

**ANNUAL INFORMATION FORM  
("AIF")**

*Investment Fund:*

**GLOBALBANC ADVANTAGED 8 SPLIT CORP.**

*Securities Covered by AIF:*

**PREFERRED SHARES (TSX: GBA.PR.A)  
and  
CLASS A SHARES (TSX: GBA)**

*Period Covered by AIF:*

**JANUARY 1, 2010 TO DECEMBER 31, 2010**

*Date of AIF:*

**March 31, 2011**

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## SECTION 1 - CERTAIN DEFINITIONS

In this AIF:

<u>Term:</u>	<u>Means:</u>
<i>"Administration Agreement"</i>	The administration agreement dated June 26, 2007, between the Company and the Administrator
<i>"Administrator"</i>	NBF, as administrator of the Company pursuant to the Administration Agreement
<i>"Auditor"</i>	Deloitte & Touche LLP
<i>"Board of Directors"</i>	Board of directors of the Company
<i>"Business Day"</i>	Any day on which the TSX is open for business
<i>"CDS"</i>	CDS Clearing and Depository Services Inc.
<i>"CICA"</i>	Canadian Institute of Chartered Accountants
<i>"Class A Shares"</i>	Class A shares of the Company
<i>"Class J Shares"</i>	Class J shares of the Company
<i>"Company"</i>	GlobalBanc Advantaged 8 Split Corp.
<i>"Custodian"</i>	State Street Trust Company Canada
<i>"DBRS"</i>	DBRS Limited
<i>"GAAP"</i>	Generally accepted accounting principles
<i>"Holder"</i>	A holder who holds any of the Securities of the Company
<i>"IRC"</i>	Independent Review Committee
<i>"NAV"</i>	Net asset value
<i>"NBC"</i>	National Bank of Canada
<i>"NBF"</i>	National Bank Financial Inc.
<i>"NI 81-102"</i>	National Instrument 81-102 - <i>Mutual Funds</i>
<i>"NI 81-106"</i>	National Instrument 81-106 - <i>Investment Fund Continuous Disclosure</i>
<i>"NI 81-107"</i>	National Instrument 81-107 - <i>Independent Review Committee for Investment Funds</i>

<i>“Portfolio Adviser”</i>	First Asset Investment Management Inc.
<i>“Preferred Shares”</i>	Preferred Shares of the Company
<i>“Prospectus”</i>	The final prospectus of the Company dated May 29, 2007
<i>“Registrar”</i>	Computershare Investor Services Inc.
<i>“Securities”</i>	The Preferred Shares and/or the Class A Shares of the Company, as the case may be
<i>“Tax Act”</i>	<i>Income Tax Act</i> (Canada) and the regulations thereunder
<i>“TSX”</i>	Toronto Stock Exchange
<i>“Unit”</i>	A notional unit comprising of one Preferred Share and one Class A Share

Unless otherwise indicated, the information set out in this AIF is current to December 31, 2010.

## **SECTION 2 - NAME, FORMATION AND HISTORY OF THE COMPANY**

### **2.1 Full Name and Registered Office**

*Name:* GlobalBanc Advantaged 8 Split Corp.

*Registered Office:* 130 King Street West, Suite 3200, Toronto, Ontario, M5H 3T9

### **2.2 Formation**

*Structure:* Mutual fund corporation

*Laws:* Province of Ontario

*Date:* May 1, 2007

*Manner:* Articles of incorporation dated May 1, 2007 (the “**Articles**”)

*Termination:* The Company will terminate on December 15, 2012

### **2.3 Constating Documents**

The Articles were amended on May 28, 2007 to:

- (1) increase the minimum number of directors of the Company from 1 to 3;
- (2) add an unlimited number of Preferred Shares and an unlimited number of Class A Shares to the authorized share capital of the Company;

- (3) remove the rights, privileges, restrictions and conditions attaching to the then existing Class J shares;
- (4) provide for the rights, privileges, restrictions and conditions attaching to the Class J Shares, the Preferred Shares and the Class A Shares; and
- (5) remove the restrictions on the transfer of securities of the Company, other than non-convertible debt securities.

#### **2.4 Previous Name(s) of the Company**

None.

#### **2.5 Major Events**

- (1) On *May 1, 2007*, the Company was created.
- (2) On, *June 26, 2007*, pursuant to the Prospectus and an agency agreement (the "**Agency Agreement**") dated May 29, 2007 among NBF, CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Capital Corporation, Desjardins Securities Inc., Dundee Securities Corporation, Raymond James Ltd., Blackmont Capital Inc. and Wellington West Capital Inc. (collectively, the "**Agents**") and the Company, and on *July 6, 2007*, upon partial exercise of the over-allotment option granted to the Agents, an aggregate of 2,700,000 Preferred Shares were issued at a price of \$10.00 per Preferred Share and 2,700,000 Class A Shares were issued at a price of \$10.00 per Class A Share raising aggregate gross proceeds of approximately \$54,000,000. The Agents received a fee equal to \$0.30 for each Preferred Share sold and \$0.60 for each Class A Share sold and were reimbursed for reasonable out-of-pocket expenses incurred by them. The Preferred Shares and Capital Shares are listed on the TSX under the symbols "*GBA.PR.A*" and "*GBA*", respectively.
- (3) On *June 26, 2007*, NBF, in its capacity as Administrator of the Company, entered into an investment advisory agreement (the "**Portfolio Advisory Agreement**") with the Portfolio Adviser. The Portfolio Adviser was retained to provide the administrative services, including investment advisory services, required by the Company.
- (4) On *June 26, 2007*, the Company entered into a forward agreement (the "**Forward Agreement**") with NBC (the "**Counterparty**").
- (5) On *September 22, 2009*, at the Company's request, DBRS withdrew its rating on the Preferred Shares. The Board of Directors concluded that there was no benefit to continuing the rating, and incurring the costs associated with the rating.

