

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons. See "Plan of Distribution".

Initial Public Offering

PROSPECTUS

April 26, 2007



S SPLIT CORP.

\$250,000,000 (Maximum)

10,000,000 Class A Shares and 10,000,000 Preferred Shares
\$15.00 per Class A Share and \$10.00 per Preferred Share

This prospectus qualifies the issuance of class A shares (the "Class A Shares") and preferred shares (the "Preferred Shares") of S Split Corp. (the "Company"). The Class A Shares and the Preferred Shares are offered separately but will be issued only on the basis that an equal number of each class of shares will be issued and outstanding.

The Company will invest in a portfolio of common shares ("BNS Shares") of The Bank of Nova Scotia. Investors in the Company's Class A Shares will receive leveraged exposure to the performance of The Bank of Nova Scotia ("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 Company's Preferred Shares will receive attractive monthly distributions on a fixed, cumulative and preferential basis.

The investment objectives for the Class A Shares are:

- (i) to provide holders of Class A Shares with regular monthly cash distributions in an amount targeted to be 6.00% per annum on the net asset value ("NAV") of the Class A Shares; and
- (ii) to provide holders of Class A Shares with the opportunity for leveraged growth in NAV and distributions per Class A Share.

The investment objectives for the Preferred Shares are:

- (i) 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 issue price of the Preferred Shares of 5.25% per annum; and
- (ii) to return the 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").

The Preferred Shares have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited.

To achieve its investment objectives, the Company will invest the net proceeds of this offering in BNS Shares. To generate additional returns above the dividend income earned on BNS Shares, the Company may, from time to time, write covered call options in respect of some or all of such BNS Shares. The number of BNS Shares that may be subject to call options and the terms of such options will vary from time to time, based on Mulvihill Capital Management Inc.'s assessment of market conditions. Based on BNS's policy with respect to BNS Shares and current levels of options volatility, MCM expects that to meet the Company's distribution objectives for the Class A Shares and the Preferred Shares, initially approximately 44.13% of the BNS Shares held by the Company will be subject to covered call options.

Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Distributions payable to holders of Preferred Shares are expected to consist primarily of ordinary dividends. Based on BNS's current dividend policy, the Company's portfolio is expected to generate dividend income of approximately 3.12% per annum. The Company's portfolio would be required to generate an additional return of approximately 4.89% per annum, including from dividend growth, capital appreciation and option premiums, for the Company to maintain its targeted distributions on the Class A Shares and the Preferred Shares while maintaining a stable NAV.

Prospective purchasers may purchase (i) Class A Shares and/or Preferred Shares by a cash payment, or (ii) either Class A Shares and Preferred Shares together in Units (each consisting of one Class A Share and one Preferred Share) or only Class A Shares by an exchange of freely tradeable BNS Shares (the "Exchange Option"). The Company may acquire a maximum of 9.9% of outstanding BNS Shares pursuant to the Exchange Option. The Exchange Option does not constitute, and is not to be construed as, a takeover bid for BNS Shares. Pursuant to the Exchange Option for Units, the number of Units issuable in exchange for BNS Shares deposited by a prospective purchaser will be determined by dividing the volume-weighted average trading price of BNS Shares on the Toronto Stock Exchange during the three consecutive trading days ending on April 25, 2007, adjusted to reflect dividends declared on such BNS Shares that will not be received by the Company, if any (the "Exchange Price"), by \$25.00 (being the sum of the issue price of one Class A Share and one Preferred Share). Pursuant to the Exchange Option for Class A Shares, prospective purchasers will receive Class A Shares in exchange for BNS Shares and \$0.01 in cash per Class A Share. The number of Class A Shares issuable in exchange for each BNS Share deposited by a prospective purchaser will be determined by dividing the Exchange Price by \$15.00 (being the issue price of a Class A Share). See "Exchange Option". A purchaser utilizing the Exchange Option who is a resident of Canada for purposes of the *Income Tax Act* (Canada) (the "Tax Act"), who holds BNS Shares as capital property and who enters into a joint election with the Company may obtain a tax-deferred rollover for Canadian tax purposes. **Purchasers who wish to obtain such a tax-deferred rollover must submit to the Company a duly completed Tax Election Package (as defined below) within 30 days of the Closing Date (as defined below). Certain Agents (as defined below) may require the Tax Election Package to be submitted at an earlier date.** See "Exchange Option", "Canadian Federal Income Tax Considerations" and "Procedure for Tax Election".

(continued on next page)

(continued from cover)

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

| | Price to the Public ⁽¹⁾⁽²⁾ | Agents' Fees | Net Proceeds to the Company ⁽³⁾ |
|--|--|--------------|---|
| Per Class A Share | \$15.00 | \$0.825 | \$15.00 |
| Total Minimum Offering ⁽⁴⁾⁽⁵⁾ | \$39,000,000 | \$2,145,000 | \$39,000,000 |
| Total Maximum Offering ⁽⁵⁾ | \$150,000,000 | \$8,250,000 | \$150,000,000 |
| Per Preferred Share | \$10.00 | \$0.30 | \$10.00 |
| Total Minimum Offering ⁽⁴⁾⁽⁵⁾ | \$26,000,000 | \$780,000 | \$26,000,000 |
| Total Maximum Offering ⁽⁵⁾ | \$100,000,000 | \$3,000,000 | \$100,000,000 |

- (1) The offering prices were established by negotiation between the Company and the Agents.
- (2) The price to the public is payable in cash or BNS Shares in accordance with the Exchange Option.
- (3) Mulvihill Capital Management Inc. ("MCM") will pay the Agents' fees and the expenses of issue. As partial compensation for its payment of the issue expenses and Agents' fees, MCM will receive a retraction fee from retracting shareholders upon the retraction of Units. See "Details of the Offering — Retraction Fee".
- (4) There will be no closing unless a minimum of 2,600,000 Class A Shares and 2,600,000 Preferred Shares are sold. If subscriptions for a minimum of 2,600,000 Class A Shares and 2,600,000 Preferred Shares have not been received within 90 days following the date of issuance of a receipt for this prospectus, the offering may not continue without the consent of the Canadian securities regulators and those who have subscribed for the Class A Shares and the Preferred Shares on or before such date.
- (5) The Company has granted the Agents an option (the "Over-Allotment Option") exercisable until 30 days after the closing of the offering to offer up to 15% of the number of Class A Shares and Preferred Shares issued on closing on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares and the Preferred Shares issuable on the exercise thereof. If the Over-Allotment Option is exercised in full, the total price to the public under the maximum offering will be \$287,500,000, the Agents' fees will be \$12,937,500 and the net proceeds to the Company will be \$287,500,000.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Class A Shares and the Preferred Shares subject to fulfillment by the Company of the requirements of the TSX by June 17, 2007.

The Class A Shares and the Preferred Shares will be redeemed by the Company on the Termination Date. The redemption price payable by the Company for each Class A Share outstanding 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 dividends on a Preferred Share and (ii) nil. "NAV per Unit" for this purpose means the NAV of the Company divided by one half of the aggregate number of Class A Shares and Preferred Shares then outstanding. The redemption price payable by the Company for each Preferred Share outstanding on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid dividends thereon and (ii) the NAV of the Company on that date divided by the number of Preferred Shares then outstanding.

In the opinion of counsel, provided that the Company qualifies as a mutual fund corporation within the meaning of the Tax Act or if the Class A Shares or the Preferred Shares are listed on a prescribed stock exchange, such shares will be qualified investments for trusts governed by registered retirement savings plans, deferred profit sharing plans or registered retirement income funds. Registered education savings plans should consult their own advisors as to eligibility. See "Canadian Federal Income Tax Considerations" and "Eligibility for Investment".

See "Risk Factors" for a discussion of certain factors that should be considered by prospective investors in the Class A Shares and the Preferred Shares. There is no assurance that the Company will be able to achieve its distribution or NAV preservation objectives. The Agents may over-allot or effect transactions as described under "Plan of Distribution". There is currently no market through which the Class A Shares or the Preferred Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus.

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

Subscriptions will be received for the Class A Shares and the Preferred Shares offered hereby, subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time. Closing of this offering is expected to occur on or about May 17, 2007, but no later than June 29, 2007. Registrations and transfers of the Class A Shares and the Preferred Shares will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners of the Class A Shares and the Preferred Shares will not have the right to receive physical certificates evidencing their ownership.

TABLE OF CONTENTS

| | <u>Page</u> | | <u>Page</u> |
|---|-------------|--|-------------|
| PROSPECTUS SUMMARY | 1 | Reporting to Shareholders | 36 |
| GLOSSARY | 10 | PROXY VOTING GUIDELINES | 36 |
| THE COMPANY | 12 | CANADIAN FEDERAL INCOME TAX | |
| Status of the Company | 12 | CONSIDERATIONS | 37 |
| INVESTMENTS OF THE COMPANY | 12 | Tax Treatment of the Company | 38 |
| Investment Rationale | 12 | Tax Treatment of Shareholders | 39 |
| Investment Objectives | 12 | Election under Section 85 of the Tax Act ... | 40 |
| Investment Strategy | 13 | Tax Treatment under Exchange Option — No | |
| Investment Criteria | 13 | Tax Election | 42 |
| COVERED OPTION WRITING | 14 | PROCEDURE FOR TAX ELECTION | 42 |
| General | 14 | ELIGIBILITY FOR INVESTMENT | 43 |
| Call Option Pricing | 14 | USE OF PROCEEDS | 43 |
| Sensitivity Analysis — Class A Shares | 15 | PLAN OF DISTRIBUTION | 44 |
| Percent of the Company’s Portfolio Required | | CAPITALIZATION | 45 |
| to be Written to Pay Expenses and | | PRINCIPAL SHAREHOLDER | 45 |
| Preferred Share Distributions | 16 | FEES AND EXPENSES | 45 |
| Utilization of Cash Equivalents | 16 | Offering Expenses | 45 |
| THE BANK OF NOVA SCOTIA | 17 | Fees and Other Expenses | 45 |
| The Bank of Nova Scotia | 17 | INTEREST OF MANAGEMENT AND | |
| Selected Financial Information | 18 | OTHERS IN MATERIAL | |
| Trading History of the BNS Shares | 19 | TRANSACTIONS | 46 |
| Dividend History and Other Information | | MATERIAL CONTRACTS | 46 |
| about the BNS Shares | 19 | RISK FACTORS | 47 |
| BNS’s Dividend Policy | 20 | Concentration Risk | 47 |
| Voting Rights in BNS Shares | 20 | Risks Associated with an Investment in | |
| Extraordinary Events Affecting BNS | 20 | BNS Shares | 47 |
| MANAGEMENT OF THE COMPANY | 21 | Performance of the Company’s Portfolio ... | 47 |
| Directors and Officers of the Company ... | 21 | No Assurances of Achieving Investment | |
| The Manager | 22 | Objectives | 47 |
| The Investment Manager | 23 | Greater Volatility of the Class A Shares ... | 47 |
| Director and Officers of MCM | 23 | Interest Rate Fluctuations | 48 |
| Ownership of MCM | 25 | Trading at a Discount | 48 |
| Investment Management Agreement | 25 | Use of Options and Other Derivative | |
| CONFLICTS OF INTEREST | 26 | Instruments | 48 |
| DESCRIPTION OF SHARE CAPITAL | 26 | Reliance on the Investment Manager | 48 |
| DETAILS OF THE OFFERING | 26 | Significant Retractions | 48 |
| Certain Provisions of the Class A Shares ... | 26 | Operating History | 49 |
| Certain Provisions of the Preferred Shares .. | 29 | Tax Treatment of Proceeds of Disposition | |
| Retraction Fee | 30 | and Option Premiums | 49 |
| Net Asset Value and NAV per Unit | 31 | Tax Election | 49 |
| Book-Entry Only System | 32 | LEGAL OPINIONS | 49 |
| Suspension of Redemptions or Retractions .. | 33 | CUSTODIAN | 49 |
| Purchase for Cancellation | 33 | PROMOTER | 49 |
| EXCHANGE OPTION | 33 | AUDITORS | 50 |
| Methods to Purchase Shares | 33 | REGISTRAR AND TRANSFER AGENT ... | 50 |
| Procedure | 33 | PURCHASERS’ STATUTORY RIGHTS | 50 |
| Determination of Exchange Ratio | 34 | AUDITORS’ CONSENT | 51 |
| Withdrawal and Rescission of Exchange | | AUDITORS’ REPORT | 52 |
| Option Elections | 34 | STATEMENT OF FINANCIAL POSITION .. | 53 |
| SHAREHOLDER MATTERS | 35 | CERTIFICATE OF THE COMPANY AND | |
| Meetings of Shareholders | 35 | THE PROMOTER | C-1 |
| Acts Requiring Shareholder Approval | 35 | CERTIFICATE OF THE AGENTS | C-2 |

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

The Company

S Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on January 26, 2007. The manager of the Company is Mulvihill Fund Services Inc. (“Mulvihill” or the “Manager”) and the investment manager of the Company is Mulvihill Capital Management Inc. (“MCM”).

The Offering

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

Amounts: Maximum: \$150,000,000 (10,000,000 Class A Shares)
Minimum: \$39,000,000 (2,600,000 Class A Shares)
Maximum: \$100,000,000 (10,000,000 Preferred Shares)
Minimum: \$26,000,000 (2,600,000 Preferred Shares)

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

Minimum Purchases: 100 Class A Shares (\$1,500) or 100 Preferred Shares (\$1,000)

Exchange Option: Prospective purchasers may purchase (i) Class A Shares and/or Preferred Shares by a cash payment, or (ii) either Class A Shares and Preferred Shares together in Units (each consisting of one Class A Share and one Preferred Share) or only Class A Shares by an exchange of freely tradeable BNS Shares (the “Exchange Option”). The Company may acquire a maximum of 9.9% of outstanding BNS Shares pursuant to the Exchange Option. The Exchange Option does not constitute, and is not to be construed as, a takeover bid for BNS Shares.

To utilize the Exchange Option, a prospective purchaser must deposit BNS Shares with Computershare Investor Services Inc., the agent for the Exchange Option, through CDS Clearing and Depository Services Inc. (“CDS”) by no later than 5:00 p.m. (Toronto time) on April 24, 2007. Such deposit must be made by way of a book-entry deposit through a participant in the CDS depository system (a “CDS Participant”). CDS Participants may have an earlier deadline for receiving instructions from their clients to make deposits pursuant to the Exchange Option.

Under the Exchange Option for Units, the number of Units issuable in exchange for BNS Shares deposited by a prospective purchaser will be determined by dividing the volume-weighted average trading price of BNS Shares on the Toronto Stock Exchange during the three consecutive trading days ending on April 25, 2007, adjusted to reflect dividends declared on such BNS Shares that will not be received by the Company, if any (the “Exchange Price”) by \$25.00 (being the sum of the issue price of one Class A Share and one Preferred Share). Accordingly, under the Exchange Option for Units, prospective purchasers will receive 2.1644 Units for each BNS Share deposited.

Under the Exchange Option for Class A Shares, prospective purchasers will receive that number of Class A Shares issuable in exchange for BNS Shares as determined in the manner described below and \$0.01 in cash per Class A Share.

The number of Class A Shares issuable in exchange for each BNS Share deposited will be determined by dividing the Exchange Price by \$15.00. Such exchange ratio will be adjusted to reflect the \$0.01 per Class A Share to be received by prospective purchasers. Accordingly, under the Exchange Option for Class A Shares, prospective purchasers will receive 3.6049 Class A Shares for each BNS Share deposited and \$0.01 for each Class A Share received.

If an exchange of BNS Shares for Units or Class A Shares would otherwise result in the issuance of a fractional Class A Share or Preferred Share, the Company will forward a cash payment to such prospective purchaser in lieu of issuing a fractional share.

The Company will issue a press release after the close of business on April 25, 2007 announcing the exchange ratios under the Exchange Option for BNS Shares. See “Exchange Option”.

All prospective purchasers (whether subscribing for shares by cash payment or through the Exchange Option) will be entitled to withdraw their purchase on or before midnight on the second business day after receipt or deemed receipt of this prospectus and any amendment in accordance with applicable securities laws. See “Purchasers’ Statutory Rights”.

A purchaser utilizing the Exchange Option who is a resident of Canada for purposes of the *Income Tax Act* (Canada) (the “Tax Act”), who holds BNS Shares as capital property and who enters into a joint election with the Company may obtain a tax-deferred rollover for Canadian tax purposes. **Purchasers who wish to obtain such a tax-deferred rollover must submit to the Company a duly completed Tax Election Package (as defined below) within 30 days of the Closing Date (as defined below). Certain Agents (as defined below) may require the Tax Election Package to be submitted at an earlier date.**

See “Exchange Option”, “Canadian Federal Income Tax Considerations” and “Procedure for Tax Election”.

