capital property to determine the adjusted cost base of each such Right to the Class A Shareholder.

Exercise of Rights

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Rights. For its purposes, the Company intends to issue each Class A Share for \$16.10 and each Preferred Share for \$10.00. Although the Company believes that such allocation of the aggregate subscription price per Unit is reasonable, such allocation is not binding on the CRA. A Class A Share and Preferred Share acquired by a Class A Shareholder upon the exercise of a Right will have a cost to the Class A Shareholder equal to the portion of the subscription price allocated to such Class A Share and Preferred Share and the adjusted cost base, if any, to the Class A Shareholder that has been allocated to each Class A Share and Preferred Share in respect of the Right so exercised. The cost of a Class A Share and Preferred Share acquired by a Class A Shareholder upon the exercise of Rights will be averaged with the adjusted cost base to the Class A Shareholder of all other Class A Shares and Preferred Shares held at that time as capital property to determine the adjusted cost base of each such Class A Share and Preferred Share to the Class A Shareholder.

Disposition of Rights

Upon the disposition of a Right by a Class A Shareholder, other than pursuant to the exercise thereof, the Class A Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Right to the Class A Shareholder. One half of a capital gain (a “taxable capital gain”) will be included in the Class A Shareholder’s income, and one half of a capital loss (an “allowable capital loss”) may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

Expiry of Rights

Upon the expiry of an unexercised Right, a Class A Shareholder will realize a capital loss equal to the adjusted cost base, if any, of the Right to the Class A Shareholder.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, the Rights and the Class A Shares and Preferred Shares issued on the exercise of such Rights, when issued, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans provided that the Rights, the Class A Shares and Preferred Shares are listed on a prescribed stock exchange (which includes the TSX).

USE OF PROCEEDS

The proceeds from exercise of the Rights offered hereunder are expected to be as follows:

Gross Proceeds to the Company ⁽¹⁾	\$160,123,500
Less:	
Fees payable to Dealers	\$ 1,533,750
Estimated Expenses of the Offering	<u>\$ 235,000</u>
Net Proceeds to the Company	\$158,354,750

(1) Assumes the exercise of all of the Rights.

The net proceeds will be invested by the Company in accordance with the Investment Objectives, subject to the Investment Restrictions. See “Investment Objectives” and “Investment Restrictions” under “Investments of the Company”.

PLAN OF DISTRIBUTION

The Rights and Units are being distributed in reliance on an exemption from the dealer registration requirements.

The Rights will commence trading on the TSX on March 9, 2006 and the TSX conditionally approved the listing of the Class A Shares and Preferred Shares issuable upon the exercise of the rights subject to the satisfaction of certain standard listing requirements.

All Shareholders hold their Shares through a CDS Participant. As a result, one Global Rights Certificate representing the Rights will be issued in registered form to CDS and will be deposited with CDS on the Commencement Date. The Company expects that each Shareholder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-entry accounts for its participants holding Rights. None of the Company, the Manager, or the Subscription Agent, will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Rights, or (iii) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

Holders must arrange purchases or transfers of Rights through CDS Participants. It is anticipated by the Company that each such purchaser of Units or holder of a Right will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Right is issued or such Units are purchased in accordance with the practices and policies of such CDS Participant.

A subscriber may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of this Offering to the CDS Participant which holds the subscriber's Rights.

To apply for Additional Units under the Additional Subscription Privilege, each holder of Rights must forward their request to a CDS Participant prior to the Expiry Date. Payment for Additional Units, in the same manner as for the Basic Subscription Right, must accompany the request when it is delivered to a CDS Participant. Any excess funds will be returned through CDS by the Subscription Agent, without interest or deduction. Payment of such price must be received by the Subscription Agent prior to the Expiry Date, failing which the subscriber's entitlement to such Additional Units shall terminate. Accordingly, the subscriber must deliver its payment and instructions to a CDS Participant sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber's brokerage account or, by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Subscription Agent prior to the Expiry Date. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.

Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not a citizen or resident of the United States of America, its territories or possessions or the agent of any such person and is not purchasing the Units for resale to any such person.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Holders of Rights in Canada may, instead of exercising their Rights to subscribe for Class A Shares and Preferred Shares, sell or transfer their Rights. Holders of Rights through CDS Participants who wish to sell or transfer their Rights must do so in the same manner in which they sell or transfer Shares, namely, by providing

instructions to the CDS Participant holding their Rights in accordance with the policies and procedures of the CDS Participant.

Shareholders in Jurisdictions Outside of Canada

All Shareholders whose recorded address is outside of Canada will be advised that their Rights will be held by their CDS Participant for the account of such Shareholder, who will benefit as set out below. It is expected that CDS Participants will sell the Warrants of ineligible Shareholders on behalf of such Shareholders and provide any proceeds received through such sale to Shareholders in accordance with the practices and procedures of the CDS Participant.

United States Shareholders

The Rights and Class A Shares and Preferred Shares issuable upon the exercise of Rights offered hereby have not been and will not be registered under the U.S. Securities Act and accordingly may not be offered or sold in the United States.

This Offering is made in Canada and not in the United States of America or any territory or possession thereof. This Offering is not, and under no circumstances is to be constructed as, an offering of any Shares for sale in the United States of America or any territory or possession thereof or a solicitation therein of any offer of Shares of the Company. Accordingly, a subscription will not be accepted from any person, or his agent, who appears to be, or who the Company has reason to believe is, a national or resident of the United States of America or its territories or possessions (a "United States Shareholder").

It is expected that the CDS Participant will, prior to the Expiry Date, attempt to sell for the United States Shareholders the Rights allotable to such United States Shareholders at the price or prices it determines in its discretion. Any proceeds received by the CDS Participant with respect to such Rights are expected to be delivered by the CDS Participant as soon as practicable to such United States Shareholders.

Certain Foreign Shareholders and Undeliverable Documents

Shareholders whose recorded addresses are outside of Canada, other than the United States Shareholders, will be permitted to subscribe for Units pursuant to the terms of the Offering or, if they do not wish to exercise any of their Rights to subscribe for Units, will be permitted to sell or otherwise transfer their Rights through a CDS Participant provided they represent to the Company that the receipt by them of Rights and the issuance to them of Units upon the exercise of the Rights will not be in violation of the laws of their jurisdiction of residence.

By exercising Rights, holders exercising through CDS Participants will be deemed to be confirming to the Company that such Shareholders are eligible to receive Rights, and to exercise Rights to subscribe for Units under the Offering.

If any Rights offering documents are returned to a CDS Participant prior to the Expiry Date as undeliverable, the respective Rights will be sold and the net proceeds held by the CDS Participant for the account of the Shareholders whose Rights offering documents were undeliverable, and in the event such proceeds are not claimed within one year of the Expiry Date, such proceeds will be paid to the Company.

CAPITALIZATION

The following table sets out the capitalization of the Company as at December 31, 2005 and as at February 23, 2006, before and after giving effect to this Offering:

	<u>Authorized</u>	<u>Outstanding as at December 31, 2005 (audited)</u>	<u>Outstanding as at February 23, 2006 (unaudited)</u>	<u>To be outstanding as at February 23, 2006 after giving effect to this Offering⁽¹⁾</u>
Liabilities				
Preferred Shares	Unlimited	\$61,350,000 (6,135,000 Shares)	\$61,350,000 (6,135,000 Shares)	\$122,700,000 (12,270,000 Shares)
Credit Facility	\$7,500,000	nil	nil	nil
Share Capital				
Class A Shares ⁽²⁾	Unlimited	\$83,938,000 (6,135,000 Shares)	\$83,938,000 (6,135,000 Shares)	\$180,942,750 (12,270,000 Shares)
Class J Shares	Unlimited	\$100 (100 Shares)	\$100 (100 Shares)	\$100 (100 Shares)
Retained Earnings	-	\$5,672,061	\$12,374,193	\$12,374,193
Total Capitalization	-	<u>\$150,960,161</u>	<u>\$157,662,293</u>	<u>\$316,017,043</u>

Notes:

(1) Assumes the full subscription under the Basic Subscription Right.

