

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

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Mulvihill Fund Services Inc., the manager of the issuer, at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9 or info@mulvihill.com or by calling 416.681.3966, toll-free at 1.800.725.7172 and are also available electronically at www.sedar.com.*

## SHORT FORM PROSPECTUS

Warrant Offering

August 6, 2010



### **Warrants to Subscribe for up to 3,923,580 Units (each Unit consisting of one Class A Share and one Preferred Share) at a Subscription Price of \$19.13**

S Split Corp. (the “Fund”) will issue to the holders of record of outstanding Class A Shares of the Fund at the close of business on August 23, 2010, up to 3,923,580 Warrants to subscribe for and purchase an aggregate of approximately 3,923,580 Units. Each Unit consists of one transferable, redeemable Class A Share and one transferable, redeemable Preferred Share of the Fund. This short form prospectus qualifies the distribution of the Warrants and the Class A Shares and the Preferred Shares issuable upon the exercise thereof. See “Details of the Offering”.

- Record Date:** August 23, 2010 (the “Record Date”), subject to obtaining all necessary regulatory and exchange approvals.
- Commencement Date:** Warrants may be exercised commencing on August 24, 2010.
- Expiry Date and Time:** Warrants not exercised by 5:00 p.m. (Toronto time) on January 17, 2011 (the “Expiry Date”) will be void and of no value.
- Subscription Price:** The subscription price (the “Subscription Price”) for the Warrants will be \$19.13, being the most recently calculated net asset value (“NAV”) per Unit prior to the date of filing the preliminary short form prospectus, plus the estimated per Unit fees and expenses of the Offering, plus the Warrant Exercise Fee (as defined below), and less an amount to compensate for the Retraction Fee (as defined herein) payable in connection with the retraction of shares by a holder thereof.
- Basic Subscription Privilege:** Each holder (a “Shareholder”) of a Class A Share at the close of business (Toronto time) on the Record Date will receive one transferable Warrant for each Class A Share held. Each Warrant will entitle the holder thereof (a “Warrantholder”) to acquire one Unit upon payment of the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “Details of the Offering — Basic Subscription Privilege”.
- Additional Subscription Privilege:** Warrantholders who exercise their Warrants under the Basic Subscription Privilege are entitled to purchase, on a *pro rata* basis, Units not issued pursuant to the exercise of the Basic Subscription Privilege by other Warrantholders, if any. See “Details of the Offering — Additional Subscription Privilege”.
- No Minimum Issue Size:** The completion of the Offering is not conditional upon the receipt by the Fund of any minimum amount of subscription proceeds.

The Class A Shares and the Preferred Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbols SBN and SBN.PR.A, respectively. On August 5, 2010, the closing price on the TSX of the Class A Shares was \$7.99 per Class A Share and of the Preferred Shares was \$10.25 per Preferred Share. The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Class A Shares and the Preferred Shares issuable upon the exercise thereof. Listing is subject to the Fund’s fulfilling all of the requirements of the TSX on or before October 20, 2010. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants. The extent of a secondary market for the Warrants may affect the pricing of the Warrants in the market, the transparency and availability of trading prices and the liquidity of the Warrants. See “Risk Factors”.**

|                | <b>Subscription<br/>Price<sup>(1)(2)</sup></b> | <b>Fee to Dealer on<br/>Warrant<br/>Exercise<sup>(2)(3)</sup></b> | <b>Net Proceeds<br/>to the<br/>Fund<sup>(2)(4)</sup></b> |
|----------------|--|---|--|
| Per Unit ..... | \$19.13  | \$0.29  | \$18.84  |
| Total .....    | \$75,058,085                                   | \$1,137,838   | \$73,920,247   |

- (1) The Subscription Price is the most recently calculated NAV per Unit prior to the date of filing the preliminary short form prospectus, plus the estimated per Unit fees and expenses of the Offering, plus the Warrant Exercise Fee, and less an amount to compensate for the Retraction Fee payable in connection with the retraction of shares by a holder thereof.
- (2) Assumes that all Warrants are exercised.
- (3) The Fund will pay a fee, referred to herein as the Warrant Exercise Fee, of \$0.29 per Warrant to the dealer whose client exercised the Warrant.
- (4) Before deducting the estimated fees and expenses of the Offering of \$140,000, which will be paid by the Fund.

The Fund is a mutual fund corporation incorporated under the laws of the Province of Ontario on January 26, 2007. The principal office of the Fund is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. The Fund invests in a portfolio of common shares of The Bank of Nova Scotia. The investment objectives for the Class A Shares are:

- (a) to provide Shareholders with regular monthly cash distributions targeted to be 6.00% per annum on the NAV of the Class A Shares; and
- (b) to provide Shareholders with the opportunity for leveraged growth in NAV and distributions per Class A Share.

The investment objectives for the Preferred Shares are:

- (a) to provide holders of Preferred Shares with fixed cumulative preferential monthly cash distributions in the amount of \$0.04375 per Preferred Share (\$0.525 per year) representing a yield on the original issue price of the Preferred Shares of 5.25% per annum; and
- (b) to return the original issue price of \$10.00 per Preferred Share to holders of Preferred Shares at the time of redemption of such shares on December 1, 2014.

**There is no assurance that the Fund will be able to achieve its investment objectives. See “Risk Factors” for a discussion of certain factors that should be considered by Warrantholders.**

The value of a Unit will be reduced if the NAV per Unit exceeds \$18.84 and one or more Warrants is exercised. If a Shareholder does not exercise Warrants in such circumstances, such Shareholder’s *pro rata* interest in the assets of the Fund will be diluted. To maintain the Shareholder’s *pro rata* interest in the assets of the Fund, the Shareholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Shareholder may sell the Shareholder’s Warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution. Holders of Preferred Shares will not receive any Warrants under the Offering. While the exercise of Warrants should not dilute the interests of the holders of Preferred Shares, such exercise could reduce the then-current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the asset coverage ratio that will apply immediately prior to the date of setting the Subscription Price. See “Details of the Offering — Dilution”.

**Warrant certificates will not be issued to Shareholders in connection with the Offering.**

The Fund utilizes the book-entry only system with respect to the Class A Shares and the Preferred Shares which is administered by CDS Clearing and Depository Services Inc. (“CDS”). The Fund may also use the book-entry only system with respect to the Warrants, the non-certificated issue system or another system acceptable to the Fund. A Warrantholder may subscribe for Units by instructing the participant in CDS (a “CDS Participant”) holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and concurrently forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. See “Details of the Offering — Basic Subscription Privilege”.