Investment Rationale:

The Company will invest in a portfolio of common shares (“BNS Shares”) of The Bank of Nova Scotia. Investors in the Company’s Class A Shares will receive leveraged exposure to the performance of The Bank of Nova Scotia (“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 Company’s Preferred Shares will receive attractive monthly distributions on a fixed, cumulative and preferential basis.

BNS Shares have an attractive current yield and a strong track record of consistent dividend growth and share price appreciation. BNS Shares have delivered a compound annual total return over the past five years of 17.72%. See “The Bank of Nova Scotia”.

Investment Objectives:

The investment objectives for the Class A Shares are:

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

The investment objectives for the Preferred Shares are:

- (i) 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 issue price of the Preferred Shares of 5.25% per annum; and
- (ii) to return the 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 Strategy:

To achieve its investment objectives, the Company will invest the net proceeds of this offering in BNS Shares. To generate additional returns above the dividend income earned on BNS Shares, the Company may, from time to time, write covered call options in respect of some or all of such BNS Shares. The number of BNS Shares that may be subject to call options and the terms of such options will vary from time to time, based on MCM’s assessment of market conditions. Based on BNS’s policy with respect to BNS Shares and current levels of options volatility, MCM expects that to meet the Company’s distribution objectives for the Class A Shares and the Preferred Shares, initially approximately 44.13% of the BNS Shares held by the Company will be subject to covered call options.

Retraction Fee:

If a retraction of a Class A Share or a Preferred 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 offering. The Retraction Fee is calculated as follows:

| <u>Time of Retraction</u> | <u>Retraction Fee per Unit</u> |
|--------------------------------------|--------------------------------|
| May 2007 to June 2008 | \$1.35 |
| July 2008 to June 2009 | \$1.20 |
| July 2009 to June 2010 | \$1.00 |
| July 2010 to June 2011 | \$0.80 |
| July 2011 to June 2012 | \$0.60 |
| July 2012 to June 2013 | \$0.40 |
| July 2013 to June 2014 | \$0.20 |
| July 2014 to December 2014 | Nil |

The Retraction Fee is based on each Unit retracted as set forth above and an offering size of \$100 million. A smaller offering size will result in a higher Retraction Fee. (For example, an offering of \$50 million will result in an initial Retraction Fee per Unit of \$1.50.)

The Retraction Fee payable from May 2007 to June 2008 is equal to 5.40% of \$25.00 (being the sum of the issue price of one Class A Share and one Preferred Share) and generally decreases by 0.80% of the issue price per Unit each year thereafter, until July 2013 when the Retraction Fee is equal to 0.80% of the issue price of \$25.00 per Unit. A shareholder 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 (as defined below), in which case the Retraction Fee will be calculated on a *pro rata* basis between all shareholders that are deemed to have retracted such Units.

See “Details of the Offering — Retraction Fee”.

Class A Shares

Distributions:

The Company intends to pay regular monthly non-cumulative distributions to the holders of Class A Shares in an amount targeted to be 6.00% per annum on the NAV of the Class A Shares. The Company has determined to base the distributions it pays on the NAV of the Class A Shares to better facilitate the preservation and enhancement of the Company's NAV and to enable holders of Class A Shares to benefit from any increases in the NAV of the Company through the resulting increased distributions. The monthly distributions will be determined using the last NAV prior to the declaration date for the distribution. The first distribution will be for the month of June 2007 based on an anticipated closing date of May 17, 2007 (the "Closing Date").

The Company also intends to pay annual distributions to the holders of Class A Shares 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 Company 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 holders of Class A Shares 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 Company would need to make such distributions so as to fully recover refundable taxes.

Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Based on BNS's current dividend policy, the Company's portfolio is expected to generate dividend income of approximately 3.12% per annum. The Company's portfolio would be required to generate an additional return of approximately 4.89% per annum, including from dividend growth, capital appreciation and option premiums, for the Company to maintain its targeted distributions on the Class A Shares and the Preferred Shares while maintaining a stable NAV.

Redemption:

The Class A Shares will be redeemed by the Company on the Termination Date. The redemption price payable by the Company for each Class A Share outstanding 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 dividends on a Preferred Share and (ii) nil. "NAV per Unit" for this purpose means the NAV of the Company divided by one half of the aggregate number of Class A Shares and Preferred Shares then outstanding.

Retraction Privileges:

Monthly Retraction: Class A Shares may be surrendered at any time for retraction but will be retracted only on a monthly Valuation Date. Class A Shares surrendered for retraction by a holder of Class A Shares at least 10 business days prior to the last day of the month (a "Valuation Date") will be retracted on such Valuation Date and the shareholder will be paid on or before the fifteenth business day of the following month. Shareholders whose Class A Shares are retracted on a Valuation Date will be entitled to receive a retraction price per Class A Share equal to 95% of the difference between (i) the NAV per Unit

determined as of the relevant Valuation Date, and (ii) the cost to the Company of the purchase of a Preferred Share in the market 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. Such retractions are subject to a Retraction Fee. See "Details of the Offering — Retraction Fee".

Annual Concurrent Retraction: A holder of Class A Shares may concurrently retract an equal number of Class A Shares and Preferred Shares on the June Valuation Date of each year (the "Annual Valuation Date") 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 Company's portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must be surrendered for retraction at least 10 business days prior to the Annual Valuation Date. Payment of the proceeds of retraction will be made on or before the fifteenth business day of the following month. Such retractions are subject to a Retraction Fee. See "Details of the Offering — Retraction Fee".

Priority: The Class A Shares rank subordinate 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.

Preferred Shares

Rating: The Preferred Shares have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited.

Distributions: 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 issue price of \$10.00 per Preferred Share. The initial distribution on the Preferred Shares will be payable on June 29, 2007 and is expected to be \$0.06271 per Preferred Share based on the anticipated closing date of May 17, 2007.

Redemption: The Preferred Shares will be redeemed by the Company on the Termination Date. The redemption price payable by the Company for each Preferred Share outstanding on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid dividends 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 but will be retracted only on a monthly Valuation Date. Preferred Shares surrendered for retraction by a holder of Preferred Shares at least 10 business days prior to a Valuation Date will be retracted on such Valuation Date and the shareholder will be paid on or before the fifteenth business day of the following month. Shareholders whose Preferred Shares are retracted on a Valuation Date will be entitled to receive a retraction price per Preferred Share equal to 95% of the lesser of (i) the NAV per Unit determined as of the relevant Valuation Date less the cost to the Company of the purchase of a Class A Share in the market 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

Company's portfolio required to fund such purchase. Such retractions are subject to a Retraction Fee. See "Details of the Offering — Retraction Fee".

Annual Concurrent Retraction: A holder of Preferred Shares may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Valuation Date 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 Company's portfolio required to fund such retraction. The Class A Shares and the Preferred Shares must be surrendered for retraction at least 10 business days prior to the Annual Valuation Date. Payment of the proceeds of retraction will be made on or before the fifteenth business day of the following month. Such retractions are subject to a Retraction Fee. See "Details of the Offering — Retraction Fee".

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.

Eligibility for Investment: In the opinion of counsel, provided that the Company qualifies as a mutual fund corporation within the meaning of the Tax Act or if the Class A Shares or the Preferred Shares are listed on a prescribed stock exchange, such shares will be qualified investments for trusts governed by registered retirement savings plans, deferred profit sharing plans or registered retirement income funds. Registered education savings plans should consult their own advisors as to eligibility. See "Canadian Federal Income Tax Considerations" and "Eligibility for Investment".

Manager: Mulvihill is the manager of the Company and is responsible for providing or arranging for the provision of administrative services required by the Company. See "Management of the Company — The Manager".

Investment Manager: MCM is the investment manager of the Company. MCM is one of the largest managers of covered call option funds in Canada. It is an employee-owned investment counsellor that manages, in addition to the Mulvihill family of funds, investments for numerous pension and endowment funds and for individuals having a significant net worth. MCM's total assets under management exceed \$2.8 billion. See "Management of the Company — The Investment Manager".

Custodian: RBC Dexia Investor Services Trust acts as custodian of the assets of the Company and is responsible for certain aspects of the day-to-day administration of the Company. See "Custodian".

Risk Factors

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

- (i) the assets of the Company are concentrated in the securities of a single issuer;
- (ii) the risks associated with an investment in BNS Shares;
- (iii) the NAV of the Company will vary as the value of BNS Shares varies;
- (iv) the fact that the amount of dividends, distributions and option premiums received by the Company and the value of BNS Shares will be influenced by factors beyond the Company's control means that there are no assurances that the Company will be able to achieve its stated investment objectives, including its distribution targets;
- (v) the Class A Shares represent a leveraged investment and therefore the potential returns on such Class A Shares are amplified both to the benefit and detriment of the holders of Class A Shares;

- (vi) fluctuations in prevailing interest rates may affect the market price of the Class A Shares and the Preferred Shares;
- (vii) the Class A Shares and the Preferred Shares may trade at a discount to their NAV;
- (viii) liquidity and counterparty risks associated with the writing of covered call options and cash-covered put options;
- (ix) the Company's reliance on its investment manager, MCM;
- (x) the fact that retractions of the Class A Shares and the Preferred Shares by their holders could significantly reduce the trading liquidity of the Class A Shares and the Preferred Shares;
- (xi) the Company is a newly organized mutual fund corporation with no previous operating history;
- (xii) the current absence of a public trading market for the Class A Shares and the Preferred Shares;
- (xiii) the risks associated with the treatment of the proceeds of disposition for tax purposes;
- (xiv) the fact that the Company is relying on Canada Revenue Agency's published administrative practice regarding the tax treatment of option transactions and that no advance income tax ruling in respect thereof has been requested or received; and
- (xv) as a result of the Exchange Option and Tax Election, all shareholders may be liable for capital gains tax relating to the tax deferred contribution of BNS Shares by some shareholders to the extent such tax is not refundable to the Company and is distributed as a capital gains dividend to shareholders.

See "Risk Factors".

Canadian Federal Income Tax Considerations

Taxation of the Company

At the date of the closing of this offering, provided that the Class A Shares or the Preferred Shares are listed on a prescribed stock exchange in Canada, the Company will qualify, and intends to continue to qualify, as a mutual fund corporation under the Tax Act. As a mutual fund corporation, the Company will be entitled in certain circumstances to capital gains refunds in respect of its net realized capital gains. To the extent that the Company earns income (other than certain dividends from taxable Canadian corporations and taxable capital gains) including interest or dividends from corporations other than taxable Canadian corporations, the Company will be subject to income tax on such income and no refund of such tax will be available.

Taxation of Shareholders Resident in Canada

Distributions: Dividends other than capital gains dividends ("Ordinary Dividends") received by individuals on the Class A Shares and Preferred Shares will generally be subject to the normal gross-up and dividend tax credit rules for dividends received from a taxable Canadian corporation. Recent amendments to the Tax Act enacted on February 21, 2007 provide an enhanced gross-up and dividend tax credit for eligible dividends received from a Canadian resident corporation that are so designated by the corporation.

Ordinary Dividends received by corporations (other than specified financial institutions) on the Class A Shares and Preferred Shares will generally be deductible in computing taxable income. Dividends received by corporations (other than private corporations and certain other corporations) on the Preferred Shares will be subject to a 10% tax under Part IV.1 of the Tax Act to the extent such dividends are deductible in computing taxable income.

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

The Company may make returns of capital in respect of the Class A Shares. A return of capital in respect of a Class A Share will not be included in the income of the holder of the share, but will reduce the adjusted cost base of such share.

To the extent that the adjusted cost base of a Class A Share would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the shareholder from the disposition of the share and the adjusted cost base will be increased by the amount of such deemed capital gain.

Dispositions: A disposition, whether by way of redemption, retraction or otherwise, of a Class A Share or Preferred Share held as capital property will generally result in a capital gain or capital loss to the holder thereof.

Exchange Option-Tax Election: A purchaser utilizing the Exchange Option who is a resident of Canada for purposes of the Tax Act, who holds BNS Shares as capital property and who enters into a joint election with the Company may obtain a tax-deferred rollover for Canadian tax purposes. See “Exchange Option”, “Canadian Federal Income Tax Considerations” and “Procedure for Tax Election”.

Purchasers who qualify to make the joint tax election with the Company and who wish to take advantage of such tax-deferred rollover must submit to the Company duly completed Tax Election Packages within 30 days of the Closing Date as described under the heading “Procedure for Tax Election”. Certain Agents may require the Tax Election Package to be submitted at an earlier date.

Exchange Option-No Tax Election: A purchaser utilizing the Exchange Option who does not enter into a joint election with the Company generally will realize a capital gain (or a capital loss) in the taxation year of the shareholder in which the disposition of BNS Shares occurs to the extent that the fair market value of the shares received on the exchange (plus the amount of any cash received) exceed (or are less than) the adjusted cost base of BNS Shares to the shareholder and any reasonable costs of disposition. The Company believes that the issue price of the shares offered hereunder reflects their fair market value but this is not binding on Canada Revenue Agency.

For a detailed explanation of Canadian federal income tax considerations, see “Canadian Federal Income Tax Considerations”.

Summary of Important Dates

The following table contains a summary of the important dates of which purchasers should be aware.

| <u>Date</u> | <u>Event</u> |
|---|---|
| April 20, 2007 ⁽¹⁾ | Anticipated deadline for CDS Participants to receive instructions from their clients to deposit BNS Shares under the Exchange Option. |
| April 24, 2007 (5:00 p.m.) | Deadline for deposits to CDS of BNS Shares under the Exchange Option. |
| April 25, 2007 (after 5:00 p.m.) | Exchange Price determined and announced by way of press release. |
| May 17, 2007 | Exchange completed, Class A Shares and Preferred Shares of the Company issued. |
| June 29, 2007 | Deadline for submission of duly completed Tax Election Packages to the Company. |

(1) Each CDS Participant may have a different deadline. Prospective purchasers should consult their broker or other CDS Participant to determine that CDS Participant’s deadline.

Summary of Fees and Expenses

The following table contains a summary of the fees and expenses related to the offering and the ongoing operation of the Company. For further particulars see “Fees and Expenses”. As partial compensation for its payment of the Agents’ fees and issue expenses, if Class A Shares or Preferred Shares are retracted prior to July 2014, MCM will receive a Retraction Fee from shareholders out of the proceeds paid to shareholders upon the retraction of Class A Shares or Preferred Shares. See “Details of the Offering — Retraction Fee”.

| <u>Type of Charge</u> | <u>Description</u> |
|--|--|
| Fees and expenses payable by MCM: | |
| Fees payable to the Agents for selling the Class A Shares and the Preferred Shares | \$0.825 (5.5%) per Class A Share \$0.30 (3.0%) per Preferred Share (Fee payable whether shares are issued for cash or pursuant to the Exchange Option) |
| Expenses of issue | MCM will pay the expenses incurred in connection with the offering of the Class A Shares and the Preferred Shares by the Company (estimated to be \$600,000). |
| Fees and expenses payable by the Company: | |
| Fee payable to Mulvihill for acting as manager of the Company | Annual rate of 0.10% of the Company’s NAV calculated and payable monthly, plus applicable taxes. |
| Fee payable to MCM for acting as investment manager of the Company | Annual rate of 1.55% of the Company’s NAV calculated and payable monthly, plus applicable taxes. |
| Expenses of the Company | The Company will pay all ordinary expenses incurred in connection with its operation and administration, estimated to be \$250,000 per annum. The Company will also be responsible for commissions and other costs of portfolio transactions and any extraordinary expenses that it may incur from time to time. |
| Service Fee | The Company will pay a service fee (the “Service Fee”) to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.50% 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 will be the NAV per Unit less \$10.00. No Service Fee will be paid in any calendar quarter if regular distributions are not paid to holders of Class A Shares in respect of each month in such calendar quarter. |

GLOSSARY

| | |
|--|--|
| Black-Scholes Model | 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 | any day on which the Toronto Stock Exchange is open for business. |
| call option | 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 | 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: <ul style="list-style-type: none">(a) cash on deposit at the Company’s custodian; or(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:<ul style="list-style-type: none">(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. |
| covered call option | a call option entered into in circumstances where the seller of the call option holds the underlying security throughout the term of the option. |
| in-the-money | in relation to a call option, means a call option with a strike price less than the current market price of the underlying security and, in relation to a put option, means a put option with a strike price greater than the current market price of the underlying security. |
| NAV per Class A Share | the NAV per Unit minus the value of a Preferred Share (\$10.00). |
| NAV per Unit | the NAV of the Company divided by the number of Units then outstanding. |
| Net Asset Value or NAV of the Company | the net asset value of the Company 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. See “Details of the Offering — Net Asset Value and NAV per Unit”. |
| NI 81-102 | National Instrument 81-102 — <i>Mutual Funds</i> of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time. |

| | |
|-------------------------|--|
| option premium | the purchase price of an option. |
| out-of-the-money | in relation to a call option, means a call option with a strike price greater than the current market price of the underlying security and, in relation to a put option, means a put option with a strike price less than the current market price of the underlying security. |
| put option | 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. |
| strike price | in relation to a call option, means the price specified in the option that must be paid by the option holder to acquire the underlying security or, in relation to a put option, the price at which the option holder may sell the underlying security. |
| Tax Act | means the <i>Income Tax Act</i> (Canada). |
| Unit | 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 | in respect of the price of a security, is a numerical measure of the tendency of the price to vary over time. |
| \$ | means Canadian dollars unless otherwise indicated. |

THE COMPANY

S Split Corp. (the “Company”) is a mutual fund corporation incorporated under the laws of the Province of Ontario on January 26, 2007. The Articles of the Company will be amended prior to closing to create the class A shares (the “Class A Shares”) and the preferred shares (the “Preferred Shares”). The manager of the Company is Mulvihill Fund Services Inc. (“Mulvihill” or the “Manager”) and the investment manager is Mulvihill Capital Management Inc. (“MCM”). Mulvihill is a wholly-owned subsidiary of MCM. See “Management of the Company”.