(2) Net of issue costs of \$8,087,000 as at December 31, 2005 and \$9,855,750 as at February 23, 2006 after giving effect to the Offering.

PRINCIPAL SHAREHOLDER

To the knowledge of the directors and officers of the Company, as of February 23, 2006, there are no persons who own, beneficially or of record, directly or indirectly, or who exercise control or direction over, more than 10% of any of the Class A Shares or the Preferred Shares.

All of the issued and outstanding Class J Shares of the Company are owned by a trust established for the benefit of the holders of the Class A Shares and Preferred Shares from time to time. The Class J Shares 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 Class A Shares and Preferred Shares have been retracted or redeemed, without the express consent, order or direction in writing of the Ontario Securities Commission.

PRICE RANGE AND TRADING VOLUME OF SHARES

Class A Shares

The Class A Shares trade on the TSX under the symbol "SBC". The following table sets out the high and low closing prices and average daily trading volume of the Class A Shares on the TSX for the periods indicated as reported by such exchange.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Average Daily Trading Volume</u>
2005			
November 16-30.....	\$15.01	\$14.10	29,360
December	\$15.50	\$14.90	15,075
2006			
January	\$16.40	\$15.45	12,901
February 1 to 23	\$16.50	\$15.55	10,865

On February 23, 2006, the closing price of the Class A Shares on the TSX was \$15.75.

Preferred Shares

The Preferred Shares trade on the TSX under the symbol "SBC.PR.A". The following table sets out the high and low closing prices and average daily trading volume of the Preferred Shares on the TSX for the periods indicated as reported by such exchange.

Period	High	Low	Average Daily Trading Volume
2005			
November 16-30.....	\$10.75	\$10.32	62,218
December	\$10.88	\$10.55	16,982
2006			
January	\$10.94	\$10.75	6,344
February 1 to 23	\$10.85	\$10.81	18,262

On February 23, 2006, the closing price of the Preferred Shares on the TSX was \$10.85.

FEES AND EXPENSES

Initial Expenses

The expenses of the offering (including 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 Company and certain other expenses) will, together with the fees payable to dealers whose clients exercise Rights, be paid by the Company from the gross proceeds of the Offering. These expenses are estimated to be \$235,000.

Management Fee

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

Service Fee

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

Ongoing Expenses

The Company also pays for all expenses incurred in connection with its operation and administration, including, without limitation, all costs of Portfolio transactions, fees payable to the Manager, Advisor, Option Advisor, debt service costs, the Service Fee, custodial fees, legal, audit and valuation fees and expenses, fees of the non-management directors of the Company, 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 Advisor. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the 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 \$255,000 in 2006 and \$310,000 if all of the Rights are exercised.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager, the Advisor, the Option Advisor and the Custodian receive the fees described under “Fees and Expenses” for their respective services to the Company and are 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 Class A Shares or Preferred Shares. The foregoing undertakings shall remain in full force until such time as all the Class A Shares and Preferred Shares have been redeemed.

MATERIAL CONTRACTS

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

- (a) the Management Agreement described under “The Manager – Management Agreement”;
- (b) the Option Advisor Agreement described under “The Option Advisor – Option Advisor Services”;
- (c) the Escrow Agreement described under “Principal Shareholder”; and
- (d) the Custodian Agreement described under “Custodian”.

Copies of the agreements referred to above may be inspected during business hours at the principal office of the Company during the course of distribution of the Rights and the underlying Shares offered hereby. The continuous disclosure documents of the Company are available at www.sedar.com.