Warrantholders wishing to subscribe for additional Units (“Additional Units”) under the Additional Subscription Privilege must forward their request to their CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date, along with payment for the Additional Units requested. Any excess funds will be returned by mail or credited to the subscriber’s account with its CDS Participant without interest or deduction. See “Details of the Offering — Additional Subscription Privilege”.

**Warrantholders that wish to acquire Units pursuant to the Offering must provide the CDS Participant holding their Warrants with instructions and the required payment sufficiently in advance of the Expiry Date to permit the proper exercise of their Warrants. CDS Participants will have an earlier deadline for receipt of instructions and payment.**

Computershare Trust Company of Canada (the “Warrant Agent”) has been appointed the warrant agent of the Fund to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “Details of the Offering — Exercise of Warrants and Warrant Agent”.

Provided that the Fund continues to qualify at all times as a mutual fund corporation within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”) or the Class A Shares or the Preferred Shares are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX), Class A Shares and Preferred Shares issued as a result of the exercise of Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each, a “Registered Plan”). Provided that the Warrants are listed on a designated stock exchange, or provided that at all times the Class A Shares and the Preferred Shares are qualified investments for Registered Plans and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant Registered Plan within the meaning of the Tax Act, the Warrants will be a qualified investment under the Tax Act for a Registered Plan. Holders of trusts governed by a tax-free savings account should consult their own tax advisors to ensure that Class A Shares, Preferred Shares and Warrants will not be “prohibited investments” as defined in the Tax Act in their particular circumstances. See “Eligibility for Investment”.

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

## TABLE OF CONTENTS

|   |    |   |     |
|---|----|---|-----|
| GLOSSARY .....                                      | 1  | USE OF PROCEEDS .....   | 11  |
| FORWARD-LOOKING STATEMENTS .....                    | 1  | PLAN OF DISTRIBUTION .....  | 11  |
| DOCUMENTS INCORPORATED BY<br>REFERENCE .....        | 2  | U.S. Shareholders .....   | 11  |
| THE FUND .....                                      | 3  | Other Foreign Shareholders and<br>Undeliverable Documents .....         | 12  |
| Summary Description of the Fund .....               | 3  | INTERESTS OF MANAGEMENT AND<br>OTHERS IN MATERIAL<br>TRANSACTIONS ..... | 12  |
| Management and Investment<br>Management .....       | 4  | RISK FACTORS .....  | 13  |
| RATIONALE FOR THE OFFERING .....                    | 4  | Dilution to Existing Shareholders .....                                 | 13  |
| DETAILS OF THE OFFERING .....                       | 4  | No Public Market for Warrants .....                                     | 13  |
| Warrants .....                                      | 4  | Tax Changes .....   | 13  |
| Exercise of Warrants and Warrant<br>Agent .....     | 5  | CANADIAN FEDERAL INCOME TAX<br>CONSIDERATIONS .....                     | 13  |
| Basic Subscription Privilege .....                  | 5  | ELIGIBILITY FOR INVESTMENT .....  | 14  |
| Additional Subscription Privilege .....             | 6  | REGISTRAR AND TRANSFER AGENT<br>AND WARRANT AGENT .....                 | 15  |
| Sale or Transfer of Warrants .....                  | 6  | AUDITORS .....  | 15  |
| Dilution .....                                      | 6  | INTERESTS OF EXPERTS .....  | 15  |
| Anti-dilution Provisions .....                      | 7  | CONTRACTUAL RIGHT OF ACTION<br>FOR RESCISSION .....                     | 15  |
| Delivery Form and Denomination<br>of Warrants ..... | 7  | PURCHASERS' STATUTORY RIGHTS .....                                      | 15  |
| FEES AND EXPENSES .....                             | 8  | AUDITORS' CONSENT .....   | F-1 |
| DESCRIPTION OF SHARE CAPITAL .....                  | 8  | CERTIFICATE OF THE FUND AND THE<br>MANAGER .....                        | C-1 |
| CONSOLIDATED CAPITALIZATION .....                   | 10 |   |     |
| PRIOR SALES .....                                   | 10 |   |     |
| NET ASSET VALUE, TRADING PRICE<br>AND VOLUME .....  | 10 |   |     |

## GLOSSARY

|                               |   |
|-------------------------------|---|
| <b>1933 Act</b>               | the U.S. <i>Securities Act of 1933</i> , as may be amended from time to time.   |
| <b>business day</b>           | any day on which the Toronto Stock Exchange is open for business.   |
| <b>Class A Share</b>          | a transferable, redeemable Class A Share of the Fund.   |
| <b>Class J Share</b>          | a transferable Class J Share of the Fund.   |
| <b>NAV or NAV of the Fund</b> | the net asset value of the Fund which, on any date, will be equal to (a) the aggregate value of the assets of the Fund, less (b) the aggregate value of the liabilities of the Fund, including any distributions declared and not paid that are payable to shareholders on or before such date, less (c) the stated capital of the Class J Shares of the Fund, being \$100. |
| <b>NAV per Unit</b>           | in general, the net asset value of the Fund divided by the number of Units then outstanding. See “Details of the Offering — Dilution”.  |
| <b>Offering</b>               | the offering of up to 3,923,580 Warrants and the up to 3,923,580 Units issuable upon the exercise thereof, as contemplated in this short form prospectus.   |
| <b>Preferred Share</b>        | a transferable, redeemable Preferred Share of the Fund.   |
| <b>Unit</b>                   | a notional unit consisting of one Class A Share and one Preferred Share. The number of Units outstanding at any time is equal to the sum of the number of Class A Shares and Preferred Shares then outstanding divided by two.  |
| <b>United States</b>          | the United States of America, its territories and possessions.  |
| <b>U.S. person</b>            | has the meaning given to such term in Regulation S under the 1933 Act.  |
| <b>Warrant</b>                | a transferable Warrant of the Fund to be issued to Shareholders (as defined below) of record on the Record Date (as defined below) on the terms and conditions of the Warrant Indenture (as defined below).   |
| <b>\$</b>                     | means Canadian dollars unless otherwise indicated.  |

## FORWARD-LOOKING STATEMENTS

Certain statements in this short form prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Fund (as defined below), the Manager (as defined below) or the Investment Manager (as defined below). Forward-looking statements are not historical facts but reflect the current expectations of the Fund, the Manager and the Investment Manager regarding future results or events. Such forward-looking statements reflect the Fund’s, the Manager’s and the Investment Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this short form prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this short form prospectus are based upon assumptions that the Fund, the Manager and the Investment Manager believe to be reasonable, neither the Fund, the Manager nor the Investment Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the

Fund and may not be appropriate for other purposes. Neither the Fund, the Manager nor the Investment Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) the annual information form (the “Annual Information Form”) of the Fund dated March 30, 2010; and
- (b) the annual financial statements of the Fund, together with the accompanying report of the auditors, for the year ended December 31, 2009; and
- (c) the management report of fund performance related to the annual financial statements of the Fund for the year ended December 31, 2009.