The principal office of the Company, of Mulvihill and of MCM is located at 121 King Street West, Standard Life Centre, Suite 2600, Toronto, Ontario, M5H 3T9.

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 received exemptions from certain requirements of NI 81-102.

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 retraction, the retraction price is payable monthly whereas the securities of most conventional mutual funds are retractable daily; (ii) the Class A Shares and the Preferred Shares of the Company are to have a stock exchange listing whereas the securities of most conventional mutual funds do not; and (iii) unlike most conventional mutual funds, the Class A Shares and the Preferred Shares will not be offered on a continuous basis.

INVESTMENTS OF THE COMPANY

Investment Rationale

The Company will invest in a portfolio of common shares (“BNS Shares”) of The Bank of Nova Scotia. Investors in the Company’s Class A Shares will receive leveraged exposure to the performance of The Bank of Nova Scotia (“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 Company’s Preferred Shares will receive attractive monthly distributions on a fixed, cumulative and preferential basis.

BNS Shares have an attractive current yield and a strong track record of consistent dividend growth and share price appreciation. BNS Shares have delivered a compound annual total return over the past five years of 17.72%. See “The Bank of Nova Scotia”.

Investment Objectives

The investment objectives for the Class A Shares are:

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

The investment objectives for the Preferred Shares are:

- (i) 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 issue price of the Preferred Shares of 5.25% per annum; and
- (ii) to return the 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 Strategy

To achieve its investment objectives, the Company will invest the net proceeds of this offering in BNS Shares. To generate additional returns above the dividend income earned on BNS Shares, the Company may, from time to time, write covered call options in respect of some or all of the securities in its portfolio. The Company may also purchase put options to protect the Company from declines in the market prices of BNS Shares. The Company may also enter into trades to close out positions in such permitted derivatives. In addition to writing covered call options and cash-covered put options, and to the extent permitted by Canadian securities regulators, the Company may purchase put options and call options with the effect of closing out existing call options and put options written by the Company. The Company may also hold a portion of its assets in cash equivalents that may be used to provide cover in respect of the writing of cash-covered put options in respect of securities in which the Company is permitted to invest. The composition of the portfolio, the number of 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 MCM's assessment of market conditions.

Investment Criteria

The Company is subject to certain investment criteria that, among other things, limit the securities the Company may acquire to comprise its portfolio. The Company's investment criteria may not be changed without the approval of the holders of Class A Shares and 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 criteria provide that the Company may:

- (i) purchase equity securities only if such securities are BNS Shares;
- (ii) purchase and hold cash equivalents;
- (iii) write a call option in respect of a BNS Share only if such BNS Share is actually held by the Company at the time the option is written;
- (iv) not dispose of any BNS Share that is subject to a call option written by the Company unless such option has either terminated or expired;
- (v) write put options in respect of any BNS Shares only if, so long as the options are exercisable, the Company continues to hold cash equivalents sufficient to acquire the securities underlying the options at the aggregate strike price of such options;
- (vi) reduce the total amount of cash equivalents held by the Company only 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;
- (vii) purchase put options on BNS Shares and purchase put options and call options with the effect of closing out existing call options and put options written by the Company;
- (viii) purchase derivatives and enter into derivative or other transactions, including call options and put options, and short-sale arrangements only as specifically permitted under NI 81-102 or as permitted by the Canadian Securities Administrators;
- (ix) not make any investment or conduct any activity that would result in the Company failing to qualify as a "mutual fund corporation" within the meaning of the Tax Act;
- (x) not invest in the securities of any non-resident corporation or trust or other non-resident entity if the Company would be required to mark its investment in such securities to market in accordance with proposed sections 94.2 or 94.3 of the Tax Act or to include any significant amounts in income pursuant to proposed section 94.1 of the Tax Act, as set forth in the proposed amendments to the Tax Act dealing with foreign investment entities released on November 9, 2006 (or amendments to such proposals, provisions as enacted into law or successor provisions thereto);

- (xi) not enter into any arrangement (including the acquisition of securities for the Company's 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
- (xii) not make or hold any investment that would result in more than 10% (by fair market value) of the Company's property being "taxable Canadian property" or other "specified property" as described in proposed amendments to the Tax Act released by the Minister of Finance (Canada) on September 16, 2004.

In addition, but subject to these investment criteria, the Company has adopted the standard investment restrictions and practices set forth in NI 81-102. A copy of such standard investment restrictions and practices will be provided by Mulvihill to any person on request.

COVERED OPTION WRITING

General

The writing of call options by the Company will involve the selling of call options in respect of some or all of the securities in the Company's portfolio. Such call options may be either exchange-traded options or over-the-counter options. Because call options will be written only in respect of securities that are in the portfolio and because the investment criteria of the Company prohibit the sale of securities subject to an outstanding option, the call options will be covered at all times.

The holder of a call option purchased from the Company will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the Company at the strike price per security. By selling call options, the Company will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the Company will be obligated to sell the securities to the holder at the strike price per security. Alternatively, the Company may repurchase a call option which 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 and the option will expire. In each case, the Company will retain the option premium. See "Call Option Pricing" below.

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

If a call option is written on a BNS Share, the amounts that the Company will be able to realize on the BNS Share during the term of the call option will be limited to the dividends received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company will forgo potential returns resulting from any price appreciation of the BNS Share underlying the option above the strike price in favour of the certainty of receiving the option premium.

Call Option Pricing

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

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

| | |
|--|---|
| <i>the volatility of the price of the underlying security</i> | the volatility of the price of a security measures the tendency of the price of the security to vary during a specified period. The higher the price volatility, the more likely that the price of that security will fluctuate (either positively or negatively) and the greater the option premium. Price volatility is generally measured in percentage terms on an annualized basis, based on price changes during a period of time immediately prior to or “trailing” the date of calculation. |
| <i>the difference between the strike price and the market price of the underlying security at the time the option is written</i> | the smaller the positive difference (or the larger the negative difference), the greater the option premium. |
| <i>the term of the option</i> | the longer the term, the greater the call option premium. |
| <i>the “risk-free” or benchmark interest rate in the market in which the option is issued</i> | the higher the risk-free interest rate, the greater the call option premium. |
| <i>the dividends expected to be paid on the underlying security during the relevant term</i> | the greater the dividends, the lower the call option premium. |

Sensitivity Analysis — Class A Shares

The table below represents an assessment of the sensitivity of the net return to holders of Class A Shares from dividends and option premiums of the Company (excluding any gains or losses on portfolio investments, dividend increases or decreases and any amounts paid to close out in-the-money options) to (i) the average volatility of BNS Shares, and (ii) the excess of the strike price over the market price of the securities expressed as a percentage of such market price at the time the option is written (or percentage out-of-the-money) using a modified Black-Scholes Model. The table is based on the following assumptions:

1. the gross proceeds from this offering are \$100 million, which is fully invested in BNS Shares;
2. the range of volatility shown in the table approximates the range of the historical average volatility of BNS Shares;
3. all call options are exercisable at any time during their term and are written at the same percentage out-of-the-money;
4. all shares on which call options may be written are subject to 30-day call options throughout the relevant period (for illustrative purposes only — this assumption is not indicative of the extent to which covered call options are expected to be written by the Company);
5. the Canadian risk-free or benchmark interest rate equals 4.14% per annum;
6. the average net return from the dividends paid on BNS Shares is 3.12% per annum;
7. there are no realized capital gains or losses on BNS Shares for the period during which the call options are outstanding (for illustrative purposes only — the Company expects that there will be capital gains and losses that may have a positive or negative effect on the value of the Company); and
8. annual expenses (ordinary and extraordinary) of the Company are \$250,000, plus fees payable to Mulvihill and MCM of 1.65% of the total assets of the Company, plus the annual service fee of 0.50% of the value of the Class A Shares held by clients of a dealer and payable to each dealer whose clients hold Class A Shares.

The range of percentage out-of-the-money shown in the table below is based on the range generally expected to be utilized by MCM in writing call options. During the five-year period ended April 20, 2007, the average volatility (expressed in percentage terms on an annual basis) of BNS Shares ranged from a low of 5.96% to a high of 45.40%, with an average of 14.42%.

**Return (Net of Expenses) on Class A Shares from Dividends and Option Premiums
(Annualized %)**

| | | Average Volatility of BNS Shares | | | | | | | | | | |
|-------------------------------------|-----------|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 10% | 12% | 14% | 16% | 18% | 20% | 22% | 24% | 26% | 28% | 30% |
| % Out- of-the- Money | 4% | 0.2% | 2.3% | 5.0% | 8.0% | 11.4% | 15.0% | 18.7% | 22.6% | 26.6% | 30.7% | 34.8% |
| | 2% | 6.4% | 10.2% | 14.2% | 18.4% | 22.6% | 26.9% | 31.3% | 35.7% | 40.1% | 44.6% | 49.0% |
| | 0% | 21.4% | 25.9% | 30.5% | 35.0% | 39.6% | 44.1% | 48.7% | 53.2% | 57.7% | 62.3% | 66.8% |

The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns from call option writing upon which the estimated net income of the Company has been based will be realized.

Percent of the Company's Portfolio Required to be Written to Pay Expenses and Preferred Share Distributions

Based on the assumptions set forth above under "Sensitivity Analysis — Class A Shares", the following table represents the percentage of the Company's Portfolio against which covered call options would need to be written at different volatility levels to pay the Company's expenses and net targeted distributions of 5.25% per annum on the issue price of the Preferred Shares to the holders of Preferred Shares. The range of percentage out-of-the-money shown in the table is based on the range generally expected to be utilized by MCM in writing call options.

**Percent of the Company's Portfolio Required to be Written to Pay Expenses
(Excluding Class A Distributions) and Preferred Share Distributions**

| | | Average Volatility of BNS Shares | | | | | | | | | | |
|-------------------------------------|-----------|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 10% | 12% | 14% | 16% | 18% | 20% | 22% | 24% | 26% | 28% | 30% |
| % Out- of-the- Money | 4% | 98.0% | 76.2% | 59.7% | 47.8% | 39.3% | 33.0% | 28.2% | 24.6% | 21.7% | 19.3% | 17.4% |
| | 2% | 53.4% | 41.9% | 34.1% | 28.6% | 24.5% | 21.5% | 19.0% | 17.1% | 15.5% | 14.2% | 13.0% |
| | 0% | 25.6% | 22.1% | 19.4% | 17.4% | 15.7% | 14.3% | 13.1% | 12.1% | 11.3% | 10.6% | 9.9% |

The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns from call option writing upon which the estimated net income of the Company has been based will be realized.

Utilization of Cash Equivalents

The Company may, from time to time, hold a portion of its assets in cash equivalents. To generate additional returns and to reduce the net cost of acquiring the securities subject to put options, 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. Such cash-covered put options will only be written in respect of securities in which the Company is permitted to invest. See "Investment Information — Investment Criteria".

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

THE BANK OF NOVA SCOTIA

The information contained in this prospectus relating to BNS and its subsidiaries is based upon the following documents, each of which has been filed with the Canadian Securities Administrators:

- (a) BNS's Annual Information Form (the "BNS AIF") dated December 19, 2006;
- (b) BNS's comparative audited consolidated financial statements for the year-ended October 31, 2006, together with the auditors' report for its 2006 fiscal year;
- (c) BNS's Management's Discussion and Analysis of results of operations for the year-ended October 31, 2006, dated December 19, 2006;
- (d) BNS's unaudited interim consolidated financial statements for the three months ended January 31, 2007 (which include comparative amounts for the preceding year);
- (e) BNS's Management Proxy Circular dated January 15, 2007 regarding BNS's annual meeting of shareholders held on March 6, 2007;
- (f) the press release issued by BNS on March 6, 2007 reporting on BNS's financial results for its first quarter ended January 31, 2007 (the "March Earnings Release"); and
- (g) the press release issued by BNS on March 6, 2007 announcing BNS's dividend for the quarter ending April 30, 2007.

The foregoing reports and documents (the "BNS Public Documents") are available electronically through SEDAR at www.sedar.com. More comprehensive financial and other information is contained in such reports and other documents and this summary is qualified by reference to such reports and other documents and all other financial information and notes contained therein. Investors and their financial advisers are strongly urged to review these documents before investing in the Class A Shares or the Preferred Shares of the Company.

BNS has not participated in the establishment of the Company, nor in the preparation of this prospectus, and is not responsible or liable for the accuracy or completeness of any information contained in this prospectus. See "Risk Factors — Risks Associated with an Investment in BNS Shares".

The Company and the Agents have had no access to any information about BNS other than the information contained in the BNS Public Documents and any other publicly available information about BNS. Further, the Company and the Agents have not had an opportunity to verify the accuracy or completeness of any information contained in the BNS Public Documents or such other publicly available information to determine if any such materials contain a misrepresentation, as defined in applicable securities laws. The Class A Shares and Preferred Shares of the Company will primarily derive their value from the value of BNS Shares held by the Company and investors and their financial advisers need to form a view of the merits of an indirect investment in BNS Shares before investing in the Class A Shares or the Preferred Shares.

The Bank of Nova Scotia

BNS was granted a charter under the laws of the Province of Nova Scotia in 1832 and commenced operations that year in Halifax, Nova Scotia. Since 1871, BNS has been a chartered bank under the *Bank Act* (Canada) (the "Bank Act"). The head office of BNS is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 2Z1 and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

BNS is a full-service financial institution, active in both domestic and international markets. In Canada, it offers a full range of retail, commercial, corporate, investment and wholesale banking services through an extensive network of branches and offices. With close to 57,000 employees, BNS and its affiliates have branches

and offices serving almost 12 million customers in some 50 countries. They provide a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

On March 6, 2007, BNS issued its March Earnings Release, in which it announced record net income of \$1.02 billion for the first quarter ended January 31, 2007 — a result that exceeded \$1 billion for the first time. Diluted earnings per share for the quarter were \$1.01, up 20% from \$0.84 a year ago. Return on equity climbed from 21.6% in the prior year to 23.0%. For the quarter ended January 31, 2007, BNS reported revenues of \$3.11 billion, total assets of \$396.5 billion and a Tier 1 capital ratio of 10.4%.