RISK FACTORS

The following are certain considerations relating to an investment in Class A Shares or Preferred Shares which prospective investors should consider before exercising Rights and purchasing 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 is invested at all times in up to six issuers in one industry. The Company's holdings are 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 Class A Shares and the Preferred 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 issue price of the Class A Shares or the Preferred Shares issuable upon the exercise of the Rights. 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 Class A Shares or Preferred Shares prior to the Maturity Date are therefore exposed to the risk that the market price of the Class A Shares and Preferred 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 Advisor and Option Advisor

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

Use of Options and Other Derivative Instruments

The Company is subject to the full risk of its investment position in the securities comprising the Portfolio, including those securities that are subject to outstanding call options and those securities underlying put options written by the Company, should the market price of such securities decline. In addition, the Company does 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 sells 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 receives 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 has a limited operating history. There can be no assurance that an active public market for the Class A Shares and the Preferred Shares will be sustained after completion of this Offering.

Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Company treats 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, are 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 are treated on income rather than capital account, after-tax returns to Shareholders could be reduced, the Company could be subject to non-refundable income tax from such transactions and the Company could be subject to penalty taxes in respect of excessive capital dividend elections.

Foreign Currency Exposure

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

Significant Redemptions

Shares are retractable annually and monthly as described under “Retraction Privileges”. The purpose of the annual concurrent 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 per year without any trading discount to the NAV. While the annual concurrent retraction right provides holders of Class A Shares the option of annual liquidity at NAV, there can be no assurance that it will reduce trading discounts. If a significant number of 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.

Securities Lending

The Company may engage in securities lending. Although the Company receives collateral for the loans and such collateral are marked-to-market, the Company is 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.

CUSTODIAN

The Custodian is responsible for certain aspects of the day-to-day administration of the Company, including executing instruments on behalf of the Company, processing redemptions, NAV calculations, net income and net realized capital gains of the Company and maintaining the financial 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, Computershare Investor Services Inc., at its principal offices in Toronto is the registrar and transfer agent for the Class A Shares and Preferred Shares.

PURCHASER’S 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' CONSENT

We have read the prospectus (the "Prospectus") of Brompton Split Banc Corp. (the "Company") dated March 1, 2006, relating to the rights to subscribe for and purchase Units 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 Directors of the Company, on the following financial statements:

- Statements of Financial Position as at December 31, 2005;
- Statement of Investments as at December 31, 2005; and
- Statements of Operations and Retained Earnings, Cash Flows and Changes in Shareholders' Equity for the period November 16, 2005 to December 31, 2005.

Our report is dated February 6, 2006.

Toronto, Ontario
March 1, 2006

(signed) PricewaterhouseCoopers LLP
Chartered Accountants

AUDITORS' REPORT

To the Directors of Brompton Split Banc Corp. (the "Company")

We have audited the Statements of Financial Position as at December 31, 2005, Statement of Investments as at December 31, 2005, and the Statements of Operations and Retained Earnings, Cash Flows and Changes in Shareholders' Equity for the period November 16, 2005 to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, these financial statements present fairly, in all material respects, the financial position of the Company and its investments as at December 31, 2005 and the results of its Operations and Retained Earnings, Cash Flows and Changes in Shareholders' Equity for the period November 16, 2005 to December 31, 2005, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
February 6, 2006

(signed) PricewaterhouseCoopers LLP
Chartered Accountants

STATEMENT OF FINANCIAL POSITION
As at December 31, 2005

Assets	
Investments, at market value	\$ 150,381,282
Cash and short-term investments	1,422,954
Dividends and interest receivable	777,151
Deferred financing costs (note 8)	4,464
Total assets	<u>152,585,851</u>
Liabilities	
Accounts payable and accrued liabilities	609,550
Distributions payable to shareholders (note 5)	1,016,140
Preferred shares (note 4)	61,350,000
Total liabilities	<u>62,975,690</u>
Shareholders' Equity	
Class J shares (note 3)	100
Class A shares (note 3)	83,938,000
Retained earnings	5,672,061
Total shareholders' equity	<u>89,610,161</u>
Liabilities and shareholders' equity	<u>\$ 152,585,851</u>
Units outstanding (note 3)	<u>6,135,000</u>
Net asset value per unit	<u>\$ 24.61</u>
Net asset value per Preferred share	<u>\$ 10.00</u>
Net asset value per Class A share	<u>\$ 14.61</u>

Approved by the Board of Directors of Brompton Split Banc Corp.