Any of the documents of the type referred to above including annual information forms, financial statements and related management reports of fund performance filed by the Fund with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the distribution hereunder shall be deemed to be incorporated by reference into this short form prospectus.

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

## THE FUND

S Split Corp. (the “Fund”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on January 26, 2007. The principal office of the Fund is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9.

While the Fund is technically considered to be a mutual fund corporation under the securities legislation of certain provinces of Canada, the Fund is not a conventional mutual fund and has received exemptions from certain requirements of National Instrument 81-102 – *Mutual Funds* (“NI 81-102”).

### Summary Description of the Fund

#### *Investment Rationale*

The Fund invests in a portfolio of common shares (“BNS Shares”) of The Bank of Nova Scotia (“BNS”). Investors in the Fund’s Class A Shares receive leveraged exposure to the performance of BNS, including increases or decreases in the value of BNS Shares and increases or decreases in the dividends paid on BNS Shares. Investors in the Fund’s Preferred Shares receive attractive monthly distributions on a fixed, cumulative and preferential basis.

#### *Investment Objectives*

The investment objectives for the Class A Shares are:

- (a) to provide holders of Class A Shares (“Shareholders”) with regular monthly cash distributions targeted to be 6.00% per annum on the net asset value (“NAV”) of the Class A Shares; and
- (b) to provide Shareholders with the opportunity for leveraged growth in NAV and distributions per Class A Share.

The investment objectives for the Preferred Shares are:

- (a) to provide holders of Preferred Shares with fixed cumulative preferential monthly cash distributions in the amount of \$0.04375 per Preferred Share (\$0.525 per year) representing a yield on the original issue price of the Preferred Shares of 5.25% per annum; and
- (b) to return the original issue price of \$10.00 per Preferred Share to holders of Preferred Shares at the time of redemption of such shares on December 1, 2014 (the “Termination Date”).

#### *Investment Strategies*

To achieve its investment objectives, the Fund invests in BNS Shares. To generate additional returns above the dividend income earned on BNS Shares, the Fund may, from time to time, write covered call options in respect of some or all of the securities in its portfolio. The Fund may also purchase put options to protect the Fund from declines in the market prices of BNS Shares. The Fund may also, from time to time, write cash-covered put options to generate additional returns and to reduce the net cost of acquiring the securities subject to put options. Such cash-covered put options will only be written in respect of securities in which the Fund is permitted to invest. The Fund may also enter into trades to close out positions in such permitted derivatives, including, to the extent permitted by Canadian securities regulators from time to time, purchasing put options and call options with the effect of closing out existing call options and put options written by the Fund.

The Fund may, from time to time, hold a portion of its assets in cash equivalents. The Fund may also, from time to time, utilize such cash equivalents to provide cover in respect of the writing of cash-covered put options or for other defensive purposes.

The composition of the portfolio, the BNS Shares that may be subject to call options and put options and the terms of such options will vary from time to time, based on an assessment of market conditions by the Fund's investment manager, Mulvihill Capital Management Inc. ("MCM" or the "Investment Manager").

### ***Current Portfolio***

The following table presents unaudited information relating to the sector allocation of the Fund's portfolio as of June 30, 2010:

|  |       |
|--|-------|
| Portfolio in BNS Shares .....                    | 98.7% |
| Portfolio in Cash & Short Term Investments ..... | 1.3%  |

### ***Recent Developments***

On August 18, 2009, the Toronto Stock Exchange (the "TSX") accepted the Fund's notice of intention to make a normal course issuer bid. Under the bid, the Fund has the right to purchase up to a maximum of 383,350 Class A Shares and 383,350 Preferred Shares together in Units. The normal course issuer bid will remain in effect until the earlier of August 19, 2010, the termination of the bid by the Fund or the Fund purchasing the maximum number of Units permitted under the bid. Class A Shares and Preferred Shares purchased by the Fund pursuant to the bid will be cancelled. To date, the Fund has not purchased any Units under the bid.

### **Management and Investment Management**

Mulvihill Fund Services Inc. ("Mulvihill" or the "Manager"), the manager of the Fund, is a leading provider of structured investment products. The principal office of Mulvihill is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9. Mulvihill is a wholly-owned subsidiary of MCM.

MCM is the investment manager of the Fund and is one of the largest managers of covered call option funds in Canada. The Investment Manager implements the investment strategy of the Fund from its principal office in Toronto, Ontario.

## **RATIONALE FOR THE OFFERING**

The exercise of Warrants by holders will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities and is also expected to increase the trading liquidity of the Class A Shares and the Preferred Shares and to reduce the management expense ratio of the Fund.

## **DETAILS OF THE OFFERING**

The following is a summary only and is subject to, and is qualified in its entirety by reference to the detailed provisions of the master warrant indenture (the "Warrant Indenture") to be dated as of the date of the closing of the Offering between Mulvihill, in its capacity as manager of the Fund, and Computershare Trust Company of Canada.

### **Warrants**

Subject to the Fund obtaining all necessary regulatory and exchange approvals, Shareholders at the close of business (Toronto time) on August 23, 2010 (the "Record Date") will be issued 3,923,580 Warrants to subscribe for and purchase an aggregate of approximately 3,923,580 Units. Each Shareholder will receive one transferable Warrant for each Class A Share held. Each Warrant will entitle the holder thereof (a "Warrantholder") to acquire one Unit upon payment of \$19.13 (the "Subscription Price") prior to 5:00 p.m. (Toronto time) on January 17, 2011 (the "Expiry Date"). The Subscription Price is the most recently calculated NAV per Unit prior to the date of filing the preliminary short form prospectus, plus the estimated per Unit fees and expenses of the Offering, plus the Warrant Exercise Fee (as defined below), and less an amount to compensate for the Retraction Fee (as defined



below) payable in connection with the retraction of shares by a holder thereof. Each Unit consists of one transferable, redeemable Class A Share and one transferable, redeemable Preferred Share.