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to BNS that has been derived from the BNS Public Documents.

| | Year-ended October 31, | | | | |
|---|------------------------------|------------------|-------------------|------------------|------------------|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| | (millions except share data) | | | | |
| Net Income Applicable to Common Shares | | | | | |
| Cash Basis | \$ 3,574 | \$ 3,203 | \$ 2,909 | \$ 2,435 | \$ 1,825 |
| Accrual Basis | \$ 3,549 | \$ 3,184 | \$ 2,902 | \$ 2,425 | \$ 1,692 |
| Total Assets | \$379,006 | \$314,025 | \$ 279,212 | \$285,892 | \$296,380 |
| Common Shareholders' Equity | \$ 16,947 | \$ 15,482 | \$ 14,685 | \$ 13,814 | \$ 13,502 |
| Number of Common Shares Outstanding | | | | | |
| (thousands) | 988,000 | 998,000 | 1,010,000 | 504,783 | 504,340 |
| Net Income per Share | | | | | |
| Cash Basis ⁽¹⁾ | \$ 3.62 | \$ 3.21 | \$ 2.88 | \$ 2.41 | \$ 1.71 |
| Accrual Basis ⁽²⁾ | \$ 3.55 | \$ 3.15 | \$ 2.82 | \$ 2.35 | \$ 1.65 |
| Dividends per Common Share | \$ 1.50 | \$ 1.32 | \$ 1.10 | \$ 0.84 | \$ 0.73 |
| Book Value per Common Share | \$ 17.13 | \$ 15.64 | \$ 14.56 | \$ 13.67 | \$ 13.39 |

(1) "Cash Basis" represents net income (loss) applicable to BNS Shares before amortization of intangibles.

(2) "Accrual Basis" represents net income (loss) applicable to BNS Shares on a reported basis.

Trading History of the BNS Shares

The BNS Shares are listed on the Toronto Stock Exchange (the “TSX”) and the New York Stock Exchange (“NYSE”). As of April 20, 2007, the market capitalization of BNS was \$53.58 billion. The following table shows the market price range and trading volume of BNS Shares on the TSX for the periods indicated.

| | <u>High⁽¹⁾</u> | <u>Low⁽¹⁾</u> | <u>Average Daily Volume</u> |
|-------------------------------|---------------------------|--------------------------|-----------------------------|
| 2002 | | | |
| First Quarter | \$25.37 | \$22.03 | 2,435,337 |
| Second Quarter | \$27.94 | \$22.60 | 2,661,624 |
| Third Quarter | \$28.10 | \$22.03 | 2,850,641 |
| Fourth Quarter | \$25.62 | \$21.01 | 2,709,030 |
| 2003 | | | |
| First Quarter | \$27.38 | \$22.28 | 2,601,541 |
| Second Quarter | \$27.90 | \$24.84 | 2,330,544 |
| Third Quarter | \$32.19 | \$27.52 | 2,367,022 |
| Fourth Quarter | \$33.70 | \$29.19 | 2,064,191 |
| 2004 | | | |
| First Quarter | \$34.24 | \$31.08 | 2,219,140 |
| Second Quarter | \$37.45 | \$33.38 | 2,183,871 |
| Third Quarter | \$36.88 | \$32.90 | 1,768,738 |
| Fourth Quarter | \$40.00 | \$35.28 | 1,624,668 |
| 2005 | | | |
| First Quarter | \$41.35 | \$36.41 | 1,826,337 |
| Second Quarter | \$41.37 | \$38.63 | 2,011,794 |
| Third Quarter | \$42.64 | \$39.19 | 2,176,355 |
| Fourth Quarter | \$44.24 | \$40.31 | 2,157,341 |
| 2006 | | | |
| First Quarter | \$49.80 | \$42.89 | 1,908,254 |
| Second Quarter | \$48.67 | \$45.03 | 2,085,080 |
| Third Quarter | \$47.24 | \$41.55 | 1,888,802 |
| Fourth Quarter | \$49.50 | \$45.36 | 1,871,061 |
| 2007 | | | |
| First Quarter | \$54.29 | \$49.68 | 1,725,200 |
| April 1 to April 20 | \$54.09 | \$52.93 | 1,569,793 |

(1) Shares prices are adjusted for stock splits.

Source: Bloomberg

Dividend History and Other Information about the BNS Shares

For the quarter ending April 30, 2007, BNS declared a dividend of \$0.42 per BNS Share. The five-year dividend compound annual growth rate of the BNS Shares as of April 20, 2007 was 17.82%. The following table sets forth the dividend history of the BNS Shares.

| | <u>Dividends⁽¹⁾⁽²⁾ as at December 31,</u> | | | | |
|----------------------|--|-------------|-------------|-------------|-------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| BNS Shares | \$1.68 | \$1.44 | \$1.28 | \$1.00 | \$0.80 |

(1) Dividend amount for the last reported completed fiscal quarter annualized.

(2) As adjusted for stock splits.

Source: Bloomberg

The table below sets out the following information for BNS Shares as at April 20, 2007: closing market price, annual dividend, dividend yield and average annual total return.

| | <u>Closing Price</u> | <u>Annual Dividend⁽¹⁾⁽²⁾</u> | <u>Dividend Yield</u> | <u>Average Annual Total Return⁽³⁾</u> |
|----------------------|----------------------|---|-----------------------|--|
| BNS Shares | \$53.93 | \$1.68 | 3.12% | 17.72% |

(1) Dividend amount for the last reported completed fiscal quarter annualized.

(2) As adjusted for stock splits.

(3) From April 21, 2002 to April 20, 2007.

Source: Bloomberg

As of April 20, 2007, the five-year price and total return compound annual growth rates of BNS Shares were 14.18% and 17.72%, respectively.

BNS's Dividend Policy

In fiscal 2006, BNS's actual dividend payout ratio was 42%, up from 41% in 2005 and within BNS's target payout range of 35% to 45%. BNS's practice has been to relate dividends to the trend in earnings, while ensuring that capital levels are sufficient for both growth and depositor protection.

Under the Bank Act, BNS is prohibited from declaring any dividends on BNS Shares when BNS is, or would be placed by such a declaration, in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the Bank Act. In addition, BNS Share dividends cannot be paid unless dividends to which BNS's preferred shareholders are then entitled are paid or sufficient funds have been set aside to do so. Without the approval of the Superintendent of Financial Institutions Canada, BNS cannot pay a dividend if, on the day such dividend is declared, the total of all dividends declared that year would exceed the aggregate of BNS's net income to that day and its net income for the preceding two financial years.

In the event that applicable cash distributions on any of the Scotiabank Trust Securities (meaning securities issued by BNS Capital Trust and Scotiabank Capital Trust) are not paid on a regular distribution date, BNS has undertaken not to declare dividends of any kind on its preferred shares or BNS Shares.

Currently, these limitations do not restrict the payment of dividends on BNS Shares.

BNS's preferred shares are entitled to preference over BNS Shares with respect to the payment of dividends.

Voting Rights in BNS Shares

Holders of Class A Shares and Preferred Shares will have no voting rights in respect of BNS Shares. Such securities will be voted in accordance with the proxy voting guidelines of the Company. See "Proxy Voting Guidelines".

Extraordinary Events Affecting BNS

If BNS is a party to or affected by any reorganization, amalgamation, plan of arrangement, securities exchange take-over bid, merger or sale of material assets or any other business combination (a "Business Combination"), the securities of BNS or any successor thereto received by the Company in respect of such Business Combination will, together with any residual, be treated as part of the assets of the Company for all purposes relating to the Class A Shares and the Preferred Shares, including the prices payable on redemption and retraction of the Class A Shares and the Preferred Shares. In the event of a cash take-over bid for BNS or other Business Combination that results in the Company receiving cash rather than securities for its BNS Shares, the Company will, in the discretion of MCM, use the cash proceeds so received to purchase shares of the financial institution acquiring BNS, or the common shares of another Schedule I bank, if MCM believes such purchase would permit the Company to meet its investment objectives. Otherwise, the Company will be wound up.

Upon any subdivision, consolidation, reclassification or other similar change to BNS Shares (a “Reclassification”), the securities received as a result of such Reclassification will, together with any residual, also be treated as part of the assets of the Company for all purposes relating to the Class A Shares and the Preferred Shares.

If BNS makes any distribution of securities in respect of BNS Shares other than a cash dividend or a stock dividend paid in the ordinary course (an “Extraordinary Distribution”), any securities or other property received by the Company in respect of such Extraordinary Distribution will either be sold, in which case the Company will use the net proceeds to acquire additional BNS Shares, or be held by the Company, in the discretion of MCM, in which event such securities will also be treated as part of the assets of the Company for all purposes relating to the Class A Shares and the Preferred Shares. Any transferable rights issued to the Company pursuant to a rights offering by BNS may be exercised or may be sold and the net proceeds of such sale used to purchase additional BNS Shares.

MANAGEMENT OF THE COMPANY

Directors and Officers of the Company

The names, municipalities of residence, offices and principal occupations of the directors and officers of the Company are as follows:

| <u>Name and Municipality of Residence</u> | <u>Office</u> | <u>Principal Occupation</u> |
|---|---|---|
| JOHN P. MULVIHILL Toronto, Ontario | Chief Executive Officer, President, Secretary and Director | Chief Executive Officer, Chairman and President, MCM |
| MICHAEL M. KOERNER ⁽¹⁾ Toronto, Ontario | Director | Corporate Director |
| ROBERT W. KORTHALS ⁽¹⁾ Toronto, Ontario | Director | Corporate Director |
| C. EDWARD MEDLAND ⁽¹⁾ Toronto, Ontario | Director | President, Beauwood Investments Inc. (private investment company) |
| SHEILA S. SZELA Toronto, Ontario | Director | Vice President, Finance and Chief Financial Officer, MCM |

(1) Member of the Audit Committee. Neither Mr. Koerner, Mr. Korthals nor Mr. Medland is an employee of either Mulvihill or MCM.

Except as indicated below, all of the directors and officers of the Company have held the principal occupations noted opposite their respective names or other occupations with their current employer or predecessor company.

Prior to joining MCM, Ms. Szela was at Deloitte & Touche LLP from January 1997 to May 2002. She was a Senior Manager, Assurance and Advisory Services at Deloitte & Touche LLP from September 2000 to May 2002, and a Manager, Assurance and Advisory Services prior to August 2000.

The independent directors of the Company will be paid an annual fee of \$5,000 and a fee for each board meeting attended of \$300.

The Canadian Securities Administrators approved the final version of National Instrument 81-107 — *Independent Review Committee for Investment Funds* (“NI 81-107”) on September 19, 2006. NI 81-107 requires all publicly offered investment funds, including the Company, to establish an independent review committee to whom the Manager must refer all conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the independent review committee in carrying out its functions. The independent review committee is required to be comprised of a minimum of three independent members, and is subject to requirements to conduct regular assessments and provide reports to the Company and to shareholders in respect of its functions. While the initial members of the

independent review committee are required to be appointed by May 1, 2007, full compliance with NI 81-107 is not required until November 1, 2007.

The Manager intends to implement any additional requirements to comply with NI 81-107 within the required time periods, including appointing the members of the independent review committee.

The Manager

Pursuant to a management agreement (the “Management Agreement”) dated April 26, 2007, Mulvihill is the manager of the Company and, as such, is responsible for providing or arranging for the provision of required administrative services to the Company including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial statements and financial and accounting information as required by the Company; ensuring that the Company’s shareholders are provided with financial statements (including annual and semi-annual financial statements) and other reports as are required by applicable law from time to time; ensuring that the Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Company’s reports to shareholders and the Canadian securities regulatory authorities; providing the Custodian with information and reports necessary for it to fulfil its fiduciary responsibilities; determining the amount of distributions to be made by the Company; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Mulvihill is a wholly-owned subsidiary of MCM.

Mulvihill shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of holders of Class A Shares and Preferred Shares, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances.

Mulvihill may resign as manager of the Company upon 60 days’ notice to shareholders and the Company. If Mulvihill resigns it may appoint its successor but, unless its successor is an affiliate of Mulvihill, its successor must be approved by shareholders. If Mulvihill has committed certain events of bankruptcy or insolvency or is in material default of its obligations under the Management Agreement and such default has not been cured within 30 days after notice of same has been given to Mulvihill, the Company shall give notice thereof to shareholders and the shareholders may remove Mulvihill and appoint a successor manager of the Company.

Mulvihill is entitled to fees for its services under the Management Agreement as described under “Fees and Expenses” and will be reimbursed for all reasonable costs and expenses incurred by Mulvihill on behalf of the Company. In addition, Mulvihill 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 Mulvihill or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from Mulvihill’s wilful misconduct, bad faith, negligence or breach of its obligations under the Management Agreement.

The management services of Mulvihill under the Management Agreement are not exclusive and nothing in the Management Agreement prevents Mulvihill from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities.

The name and municipality of residence of each of the directors and officers of Mulvihill are as follows:

| <u>Name and Municipality of Residence</u> | <u>Office</u> |
|---|---|
| JOHN P. MULVIHILL Toronto, Ontario | Chairman, President, Secretary and Director |
| SHEILA S. SZELA Toronto, Ontario | Chief Financial Officer and Director |
| JOHN H. SIMPSON Toronto, Ontario | Senior Vice-President and Director |

The Investment Manager

MCM will manage the Company's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Company pursuant to an investment management agreement (the "Investment Management Agreement") entered into between the Company and MCM on April 26, 2007.

MCM was incorporated in 1984 by The Canada Trust Company under the name CT Investment Counsel Inc. ("CTIC") to manage the institutional pension fund business of The Canada Trust Company. In 1985, The Canada Trust Company and The Canada Permanent Trust Company amalgamated resulting in all of the pension assets managed by The Canada Permanent Trust Company being transferred to CTIC management. In addition, the investment professionals of The Canada Permanent Trust Company joined the CTIC team.

In February 1995, John P. Mulvihill purchased 100% of CTIC from The Canada Trust Company and changed CTIC's name to Mulvihill Capital Management Inc. During 1995, MCM also established a wealth management division headed by John H. Simpson, who joined the firm from Fidelity Investments Canada Limited.

MCM is the portfolio manager of the following funds that have completed prospectus offerings of shares or units in the respective amounts indicated: Premium Income Corporation (\$501 million), Top 10 Split Trust (formerly First Premium U.S. Income Trust) (\$404.6 million), MCM Split Share Corp. (\$189.7 million), Global Telecom Split Share Corp. (\$170 million), Sixty Plus Income Trust (\$100 million), Global Plus Income Trust (\$121 million), Top 10 Canadian Financial Trust (formerly Digital World Trust) (\$274 million), Pro-AMS U.S. Trust (\$570.5 million), Government Strip Bond Trust (formerly Pro-AMS Trust) (\$1.13 billion), Mulvihill Pro-AMS 100 PLUS (Cdn\$) Trust (\$178.1 million), Mulvihill Pro-AMS 100 PLUS (US\$) Trust (U.S.\$37.4 million), Mulvihill Pro-AMS RSP Split Share Corp. (\$105 million), World Financial Split Corp. (\$471.2 million) and Core Canadian Dividend Trust (\$60 million).

MCM is an employee-owned investment counsellor that, in addition to its management of the Mulvihill family of funds, manages investments for numerous pension and endowment funds and investment portfolios of individuals having a significant net worth. MCM's total assets under management exceed \$2.8 billion.

Director and Officers of MCM

The name and municipality of residence of the director and each of the officers of MCM is as follows:

| <u>Name and Municipality of Residence</u> | <u>Office</u> |
|---|--|
| JOHN P. MULVIHILL Toronto, Ontario | Chief Executive Officer, Chairman, President, Secretary, Treasurer and Director |
| DONALD BIGGS Ancaster, Ontario | Senior Vice-President |
| JOHN A. BOYD Toronto, Ontario | Vice-President |
| MARK CARPANI Toronto, Ontario | Vice-President |
| JEFF FRKETICH Toronto, Ontario | Vice-President |
| JOHN GERMAIN Toronto, Ontario | Vice-President |
| SUPRIYA KAPOOR Toronto, Ontario | Vice-President |
| PAUL MEYER Toronto, Ontario | Vice-President |
| ANDREW MITCHELL Toronto, Ontario | Vice-President |

| <u>Name and Municipality of Residence</u> | <u>Office</u> |
|---|---|
| PEGGY SHIU Toronto, Ontario | Vice-President |
| JOHN H. SIMPSON Toronto, Ontario | Senior Vice-President |
| SHEILA S. SZELA Toronto, Ontario | Vice-President, Finance and Chief Financial Officer |
| JACK WAY Toronto, Ontario | Vice-President |

Except as indicated below, each of the foregoing has held his or her current office or has held a similar office in MCM during the five years preceding the date hereof.