By: (Signed) PETER A. BRAATEN
Director

By: (Signed) DONALD L. LENZ
Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
For the period from November 16 (commencement of operations) to December 31

	2005
Income	
Dividends	\$ 775,291
Interest	63,587
	838,878
Expenses	
Management fees (note 6)	107,429
Service fees (note 6)	44,867
Audit fees	19,795
Director fees	10,000
Custodial fees	2,649
Shareholder reporting costs	32,620
Other administrative expenses	44,160
Interest and bank charges	536
	262,056
Net investment income before distributions	576,822
Distributions on Preferred shares (note 5)	(402,640)
Net investment income	174,182
Net change in unrealized gain on investments	6,418,129
Increase in net assets from operations	6,592,311
Retained earnings, beginning of period	-
Distributions on Class A shares (note 5)	(920,250)
Retained earnings, end of period	\$ 5,672,061
Increase in net assets from operations per Class A share (1)	\$ 1.09

⁽¹⁾ Based on weighted average number of shares outstanding for the period (note 3).

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the period from November 16 (commencement of operations) to December 31

	2005
Cash flows from operating activities	
Increase in net assets from operations	\$ 6,592,311
Adjustments to reconcile net cash provided by (used in) operations:	
Net change in unrealized gain on investments	(6,418,129)
Amortization of deferred financing costs	536
Increase in dividends and interest receivable	(777,151)
Increase in distributions payable	402,640
Increase in accounts payable and accrued liabilities	609,550
Purchase of investments (note 7)	(143,963,153)
Cash used in operating activities	(143,553,396)
Cash flows from financing activities:	
Proceeds from issuance of Class J shares	100
Proceeds from issuance of Class A shares (note 3)	92,025,000
Agents' fees and issuance costs (note 3)	(8,087,000)
Deferred financing costs paid	(5,000)
Proceeds from issuance of Preferred shares	61,350,000
Distributions paid to Class A shareholders (note 5)	(306,750)
Cash provided by financing activities	144,976,350
Net increase in cash and short-term investments	1,422,954
Cash and short-term investments, beginning of period	-
Cash and short-term investments, end of period	\$ 1,422,954

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 For the period from November 16 (commencement of operations) to December 31

	2005
Shareholders' equity, beginning of period	\$ -
Operations:	
Increase in net assets from operations	6,592,311
Shareholder transactions:	
Distributions to shareholders (note 5)	
Return of capital	(920,250)
Proceeds from issuance of Class A shares, net (note 3)	83,938,000
Proceeds from issuance of Class J shares (note 3)	100
Net increase in shareholders' equity	89,610,161
Shareholders' equity, end of period	\$ 89,610,161

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENTS

As at December 31, 2005

No. of Shares		Cost	Market Value
410,800	Bank of Montreal	\$ 23,995,258	\$ 26,702,000
320,450	Canadian Imperial Bank of Commerce.....	23,992,679	24,485,583
397,200	National Bank of Canada	23,994,082	23,959,104
277,785	Royal Bank of Canada	23,992,100	25,225,656
538,200	The Bank of Nova Scotia	23,996,681	24,832,548
411,850	The Toronto-Dominion Bank	23,992,353	25,176,391
Total		\$ 143,963,153	\$ 150,381,282

The accompanying notes are an integral part of these financial statements.

BROMPTON SPLIT BANC CORP.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

1. OPERATIONS

Brompton Split Banc Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on September 14, 2005. Brompton SBC Management Limited (the "Manager") is responsible for managing the affairs of the Company. Brompton Capital Advisors Inc. manages the Company's portfolio and Highstreet Asset Management Inc. is the option advisor. The Company commenced operations on November 16, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the period for which the financial statements report. Actual results could differ from these estimates.

(a) Valuation of Investments

The Company's investments are presented at estimated market value. Investments that are publicly traded are valued at their closing price. If a closing price is not available, then these investments are valued using an average of the latest bid and ask prices. Short-term investments are valued at cost which, when taken together with accrued interest income thereon, is an approximation of their market value. Listed options are valued at market values as reported on recognized exchanges.