### **SECTION 3 - INVESTMENT OBJECTIVES, RESTRICTIONS AND PRACTICES**

#### **3.1 Investment Objectives**

The Company's investment objectives with respect to the Preferred Shares are:

- (a) to provide holders of Preferred Shares with fixed cumulative preferential quarterly cash distributions that are expected to consist of non-taxable returns of capital and capital gains in the amount of \$0.1125 per Preferred Share, representing a yield on the issue price of the Preferred Shares of 4.5% per annum; and
- (b) to return the original issue price of the Preferred Shares at the time of redemption of such Preferred Shares on December 15, 2012 (the “**Final Redemption Date**”).

The Company’s investment objectives with respect to the Class A Shares are:

- (a) to provide holders of Class A Shares with the opportunity for leveraged growth in NAV per Class A Share after the repayment of the original issue price of the Preferred Shares; and
- (b) to provide holders of Class A Shares with cash distributions that are expected to consist of non-taxable returns of capital and capital gains as and when declared by the Board of Directors.

The investment objectives with respect to the Preferred Shares and the Class A Shares are collectively referred to as the “**Investment Objectives**”.

### **3.2 Investment Strategy**

The Company was formed to provide holders of its Securities with tax-efficient exposure to the price performance and dividend payments (including any increases thereof) of an initially equally weighted basket of securities consisting of eight of the world’s biggest banks, namely Citigroup Inc., Bank of America Corp. (DE), Royal Bank of Scotland Group plc, Deutsche Bank AG, UBS AG, Banco Santander Central Hispano SA, BNP Paribas and Société Generale Group (each, a “**Bank**” and all of them collectively, the “**Banks**”). Securities of each of the Banks form part of the portfolio securities (the “**GlobalBanc Portfolio**”).

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 (described in Section 3.4 – *Variances From investment Objectives, Strategy, Practices & Restrictions*).

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

Pursuant to the Forward Agreement, the Company agreed to transfer on or about the Final Redemption Date a portfolio consisting of securities of certain Canadian public issuers listed on

the TSX (the “**Canadian Securities Portfolio**”) to the Counterparty in exchange for an amount determined by reference to the Canadian dollar value of the GlobalBanc Portfolio (the “**Forward Amount**”). The settlement obligations under the Forward Agreement with respect to the Canadian Securities Portfolio will be discharged, at the election of the Company, either by physical delivery by the Company to the Counterparty against a cash payment of the purchase price therefor, or by the making of a cash payment to the appropriate party. Concurrent with the entering into of the Forward Agreement, the Canadian Securities Portfolio was pledged to the Counterparty as security for the obligations of the Company under the Forward Agreement. The Forward Agreement may be partially settled prior to the Final Redemption Date at the request of the Company in order to fund retractions, redemptions and repurchases of Securities, to fund distributions and to pay any expenses or liabilities of the Company. The Forward Agreement will terminate on or about the Final Redemption Date if not terminated earlier if the Counterparty, acting reasonably and in good faith, determines that the cost of hedging its position under the Forward Agreement has increased or if an event of default or a termination event (as defined in the Forward Agreement) occurs with respect to the Company or the Counterparty under the Forward Agreement.

The Forward Agreement currently provides that, for the purposes of computing the Forward Amount, ordinary dividends on the securities comprising the GlobalBanc Portfolio may be reduced by an amount equal to the withholding taxes applicable to the Counterparty’s hedge of its obligations under the Forward Agreement. Consequently, the Company’s return on its exposure to the performance of the GlobalBanc Portfolio may be reduced.

The Company entered into a revolving credit facility with a Canadian chartered bank which may be used, among other things, to fund the payment of redemptions and for working capital purposes of the Company. The interest rate, fees and expenses under the revolving credit facility are typical of similar credit facilities of this nature. Amounts borrowed under the facility are collateralized by a security interest in the assets and undertakings of the Company. The amount outstanding under the revolving credit facility at any time will not exceed 5.0% of the net assets of the Company at the time of borrowing.