Prior to joining MCM, Ms. Szela was at Deloitte & Touche LLP from January 1997 to May 2002. She was a Senior Manager, Assurance and Advisory Services at Deloitte & Touche LLP from September 2000 to May 2002, and a Manager, Assurance and Advisory Services prior to August 2000. Prior to joining MCM, Mr. Frketch was Director, Investments & Debt Services, Department of Finance from 1992 to 2002 for the Yukon Territorial Government. Prior to joining MCM, Mr. Mitchell was Regional Vice-President of Sales for Vengrowth Asset Management from 2004 to April 2006 and Vice President Sales for Clarington Funds from 2001 to 2004. Ms. Kapoor joined MCM in October 2004 as a Compliance Consultant. She was appointed Chief Compliance Officer in July 2005 and appointed Vice-President, Compliance in March 2007. Prior to joining MCM, Ms. Kapoor was Director, Compliance Operations from October 2002 to October 2004 for Assante Advisory Services and Manager, Regulatory Affairs & Compliance from October 2000 to October 2002 for BMO Investments Inc.

The team of individuals responsible for investment management at MCM all have significant experience in managing investment portfolios. The officers of MCM who will be primarily responsible for the management of the Company's portfolio are John P. Mulvihill and Donald Biggs. Also assisting in the management of the investment portfolios are: Paul Meyer, Jack Way, John Germain, Jeff Dobson and Dylan D'Costa.

John P. Mulvihill, Chairman of MCM, is the senior portfolio manager of MCM and has over 30 years of investment management experience. Prior to purchasing CTIC from The Canada Trust Company in 1995, Mr. Mulvihill had been Chairman of CTIC since 1988. At CTIC he had primary responsibility for the asset allocation and portfolio management of CTIC's pension and mutual fund assets.

Paul Meyer has been with MCM since September 1990 and is currently a portfolio manager and member of the Equity Team. Paul is a key member of the portfolio management group at MCM and has investment experience in the Canadian and U.S. markets.

Jack Way has been with MCM since August 1998 and brings an extensive background in asset management with over 23 years of experience as an investment manager of which the past eight years were spent working in the U.S. market.

John Germain has been with MCM and the Structured Products Team since March 1997. Prior to joining MCM, he had been employed at Merrill Lynch Canada Inc. since 1992. For the last two years of his employment at Merrill Lynch Canada Inc. he was a member of the Fixed Income Trading Group.

Jeff Dobson joined MCM in April 2001 after nearly 16 years at Scotia Capital. He brings extensive experience in portfolio management, especially in the use of equity options. His most recent position prior to joining MCM involved managing the volatility of a portfolio comprised of equity options, their underlying stocks, as well as equity index derivatives.

Donald Biggs, Senior Vice-President of MCM, has extensive experience in managing derivative instruments. Prior to joining MCM in 1997, Mr. Biggs was Vice-President, Bonds and Cash Management at OMERS where he had overall responsibility for Derivative Products.

Dylan D'Costa has been with MCM and the Structured Products Team since January 2001 where he has worked extensively on valuing, pricing and trading equity options. Prior to joining MCM, he was employed at CIBC Mellon where he worked with the valuations group.

Ownership of MCM

MCM is controlled by John P. Mulvihill.

Investment Management Agreement

The services to be provided by MCM pursuant to the Investment Management Agreement will include making all investment decisions for the Company and managing the call option writing and put option writing by the Company, all in accordance with the investment objectives, strategy and criteria of the Company. Decisions as to the purchase and sale of securities and as to the execution of all portfolio and other transactions will be made by MCM. In the purchase and sale of securities for the Company and the writing of option contracts, MCM will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, MCM is required to act at all times on a basis that 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 portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that MCM shall not be liable in any way for any default, failure or defect in any of the securities of the Company, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. MCM will, however, incur liability in cases of wilful misfeasance, bad faith, negligence or breach of its obligations under the Investment Management Agreement.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the Termination Date. The Company may terminate the Investment Management Agreement only if MCM has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such breach has not been cured within 30 days after notice thereof has been given to MCM by the Company.

Except as set out below, MCM may not terminate the Investment Management Agreement or assign the same except to an affiliate of MCM without the approval of the shareholders of the Company. MCM may terminate the Investment Management Agreement if the Company is in material breach or default of the provisions thereof and such breach or default has not been cured within 30 days of notice of same to the Company or if there is a material change in the fundamental investment objectives, strategy or criteria of the Company.

If the Investment Management Agreement is terminated, Mulvihill will promptly appoint a successor investment manager to carry out the activities of MCM until a meeting of the Company's shareholders is held to confirm such appointment.

MCM is entitled to fees for its services under the Investment Management Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by MCM on behalf of the Company. In addition, MCM 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 MCM or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, except those resulting from MCM's wilful misconduct, bad faith, negligence or breach of its obligations under the Investment Management Agreement and provided the Company has reasonable grounds to believe the action or inaction that gave rise to such claim was in the best interests of the Company.

CONFLICTS OF INTEREST

MCM is engaged in a wide range of investment management, investment advisory and other business activities. The services of MCM under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents MCM or any of its affiliates from providing similar services to other investment funds or clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. MCM's investment decisions for the Company will be made independently of those made for its other clients and independently of its own investments. On occasion, however, MCM 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 MCM are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable 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 100 Class J Shares. The attributes of the Class A Shares and the Preferred Shares are described under "Details of the Offering".

The holders of Class J Shares are not entitled to receive distributions. The holders of Class J Shares will be entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share. The Class J Shares rank subordinate 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 Company does not currently intend to issue additional Class A Shares or Preferred Shares following completion of this offering except as disclosed herein.

DETAILS OF THE OFFERING

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

Certain Provisions of the Class A Shares

Distributions

The Company intends to pay regular monthly non-cumulative distributions to the holders of Class A Shares in an amount targeted to be 6.00% per annum on the NAV of the Class A Shares. The Company has determined to base the distributions it pays on the NAV of the Class A Shares to better facilitate the preservation and enhancement of the Company's NAV and to enable holders of Class A Shares to benefit from any increases in the NAV of the Company through the resulting increased distributions. The monthly distributions will be determined using the last NAV prior to the declaration date for the distribution. The first distribution will be for the month of June 2007 based on an anticipated closing date of May 17, 2007 (the "Closing Date").

The Company also intends to pay annual distributions to the holders of Class A Shares 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 Company 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, payable in cash and/or Class A Shares, will be payable to holders of Class A Shares of record on the last day of December in each year. Any such special year-end distribution payable in Class A Shares may be made only after the first anniversary of the Closing Date and will increase the aggregate adjusted cost base of Class A Shares to holders 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.

Based on the current level of dividends, distributions and option premiums available under current market conditions and the anticipated expenses of the Company, Mulvihill believes that the Company's targeted monthly cash distributions are sustainable. However, there can be no assurance that the Company will be able to make distributions at its targeted rate. 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 Company would need to make such distributions so as to fully recover refundable taxes.

The amount of distributions in any particular month will be determined by Mulvihill, as manager, having regard to the investment objectives of the Company, the net income and net realized capital gains of the Company during the month and in the year to date, the net income and net realized capital gains of the Company anticipated in the balance of the year and distributions made in previous months.

Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Based on BNS's current dividend policy, the Company's portfolio is expected to generate dividend income of approximately 3.12% per annum. The Company's portfolio would be required to generate an additional return of approximately 4.89% per annum, including from dividend growth, capital appreciation and option premiums, for the Company to maintain its targeted distributions on the Class A Shares and the Preferred Shares while maintaining a stable NAV.

Distributions will be payable to holders of Class A Shares of record at 5:00 p.m. (Toronto time) on the record date, which will generally be on the fifteenth day before the last day of each month. All cash distributions will be paid by cheque and will be mailed to such holders at their addresses listed in the register of shareholders to be maintained by the Company's registrar and transfer agent or paid in such other manner as may be agreed to by the Company. As registrations of interests in the Class A Shares will be made through the book-entry only system, the Company will, prior to March 31 of each year, provide CDS Clearing and Depository Services Inc. ("CDS") with the information necessary to enable holders to complete an income tax return with respect to amounts paid or payable by the Company to such holders in the preceding calendar year. Each holder will in turn receive such information from the holder's applicable CDS Participant (as defined below). See "Details of the Offering — Book-Entry Only System" and "Canadian Federal Income Tax Considerations".

Redemptions

All Class A Shares outstanding on the Termination Date will be redeemed by the Company on that date. The redemption price payable by the Company for each Class A Share outstanding 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 dividends on a Preferred Share and (ii) nil. "NAV per Unit" for this purpose means the NAV of the Company divided by one half of the aggregate number of Class A Shares and Preferred Shares then outstanding. See "Risk Factors".

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 Termination Date.

Retraction Privileges

Class A Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. ("Computershare"), the Company's registrar and transfer agent, but will be retracted only on a monthly Valuation Date (as defined below). Class A Shares surrendered for retraction by a holder of Class A Shares at least 10 business days prior to the last day of a month (a "Valuation Date") will be retracted on such Valuation Date and the shareholder will be paid on or before the fifteenth business day of the following month (the "Retraction Payment Date"). Such retractions are subject to a Retraction Fee as described under "Retraction Fee" below.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per Class A Share (the "Class A Share Retraction Price") equal to 95% of the difference between (i) the NAV per Unit determined as of the relevant Valuation Date, and (ii) the cost to the Company of the purchase of a Preferred Share in the market 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 Class A Share Retraction Price will be nil. Any declared and unpaid distributions payable on or before a Valuation Date in respect of the Class A Shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Class A Shares also have an annual retraction right under which they may concurrently retract an equal number of Class A Shares and Preferred Shares on the June Valuation Date of each year (the "Annual Valuation Date"). The price paid by the Company for such a concurrent retraction will be 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 Company's portfolio required to fund such retraction. Such retractions are subject to a Retraction Fee as described under "Retraction Fee" below.

As disclosed below under "Resale of Class A Shares Tendered for Retraction", where the holder of Class A Shares tendered for retraction has not withheld the holder's consent thereto in the manner provided in the retraction notice delivered to CDS through a participant in the CDS book-based system (a "CDS Participant"), the Company may but is not obligated to require the Recirculation Agent (as defined below) to use commercially reasonable efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of Class A Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the Class A Share Retraction Price described above. Holders of Class A Shares are free to withhold their consent to such treatment and to require the Company to retract their Class A Shares in accordance with their terms.

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 that are not paid for by the Company on the relevant Retraction Payment Date.

If any Class A Shares are tendered for retraction and are not resold in the manner described below under "Resale of Class A Shares Tendered for Retraction", the Company has directed the Recirculation Agent to purchase for cancellation on behalf of the Company that number of Preferred Shares that equals the number of Class A Shares so retracted. Any Preferred Shares so purchased for cancellation will be purchased in the market.

Resale of Class A Shares Tendered for Retraction

The Company will enter into an agreement (the "Recirculation Agreement") with RBC Dominion Securities Inc. (the "Recirculation Agent") to be dated as of the Closing Date whereby the Recirculation Agent will use commercially reasonable efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Valuation Date, provided that the holder of Class A Shares so tendered has not withheld consent thereto. The Company may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the holder of Class A Shares on the applicable Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission, provided that such amount will not be less than the retraction price that would otherwise be payable to a holder.

Subject to the Company's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Valuation Date, 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 Valuation Date, unless not retracted thereon, in which event such Class A Shares will remain outstanding.

Priority

The Class A Shares rank subordinate 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.

Certain Provisions of the Preferred Shares

Rating

The Preferred Shares have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited (“DBRS”). DBRS’ ratings for preferred shares range from “Pfd-1” to “Pfd-5” and also include a “D” for those that are in arrears in paying either dividends or principal. Preferred shares rated “Pfd-2” are considered by DBRS to be of satisfactory credit quality. Protection of dividends and principal is substantial, but earnings, the balance sheet and coverage ratios are not as strong as those of “Pfd-1” rated companies. 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.

Distributions

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 issue price of \$10.00 per Preferred Share. The initial distribution on the Preferred Shares will be payable on June 29, 2007 and is expected to be \$0.06271 per Preferred Share based on the anticipated Closing Date.

Distributions will be payable to holders of Preferred Shares of record at 5:00 p.m. (Toronto time) on the last day of each month. All cash distributions will be paid by cheque and will be mailed to such holders at their addresses listed in the register of shareholders to be maintained by the Company’s registrar and transfer agent or paid in such other manner as may be agreed to by the Company. As registrations of interests in the Preferred Shares will be made through the book-entry only system, the Company will, prior to March 31 of each year, provide CDS with the information necessary to enable holders to complete an income tax return with respect to amounts paid or payable by the Company to such holders in the preceding calendar year. Each holder will in turn receive such information from the holder’s applicable CDS Participant. See “Details of the Offering — Book-Entry Only System” and “Canadian Federal Income Tax Considerations”.

Redemptions

All Preferred Shares outstanding on the Termination Date will be redeemed by the Company on that date. The redemption price payable by the Company for each Preferred Share outstanding on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid dividends thereon and (ii) the NAV of the Company on that date divided by the number of Preferred Shares then outstanding.

Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior to the Termination Date.

Retraction Privileges

Preferred Shares may be surrendered at any time for retraction to Computershare, but will be retracted only on a monthly Valuation Date. Preferred Shares surrendered for retraction by a holder of Preferred Shares at least 10 business days prior to a Valuation Date will be retracted on such Valuation Date and the shareholder will receive payment on or before the Retraction Payment Date. Such retractions are subject to a Retraction Fee as described under “Retraction Fee” below.

Except as noted below, holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per Preferred Share (the “Preferred Share Retraction Price”) equal to 95% of the lesser of (i) the NAV per Unit determined as of the relevant Valuation Date less the cost to the Company of the purchase of a Class A Share in the market 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 Company’s portfolio required to fund such purchase. Any declared and unpaid distributions payable on or before a Valuation Date in respect of the Preferred Shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Preferred Shares also have an annual retraction right under which they may concurrently retract an equal number of Preferred Shares and Class A Shares on the Annual Valuation Date. The price paid by the

Company for such a concurrent retraction will be 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 Company's portfolio required to fund such retraction. Such retractions are subject to a Retraction Fee as described under "Retraction Fee" below.

As disclosed below under "Resale of Preferred Shares Tendered for Retraction", where the holder of Preferred Shares tendered for retraction has not withheld the holder's consent thereto in the manner provided in the retraction notice delivered to CDS through a CDS Participant, the Company may but is not obligated to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of Preferred Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission. Such amount will not be less than the Preferred Share Retraction Price described above. Holders of Preferred Shares are free to withhold their consent to such treatment and to require the Company to retract their Preferred Shares in accordance with their terms.

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 Preferred Shares not paid for by the Company on the relevant Retraction Payment Date.

If any Preferred Shares are tendered for retraction and are not resold in the manner described below under "Resale of Preferred Shares Tendered for Retraction", the Company has directed the Recirculation Agent to purchase for cancellation on behalf of the Company that number of Class A Shares that equals the number of Preferred Shares so retracted. Any Class A Shares so purchased for cancellation will be purchased in the market.

Resale of Preferred Shares Tendered for Retraction

Pursuant to the terms of the Recirculation Agreement, the Recirculation Agent will use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Valuation Date, provided that the holder of Preferred Shares so tendered has not withheld consent thereto. The Company may, but is not obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the holder of Preferred Shares on the applicable Retraction Payment Date will be an amount equal to the proceeds of the sale of the Preferred Shares less any applicable commission, provided that such amount will not be less than the retraction price that would otherwise be payable to a holder.

Subject to the Company's right to require the Recirculation Agent to use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for retraction prior to the relevant Valuation Date, any and all Preferred 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 Valuation Date, unless not retracted thereon, in which event such Preferred Shares will remain outstanding.

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.

Retraction Fee

If a retraction of a Class A Share or a Preferred 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 offering. The Retraction Fee is calculated as follows:

| <u>Time of Retraction</u> | <u>Retraction Fee per Unit</u> |
|--------------------------------------|------------------------------------|
| May 2007 to June 2008 | \$1.35 |
| July 2008 to June 2009 | \$1.20 |
| July 2009 to June 2010 | \$1.00 |
| July 2010 to June 2011 | \$0.80 |
| July 2011 to June 2012 | \$0.60 |
| July 2012 to June 2013 | \$0.40 |
| July 2013 to June 2014 | \$0.20 |
| July 2014 to December 2014 | Nil |

The Retraction Fee is based on each Unit (consisting of one Class A Share and one Preferred Share) retracted as set forth above and an offering size of \$100 million. A smaller offering size will result in a higher Retraction Fee. (For example, an offering of \$50 million will result in an initial Retraction Fee per Unit of \$1.50.)

The Retraction Fee payable from May 2007 to June 2008 is equal to 5.40% of \$25.00 (being the sum of the issue price of one Class A Share and one Preferred Share) and generally decreases by 0.80% of the issue price per Unit each year thereafter, until July 2013 when the Retraction Fee is equal to 0.80% of the issue price of \$25.00 per Unit. A shareholder 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 between all shareholders that are deemed to have retracted such Units.