### **Exercise of Warrants and Warrant Agent**

Warrants may be exercised at any time during the period (the “Exercise Period”) commencing at market open (Toronto time) on August 24, 2010 and ending at 5:00 p.m. (Toronto time) on the Expiry Date. **WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE EXPIRY DATE WILL BE VOID AND OF NO VALUE.** If a Shareholder does not exercise, or sells, the Warrants, then the value of the Shareholder’s investment may be diluted as a result of the exercise of Warrants by others. See “Details of the Offering — Dilution”.

Computershare Trust Company of Canada (the “Warrant Agent”) has been appointed the warrant agent of the Fund to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. The Fund will pay for the services of the Warrant Agent. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payments in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date.

The Class A Shares and the Preferred Shares purchased pursuant to the Warrants so exercised shall be deemed to have been issued and the person or persons in whose name or names such shares are to be registered shall be deemed to have become the holder or holders of record of such shares on the date on which such shares are entered into the register maintained by the Fund’s transfer agent for such shares. Units will only be issued pursuant to the Additional Subscription Privilege after all necessary calculations have been made following the Expiry Date as described under “Details of the Offering — Additional Subscription Privilege”.

### **Basic Subscription Privilege**

A Warrantholder may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the participant (the “CDS Participant”) in CDS Clearing and Depository Services Inc. (“CDS”) holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of the Offering and the Warrant Indenture to the CDS Participant that holds the subscriber’s Warrants.

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 Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. **If mail is used for delivery of subscription funds, for the protection of the subscriber, “certified mail – return receipt requested” should be used and sufficient time should be allowed to avoid the risk of late delivery. 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 Warrants on such subscriber’s behalf. Warrantholders are encouraged to contact their broker or other CDS Participant as each CDS Participant may have a different cut-off time.**

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Fund and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of such Warrants were the holders of record.

Notwithstanding anything to the contrary in this short form prospectus, the Warrants may be exercised only by a Warrantholder who represents at the time of exercise that the Warrantholder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person (as defined in Regulation S under the U.S. *Securities Act of 1933*, as may be amended from time to time (the “1933 Act”)) and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. Payment of the

Subscription Price will constitute a representation to the CDS Participant that the subscriber is not located in the United States, did not acquire Warrants while in the United States, is not a U.S. person and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States.

**Warrantholders who wish to exercise their Warrants and receive Units are reminded that because Warrants must be exercised through a CDS Participant, a significant amount of time may elapse from the date of exercise and the date the Units issuable upon the exercise thereof are issued to the subscriber.**

### **Additional Subscription Privilege**

Each Warrantholder that subscribes for Units to which such holder is entitled pursuant to the Basic Subscription Privilege may, at any time during the Exercise Period, subscribe for additional Units (“Additional Units”) pursuant to the Additional Subscription Privilege, if applicable, at a price equal to the Subscription Price for each Additional Unit. Warrantholders will not be required to exercise all of their Warrants under the Basic Subscription Privilege to be eligible for the Additional Subscription Privilege.

The aggregate number of Additional Units available under the Additional Subscription Privilege for all additional subscriptions will be the difference, if any, between the total number of Units issuable upon exercise of the Warrants and the total number of Units subscribed and paid for prior to 5:00 p.m. (Toronto time) on 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 available Additional Units by a fraction, the numerator of which is the number of Warrants exercised by that subscriber under the Basic Subscription Privilege and the denominator of which is the aggregate number of Warrants exercised under the Basic Subscription Privilege by Warrantholders that have subscribed for Additional Units pursuant to the Additional Subscription Privilege. If any Warrantholder 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, a beneficial Warrantholder must forward the holder’s request to a CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date. Payment for Additional Units, in the same manner as for Units, must accompany the request when it is delivered to the CDS Participant. Any excess funds will be returned by mail or credited to a subscriber’s account with its CDS Participant without interest or deduction. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber’s entitlement to such Units will terminate. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly apply for Additional Units under the Additional Subscription Privilege. Units issued pursuant to the Additional Subscription Privilege will only be issued after all necessary calculations have been made following the Expiry Date.

### **Sale or Transfer of Warrants**

Warrantholders in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner as they sell or transfer Class A Shares or Preferred Shares, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The TSX has conditionally approved the listing of the Warrants. Listing is subject to the Fund’s fulfilling all of the requirements of the TSX on or before October 20, 2010.

### **Dilution**

The value of a Unit will be reduced if the NAV per Unit exceeds \$18.84 (being the Subscription Price payable on the exercise of a Warrant less the Warrant Exercise Fee) and one or more Warrants is exercised. If the NAV per Unit exceeds \$18.84, then a Shareholder will face dilution of its investment to the extent Warrantholders

exercise their Warrants and acquire Units. If a Shareholder does not exercise Warrants in such circumstances, such Shareholder's *pro rata* interest in the assets of the Fund will be diluted.

Due to the dilutive effect on the value of the Units when Warrants are exercised, Shareholders should carefully consider the exercise of the Warrants or the sale of the Warrants prior to the Expiry Time. The failure to take either such action in the circumstances described above will result in the loss of value to the investor. To maintain the Shareholder's *pro rata* interest in the assets of the Fund, the Shareholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Shareholder may sell the Shareholder's Warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution. The factors that would be expected to influence the price of a Warrant include the difference between the Subscription Price and the NAV per Unit calculated on a diluted basis, price volatility, distributions payable on the Class A Shares and the remaining time to expiry of the Warrant.

Holders of Preferred Shares will not receive any Warrants under the Offering. While the exercise of Warrants should not dilute the interests of the holders of Preferred Shares, such exercise could reduce the then-current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the asset coverage ratio that will apply immediately prior to the date of setting the Subscription Price.

### **Anti-dilution Provisions**

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Units issuable upon the exercise of the Warrants will be subject to adjustment from time to time if, prior to the expiry time (5 p.m. Toronto time) on the Expiry Date, the Fund:

- (a) subdivides, re-divides or changes its outstanding Class A Shares or Preferred Shares into a greater number of shares;
- (b) reduces, combines or consolidates its outstanding Class A Shares or Preferred Shares into a smaller number of shares;
- (c) distributes to holders of all or substantially all of the outstanding Class A Shares or Preferred Shares any securities of the Fund including rights, options or warrants to acquire Class A Shares or Preferred Shares or securities convertible into or exchangeable for Class A Shares or Preferred Shares or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Class A Shares or Preferred Shares or otherwise reorganizes the capital of the Fund; or
- (e) consolidates, amalgamates or merges the Fund with or into any other investment fund or other entity, or sells or conveys the property and assets of the Fund as an entirety or substantially as an entirety (other than in connection with the retraction or redemption of Class A Shares or Preferred Shares).