(b) Investment Transactions and Income Recognition

Investment transactions are recorded on trade date and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date. Net realized gains or losses on investments include net realized gains or losses from foreign currency changes.

Option premiums paid or received by the Company are, so long as the options are outstanding, reflected as an asset or liability, respectively, in the Statement of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Any difference resulting from revaluation is treated as an unrealized gain (loss). Gains or losses realized upon expiration, repurchase or exercise of the options are included in net realized gain (loss) on options.

(c) Income Taxes

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) ("the Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to tax of 33 1/3% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

The Company is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid by the Company on taxable preferred shares as defined in the Act.

Given the investment and dividend policy of the Company and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Company does

not expect to be subject to any appreciable amount of non-refundable Canadian income tax. Accordingly, no income tax provision has been recorded.

(d) **Foreign Exchange**

The market value of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the noon rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time of such transactions.

(e) **Fair Value of Financial Instruments**

The fair values of the Company's financial instruments, which are composed of cash and short-term investments, dividends and interest receivable, and accounts payable and accrued liabilities, approximates their book value.

3. SHARE CAPITAL

Class J Shares

The Company is authorized to issue an unlimited number of Class J shares.

On September 14, 2005, the Company issued 100 Class J shares to a trust for cash consideration of \$100. As of December 31, 2005, 100 Class J shares are outstanding.

Class J shares are not entitled to receive dividends but 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.

Class A Shares

Authorized

The Company is authorized to issue an unlimited number of Class A shares.

Issued	Number of Shares	Amount
Class A shares, beginning of period	-	\$ -
Initial public offering, net	5,800,000	79,315,000
Exercise of over-allotment option, net	335,000	4,623,000
Class A shares, end of period	6,135,000	\$ 83,938,000

On November 16, 2005, the Company completed its initial public offering of 5,800,000 Class A shares at a price of \$15.00 per share for proceeds, net of agents' fees and issuance costs, of \$79,315,000.

On November 28, 2005, the Company completed the issuance of an additional 335,000 Class A shares at a price of \$15.00 per share for proceeds, net of agents' fees, of \$4,623,000. The issuance of these additional shares was pursuant to the exercise of the over-allotment option granted to the agents in connection with the initial public offering.

The weighted average number of Class A shares outstanding for the period ended December 31, 2005 was 6,047,609.

The Company intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears or (ii) after the payment of the distributions by the Company, the net asset value ("NAV") per unit would be less than \$15.00. A unit means a notional unit consisting of one Class A share and one Preferred share. The Class A shares

rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Company. Each Class A share is entitled to one vote on certain shareholder matters.

All Class A shares outstanding on November 30, 2012 will be redeemed by the Company on that 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.

Class A shares may be surrendered at any time for retraction by the Company but at least ten business days prior to the second last business day of a month (“Retraction Date”). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a 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 includes 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.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the December Retraction Date of each year, commencing on the December 2006 Retraction Date, at a 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 Class A shares and the Preferred shares must both be surrendered for retraction at least ten business days prior to the December Retraction Date.

4. PREFERRED SHARES

Authorized

The Company is authorized to issue an unlimited number of Preferred shares.

Issued	Number of Shares	Amount
Preferred shares, beginning of period	-	\$ -
Initial public offering	5,800,000	58,000,000
Exercise of over-allotment option	335,000	3,350,000
Preferred shares, end of period	6,135,000	\$ 61,350,000

On November 16, 2005, the Company completed its initial public offering of 5,800,000 Preferred shares at a price of \$10.00 per share for proceeds of \$58,000,000.

On November 28, 2005, the Company completed the issuance of an additional 335,000 Preferred shares at a price of \$10.00 per share for proceeds of \$3,350,000. The issuance of these additional shares was pursuant to the exercise of the over-allotment option.

Holders of Preferred shares are entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.13125 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding up of the Company. Each Preferred share is entitled to one vote on certain shareholder matters.