Net Asset Value and NAV per Unit

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

The NAV per Unit and the NAV per Class A Share will be calculated once each week. In the last week of the month, the NAV per Unit will be calculated on the last day of the month. Such information will be provided by Mulvihill to the public on request and will also be available on the Manager's website at www.mulvihill.com.

In determining the NAV per Unit at any time:

- (i) the value of common shares and other securities will be the latest available bid price for such common shares or other securities on the principal stock exchange on which they are traded prior to the determination of the NAV of the Company (or using such other price or value as Canadian generally accepted accounting principles or the Canadian Securities Administrators may permit);
- (ii) where a covered clearing corporation option, option on futures or an over-the-counter option is written, the option premium received by the Company will, so long as the option is outstanding, be reflected as a deferred credit that will be valued at an amount equal to the current market value of an option which would have the effect of closing the position; any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV;
- (iii) the value of any cash on hand or on deposit, prepaid expenses, cash dividends or distributions declared and interest accrued and not yet received shall be deemed to be the face amount thereof unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

- (iv) the value of a futures contract or of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the applicable date, the position in the futures contract or the forward contract, as the case may be, were to be closed out unless “daily limits” are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (v) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (vi) notes, money-market instruments and other debt securities shall be valued by taking the bid price at the calculation time (or using such other price or value as Canadian generally accepted accounting principles or the Canadian Securities Administrators may permit);
- (vii) if a Valuation Date is not a business day, then the securities comprising the Company’s portfolio will be valued as if such Valuation Date were the preceding business day;
- (viii) if an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding such rules, the Manager shall make such valuation as it considers fair and reasonable; and
- (ix) the value of all assets of the Company quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Company in foreign currency and the value of all liabilities and contractual obligations payable by the Company in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date as of which the NAV is computed.

Book-Entry Only System

Registration of interests in and transfers of the Class A Shares and the Preferred Shares will be made only through the book-entry only system. On or about May 17, 2007, but no later than June 29, 2007, the Company will deliver to CDS certificates evidencing the aggregate number of Class A Shares and Preferred Shares subscribed for under this offering. 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 Class A Shares and 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 Class A Shares or Preferred Shares. Upon purchase of any Class A Shares or 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 Class A Shares or Preferred Shares to pledge such shares or otherwise take action with respect to such owner’s interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

An owner of Class A Shares or 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 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 notice (the “Retraction Notice”) of the owner’s intention to exercise the owner’s retraction privilege sufficiently in advance of the relevant notice date 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. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

By causing a CDS Participant to deliver to CDS a notice of the owner’s intention to retract Class A Shares or Preferred Shares, an owner shall be deemed to have irrevocably surrendered such Class A Shares or Preferred Shares for retraction and appointed such CDS Participant to act as the owner’s 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 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 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 the Preferred Shares through the book-entry only system in which case certificates for the Class A Shares or the Preferred Shares in fully registered form would be issued to beneficial owners of such shares or to their nominees.

Suspension of Redemptions or Retractions

The Company may suspend the redemption or retraction of the Class A Shares or the Preferred Shares or the payment of redemption or retraction proceeds: (i) during any period when normal trading is suspended on the TSX or NYSE; or (ii) with the prior permission of the Ontario Securities Commission (if required), for any period not exceeding 120 days during which Mulvihill determines that conditions exist that render impractical the sale of assets of the Company or that impair the ability of the Company to determine the value of the assets of the Company. 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 or Preferred Shares making such requests shall be advised by Mulvihill of the suspension and that the retraction will be effected at a price determined on the first applicable Valuation 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 Mulvihill shall be conclusive.

Purchase for Cancellation

Subject to applicable law, the Company may at any time or times purchase Class A Shares or Preferred Shares for cancellation at prices per Unit not exceeding the NAV per Unit on the applicable Valuation Date immediately prior to such purchase.

EXCHANGE OPTION

Methods to Purchase Shares

In addition to acquisitions of Class A Shares and Preferred Shares by a cash payment, prospective purchasers may purchase either Class A Shares and Preferred Shares together in Units, or only Class A Shares, by an exchange of freely tradeable BNS Shares (the "Exchange Option").

Procedure

A prospective purchaser of shares who elects to use the Exchange Option must do so by means of a book-entry deposit through CDS. Prospective purchasers intending to utilize the Exchange Option must deposit BNS Shares with Computershare Investor Services Inc. (the "Exchange Agent") through CDS prior to 5:00 p.m. (Toronto time) on April 24, 2007. Such book-entry deposits must be made by a CDS Participant who may have an earlier deadline for receiving instructions from its clients to deposit shares pursuant to the Exchange Option. Once submitted to the Exchange Agent through CDS, a deposit of BNS Shares under the Exchange Option (including the transfers authorized thereby) is, subject to the completion of this offering, irrevocable unless withdrawn or rescinded as described below under the heading "Withdrawal and Rescission of the Exchange Option Elections". By authorizing a deposit of BNS Shares under the Exchange Option through CDS, a prospective purchaser authorizes the transfer to the Company of each such share and represents and warrants that the prospective purchaser has full right and authority to transfer the shares and is the beneficial owner of such shares, that such shares have not previously been conveyed, that the transfer of such shares is not prohibited by laws applicable to the prospective purchaser and that such shares are free and clear of all liens,

encumbrances and adverse claims. Such representations and warranties will survive the issuance of Units or Class A Shares in exchange for such BNS Shares. The Company's interpretation of the terms and conditions of the Exchange Option will be final and binding. The Company reserves the right to waive any conditions of the Exchange Option and to accept or reject, in whole or in part, any deposit of shares made pursuant to the Exchange Option. A purchaser utilizing the Exchange Option who is a resident of Canada for purposes of the Tax Act, who holds BNS Shares as capital property and who enters into a joint election with the Company may obtain a tax-deferred rollover for Canadian tax purposes.

If for any reason BNS Shares deposited pursuant to the Exchange Option are not acquired by the Company, the holders of such shares will be notified of such fact as soon as practicable following the closing or the termination of this offering, as the case may be, and such shares will be re-credited to their accounts through CDS.

The maximum offering, comprised of aggregate cash subscriptions and BNS Shares shall not be more than \$250,000,000. If the maximum offering is exceeded, the Company will accept cash subscriptions first and will then accept BNS Shares on a *pro rata* basis or such other reasonable basis that it may determine appropriate until the maximum offering size of \$250,000,000 is achieved, subject to the conditions set forth above under the heading "Methods to Purchase Shares".

The maximum number of BNS Shares that the Company may acquire under the offering is that number of shares which constitutes 9.9% of outstanding BNS Shares (such number being referred to as the "Maximum Ownership Level"). To the extent the Maximum Ownership Level has been achieved in respect of BNS Shares and an excess of shares above the Maximum Ownership Level has been deposited and not withdrawn, such shares will be accepted by the Company to the Maximum Ownership Level on a *pro rata* basis or such other reasonable basis that it may determine to be appropriate.

Determination of Exchange Ratio

Pursuant to the Exchange Option, the number of Units issuable in exchange for BNS Shares deposited by a prospective purchaser will be determined by dividing the volume-weighted average trading price of BNS Shares on the TSX during the three consecutive trading days ending on April 25, 2007, adjusted to reflect dividends declared on such BNS Shares that will not be received by the Company, if any (the "Exchange Price") by \$25.00 (being the sum of the issue price of one Class A Share and one Preferred Share). The exchange ratio will be rounded down to four decimal places. Accordingly, under the Exchange Option for Units, prospective purchasers will receive 2.1644 Units for each BNS Share deposited. If a prospective purchaser of shares has deposited BNS Shares pursuant to the Exchange Option, and if the exchange of such shares for Units would otherwise result in the issuance of a fractional Class A Share or Preferred Share, the Company will, after all applicable withdrawal periods have expired, forward a cash payment to such prospective purchaser, equal to \$25.00 multiplied by such fraction, in lieu of issuing a fractional share.

Pursuant to the Exchange Option for Class A Shares, prospective purchasers will receive that number of Class A Shares issuable in exchange for BNS Shares as determined in the manner described below and \$0.01 in cash per Class A Share. The number of Class A Shares issuable in exchange for each BNS Share deposited will be determined by dividing the Exchange Price by \$15.00. The exchange ratio under the Exchange Option for Class A Shares will be adjusted to reflect the \$0.01 per Class A Share to be received by prospective purchasers. Accordingly, under the Exchange Option for Class A Shares, prospective purchasers will receive 3.6049 Class A Shares for each BNS Share deposited and \$0.01 for each Class A Share received.

If a prospective purchaser of shares has deposited BNS Shares pursuant to the Exchange Option, and if the exchange of such shares would otherwise result in the issuance of a fractional Class A Share, the Company will, after all applicable withdrawal periods have expired, forward a cash payment to such prospective purchaser, equal to \$15.00 multiplied by such fraction, in lieu of issuing a fractional share.

Withdrawal and Rescission of Exchange Option Elections

Each prospective purchaser who has authorized the deposit through CDS of BNS Shares under the Exchange Option will have the right to withdraw such deposit by notifying in writing such prospective

purchaser's investment adviser or other CDS Participant who effected the deposit. To be effective, a written notice of withdrawal must be either delivered in person or by courier to such investment adviser or other CDS Participant within the specified time, who in turn will direct CDS to notify the Exchange Agent of such withdrawal. In addition, prospective purchasers under the Exchange Option will be entitled to withdraw or rescind their purchase on or before midnight on the second business day after receipt or deemed receipt of this prospectus and any amendment. To be effective, a written notice of withdrawal or rescission must be either delivered in person or by courier to such prospective purchaser's investment adviser or other CDS Participant who effected the deposit. Any such notice of withdrawal or rescission must specify BNS Shares to be so withdrawn or rescinded and the name of the prospective purchaser, and notification thereof must be received by the Exchange Agent through CDS prior to the specified time. Each such notice must be signed by the person who authorized the deposit under the Exchange Option. A prospective purchaser also has the rights described under "Purchasers' Statutory Rights".

SHAREHOLDER MATTERS

Meetings of Shareholders

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

Acts Requiring Shareholder Approval

The following matters require the approval of holders of Class A Shares and Preferred Shares by a two-thirds majority vote (other than items (c), (g), (h) and (i) which require approval by a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives and strategy of the Company as described under "Investment Information — Investment Strategy";
- (b) a change in the investment criteria of the Company as described under "Investment Information — Investment Criteria";
- (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) a change of the manager of the Company, other than a change resulting in an affiliate of such person assuming such position or, except as described herein, a change in the investment manager of the Company, other than a change resulting in an affiliate of such person assuming such position;
- (e) a termination of the Investment Management Agreement (except as described under "Management of the Company — Investment Management Agreement") or of the Management Agreement;
- (f) a decrease in the frequency of calculating the NAV per Unit or of retracting Class A Shares or Preferred Shares;
- (g) a change of the auditors of the Company;
- (h) 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;
- (i) 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;

- (j) a change of the Termination Date to a later date;
- (k) a change of the Termination Date to an earlier date; and
- (l) an 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. Ten percent 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 semi-annual financial statements of the Company.

PROXY VOTING GUIDELINES

The Company has adopted the following proxy guidelines (the “Proxy Guidelines”) with respect to the voting of proxies received by it relating to voting securities held by the Company:

- (a) *Auditors:* The Company will generally vote for proposals to ratify auditors except where non-audit-related fees paid to such auditors exceed audit-related fees.
- (b) *Board of Directors:* The Company will vote for nominees of management on a case-by-case basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance positions, takeover activity, long-term company performance, excessive executive compensation, responsiveness to shareholder proposals and any egregious board actions. The Company will generally withhold voting for any nominee who is an insider and sits on the audit committee or the compensation committee. The Company will also withhold support for those individual nominees who have attended less than 75% of the board meetings held within the past year without a valid excuse for these absences.
- (c) *Compensation Plans:* The Company will vote on matters dealing with share-based compensation plans on a case-by-case basis. The Company will review share-based compensation plans with a primary focus on the transfer of shareholder wealth. The Company will generally vote for compensation plans only where the cost is within the industry maximum except where (i) participation by outsiders is discretionary or excessive or the plan does not include reasonable limits on participation or (ii) the plan provides for option re-pricing without shareholder approval. The Company will also vote against any proposals to reprice options.
- (d) *Management Compensation:* The Company will vote on employee stock purchase plans (“ESPPs”) on a case-by-case basis. The Company will generally vote for broadly based ESPPs where all of the following apply: (i) there is a limit on employee contribution; (ii) the purchase price is at least 80% of fair market value; (iii) there is no discount purchase price with maximum employer contribution of up to 20% of employee contribution; (iv) the offering period is 27 months or less; and (v) potential dilution is 10% of outstanding securities or less. The Company will also vote on a case-by-case basis for shareholder

proposals targeting executive and director pay, taking into account the issuer's performance, absolute and relative pay levels as well as the wording of the proposal itself. The Company will generally vote for shareholder proposals requesting that the issuer expense options or that the exercise of some, but not all options be tied to the achievement of performance hurdles.

- (e) *Capital Structure:* The Company will vote on proposals to increase the number of securities of an issuer authorized for issuance on a case-by-case basis. The Company will generally vote for proposals to approve increases where the issuer's securities are in danger of being delisted or if the issuer's ability to continue to operate is uncertain. The Company will generally vote against proposals to approve unlimited capital authorization.
- (f) *Constituting Documents:* The Company will generally vote for changes to constituting documents that are necessary and can be classified as "housekeeping". The following amendments will be opposed:
- (i) the quorum for a meeting of shareholders is set below two persons holding 25% of the eligible vote (this may be reduced in the case of a small organization where it clearly has difficulty achieving quorum at a higher level, but the Company will oppose any quorum below 10%);
 - (ii) the quorum for a meeting of directors should not be less than 50% of the number of directors; and
 - (iii) the chair of the board has a casting vote in the event of a deadlock at a meeting of directors if that chair is not an independent director.

The Proxy Guidelines also include policies and procedures pursuant to which the Company will determine how to cause proxies to be voted on other non-routine matters including shareholder rights plans, proxy contests, mergers and restructurings and social and environmental issues.

The Company will retain Institutional Shareholder Services Canada Corp. to administer and implement the Proxy Guidelines for the Company.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Company and Davies Ward Phillips & Vineberg LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who acquire their Class A Shares and Preferred Shares pursuant to this prospectus and who, for purposes of the Tax Act, are resident in Canada, hold their Class A Shares and their Preferred Shares and, if applicable, BNS Shares in respect of which a prospective purchaser exercises the Exchange Option, as capital property, and deal at arm's length with and are not affiliated with the Company. This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act, the regulations thereunder, and counsel's understanding of the current published administrative policies and assessing practices of Canada Revenue Agency ("CRA") publicly available prior to the date hereof and relies as to certain factual matters on certificates of officers of the Company, MCM and RBC Dominion Securities Inc.

This summary is based on the assumptions that:

1. the Class A Shares and the Preferred Shares will at all times be listed on the TSX;
2. the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada and at no time will the total fair market value of the shares of the Company held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships within the

meaning of the Tax Act) exceed 50% of the fair market value of all of the outstanding shares of the Company;

3. the issuers of securities held by the Company will not be foreign affiliates of the Company or any shareholder;
4. the investment objectives and investment restrictions will at all relevant times be as set out under “Investment Information” and that the Company will at all times comply with such investment objectives and hold only permitted investments; and
5. the securities held by the Company will not be participating interests other than exempt interests in foreign investment entities within the meaning of Bill C-33 which received first reading in the House of Commons on November 22, 2006.

This summary also takes into account all specific proposals to amend the Tax Act announced prior to the date hereof by the Minister of Finance (Canada) (the “Proposed Amendments”). No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, in particular, does not describe income tax considerations relating to the deductibility of interest on money borrowed to acquire Class A Shares and Preferred Shares. This summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which might differ from the federal considerations. This summary does not apply to shareholders that are “financial institutions” as defined in section 142.2 of the Tax Act, “specified financial institutions” as defined in section 248 of the Tax Act or to a shareholder an interest in which is a “tax shelter investment” as defined in section 143.2 of the Tax Act.

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

Tax Treatment of the Company

The Company will qualify, and intends at all relevant times to qualify, as a “mutual fund corporation” as defined in the Tax Act. The Company has informed counsel that it intends to file the necessary election under the Tax Act so that it will be deemed to be a “public corporation” and therefore can qualify as a mutual fund corporation throughout its first taxation year. As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Company has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions. Also, as a mutual fund corporation, the Company maintains a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends (“capital gains dividends”) which are treated as capital gains in the hands of the shareholders of the Company (see “Tax Treatment of Shareholders” below).