See also, Section 8.3 – *Use of Derivatives* and Section 8.4 – *Securities Lending, Repurchase Transactions, Etc.*

### **3.3 Investment Restrictions**

The Company is subject to certain investment criteria that, among other things, limit the equity securities and other securities that the Company may acquire for the Canadian Securities Portfolio. The Company’s investment criteria provide that the Company adhere to the following investment restrictions (the “**Investment Restrictions**”):

- (a) **Canadian Securities.** The Company will only invest in the Canadian Securities Portfolio, will restrict its investments to securities that are “Canadian securities” as defined by subsection 39(6) of the Tax Act and will not purchase any securities from persons with which it does not act at arm’s length in accordance with the relevant provisions of the Tax Act;

- (b) **Purchasing Securities.** The Company will not purchase securities other than through normal market facilities unless the purchase price therefor approximates the prevailing market price or is negotiated or established on an arm's length basis;
- (c) **Restriction on Investments.** The Company will restrict its investments in any one issuer to no more than 10% of its total assets at the time of investment in such issuer;
- (d) **Mutual Fund Corporation.** The Company will manage its investments and affairs to ensure that at all relevant times, it will be a "mutual fund corporation" for the purposes of the Tax Act;
- (e) **Cash Equivalents.** The Company may hold cash, and it may invest excess cash in cash equivalents;
- (f) **Restriction on Lending.** The Company will not lend securities included in its Canadian Securities Portfolio, except (i) under a securities lending arrangement that qualifies as a "securities lending arrangement" for the purposes of the Tax Act, and (ii) as would be permitted by NI 81-102;
- (g) **Limit on Borrowing Money.** The Company may not borrow money in excess of 5% of the Canadian dollar equivalent of the then current net assets of the Company; and
- (h) **Restriction on Taxable Canadian Property.** The Company will not make an investment if as a result more than 10% of its property (based on fair market value) will consist of taxable Canadian property for purposes of the Tax Act and/or certain specified property as defined in a certain proposal to amend the Tax Act released by the Minister of Finance 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, which are designed in part to ensure that the investments of the Company are diversified and relatively liquid and to ensure the proper administration of the Company.

### **3.4 Variances From Investment Objectives, Strategy, Practices & Restrictions**

The Company has not sought nor received the approval of the securities regulatory authorities to vary any of the investment restrictions and practices contained in securities legislation, except as follows:

- (a) On June 6, 2007, the Company obtained relief from sections 2.1(1), 2.4(2)(3), 2.6(a), 2.7(1)(a), 2.7(4), 3.3, 10.3, 10.4(1), 12.1(1) and 14.1 of NI 81-102, in order to allow the Company to enter into, and perform its obligations under, the Forward Agreement and to permit the Company to conduct its operations as described in the Prospectus.

The Company has not sought nor relied on the approval of the IRC and the relevant requirements of NI 81-107 to vary any of the investment restrictions and practices contained in securities legislation, nor to implement a reorganization with, or transfer of assets to, another fund or to proceed with a change of auditor of the Company.

The Company's investment criteria may not be changed without the approval of the holders of the Preferred Shares and the Class A Shares voting together as a class by a two-thirds majority vote of such Holders who vote in person or by proxy at a meeting called for such purpose.

#### **SECTION 4 - SECURITIES OFFERED BY THE COMPANY**

##### **4.1 Authorized and Issued Securities**

The Company is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares of which there are issued and outstanding, as at March 21, 2011, 1,624,100 Class A Shares, 1,624,100 Preferred Shares and 150 Class J Shares. The attributes of Class J Shares, the Preferred Shares and the Class A Shares are described below.

References in this AIF to a "Shareholder" means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

##### **4.2 Certain Provisions of the Class J Shares**

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J Shares will be entitled to one vote per share. The Class J Shares are redeemable at a price of \$1.00 per share and retractable at any time at either (i) a price of \$1.00 per share if any of the Class A Shares or Preferred Shares are then outstanding, or (ii) the NAV of the Company divided by the number of Class J Shares outstanding if none of the Class A Shares or Preferred Shares are then outstanding. The Class J Shares rank subsequent to both the Preferred Shares and the Class A Shares with respect to distributions on the dissolution, liquidation or winding up of the Company.

The rights, privileges, restrictions and conditions attaching to the Class J Shares may be amended only with the approval of the holders of Class J Shares subject to a minimum requirement that such approval shall be given either in writing by a resolution signed by all holders of the Class J Shares entitled to vote thereon or by a resolution passed at a meeting of holders of Class J Shares at which holders of at least one-third of the outstanding Class J Shares are present in person or are represented by proxy and carried by not less than two-thirds of the votes cast at such meeting.

GlobalBanc Advantaged 8 Holdings Corp. owns all of the 150 issued and outstanding Class J Shares.

### 4.3 Certain Provisions of the Class A Shares

#### (1) Distributions

Holders of Class A Shares will receive cash distributions if, as and when declared by the Board of Directors, that are expected to consist of non-taxable returns of capital and capital gains. The Company may make additional special distributions provided certain conditions are met and the Administrator considers it appropriate in the circumstances at such time. There can be no assurance that the Company will be able to pay distributions to the holders of Class A Shares. A dividend was not declared on the Class A Shares in 2008, 2009 or in 2010.