### **Delivery Form and Denomination of Warrants**

The Fund may utilize the book-entry only system administered by CDS with respect to the Warrants, the non-certificated issue system or another system acceptable to the Fund. Shareholders hold their Class A Shares through a CDS Participant and will not receive physical certificates evidencing their ownership of Warrants and all Warrantholders will hold their Warrants through a CDS Participant. The Fund expects that each Shareholder will receive a confirmation of the number of Warrants issued to it under the Offering from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining accounts for its participants holding Warrants.

None of the Fund, the Manager or the Warrant Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Warrants or the accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to the Warrants; or (c) 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 Warrants 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. Warrantheolders must arrange purchases, transfers and exercises of Warrants through CDS Participants.

## **FEES AND EXPENSES**

### ***Expenses of the Offering***

The expenses of the Offering (including the costs of preparing and printing this short form prospectus, legal expenses, expenses of the auditors and translation fees), which are estimated to be \$140,000 in the aggregate, will be paid by the Fund.

### ***Warrant Exercise Fee***

The Fund will pay a fee (the "Warrant Exercise Fee") of \$0.29 per Warrant to the dealer whose client exercised the Warrant.

### ***Management Fees***

The Manager receives a management fee equal to 0.10% per annum of the NAV, calculated and payable monthly, plus applicable taxes.

### ***Investment Management Fees***

The Investment Manager receives an investment management fee equal to 1.55% per annum of the NAV, calculated and payable monthly, plus applicable taxes.

### ***Service Fee***

The Fund pays a service fee (the "Service Fee") 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 0.50% annually of the value of the 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. No Service Fee is paid in any calendar quarter if regular distributions are not paid to Shareholders in respect of each month in such calendar quarter.

### ***Ongoing Expenses***

The Fund pays for all fees and expenses incurred in connection with its operation and administration. In addition to those expenses described in the Annual Information Form incorporated by reference herein, these expenses will include fees payable to the Warrant Agent.

## **DESCRIPTION OF SHARE CAPITAL**

The Fund is authorized to issue an unlimited number of Class A Shares, Preferred Shares and Class J Shares. A trust established for the benefit of shareholders owns all 100 outstanding Class J Shares. The holder of the Class J Shares will receive one Warrant for every Class J Share held.

The Class A Shares and the Preferred Shares have been issued on the basis that an equal number of shares of each class will be issued and outstanding at all times. As at July 31, 2010 there were 3,923,580 Class A Shares

and 3,923,580 Preferred Shares outstanding. The Preferred Shares are rated Pfd-3 by DBRS Limited. The following is a summary of certain provisions of the Class A Shares and the Preferred Shares which are more fully described in the Annual Information Form.

***Distributions***

The Fund intends to pay regular monthly non-cumulative distributions to Shareholders in an amount targeted to be 6.00% per annum on the NAV of the Class A Shares. The Fund also intends to pay annual distributions to Shareholders in an amount equal to all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year-end) earned by the Fund in such year (net of expenses, taxes and loss carry-forwards) that are in excess of the distributions paid to the holders of Preferred Shares. Accordingly, if any amounts remain available for the payment of distributions after payment of distributions on the Preferred Shares and the regular monthly distributions on the Class A Shares, a special year-end distribution of such amount will be payable to Shareholders of record on the last day of December in each year. No distributions will be paid on the Class A Shares if the distributions payable on the Preferred Shares are in arrears or if the NAV per Unit is equal to or less than \$16.50. Additionally, it is currently intended that no special year-end distributions will be paid if after such payment the NAV per Unit would be less than \$25.00, unless the Fund would need to make such distributions so as to fully recover refundable taxes.

Holders of Preferred Shares will be entitled to receive fixed cumulative preferential monthly cash distributions of \$0.04375 per share to yield 5.25% per annum on the original issue price of \$10.00 per Preferred Share.

***Retractions***

Class A Shares and Preferred Shares may be surrendered at any time for retraction but will be retracted only on the last day of a month (a “Valuation Date”). Shareholders whose Class A Shares are retracted on a Valuation Date other than the June Valuation Date will be entitled to receive a retraction price per Class A Share equal to 95% of the difference between (a) the NAV per Unit determined as of such Valuation Date, and (b) the cost to the Fund of the purchase of a Preferred Share in the market for cancellation. Holders whose Preferred Shares are retracted on such a Valuation Date will be entitled to receive a retraction price per Preferred Share equal to 95% of the lesser of (a) the NAV per Unit determined as of such Valuation Date less the cost to the Fund of the purchase of a Class A Share in the market for cancellation, and (b) \$10.00. Any unpaid distributions payable on or before a Valuation Date in respect of shares tendered for retraction on such Valuation Date will also be paid on the applicable retraction payment date.

A Shareholder may concurrently retract an equal number of Class A Shares and Preferred Shares on the June Valuation Date of each year 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 Fund’s portfolio required to fund such retraction.

If a retraction of a Preferred Share or a Class A Share occurs prior to July 2014, a retraction fee payable to MCM by the retracting shareholder (the “Retraction Fee”) will be deducted by MCM from the amount otherwise receivable by the retracting shareholder to compensate MCM, in part, for paying the agents’ fees and expenses of the Fund’s initial public offering. The Retraction Fee is calculated as follows:

| <u>Time of Retraction</u> | <u>Retraction Fee per Unit</u> | <u>Time of Retraction</u>  | <u>Retraction Fee per Unit</u> |
|---------------------------|--------------------------------|----------------------------|--------------------------------|
| July 2010 to June 2011    | \$0.80                         | July 2013 to June 2014     | \$0.20                         |
| July 2011 to June 2012    | \$0.60                         | July 2014 to December 2014 | Nil                            |

The Retraction Fee is based on each Unit retracted as set forth above. A holder of Class A Shares or Preferred Shares is deemed to have retracted a Unit for each Class A Share or Preferred Share retracted unless shares

of the other class have also been retracted as of the same Valuation Date, in which case the Retraction Fee will be calculated on a *pro rata* basis among all shareholders that are deemed to have retracted such Units.

### **Redemptions**

The Class A Shares and the Preferred Shares will be redeemed by the Fund on the Termination Date. The redemption price payable by the Fund for each Class A Share outstanding on that date will be equal to the greater of (a) the NAV per Unit on that date minus the sum of \$10.00 plus any accrued and unpaid dividends on a Preferred Share, and (b) nil. The redemption price payable by the Fund for each Preferred Share outstanding on the Termination Date will be equal to the lesser of (a) \$10.00 plus any accrued and unpaid dividends thereon, and (b) the NAV of the Fund on that date divided by the number of Preferred Shares then outstanding.