The Company will be required to include in computing its income all dividends received. In computing its taxable income, the Company will generally be entitled to deduct all taxable dividends received on shares of taxable Canadian corporations. Dividends received by the Company on other shares will, however, be included in computing the income of the Company, and will not be deductible in computing its taxable income.

The Company is a “financial intermediary corporation” (as defined in the Tax Act) and, as such, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Company nor is it generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Company will generally be subject to a refundable tax of 33⅓% under Part IV of the Tax Act on taxable dividends received during the year to the extent such dividends are deductible in computing taxable

income of the Company. This tax is fully refundable upon payment of sufficient dividends other than capital gains dividends (“Ordinary Dividends”) by the Company.

The Company will purchase BNS Shares with the objective of earning dividends thereon over the life of the Company, and intends to treat and report transactions undertaken in respect of such shares on capital account. Generally, the Company will be considered to hold such shares on capital account unless the Company is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Company has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade.

In computing the adjusted cost base of any particular security, the Company will generally be required to average the cost of that security with the adjusted cost base of all other identical securities owned by the Company at the time of acquisition.

The Company will write covered call options with the objective of increasing the yield on its assets beyond the dividends received on BNS Shares. In accordance with CRA’s published administrative practice, transactions undertaken by the Company in respect of such options will be treated and reported for purposes of the Tax Act on capital account.

Premiums received on call options written by the Company (to the extent such call options relate to securities actually owned by the Company at the time the option is written and such securities are held on capital account as discussed above) will constitute capital gains of the Company in the year received, and gains or losses realized upon dispositions of securities owned by the Company (whether upon the exercise of call options written by the Company or otherwise) will constitute capital gains or capital losses of the Company in the year realized. Where a call option is exercised the proceeds received by the Company for the option will be included in the proceeds of disposition of the securities sold pursuant to the option and the premium received for such option will not give rise to a capital gain at the time the option is written.

To the extent that the Company earns income (other than certain dividends from taxable Canadian corporations and taxable capital gains) including interest and dividends from corporations other than taxable Canadian corporations, the Company will be subject to income tax on such income and no refund will be available in respect thereof.

The Company has advised counsel that it intends to elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property. Such an election will ensure that gains or losses realized by the Company on dispositions of Canadian securities will be taxed as capital gains or capital losses.

The October 31 Proposals were released by the Department of Finance for public comment and propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit” from a business or property in order for a taxpayer to deduct any loss incurred by the taxpayer from the business or property, and would provide that profit, for this purpose, does not include capital gains. The October 31 Proposals could potentially have an adverse effect on the deductibility by the Company of certain otherwise deductible expenses. On February 23, 2005, the Minister of Finance announced that an alternative proposal to replace the October 31 Proposals would be released for comment. To date, no such alternative proposal has been released. There can be no assurance that such alternative proposal will not adversely affect the Company.

Tax Treatment of Shareholders

Shareholders must include in income Ordinary Dividends received from the Company. For individual shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act. Amendments to the Tax Act enacted on February 21, 2007 provide for an enhanced gross-up and dividend tax credit on “eligible dividends” received after 2005 from a corporation resident in Canada which are so designated by the corporation. Ordinary Dividends received by a corporation other than a “specified financial institution” (as defined in the Tax Act) will normally be deductible in computing its taxable income.

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

A shareholder which is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Class A Shares or Preferred Shares, to the extent that such dividends are deductible in computing the corporation’s taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation, the rate of Part IV tax payable by such corporation on such dividend is reduced to 23 $\frac{1}{3}$ %.

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

The initial policy of the Company is to pay monthly distributions and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Company has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains in respect of options that are outstanding at year-end) or would not otherwise obtain a refund of refundable tax in respect of dividend income.

The Company may make returns of capital in respect of the Class A Shares. A return of capital in respect of a Class A Share will not be included in the income of the holder of the share, but will reduce the adjusted cost base of such share. To the extent that the adjusted cost base of a Class A Share would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the shareholder from the disposition of the share and the adjusted cost base will be increased by the amount of such deemed capital gain.

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition (including any Retraction Fees payable by the shareholder). Where Class A Shares or Preferred Shares are retracted by a shareholder, the proceeds of disposition of the Class A Share or Preferred Share are not reduced by the amount of the Retraction Fee paid to MCM by the shareholder. If the holder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. For purposes of computing the adjusted cost base of each share of a particular class, a shareholder must average the cost of such share with the adjusted cost base of any shares of that class already held as capital property.

One-half of a capital gain is included in computing income as a taxable capital gain and one-half of a capital loss may be deducted against taxable capital gains to the extent and under the circumstances prescribed in the Tax Act. A shareholder that is a Canadian-controlled private corporation will be subject to an additional refundable tax of 6 $\frac{2}{3}$ % of aggregate investment income, which includes an amount in respect of taxable capital gains.

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

Election under Section 85 of the Tax Act

A purchaser who is a resident of Canada for purposes of the Tax Act and who is not exempt from tax under the Tax Act or, in the case of a purchaser that is a partnership, where one or more of its members is resident in Canada and not exempt from such tax (an “Eligible Purchaser”) who utilizes the Exchange Option on the exchange of BNS Shares may make a joint Tax Election (as defined under the heading “Procedure for Tax Election”) with the Company pursuant to Section 85 of the Tax Act and thereby obtain a full or partial tax-deferred “rollover” for Canadian income tax purposes by selecting an amount to be treated as the proceeds of disposition of BNS Shares (the “Elected Amount”) so as to not realize a capital gain for the purposes of the Tax Act on the exchange. The “Elected Amount” is selected by an Eligible Purchaser and agreed to by the

Company as described under the heading “Procedures for Tax Election”, subject to the limitations described below, in the election made pursuant to Section 85 of the Tax Act. In addition, generally, the Elected Amount must comply with the following rules:

- (a) the Elected Amount may not be less than the amount of cash received by the Eligible Purchaser on the exchange;
- (b) the Elected Amount may not be less than the lesser of the adjusted cost base to the Eligible Purchaser of BNS Shares exchanged, determined immediately before the time of the exchange, and the fair market value of BNS Shares at the time of the exchange; and
- (c) the Elected Amount may not exceed the fair market value of BNS Shares at the time of the exchange.

Elected Amounts which do not otherwise comply with the foregoing limitations will automatically be adjusted under the Tax Act so that they are in compliance.

Tax Treatment

Where an Eligible Purchaser and the Company make an election at an Elected Amount that complies with the above rules, the tax treatment to the Eligible Purchaser generally will be as follows:

- (a) BNS Shares will be deemed to have been disposed of by the Eligible Purchaser for proceeds of disposition equal to the Elected Amount;
- (b) if such proceeds of disposition of BNS Shares are equal to the aggregate of the adjusted cost base thereof to the Eligible Purchaser of BNS Shares, determined immediately before the exchange, and any reasonable costs of disposition, no capital gain or capital loss will be realized by the Eligible Purchaser;
- (c) to the extent that such proceeds of disposition of BNS Shares exceed (or are less than) the aggregate of the adjusted cost base thereof to the Eligible Purchaser and any reasonable costs of disposition, the Eligible Purchaser will in general realize a capital gain (or capital loss); and
- (d) the aggregate cost to the Eligible Purchaser of shares of the Company received on the exchange will generally be the excess of the Elected Amount over any cash received by the Eligible Purchaser.

Allocation of Cost

An Eligible Purchaser who properly utilizes the Exchange Option and makes a joint Tax Election will be required to allocate such purchaser’s cost between Preferred Shares, if any, and Class A Shares. The effect of such election pursuant to Section 85 for such a purchaser who elects a full tax deferred “rollover” and receives no cash in lieu of fractional shares is to allocate the adjusted cost base of BNS Shares first to any Preferred Shares up to their fair market value and the balance to Class A Shares as set forth below:

- (a) the cost to the Eligible Purchaser of any Preferred Shares received on the exchange will be equal to the lesser of the fair market value of such Preferred Shares determined immediately after the exchange and the amount by which the Elected Amount exceeds the amount of cash received by the Eligible Purchaser; and
- (b) the cost to the Eligible Purchaser of the Class A Shares acquired on the exchange will be equal to the amount, if any, by which the Elected Amount exceeds the aggregate of the amount of any cash received by the Eligible Purchaser and the cost of any Preferred Shares received (as determined in (a) above).

The cost of Class A Shares and Preferred Shares so acquired will be averaged with the adjusted cost base of all other Class A Shares and Preferred Shares, respectively, held by the Eligible Purchaser as capital property for the purpose of determining thereafter the adjusted cost base of each Class A Share or Preferred Share, as the case may be, held by such Eligible Purchaser.

Tax Treatment under Exchange Option — No Tax Election

A purchaser utilizing the Exchange Option who does not enter into a joint election with the Company and who disposes of BNS Shares pursuant to the Exchange Option generally will realize a capital gain (or a capital loss) in the taxation year of the shareholder in which the disposition of such BNS Shares takes place to the extent that the proceeds of disposition for such BNS Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such BNS Shares to the shareholder. For this purpose, the proceeds of disposition to the shareholder will equal the sum of (i) any cash received by the shareholder, and (ii) aggregate of the fair market value of the Class A Shares and any Preferred Shares acquired on the exchange. The cost to a shareholder of Class A Shares and any Preferred Shares so acquired will be equal to the fair market value of those shares at the time of acquisition. In computing the adjusted cost base of the Class A Shares and any Preferred Shares acquired by a shareholder pursuant to the Exchange Option, the cost of such shares must be averaged with the adjusted cost base of any other shares of that class then held by that shareholder as capital property.

A corporation that is a holder of a BNS Share and that realizes a capital loss on the disposition of a BNS Share pursuant to the Exchange Option may have such capital loss reduced by the amount of any dividends previously received (or deemed to be received) by it on such share (or a share that such BNS Share is deemed to be the same as) to the extent and under the circumstances prescribed by rules in the Tax Act. Similar rules may apply where a BNS Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such purchasers should consult their own advisors regarding these rules.

PROCEDURE FOR TAX ELECTION

The Company will make a joint election with a purchaser utilizing the Exchange Option under subsection 85(1) or 85(2) of the Tax Act (and, in either case, the corresponding provision of any applicable provincial income tax legislation) (a “Tax Election”) only if the purchaser is an Eligible Purchaser at all relevant times and the purchaser has duly completed and forwarded to the Company a package of documents described below (a “Tax Election Package”) in the manner and within the time set out below. No Tax Election will be made with any purchaser who is not an Eligible Purchaser. A holder who completes the Tax Election Package and forwards such package to the Company will be considered to have represented to the Company that the holder is an Eligible Purchaser.

To make a Tax Election, a purchaser may either obtain a Tax Election Package from the Company, or may obtain the election forms directly from CRA and the relevant provincial tax authority. An Eligible Purchaser wishing to obtain a Tax Election Package from the Company should visit www.mulvihill.com and follow the instructions therein. The Tax Election Package consists of:

- (a) two copies of CRA Form T2057 or, if the Eligible Purchaser is a partnership, two copies of CRA Form T2058;
- (b) if the Eligible Purchaser is required to file income tax returns in Québec, then two copies of the Québec Tax Election Form TP-518-V, or if the Eligible Purchaser is required to file in Québec and is a partnership, then two copies of Québec Tax Election Form TP-529-V; and
- (c) a set of general instructions.

A duly completed Tax Election Package together with any required supporting schedules and a self-addressed, stamped envelope must be signed and forwarded by an Eligible Purchaser to the Company no later than 30 days after the Closing Date (the “Election Deadline”). Certain Agents may require the Tax Election Package to be submitted at an earlier date. The Company will not execute any Tax Election received by the Company after the Election Deadline. Any Eligible Purchaser who does not ensure that the Company has received a duly completed Tax Election Package on or before the Election Deadline will not be able to benefit from the “rollover” provisions in subsections 85(1) and 85(2) of the Tax Act or their provincial equivalents.

The Company agrees to execute any properly completed Tax Election contained in a Tax Election Package received by the Company from an Eligible Purchaser on or prior to the Election Deadline and to return such Tax Election Package by mail in the self-addressed stamped envelope provided by such Eligible Purchaser within

30 days after the receipt thereof by the Company, for filing with the appropriate tax authorities. For CRA (and where applicable the Ministère du Revenu du Québec) to accept a Tax Election Package without a late filing penalty being paid by an Eligible Purchaser, the Tax Election Package, duly completed and executed by both the Eligible Purchaser and the Company, must be received by such taxation authorities on or before the day that is the earliest date on or before which either the Company or the Eligible Purchaser is required to file an income tax return for the taxation year in which such Eligible Purchaser's BNS Shares are disposed of pursuant to the Exchange Option. The Company is scheduled to have a December 31, 2007 taxation year-end and is required to file income tax returns by June 30 of the next year.

If BNS Shares are held in joint ownership and two or more of the co-owners wish to elect, one of the co-owners designated for such purpose should file the designation and a copy of CRA Form T2057 (and where applicable, the corresponding provincial form) for each co-owner along with a list of all co-owners electing, which list should contain the address and social insurance number or business number of each co-owner. If BNS Shares are held as partnership property, a partner designated by the partnership must file one copy of CRA Form T2058 on behalf of each member of the partnership (and where applicable, the corresponding form in duplicate with the provincial taxation authorities). Such CRA Form T2058 (and provincial form, if applicable) must be accompanied by a list containing the name, address, social insurance number or business number of each partner as well as written authorization signed by each partner authorizing the designated partner to complete and file the form.

Compliance with the requirements to ensure the validity of a Tax Election, including any new or different requirements in effect after the date hereof, will be the sole responsibility of the Eligible Purchaser making the election. The Company will not be responsible for the proper completion of any Tax Election and, except for the Company's obligation to execute and mail a Tax Election Package received on or before the Election Deadline within 30 days of its being received by the Company, the Eligible Purchaser will be solely responsible for the payment of any late filing penalty. The Company will not be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete any Tax Election, nor will the Company be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly file any Tax Election form in the prescribed form and manner and within the time prescribed in the Tax Act and the corresponding provisions of any applicable provincial income tax legislation (except any failure of the Company to execute and mail a Tax Election Package within 30 days of its being received by the Company provided such duly completed Tax Election Package was received by the Company within 30 days of the Closing Date). The Company reserves the right, in its sole discretion, to reject a purchaser's Tax Election if the Company determines in its sole discretion that the Tax Election Package is improperly completed.

Purchasers are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by CRA for information respecting the Tax Election (and, where applicable, Interpretation Bulletin IMP.518-3 issued by the Ministère du Revenu du Québec).

The comments herein concerning the Tax Elections are provided for general assistance only. The rules in this area are complex and the law contains limitations and numerous technical requirements. Purchasers wishing to avail themselves of the Tax Election should consult their tax advisors.

ELIGIBILITY FOR INVESTMENT

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

USE OF PROCEEDS

The net proceeds from the issue of the Class A Shares and the Preferred Shares offered hereby assuming the maximum offering are estimated to be \$250,000,000 and will be used to purchase BNS Shares for the Company's portfolio following closing. See "Investment Information — Investment Strategy". MCM will pay the Agents' fees and expenses of the offering.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of April 26, 2007 (the "Agency Agreement") between RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd., Berkshire Securities Inc., Richardson Partners Financial Limited and Wellington West Capital Inc. (collectively, the "Agents") and Mulvihill, MCM and the Company, the Agents have agreed to offer the Class A Shares and the Preferred Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The Agents will receive a fee equal to \$0.825 for each Class A Share sold and \$0.30 for each Preferred Share sold (either for cash or pursuant to the Exchange Option) and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Class A Shares and the Preferred Shares offered hereby, the Agents will not be obligated to purchase Class A Shares and Preferred Shares that are not sold.

The Company has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the offering, to offer up to 15% of the number of Class A Shares and Preferred Shares issued on closing on the same terms set forth above. This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares and the Preferred Shares issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the thirtieth day following the closing of this offering. To the extent that the Over-Allotment Option is exercised, the additional Class A Shares and Preferred Shares will be offered at the offering prices hereunder and the Agents will be entitled to a fee of \$0.825 per Class A Share purchased and \$0.30 per Preferred Share purchased.

The offering price was established by negotiation between the Agents and the Manager.