The Company will not pay special distributions on the Class A Shares if after payment of the distribution the NAV per Unit would be less than \$20.00, unless the Company would need to pay a capital gains dividend in order to effectively eliminate tax on net capital gains realized by the Company.

Any cash distributions will be paid through CDS's book-entry only system 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 1 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 its applicable participant in the CDS depository system (a "CDS Participant").

#### (2) Voting Rights

The holders of Class A Shares shall not be entitled to receive notice of, to attend or to vote any meeting of the Shareholders except for meetings at which a Shareholder Matter (defined in Section 4.7 - *Shareholder Matters*) is to be voted upon. The holders of the Class A Shares shall also be entitled to receive notice of meetings of Shareholders called for the purpose of authorizing the dissolution of the Company.

#### (3) Priority

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

#### (4) Monthly Redemptions

Class A Shares may be surrendered at any time for redemption by the Company, but will be redeemed only on the second last Business Day of each month (the "**Redemption Date**"). Class A Shares surrendered for redemption by a Shareholder at least five Business Days prior to the monthly Redemption Date will be redeemed on such Redemption Date and the Shareholder will receive payment on or before the eighth Business Day following the applicable Redemption Date, on which the applicable redemption amount is paid (the "**Redemption Payment Date**"). If a Shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth Business Day immediately preceding a Redemption Date, the Class A Shares will be redeemed on the

Redemption Date in the following month. Except as noted below, the Shareholders will receive the redemption price (except as described under Section 4.3(7) – *Resale of Class A Shares Tendered for Monthly Redemption*) for the redeemed Class A Shares on the Redemption Payment Date in respect of such redemption date.

The “**Class A Redemption Price**” in respect of a Redemption Date means the redemption price per Class A Share equal to (i) 95% of the NAV per Unit determined as of such Redemption Date less (ii) the cost to the Company of the redemption of a Preferred Share at a premium or purchase of a Preferred Share in the market for cancellation (for this purpose, the cost of the purchase of a Preferred Share will include the purchase price of the Preferred Share and commissions and such other costs, if any, related to the liquidation of any portion of the GlobalBanc Portfolio to fund the purchase of the Preferred Share). Any unamortized issue costs relating to any offering of Preferred Shares by the Company will be deducted in calculating the NAV per Unit for this purpose. If on any Redemption Date, Preferred Shares are not required to be purchased in the market for cancellation in connection with the redemption of some or all of the Class A Shares to be redeemed, then the amount in clause (ii) above shall be such amount as the Administrator determines is fair in the circumstances.

Any declared and unpaid distributions payable on or before a redemption date in respect of Class A Shares tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date.

The NAV per Unit may be lower than the original issue price. The NAV per Unit will vary depending on a number of market factors, including interest rates, volatility in the equity and debt markets and the volatility of the portfolio securities. Investors who wish to dispose of their shares should, accordingly, consult with their advisors with respect to the desirability of disposing of shares by way of redemption, through secondary market trades or otherwise. See Section 14.1 -*Risk Factors*.

If any Class A Shares tendered for redemption are not resold in the manner described below under Section 4.3(7) – *Resale of Class A Shares Tendered for Monthly Redemption*, the Company will direct the recirculation agent to purchase for cancellation on behalf of the Company that number of Preferred Shares which equals the number of Class A Shares so redeemed. Any Preferred Shares so purchased for cancellation will be purchased in the market.

(5) **Concurrent Annual Redemptions**

Holders of Class A Shares also have an annual redemption right under which they may concurrently redeem an equal number of Preferred Shares and Class A Shares on the Redemption Date in November of each year. The amount received per Unit by the redeeming Shareholder for such a concurrent redemption will be equal to the NAV per Unit (except as described under Section 4.3(9) – *Resale of Units Tendered for Concurrent Annual Redemption*). Any unamortized issue costs relating to any offering of Preferred Shares by the Company will be deducted in calculating the NAV per Unit for this purpose. To be redeemed in this manner, the Preferred Shares and Class A Shares must both be surrendered for redemption at least five Business Days prior to the Redemption Date in November of the applicable year. Payment of

the proceeds of redemption will be made on or before the eighth Business Day following the Redemption Date in November of the applicable year.

The NAV per Unit may be lower than the original issue price. The NAV per Unit will vary depending on a number of market factors, including interest rates, volatility in the equity and debt markets and the volatility of the securities comprising the GlobalBanc Portfolio. Investors who wish to dispose of their shares should, accordingly, consult with their advisors with respect to the desirability of disposing of shares by way of redemption, through secondary market trades or otherwise. See Section 14.1 – *Risk Factors*.

As disclosed below under Section 4.3(9) – *Resale of Units Tendered for Concurrent Annual Redemption*, where the holder of Class A Shares tendered for redemption has not withheld his or her consent thereto in the manner provided in the redemption 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 Class A Shares tendered for redemption prior to the relevant Redemption Payment Date pursuant to the recirculation agreement. In such event, the amount to be paid to the holder of the Class A Shares on the Redemption 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 NAV per Unit. Holders of Class A Shares are free to withhold their consent to such treatment and to require the Company to redeem their Class A Shares in accordance with their terms.