### **CONSOLIDATED CAPITALIZATION**

The following table sets forth the unaudited capitalization of the Fund before and after giving effect to the Offering:

|                                   | <b>Authorized</b> | <b>Outstanding as at<br/>July 31, 2010<sup>(1)</sup></b> | <b>Outstanding as at<br/>July 31, 2010 after<br/>giving effect to the<br/>Offering<sup>(1)(2)</sup></b> |
|-----------------------------------|-------------------|--|---|
| <b>Liabilities</b>                |                   |  |   |
| Preferred Shares.....             | Unlimited         | \$39,235,800<br>(3,923,580 shares)                       | \$78,471,600<br>(7,847,160 shares)  |
| <b>Share Capital</b>              |                   |  |   |
| Class A Shares.....               | Unlimited         | \$40,531,712<br>(3,923,580 shares)                       | \$75,076,159<br>(7,847,160 shares)  |
| Class J Shares.....               | Unlimited         | \$100<br>(100 shares)                                    | \$100<br>(100 shares)   |
| <b>Total Capitalization .....</b> |                   | <b>\$79,767,612</b>                                      | <b>\$153,547,859</b>  |

<sup>(1)</sup> For this purpose, portfolio securities are valued at closing market prices.

<sup>(2)</sup> Based on the number of Class A Shares and Preferred Shares outstanding as at July 31, 2010, less the payment of the fees and expenses of the Offering, estimated to be \$140,000, and assuming the exercise of all Warrants issued hereunder at the Subscription Price and the payment of the Warrant Exercise Fees by the Fund.

### **PRIOR SALES**

On November 19, 2009, the Fund completed an offering of warrants to holders of its Class A Shares. Each warrant entitled the holder thereof to acquire one Unit upon payment of \$18.75 between December 1, 2009 and March 31, 2010. During that period, 1,292,700 Class A Shares and 1,292,700 Preferred Shares were issued pursuant to the exercise of the warrants.

### **NET ASSET VALUE, TRADING PRICE AND VOLUME**

The Class A Shares and the Preferred Shares are listed on the TSX under the symbols SBN and SBN.PR.A, respectively. On August 5, 2010, the closing price on the TSX of the Class A Shares was \$7.99 per Class A Share and of the Preferred Shares was \$10.25 per Preferred Share. On July 31, 2010, the NAV per Class A Share was \$10.33 and the NAV per Preferred Share was \$10.00.

The following table sets forth the NAV per Unit and the market price range and trading volume of the Class A Shares and the Preferred Shares on the TSX for the twelve-month period prior to the date of this short form prospectus. All such information, other than the NAV per Unit, was obtained from Bloomberg. The Fund, the

Manager, the Investment Manager and the Warrant Agent do not assume any responsibility for the accuracy of the information obtained from Bloomberg.

| Period                      | NAV per Unit <sup>(1)</sup> |         | Class A Shares |        |         | Preferred Shares |         |         |
|-----------------------------|-----------------------------|---------|----------------|--------|---------|------------------|---------|---------|
|                             | High                        | Low     | Market Price   |        | Volume  | Market Price     |         | Volume  |
|                             |                             |         | High           | Low    |         | High             | Low     |         |
| <b>2009</b>                 |                             |         |                |        |         |                  |         |         |
| August .....                | \$20.55                     | \$19.11 | \$7.99         | \$6.01 | 52,906  | \$10.35          | \$10.01 | 75,972  |
| September .....             | \$20.72                     | \$19.27 | \$8.11         | \$6.85 | 77,644  | \$10.30          | \$9.52  | 41,044  |
| October .....               | \$20.24                     | \$19.38 | \$8.69         | \$7.44 | 89,487  | \$10.20          | \$9.20  | 66,298  |
| November .....              | \$20.45                     | \$19.36 | \$8.85         | \$7.50 | 94,239  | \$10.05          | \$9.56  | 89,359  |
| December.....               | \$19.66                     | \$19.29 | \$8.56         | \$7.80 | 100,869 | \$10.30          | \$9.90  | 191,302 |
| <b>2010</b>                 |                             |         |                |        |         |                  |         |         |
| January.....                | \$19.21                     | \$18.77 | \$8.49         | \$7.47 | 95,658  | \$10.28          | \$10.09 | 75,419  |
| February.....               | \$19.34                     | \$18.78 | \$8.34         | \$7.18 | 93,366  | \$10.55          | \$10.10 | 34,605  |
| March.....                  | \$20.38                     | \$19.41 | \$8.70         | \$7.81 | 706,093 | \$10.43          | \$10.15 | 672,621 |
| April.....                  | \$20.80                     | \$20.33 | \$9.30         | \$8.32 | 236,916 | \$10.55          | \$10.25 | 269,223 |
| May.....                    | \$20.83                     | \$19.14 | \$9.19         | \$7.78 | 232,745 | \$10.50          | \$10.15 | 193,992 |
| June.....                   | \$20.09                     | \$19.24 | \$8.61         | \$7.25 | 157,714 | \$10.97          | \$10.06 | 115,899 |
| July .....                  | \$20.33                     | \$19.60 | \$8.24         | \$7.20 | 98,319  | \$10.34          | \$10.12 | 21,490  |
| August <sup>(2)</sup> ..... | -                           | -       | \$8.38         | \$7.99 | 25,307  | \$10.30          | \$10.24 | 8,300   |

(1) The NAV per Unit is presented on a diluted basis where applicable, and is calculated and published on a weekly basis. During the period from and after November 19, 2009 and up to and including March 31, 2010, if, at a valuation time, the basic NAV per Unit (obtained by dividing the NAV of the Fund at such time by the number of Units then outstanding) was greater than \$18.42 (being the subscription price payable on the exercise of one of the warrants of the Fund then outstanding less the warrant exercise fee for such warrant), a diluted NAV per Unit was calculated by adding to the denominator the total number of Units issuable upon the exercise of the warrants then outstanding and by adding to the numerator the product of such number of Units and \$18.42 and the diluted NAV per Unit was deemed to be the resulting quotient.

(2) From and after August 1, 2010 and up to and including August 5, 2010.

### USE OF PROCEEDS

The net proceeds from the exercise of the Warrants offered hereby are estimated to be \$73,780,247 (assuming that all Warrants are exercised and after payment of the fees and expenses of the Offering and all applicable Warrant Exercise Fees). Such proceeds will be invested by the Fund in accordance with its investment objectives, strategy and restrictions. For further information on the anticipated use of proceeds, see “The Fund — Summary Description of the Fund”.