If subscriptions for a minimum of 2,600,000 Class A Shares and 2,600,000 Preferred Shares have not been received within 90 days following the date of issuance of a final receipt for this prospectus, this offering may not continue without the consent of those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. In the event the minimum offering is not achieved by the Company and the necessary consents are not obtained or if the closing of the offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Class A Shares and Preferred Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing will take place on May 17, 2007 or such later date as may be agreed upon by the Company and the Agents that is on or before June 29, 2007.

The Class A Shares and the Preferred Shares will be offered in each of the provinces of Canada. The Class A Shares and the Preferred Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended and may not be offered or sold in the United States or to U.S. persons.

The TSX has conditionally approved the listing of the Class A Shares and the Preferred Shares subject to fulfillment by the Company of the requirements of the TSX by June 17, 2007.

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

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

CAPITALIZATION

The capitalization of the Company at April 26, 2007 and at such date as adjusted to give effect to the issue and sale of the Class A Shares and the Preferred Shares offered hereby is set forth in the following table:

| | <u>Authorized</u> | <u>Outstanding as at April 26, 2007</u> | <u>To be outstanding as at April 26, 2007 after giving effect to these issues⁽¹⁾</u> (unaudited) |
|--------------------------------|-------------------|---|--|
| Liabilities | | | |
| Preferred Shares | Unlimited | Nil | \$100,000,000 (10,000,000 shares) |
| Share Capital | | | |
| Class A Shares | Unlimited | Nil | \$150,000,000 (10,000,000 shares) |
| Class J Shares | Unlimited | \$ 100 (100 shares) | \$ 100 (100 shares) |
| Issue Costs | | <u>Nil</u> | <u>Nil</u> |
| Total Capitalization | | <u>\$ 100</u> | <u>\$250,000,100</u> |

(1) Assumes the maximum amount of the offering.

PRINCIPAL SHAREHOLDER

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

FEES AND EXPENSES

Offering Expenses

The expenses of this offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and certain other expenses) will, together with the Agents’ fees, be paid by MCM. As partial compensation for its payment of the Agents’ fees and issue expenses, MCM will receive, if any retraction of Class A Shares or Preferred Shares occurs prior to July 2014, a Retraction Fee from shareholders retracting Class A Shares or Preferred Shares.

Fees and Other Expenses

Pursuant to the terms of the Management Agreement, Mulvihill is entitled to a fee at an annual rate of 0.10% of the NAV of the Company. Pursuant to the terms of the Investment Management Agreement, MCM is entitled to a fee at an annual rate of 1.55% per annum of the NAV of the Company. Fees payable to Mulvihill and MCM will be calculated and payable monthly based on the NAV of the Company as at the Valuation Date of each month.

The Company will pay for all expenses incurred in connection with the operation and administration of the Company. It is expected that these expenses will include, without limitation: (a) mailing and printing expenses for periodic reports to holders of Class A Shares and Preferred Shares; (b) fees payable to the Custodian for

acting as custodian of the assets of the Company; (c) fees payable to Computershare for acting as registrar and transfer agent with respect to the Class A Shares and the Preferred Shares; (d) fees payable to members of the board of directors of the Company; (e) any additional fees payable to Mulvihill for performance of extraordinary services on behalf of the Company; (f) fees payable to the auditors and legal advisors of the Company; (g) regulatory filing, stock exchange and licensing fees; and (h) expenditures incurred upon the termination of the Company. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which Mulvihill, MCM or the Custodian is entitled to indemnity by the Company. See “Management of the Company”. The Company will also be responsible for all commissions and other costs of securities transactions. All such expenses will be subject to an independent audit and report thereon to the Custodian and Mulvihill will provide reasonable access to its books and records for such purpose.

The Company will pay a service fee to each dealer whose clients hold Class A Shares. Such service fee will be calculated and paid at the end of each calendar quarter and will be 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 will be the NAV per Unit less \$10.00. No Service Fee will be paid in any calendar quarter if regular distributions are not paid to holders of Class A Shares in respect of each month in such calendar quarter.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Mulvihill, MCM and the Custodian will receive the fees described under “Fees and Expenses” for their respective services to the Company and will be reimbursed by the Company for all expenses incurred in connection with the operation and administration of the Company.

In accordance with the requirements of the provincial securities regulatory authorities in connection with the offering, MCM has undertaken to file insider trading reports, as if the Company were 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 were not a mutual fund, in accordance with applicable securities legislation in respect of trades made by them in the Class A Shares or the Preferred Shares. The foregoing undertakings shall remain in full force until such time as all the Class A Shares and the Preferred Shares have been redeemed.

MATERIAL CONTRACTS

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

- (a) the Management Agreement described under “Management of the Company — The Manager”;
- (b) the Investment Management Agreement described under “Management of the Company — Investment Management Agreement”;
- (c) the Agency Agreement described under “Plan of Distribution”;
- (d) the Escrow Agreement described under “Principal Shareholder”; and
- (e) the Custodian Agreement described under “Custodian”.

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

RISK FACTORS

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

Concentration Risk

The Company was created to hold only BNS shares and is not expected to have significant exposure to any other investments or assets. The Company's holdings are concentrated in BNS Shares and they are not diversified.

Risks Associated with an Investment in BNS Shares

Investors should review carefully the BNS Public Documents, and in particular the BNS AIF, for a discussion of the risk factors that BNS considers applicable to BNS and BNS Shares.

At any time, BNS may decide to decrease or discontinue the payment of dividends on BNS Shares. Any decrease in the dividends received by the Company on its BNS Shares will decrease the distribution coverage ratio for the Preferred Shares. Such a decrease could reduce or result in the cessation of the distributions payable to the holders of Class A Shares. It could also result in the reduction or discontinuance of the distributions payable to the holders of Preferred Shares or result in their payment in a form other than ordinary dividends.

An investment in the Class A Shares or the Preferred Shares does not constitute an investment in BNS Shares. Holders of the Company's Class A Shares or Preferred Shares will not own the BNS Shares held by the Company and will not have any voting or other rights with respect to such shares.

Performance of the Company's Portfolio

NAV per Unit will vary primarily as the value of BNS Shares varies. The Company has no control over the factors that affect the value of BNS Shares, such as fluctuations in interest rates, changes in BNS's management or strategic direction, achievement of BNS's strategic goals, mergers, acquisitions and divestitures, changes in BNS's dividend policies and other events that may affect the value of BNS Shares.

No Assurances of Achieving Investment Objectives

There is no assurance that the Company will be able to achieve its distribution objectives or the Company's investment objective of returning the issue prices of the Class A Shares and the Preferred Shares to holders of those shares on the Termination Date.

There is no assurance that the Company will be able to pay distributions. The funds available for distribution to holders of Class A Shares and Preferred Shares will vary according to, among other things, the dividends paid on BNS Shares, the level of option premiums received and the value of the securities comprising the portfolio. As the dividends received by the Company will not be sufficient to meet the objectives of the Company in respect of the payment of distributions, the Company will 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 a pricing model can be attained.

Greater Volatility of the Class A Shares

An investment in the Class A Shares is a leveraged investment because the Preferred Shares have priority in payment of any distributions or any proceeds from the winding up of the Company. This leverage amplifies the potential return to Class A Share investors in so far as returns in excess of the amounts payable to holders of Preferred Shares accrue first to the benefit of the holders of Class A Shares. Conversely, any losses incurred on the Company's portfolio accrue to the detriment of the holders of 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.

Interest Rate Fluctuations

It is anticipated that the market price of the Class A Shares and the Preferred Shares will be affected by the prevailing level of interest rates. A rise in interest rates may have a negative effect on the market price of the Class A Shares and the Preferred Shares.

Trading at a Discount

The Company cannot predict whether the Class A Shares and the Preferred Shares will trade above, at or below NAV per Unit.

Use of Options and Other Derivative Instruments

The Company is subject to the full risk of its investment position in the BNS Shares comprising the portfolio, including those BNS Shares that are subject to outstanding call options and those BNS Shares underlying put options written by the Company, should the market price of such BNS Shares decline. In addition, the Company will not participate in any gain on the BNS Shares that are subject to outstanding call options above the strike price of the options.

The use of options may have the effect of limiting or reducing the total returns of the Company if MCM's expectations concerning future events or market conditions prove to be incorrect. In such circumstances, the Company may have to increase the percentage of its portfolio that is subject to covered call options to meet its targeted distribution. In addition, the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining invested directly in the BNS Shares comprising the portfolio.

There can be 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 on desired terms or to close out option positions should MCM desire to do so. In purchasing call or put options, the Company is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) may be unable to meet its obligations. 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 that 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 that may exceed the then current market value of such security.

Reliance on the Investment Manager

MCM will manage the portfolio of the Company in a manner consistent with the investment objectives, strategy and criteria of the Company. The officers of MCM who will be primarily responsible for the management of the Company's portfolio have extensive experience in managing investment portfolios, but there is no certainty that they will continue to be employees of MCM over the entire life of the Company.

Significant Retractions

The Class A Shares and the Preferred Shares are retractable annually and monthly for a price based on NAV per Unit (which represents the value that the Company is able to obtain in the market when it sells portfolio securities to fund the retraction). The purpose of the retraction right is to prevent the Class A Shares and the Preferred Shares from trading at a substantial discount to their market value and to provide shareholders with the right to realize their investment without any trading discount to such value. While the retraction right provides shareholders the option of liquidity, there can be no assurance that it will reduce trading discounts. If a significant number of Class A Shares and Preferred Shares are retracted, the trading liquidity of the Class A Shares and the Preferred Shares could be significantly reduced. In addition, the expenses of the Company would be spread among fewer Class A Shares and Preferred Shares, potentially resulting in lower NAV per Unit.

Operating History

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

Tax Treatment of Proceeds of Disposition and Option Premiums

In determining its income for tax purposes, the Company will treat gains and losses realized on the disposition of securities in the portfolio, 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 in accordance with CRA's published administrative practice. CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA's published administrative practice and the advice of counsel or as a result of a change of law, some or all of the transactions undertaken by the Company in respect of covered options and securities in the portfolio were treated on income rather than capital account, after-tax returns to holders of Class A Shares and Preferred Shares could be reduced and the Company may be subject to non-refundable income tax in respect of income from such transactions, and the Company may be subject to penalty taxes in respect of excessive capital gains dividend elections.

Tax Election

Since purchasers utilizing the Exchange Option will be entitled to make a Tax Election, the adjusted cost base to the Company for tax purposes of BNS Shares will be less than their fair market value at closing. Accordingly, all shareholders, including those who did not make a Tax Election, may be liable for tax on capital gains attributable to the tax deferred contribution of BNS Shares by other shareholders to the extent such capital gains tax is not refundable to the Company and is therefore distributed as a capital gains dividend.

LEGAL OPINIONS

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

CUSTODIAN

Pursuant to an agreement (the "Custodian Agreement") to be entered into on or prior to the date of closing with the Company, RBC Dexia Investor Services Trust (the "Custodian") is the custodian of the assets of the Company and is responsible for processing redemptions, NAV calculations, net income and net realized capital gains of the Company and maintaining the books and records of the Company.

The address of the Custodian is Royal Trust Tower, 11th Floor, 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 properly incurred by the Custodian in connection with the activities of the Company.

PROMOTER

MCM has taken the initiative in organizing the Company and accordingly may be considered a "promoter" of the Company within the meaning of the securities legislation of certain provinces of Canada. MCM 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 Deloitte & Touche LLP, BCE Place, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

REGISTRAR AND TRANSFER AGENT

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

PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities 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, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the prospectus of S Split Corp. (the "Company") dated April 26, 2007 relating to the issue and sale of class A shares and preferred shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the board of directors of the Company on the statement of financial position of the Company as of April 26, 2007. Our report is dated April 26, 2007.

Toronto, Ontario
April 26, 2007

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

AUDITORS' REPORT

To the Board of Directors of
S SPLIT CORP. (THE "COMPANY")

We have audited the statement of financial position of the Company as at April 26, 2007. This financial statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Company as at April 26, 2007 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
April 26, 2007

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

S SPLIT CORP.
STATEMENT OF FINANCIAL POSITION
April 26, 2007

| | |
|---|---------------------|
| ASSETS | |
| Cash | \$100 |
| Investment in portfolio securities | <u>—</u> |
| TOTAL ASSETS | <u><u>\$100</u></u> |
| LIABILITIES | |
| Preferred Shares | <u>\$ —</u> |
| EQUITY | |
| Class A Shares | <u>—</u> |
| Class J Shares | <u>\$100</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u><u>\$100</u></u> |

Approved by the Board:

(Signed) JOHN P. MULVIHILL
Director

(Signed) SHEILA S. SZELA
Director

S SPLIT CORP.
NOTES TO FINANCIAL STATEMENT

1. SHARES AUTHORIZED AND OUTSTANDING

Establishment of the Company and Authorized Share Capital

S Split Corp. (the “Company”) was incorporated under the laws of the Province of Ontario by Articles of Incorporation dated January 26, 2007. The Company is authorized to issue an unlimited number of Class A Shares, Preferred Shares and Class J Shares. On January 26, 2007, the Company issued 100 Class J Shares for \$100.00 cash.

2. AGENCY AGREEMENT AND CUSTODIAN

The Company has engaged RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., HSBC Securities (Canada) Inc., Blackmont Capital Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd., Berkshire Securities Inc., Richardson Partners Financial Limited and Wellington West Capital Inc. to offer for sale to the public pursuant to a prospectus dated April 26, 2007 the Class A Shares and the Preferred Shares described in Note 1.

The Company has retained RBC Dexia Investor Services Trust under a Custodian Agreement to be dated as of the date of closing to act as custodian of the assets of the Company and be responsible for certain aspects of the Company’s day-to-day operations. In consideration for the services provided by RBC Dexia Investor Services Trust, the Company will pay a monthly fee to be agreed upon between RBC Dexia Investor Services Trust and Mulvihill Fund Services Inc. (“Mulvihill”).

3. MANAGER AND INVESTMENT MANAGER

The Company has retained Mulvihill to act as manager under the Management Agreement and has retained Mulvihill Capital Management Inc. (“MCM”) to act as investment manager under the Investment Management Agreement. Pursuant to these agreements, Mulvihill and MCM are entitled to fees at the annual rates of 0.10% and 1.55%, respectively, of the net asset value of the Company. Such fees are calculated and payable monthly.

4. BASIS OF STATEMENT OF FINANCIAL POSITION

This statement of financial position has been prepared in accordance with Canadian generally accepted accounting principles in connection with the prospectus filing requirements of the Canadian securities regulatory authorities to qualify the Class A Shares and the Preferred Shares of the Company for public distribution.

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: April 26, 2007

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) and by Part II of the *Securities Act* (Prince Edward Island) 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* (Quebec) and the regulations thereunder.

S SPLIT CORP.

(Signed) JOHN P. MULVIHILL
Chief Executive Officer and President

(Signed) SHEILA S. SZELA
Chief Financial Officer

On behalf of the Board of Directors

(Signed) MICHAEL M. KOERNER
Director

(Signed) ROBERT W. KORTHALS
Director

MULVIHILL CAPITAL MANAGEMENT INC.
(as Promoter)

(Signed) JOHN P. MULVIHILL
Chief Executive Officer and President

CERTIFICATE OF THE AGENTS

Dated: April 26, 2007

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

RBC DOMINION SECURITIES INC.

CIBC WORLD MARKETS INC.

SCOTIA CAPITAL INC.

By: (Signed) CHRISTOPHER BEAN

By: (Signed) RON MITCHELL

By: (Signed) BRIAN MCCHESENEY

BMO NESBITT BURNS INC.

TD SECURITIES INC.

By: (Signed) DAVID THOMAS

By: (Signed) CAMERON GOODNOUGH

NATIONAL BANK FINANCIAL INC.

By: (Signed) MICHAEL SHUH

HSBC SECURITIES (CANADA) INC.

By: (Signed) JAY K. LEWIS

BLACKMONT
CAPITAL INC.

CANACCORD CAPITAL
CORPORATION

DESJARDINS
SECURITIES INC.

DUNDEE SECURITIES
CORPORATION

RAYMOND
JAMES LTD.

By: (Signed)
CHARLES PENNOCK

By: (Signed) BINA
PATEL

By: (Signed) BETH
SHAW

By: (Signed) DAVID
ANDERSON

By: (Signed)
J. GRAHAM FELL

BERKSHIRE SECURITIES INC.

RICHARDSON PARTNERS
FINANCIAL LIMITED

WELLINGTON WEST CAPITAL INC.

By: (Signed) DAVID MACLEOD

By: (Signed) DAVE FINNBOGASON

By: (Signed) KEVIN HOOKE