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 redemption prior to the relevant Redemption Payment Date, any and all Class A Shares which have been surrendered to the Company for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date, unless not redeemed thereon, in which event such Class A Shares will remain outstanding.

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described below under Section 4.5 – *Book-Entry Only System*. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not redeemed by the Company on the relevant Redemption Date.

(6) **Final Redemption**

All Class A Shares will be redeemed on the Final Redemption Date. The redemption price payable for a Class A Share on that date will be equal to the greater of (i) the NAV per Unit on that date minus \$10.00 and any accrued and unpaid distributions on the Preferred Shares, and (ii) nil. See Section 14.1 – *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 Final Redemption Date.

(7) **Resale of Class A Shares Tendered for Monthly Redemption**

Pursuant to the terms of a recirculation agreement (the “**Recirculation Agreement**”), if requested to do so by the Company, the recirculation agent will use commercially reasonable efforts to find purchasers for any Class A Shares tendered for redemption prior to the relevant Redemption Payment Date, provided that the holder of the Class A Shares so tendered has not withheld consent thereto. The Company is not obligated to require the recirculation agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Class A Shares is found in this manner, the amount to be paid to the holder of the Class A Shares on the relevant Redemption Payment Date will be an amount equal to the Holder’s *pro rata* share of the aggregate proceeds realized in connection with the sale of all of the recirculated shares of that class sold in connection with that monthly redemption less any applicable commission. Such amount will not be less than the Class A Share Redemption Price.

(8) **Suspension of Redemptions**

The Administrator may direct the Company to suspend the redemption of and market purchases of Preferred Shares or Class A Shares by the Company or payment of redemption proceeds for any period not exceeding 30 days during which the Administrator determines that conditions exist which render impractical the sale of assets of the Company. The suspension may apply to all requests for redemption 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 Shareholders making such requests shall be advised by the Administrator of the suspension and that the redemption will be effected at a price determined on the first Business Day 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 redemption, as applicable. 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 the Administrator shall be conclusive.

(9) **Resale of Units Tendered for Concurrent Annual Redemption**

Pursuant to the Recirculation Agreement, the recirculation agent has agreed to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Redemption Payment Date, provided that the Shareholder that has tendered Units has not withheld consent thereto. The Company may, but is not obligated to, require the recirculation agent to seek such purchasers. In the event that a purchaser for such Units is found in this manner, the amount to be paid to the Holder of the Units on the relevant redemption payment date will be an amount equal to the Holder’s *pro rata* share of the aggregate proceeds realized in connection with the sale of all of the recirculated Units sold in connection with that annual redemption less any applicable commission. Such amount will not be less than the NAV per Unit. Holders are free to withhold their consent to any proposed resale and to require the Company to redeem their Units in accordance with their terms.

(10) **Amending Class A Shares**

The rights, privileges, restrictions and conditions attaching to the Class A Shares and the restrictions on the business the Company may carry on may be added to, changed or removed only with the approval of the holders of the Class A Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval shall be given either in writing by a resolution signed by all the holders of the Class A Shares entitled to vote thereon or by a resolution passed at a meeting of holders of Class A Shares at which Holders of at least 10% of the outstanding Class A Shares are present in person or are represented by proxy and carried by not less than two thirds of the votes cast at such meeting.

(11) **Issuance of Additional Preferred Shares or Class A Shares**

The Company may issue additional Preferred Shares and Class A Shares together as a Unit provided that the Company receives net proceeds per Unit not less than the NAV per Unit on the Business Day prior to the pricing of the offering.

**4.4 Certain Provisions of the Preferred Shares**

(1) **Distributions**

Holders of record of Preferred Shares at 5:00 p.m. (Toronto time) on the last Business Day of March, June, September and December will be entitled to receive fixed cumulative preferential quarterly cash distributions of \$0.1125 per Share to yield 4.5% per annum on the issue price of the Preferred Shares. Such distributions will be paid on or before the eighth Business Day following the end of the period for which the distribution is made.

There can be no assurance that the Company will be able to pay distributions to the holders of Preferred Shares, and in fact, as at March 21, 2011, the Company had not paid a distribution to the holders of Preferred Shares since September 30, 2009.

The Company will continue to monitor the Bloomberg Dividend Forecast, the Company's cash flow and changes in its expenses in considering whether to reinstate the dividends payable on the Preferred Shares in the future."

The Company continues to use Bloomberg Dividend Forecasts on the GlobalBanc Portfolio to estimate the amount of future partial settlements of the Forward Agreement. These forecasts continue to be at levels similar to recent prior periods. However the Company sold certain assets because of the 2009 and 2010 annual redemptions. These redemptions were funded through the partial settlement of the Forward Agreement.

The shortfall below the prescribed amount of the Preferred Share dividend will accumulate and, in accordance with the terms of the Preferred Shares and the Class A Shares, will be paid in priority to any payments on the Class A Shares. As at March 10, 2011, the shortfall amounted to \$1.04 per Preferred Share.