### PLAN OF DISTRIBUTION

The TSX has conditionally approved the listing of the Warrants distributed under this short form prospectus and the Class A Shares and the Preferred Shares issuable upon the exercise thereof. Listing is subject to the Fund’s fulfilling all of the requirements of the TSX on or before October 20, 2010. The Fund will deliver a copy of the final short form prospectus to Shareholders of record on the Record Date.

Warrantholders who are Shareholders resident outside of Canada are cautioned that the acquisition and disposition of Warrants, Class A Shares and Preferred Shares may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

### U.S. Shareholders

The Class A Shares and the Preferred Shares are not registered under the 1933 Act. The Offering is made in Canada and not in the United States. The Offering is not, and under no circumstances is to be construed as, an offering of any Class A Shares or Preferred Shares for sale in the United States or an offering to or for the account or

benefit of any U.S. person or a solicitation therein of an offer to buy securities. Accordingly, the Warrants may not be distributed to Shareholders located in the United States, and no subscriptions will be accepted from any person, or his agent, who appears to be, or whom the Fund has reason to believe is, resident in the United States.

Each CDS Participant will, prior to the Expiry Date, attempt to sell for the U.S. Shareholder the Warrants allotable to such Shareholder at the price or prices it determines in its discretion. Neither the Fund nor any CDS Participant will be subject to any liability for the failure to sell any Warrants for such a Shareholder or in connection with the sale of any Warrants at a particular price on a particular day. It is expected that any proceeds received by the CDS Participant with respect to the sale of Warrants, net of brokerage fees and costs incurred and, if applicable, Canadian tax required to be withheld, will be delivered by mailing cheques (in Canadian funds and without payment of any interest) as soon as practicable to the Shareholder whose Warrants were sold, at the Shareholder's last recorded address. Amounts of less than \$1.00 will not be forwarded. There is a risk that the proceeds received from the sale of Warrants will not exceed the brokerage fees and costs of or incurred by the CDS Participant in connection with the sale of such Warrants and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

### **Other Foreign Shareholders and Undeliverable Documents**

Shareholders whose recorded addresses are outside of Canada (but not in the United States) 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 Warrants to subscribe for Units, will be permitted to sell or otherwise transfer their Warrants through a CDS Participant provided that they represent to the Fund that the receipt by them of Warrants and the issuance to them of Class A Shares and Preferred Shares upon the exercise of Warrants is not in violation of the laws of their jurisdiction of residence.

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

All Shareholders whose recorded addresses are outside of Canada, other than those Shareholders who confirm their eligibility to receive and exercise Warrants, are advised that their Warrants will be held by their CDS Participant for the account of such Shareholders. Each CDS Participant will, prior to the Expiry Date, attempt to sell for such Shareholder the Warrants allotable to such Shareholder at the price or prices it determines in its discretion. Neither the Fund nor any CDS Participant will be subject to any liability for the failure to sell any Warrants for such a Shareholder or in connection with the sale of any Warrants at a particular price on a particular day. It is expected that any proceeds received by the CDS Participant with respect to the sale of Warrants, net of brokerage fees and costs incurred and, if applicable, Canadian tax required to be withheld, will be delivered by mailing cheques (in Canadian funds and without payment of any interest) as soon as practicable to the Shareholder whose Warrants were sold, at the Shareholder's last recorded address. Amounts of less than \$1.00 will not be forwarded. There is a risk that the proceeds received from the sale of Warrants will not exceed the brokerage fees and costs of or incurred by the CDS Participant in connection with the sale of such Warrants and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

If any offering documents in connection with the Warrants are returned to a CDS Participant prior to the Expiry Date as undeliverable, the Manager expects that the applicable Warrants will be sold and the net proceeds held by the applicable CDS Participant for the account of the Shareholder whose offering documents were returned. In the event such proceeds are not claimed before 5:00 p.m. (Toronto time) on the Expiry Date, such proceeds will be paid to the Fund.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Manager and the Investment Manager receive the fees described under "Fees and Expenses" for their services to the Fund and will be reimbursed by the Fund for all expenses incurred in connection with their roles in the operation and administration of the Fund.



## **RISK FACTORS**

Certain risk factors relating to the Fund, the Warrants, the Class A Shares and the Preferred Shares are described below. In addition to the risks described in this short form prospectus, the Annual Information Form contains a detailed discussion of risks and other considerations relating to an investment in the Fund of which investors should be aware. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of the operations of the Fund and the ability of the Fund to make distributions on the Class A Shares and the Preferred Shares could be materially adversely affected.

### **Dilution to Existing Shareholders**

The value of a Unit will be reduced if the NAV per Unit exceeds \$18.84 and one or more Warrants is exercised. If a Shareholder does not exercise Warrants in such circumstances, such Shareholder's *pro rata* interest in the assets of the Fund will be diluted. To maintain the Shareholder's *pro rata* interest in the assets of the Fund, the Shareholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Shareholder may sell the Shareholder's Warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution.

### **No Public Market for Warrants**

The TSX has conditionally approved the listing of the Warrants. Listing is subject to the Fund's fulfilling all of the requirements of the TSX. There is currently no public market for the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

### **Tax Changes**

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Fund or the Fund's investments, or that such tax rules will not be administered in a way that is less advantageous to the Fund or its securityholders. It is currently uncertain whether harmonized sales tax ("HST") applies to trailer commissions paid to an investment dealer. If HST applies to trailer commissions, the Fund will be required to pay HST on the Service Fee, thereby increasing the costs borne by the Fund.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, the following is a general summary of the principal Canadian federal income tax considerations generally relevant to the receipt of Warrants under the Offering. This summary is applicable only to Warrantholders who are issued Warrants pursuant to the Offering and who, for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), are resident in Canada and hold their Warrants, and Class A Shares and Preferred Shares issued pursuant to the exercise of the Warrants, as capital property and deal at arm's length with, and are not affiliated with, the Fund ("Holders"). 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 policies and assessing practices of the Canada Revenue Agency ("CRA") made publicly available prior to the date hereof, and on a certificate of the Fund as to certain factual matters. 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, but does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, or in CRA's administrative policies or assessing practices.

This summary is based upon the assumption that the Fund has at all times complied, and will at all times comply, with its investment restrictions, and that the Fund has qualified as a "mutual fund corporation" under the Tax Act continuously since it was established and will continue to so qualify at all material times.