All Preferred shares outstanding on November 30, 2012 will be redeemed by the Company on that date. The redemption price payable by the Company for a Preferred share 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.

Preferred shares may be surrendered at any time for retraction by the Company but at least ten business days prior to the second last business day of a month (“Retraction Date”). Shareholders whose Preferred shares are retracted will be entitled to receive a 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 other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the December Retraction Date of each year, commencing on the December 2006 Retraction Date, at a 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 ten business days prior to the December Retraction Date.

The Preferred shares have been presented as financial liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

5. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the period ended December 31, 2005, the Company declared distributions of \$0.15 per Class A share and \$0.06563 per Preferred share, which amounted to \$920,250 and \$402,640, respectively.

6. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Company, for which it is paid a management fee equal to 0.55% per annum of the net asset value of the Company, plus applicable taxes. The Manager is responsible for paying fees to Brompton Capital Advisors Inc., the advisor for the Company and to Highstreet Asset Management Inc., the option advisor for the Company. These fees are calculated and payable monthly. The Company also pays to the Manager a service fee equal to 0.40% per annum of the net asset value of the Class A shares. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of shares held by clients of each dealer at the end of each calendar quarter.

7. INVESTMENT TRANSACTIONS

Investment transactions for the period from November 16 (commencement of operations) to December 31 were as follows:

	2005
Proceeds from sale of investments	\$ -
Less cost of investments sold:	
Investments at cost, beginning of period	-
Investments purchased during the period	143,963,153
Investments at cost, end of period	(143,963,153)
Cost of investments sold during the period	-
Net realized gain on investments and options	\$ -

Brokerage commissions on investments purchased and sold during the period ended December 31, 2005 amounted to \$66,689. For the period ended December 31, 2005, there were no soft dollar amounts paid.

8. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Company has a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of \$7.5 million at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage. The credit facility is secured by a first-priority security interest over all of the Company's assets. There were no borrowings under this facility at December 31, 2005 and no amounts were borrowed during the period from November 16 (commencement of operations) to December 31,

2005. Costs incurred to establish the credit facility and renewal fees are deferred and amortized over the term of the facility. For the period ended December 31, 2005, the Company has recorded amortization of these costs in the amount of \$536.

9. INCOME TAXES

	2005
Future income tax assets:	
Losses carried forward	\$ 293,851
Share issue expenses	3,278,843
Future income tax assets	3,572,694
Less: valuation allowance	(3,572,694)
Net future income taxes	\$ -

As at December 31, 2005, the Company has non-capital loss carry-forwards for income tax purposes of \$681,473 (expiry – 2015).

The Company is subject to federal large corporations tax and Ontario capital tax. No such taxes are payable by the Company in 2005.

10. SUBSEQUENT EVENT – RIGHTS OFFERING

The Company is in the process of filing a prospectus to issue to holders of its outstanding Class A shares, transferable rights (“Rights”) to subscribe for and purchase Class A shares and Preferred shares. Each Class A shareholder on a specified date will be entitled to receive one Right for each Class A share held. One Right will entitle the holder to purchase one Class A share at a specified price and one Preferred share at a price of \$10.00 and will be exercisable at any time until a specified date.

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: March 1, 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.

BROMPTON SPLIT BANC CORP.

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

By: (Signed) CRAIG T. KIKUCHI
Chief Financial Officer

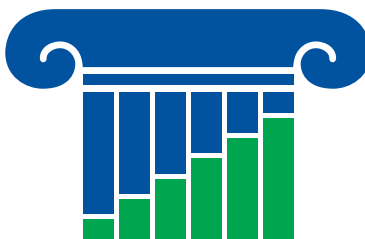
On behalf of the board of directors

By: (Signed) PETER A. BRAATEN
Director

By: (Signed) ARTHUR R. A. SCACE
Director

BROMPTON SBC MANAGEMENT LIMITED
(as Promoter)

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



BROMPTON SPLIT BANC CORP.

BROMPTON
FUNDS