Any distributions on the Preferred Shares are expected to consist of non-taxable returns of capital and capital gains dividends.

Any cash distributions will be paid through CDS' book-entry only system or paid in such other manner as may be agreed to by the Company. As registrations of interests in the Preferred Shares will be made through the book-entry only system, the Company will, prior to March 1 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 its applicable CDS Participant.

(2) **Voting Rights**

The holders of Preferred Shares shall not be entitled to receive notice of, to attend or to vote at any meeting of the Shareholders except for meetings at which a Shareholder Matter (defined in Section 4.7 – *Shareholder Matters*) is to be voted upon. The holders of the Preferred Shares shall also be entitled to receive notice of meetings of Shareholders called for the purpose of authorizing the dissolution of the Company.

(3) **Priority**

All 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.

(4) **Monthly Redemptions**

Preferred Shares may be surrendered at any time for redemption by the Company, but will be redeemed only on the monthly Redemption Date. Preferred Shares surrendered for redemption by a Shareholder at least five Business Days prior to a Redemption Date will be redeemed on such Redemption Date and the Shareholder will receive payment on the Redemption Payment date. If a Shareholder makes such surrender after 5:00 p.m. (Toronto time) on the fifth Business Day immediately preceding a Redemption Date, the Preferred Shares will be redeemed on the Redemption Date in the following month. Except as noted below, Shareholders will receive the redemption price (except as described under "*Resale of Preferred Shares Tendered for Monthly Redemption*" below) for the redeemed Preferred Shares on the Redemption Payment Date in respect of such Redemption Date.

The "**Preferred Share Redemption Price**" in respect of a Redemption Date means the redemption price per Preferred Share equal to the lesser of (i) (a) 95% of the NAV per Unit determined as of such Redemption Date less (b) the cost to the Company of the purchase of a Class A Share in the market for cancellation (for this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share and commissions and such other costs, if any, related to the liquidation of any portion of the GlobalBanc Portfolio to fund the purchase of the Class A Share) and (ii) \$10.00. Any unamortized issue costs relating to any offering of Preferred Shares by the Company will be deducted in calculating the NAV per Unit for this purpose. If on any Redemption Date, Class A Shares are not required to be purchased in the market for cancellation in connection with the redemption of some or all of the Preferred Shares to be redeemed, then the amount in clause (i)(b) above shall be such amount as the Administrator determines is fair in the circumstances.

The NAV per Unit may be lower than the original issue price. The NAV per Unit will vary depending on a number of market factors, including interest rates, volatility in the equity and debt markets and the volatility of the securities included in the GlobalBanc Portfolio. Investors who wish to dispose of their shares should, accordingly, consult with their advisors with respect to the desirability of disposing of shares by way of redemption, through secondary market trades or otherwise. See Section 14.1 -*Risk Factors*.

Any declared and unpaid distributions payable on or before a redemption date in respect of Preferred Shares tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date.

(5) **Concurrent Annual Redemptions**

Holders of Preferred Shares also have an annual redemption right under which they may concurrently redeem an equal number of Preferred Shares and Class A Shares on the Redemption Date in November of each year, commencing on the Redemption Date in November, 2008. The amount received per Unit by the redeeming Shareholder for such a concurrent redemption will be equal to the NAV per Unit (except as described under "*Resale of Units Tendered for Concurrent Annual Redemption*"). Any unamortized issue costs relating to any offering of Preferred Shares by the Company will be deducted in calculating the NAV per Unit for this purpose. To be redeemed in this manner, the Preferred Shares and Class A Shares must both be surrendered for redemption at least five Business Days prior to the Redemption Date in November of the applicable year. Payment of the proceeds of redemption will be made on or before the eighth Business Day following the Redemption Date in November of the applicable year.

The NAV per Unit may be lower than the original issue price. The NAV per Unit will vary depending on a number of market factors, including interest rates, volatility in the equity and debt markets and the volatility of the securities in the GlobalBanc Portfolio. Investors who wish to dispose of their shares should, accordingly, consult with their advisors with respect to the desirability of disposing of shares by way of redemption, through secondary market trades or otherwise. See Section 14.1 -*Risk Factors*.

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 redemption prior to the relevant Redemption Payment Date, any and all Preferred Shares which have been surrendered to the Company for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date, unless not redeemed thereon, in which event such Preferred Shares will remain outstanding.

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under Section 4.5 - *Book-Entry Only System*. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Preferred Shares which are not redeemed by the Company on the Relevant Redemption Date.

(6) **Redemption at Premium**

Preferred Shares may be redeemed by the Company at any time prior to the Final Redemption Date at a price which, until June 15, 2008 was equal to \$10.40 and which declined by \$0.10 each year to be equal to \$10.00 after June 15, 2011.

Notice of such redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least seven Business Days prior to the Redemption Date.

(7) **Final Redemption**

The Preferred Shares will be redeemed on the Final Redemption Date. The redemption price payable by the Company for a Preferred Share on that date will be equal to the lesser of (i) \$10.00, plus any accrued and unpaid distributions on a Preferred Share and (ii) the NAV on that date divided by the total number of Preferred Shares then outstanding. Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 30 days prior to the Final Redemption Date.