This summary does not apply to a Holder that is a "financial institution" for purposes of section 142.2 of the Tax Act or a "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, or to a Holder that has made an election to compute and report its tax results in a currency other than Canadian currency.

**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 summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder are made. Holders should consult their own tax advisors regarding the income tax considerations applicable to them having regard for their particular circumstances.**

### ***Receipt of Warrants***

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

### ***Exercise of Warrants***

The exercise of a Warrant 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 Warrants. Upon the exercise of a Warrant, the Fund intends, for its purposes, to issue each Class A Share for \$9.13 and each Preferred Share for \$10.00. Although the Fund believes that such allocation of the aggregate Subscription Price is reasonable, such allocation is not binding on CRA. A Class A Share and a Preferred Share acquired by a Holder upon the exercise of a Warrant will have a cost to the Holder equal to the portion of the Subscription Price per Unit allocated to such Class A Share and Preferred Share and the portion of the adjusted cost base, if any, to the Holder of the Warrant so exercised that has been allocated to such Class A Share and Preferred Share. The cost of a Class A Share and Preferred Share acquired by a Holder upon the exercise of Warrants will be averaged with the adjusted cost base to the Holder of all other Class A Shares and Preferred Shares, respectively, held at that time as capital property to determine the adjusted cost base of each such Class A Share and Preferred Share to the Holder.

### ***Disposition of Warrants***

Upon the disposition of a Warrant by a Holder, other than pursuant to the exercise thereof, the Holder 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 Warrant to the Holder. One-half of any capital gain (a “taxable capital gain”) will be included in the Holder’s income, and one-half of any capital loss may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard.

### ***Expiry of Warrants***

Upon the expiry of an unexercised Warrant, a Holder will realize a capital loss equal to the adjusted cost base of the Warrant to the Holder.

## **ELIGIBILITY FOR INVESTMENT**

Provided that the Fund continues to qualify at all times as a mutual fund corporation within the meaning of the Tax Act or the Class A Shares or the Preferred Shares are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX), Class A Shares and Preferred Shares issued as a result of the exercise of Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each, a “Registered Plan”). Provided that the Warrants are listed on a designated stock exchange, or provided that at all times the Class A Shares and the Preferred Shares are qualified investments for Registered Plans and the Fund is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the relevant Registered Plan within the

meaning of the Tax Act, the Warrants will be a qualified investment under the Tax Act for a Registered Plan. However, if the Class A Shares, Preferred Shares or Warrants are a “prohibited investment” for a tax-free savings account, the holder of a tax-free savings account that governs a trust holding Class A Shares, Preferred Shares or Warrants will be subject to a penalty tax as set out in the Tax Act. An investment in the Class A Shares, the Preferred Shares or the Warrants will not generally be a “prohibited investment” unless the holder of a tax-free savings account does not deal at arm’s length with the Fund for purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in the Fund or in a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act. Holders of tax-free savings accounts should consult their own tax advisors to ensure that Class A Shares, Preferred Shares and Warrants will not be “prohibited investments” in their particular circumstances.

#### **REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT**

Computershare Investor Services Inc. provides the Fund with registrar, transfer and distribution agency services in respect of the Class A Shares and the Preferred Shares from its principal offices in Toronto, Ontario. Under the Warrant Indenture, the warrant agent and the registrar and transfer agent for the Warrants is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

#### **AUDITORS**

The auditors of the Fund are Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario.

#### **INTERESTS OF EXPERTS**

The matters referred to under “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the Offering and the Warrants and the Class A Shares and the Preferred Shares issuable upon the exercise of the Warrants to be distributed pursuant to this short form prospectus will be passed upon by Osler, Hoskin & Harcourt LLP on behalf of the Fund. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, beneficially owned, directly or indirectly, less than one percent of the outstanding Class A Shares and less than one percent of the outstanding Preferred Shares of the Fund.

The Fund’s auditors, Deloitte & Touche LLP, have prepared a report to the shareholders of the Fund dated February 12, 2010 which is incorporated by reference herein. Deloitte & Touche LLP has advised the Manager that they are independent in accordance with their rules of professional conduct.

#### **CONTRACTUAL RIGHT OF ACTION FOR RESCISSION**

Pursuant to the terms of the Warrant Indenture, the Fund has granted to each Warrantholder who elects to purchase Units pursuant to the Basic Subscription Privilege a contractual right of rescission. Pursuant to such right, a Warrantholder who elects to exercise Warrants pursuant to the Basic Subscription Privilege may rescind such exercise by delivering a notice of rescission (in the form attached to the Warrant Indenture) to the Warrant Agent no later than midnight (Toronto time) on the second business day after a valid subscription is received by the Warrant Agent (being the date on which both the instruction to exercise the Warrants and payment in full of the Subscription Price therefor is received by the Warrant Agent). Each Warrantholder validly electing to rescind an exercise of Warrants will receive a full refund of the Subscription Price paid in connection with such exercise and will not receive any Class A Shares or Preferred Shares. Any Warrants rescinded will be cancelled. The contractual right of rescission granted to each Warrantholder is in addition to any other right or remedy available to the Warrantholder at law.

#### **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain of the provinces 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, the securities legislation further

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

## AUDITORS' CONSENT

We have read the short form prospectus (the "prospectus") of S Split Corp. (the "Fund") dated August 6, 2010, relating to the issue of Warrants to subscribe for Units of the Fund (each Unit consisting of one Class A Share and one Preferred Share of the Fund). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the prospectus, of our report dated February 12, 2010 to the shareholders of the Fund on the statement of investments as at December 31, 2009, the statements of financial position as at December 31, 2009 and December 31, 2008, and the statements of operations and deficit, of changes in net assets and of cash flows for the years then ended.

Toronto, Ontario  
August 6, 2010

(Signed) DELOITTE & TOUCHE LLP  
Chartered Accountants  
Licensed Public Accountants

**CERTIFICATE OF THE FUND AND THE MANAGER**

Dated: August 6, 2010

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

**S SPLIT CORP.**

(Signed) JOHN P. MULVIHILL  
Chief Executive Officer

(Signed) SHEILA S. SZELA  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) MICHAEL M. KOERNER  
Director

(Signed) ROBERT G. BERTRAM  
Director

**MULVIHILL FUND SERVICES INC.**  
(as manager of S Split Corp.)

(Signed) JOHN P. MULVIHILL  
Chief Executive Officer

(Signed) SHEILA S. SZELA  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN P. MULVIHILL  
Director

(Signed) SHEILA S. SZELA  
Director

(Signed) JOHN GERMAIN  
Director