(8) **Resale of Preferred Shares Tendered for Monthly Redemption**

Pursuant to the Recirculation Agreement, if requested to do so by the Company, the recirculation agent will use commercially reasonable efforts to find purchasers for any Preferred Shares tendered for redemption prior to the relevant Redemption Payment Date, provided that the holder of the Preferred Shares so tendered has not withheld consent thereto. The Company is not obligated to require the recirculation agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Preferred Shares is found in this manner, the amount to be paid to the holder of the Preferred Shares on the relevant Redemption Payment Date will be an amount equal to the holder's *pro rata* share of the aggregate proceeds realized in connection with the sale of all of the recirculated shares of that class sold in connection with that monthly redemption less any applicable commission. Such amount will not be less than the Preferred Share Redemption Price.

(9) **Amending Preferred Shares**

The rights, privileges, restrictions and conditions attaching to the Preferred Shares and the restrictions on the business the Company may carry on may be added to, changed or removed only with the approval of the holders of the Preferred Shares given in such manner as may then be required by law, subject to a minimum requirement that such approval shall be given either in writing by a resolution signed by all the holders of the Preferred Shares entitled to vote thereon or by a resolution passed at a meeting of holders of Preferred Shares at which holders of at least 10% of the outstanding Preferred Shares are present in person or are represented by proxy and carried by not less than two thirds of the votes cast at such meeting.

(10) **Historical Credit Rating**

The Preferred Shares were initially rated Pfd-2 (low) by DBRS. DBRS lowered its rating to Pfd-3 (high) with a Stable Trend on January 16, 2008, to Pfd-4 (high) on April 17, 2008, to Pfd-5 with a Stable Trend on July 2, 2008, and, to Pfd-5 (low) with a Negative Trend on November 6, 2008.

On September 22, 2009, at the Company's request, DBRS withdrew its credit rating on the Preferred Shares. The Board of Directors concluded that there was no benefit to continuing the rating, and incurring the costs associated with the rating.

The credit ratings were initially intended to provide investors with an independent measure of the credit quality of the securities. The credit rating accorded to the Preferred Shares was not a recommendation to purchase, hold or sell Preferred Shares and did not comment as to market price or suitability for any particular investor. The rating previously assigned by DBRS represented an evaluation of the Preferred Shares based solely on credit related factors. The ratings did not reflect the risk that market related factors, such as fluctuations in the value of underlying securities, may affect the valuation of the Preferred Shares.

#### **4.5 Book-Entry Only System**

Registration of interests in and transfers of the Securities will be made only through a book-based system administered by CDS (the "**Book-Entry Only System**"). Securities must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Securities 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 Securities. Upon purchase of any Securities, the owner will receive only a customary confirmation from the registered dealer which is a CDS Participant and from or through which the Securities are purchased.

Neither the Company, the Custodian, the Administrator, nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the Securities or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

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

The Company has the option to terminate registration of the shares through the Book-Entry Only System in which case certificates for Securities in fully registered form would be issued to beneficial owners of such securities or to their nominees.

#### **4.6 Information and Reports to Shareholders**

The Company furnishes to Shareholders such financial statements (including semi-annual unaudited and annual audited financial statements, accompanied by management reports of fund performance) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Shareholders' tax returns under the Tax Act and equivalent provincial legislation.

The Company complies with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Shareholders, the

Company provides to Shareholders (along with notice of such meeting) all such information as is required by applicable law to be provided to Shareholders.

#### **4.7 Shareholder Matters**

A Shareholder Matter requires the approval of the holders of the Preferred Shares and Class A Shares by a two-thirds majority vote (other than item (c) which requires approval by a simple majority vote) at a meeting called and held for such purpose.

A “**Shareholder Matter**” means any of the following:

- (a) a change in the fundamental investment objectives and investment strategy of the Company;
- (b) a change in the investment restrictions of the Company unless such change is necessary to ensure compliance with all applicable laws, regulations or other requirements by the applicable regulatory authorities from time to time;
- (c) (i) any change in the basis of calculating fees or other expenses that are charged to the Company, or directly to a Shareholder by the Administrator in connection with the holding of Preferred Shares or Class A Shares, which could result in an increase in charges to the Company or a Shareholder, or (ii) the introduction of a fee or expense that is charged to the Company, or directly to a Shareholder by the Administrator in connection with the holding of shares, which could result in an increase in charges to the Company or a Shareholder; other than a fee or expense charged by a person or company that is at arm’s length to the Company and for which Shareholders are sent a written notice of such change at least 60 days before the effective date of such change;
- (d) a change in the administrator of the Company, other than a change resulting in an affiliate of such person assuming such position;
- (e) a decrease in the frequency of calculating the NAV per Unit or of Shareholders’ redemption privileges;
- (f) 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 other mutual fund corporations;
- (g) 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 material change to the Company;
- (h) an amendment, modification or variation in the provisions or rights attaching to the Preferred Shares, Class A Shares or Class J Shares which adversely affects the holders of those shares; or
- (i) a change in the Final Redemption Date.

## SECTION 5 - VALUATION OF PORTFOLIO SECURITIES AND CALCULATION OF NET ASSET VALUE

The NAV 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, less (iii) the stated capital of the Class J Shares (\$150). For greater certainty, the Preferred Shares will not be treated as liabilities for these purposes and any unamortized issue costs relating to Preferred Shares issued by the Company will be included in NAV.

The total assets of the Company consist of the Company's rights under the Forward Agreement together with any assets of the Company invested in the Canadian Securities Portfolio, cash, cash equivalents and any other instruments permitted by the Company's investment restrictions (See Section 3.3 - *Investment Restrictions*). The Company's rights under the Forward Agreement include the right to receive the Forward Amount upon the transfer of the Canadian Securities Portfolio to the Counterparty in settlement of the Forward Agreement. Consequently, the calculation of the Company's NAV described below will be substantially based on the current value of the Forward Agreement, which will depend in part of the value of the notional GlobalBanc Portfolio.

The Company publishes the NAV of the Class A Shares and Preferred Shares daily on its website - [www.globalbancsplit.com](http://www.globalbancsplit.com).

Unless otherwise required by law, determining the NAV of the Company at any time (which will include a determination of the value of the Forward Agreement) will take into account:

- (a) the value of any cash on hand or on deposit, prepaid expenses, cash distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Administrator 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 Administrator determines to be the fair value thereof;
- (b) bonds and other debt securities shall be valued by taking the bid price;
- (c) on any day other than the last Business Day of November (the "**Valuation Date**"), the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Administrator) shall be determined by taking the latest available sale price, or lacking any recent sales or any record thereof, the last mid price, as at the applicable date on which the value of the assets of the Company is being determined, all as reported by any means in common use;
- (d) on a Valuation Date, for the purposes of calculating the NAV for annual redemptions, the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Administrator) shall be determined by taking the volume weighted average trading price of the security on the three consecutive trading

days ending on such Valuation Date, or lacking any sales on such dates or any record thereof, the last mid price (unless in the opinion of the Administrator such value does not reflect the value thereof and in which case the fair value as determined by the Administrator shall be used), as at that date, all as reported by any means in common use;

- (e) the value of any security which is not listed or traded on a stock exchange or the resale of which is restricted by reason of a representation, undertaking or agreement by the Company (or by the Company's predecessor in title) or by law shall be determined on the basis of such price or yield equivalent quotations (which may be public quotations or may be obtained from major market makers) as the Administrator reasonably determines best reflects fair value;
- (f) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the Company;
- (g) any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;
- (h) the value of a forward contract shall be the gain or loss with respect thereto that would be realized as if the position in the forward contract were to be closed out;
- (i) margin paid or deposited in respect of forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin; and
- (j) short-term investments (excluding bonds with a term to maturity that is less than one year) are valued at cost plus accrued interest which approximates their market value.

If any date on which NAV is determined is not a Business Day, then the property of the Company will be valued as if such date were the preceding Business Day. 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 applicable date on which NAV is determined. Estimated operating expenses of the Company shall be accrued to the date as of which the NAV is being determined.

If an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Administrator to be inappropriate under the circumstances, then notwithstanding such rules, the Administrator shall make such valuation as it considers fair and reasonable.

For financial statement reporting purposes, the fair value of the Company's investments are measured in accordance with CICA Handbook Section 3855: Financial Instruments – *Recognition and Measurement*, which for publicly listed securities is based on the closing bid price on the recognized stock exchange on which the investments are listed or principally traded. Pursuant to NI 81-106, investment funds are required to calculate their net asset value in accordance with Canadian GAAP. The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value for redemptions and subscriptions be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the net asset value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. Due to the structure of the Company, the Net Assets per unit for financial reporting purposes and net asset value per unit for pricing purposes are equal. As at December 31, 2010, the Canadian Securities Portfolio is valued at the closing bid price for each security and the value of the Forward Agreement has been adjusted accordingly.

## **SECTION 6 - RESPONSIBILITY FOR COMPANY OPERATIONS**

The Board of Directors and the senior officers of the Company direct the business, operations and affairs of the Company. The Company has retained the Administrator to provide certain administrative services to, and to administer the operations of, the Company. The Company has approved the delegation of the Administrator's duties and responsibilities to the Portfolio Adviser pursuant to the Administration Agreement dated June 26, 2007.

### **6.1 Administrator**

#### **(1) Contact Information**

**National Bank Financial Inc.**  
130 King Street West, Suite 3200  
Toronto, Ontario M5X 1J9

#### **(2) Duties and Services Provided**

The Administrator provides administrative services to, and administers the operations of, the Company pursuant to the Administration Agreement.

Pursuant to the Administration Agreement, the Administrator is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Company and shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Under the Administration Agreement, the Administrator is not liable for any error of judgment or for any loss suffered by the Company in connection with the matters to which the Administration Agreement relates, except a loss resulting from the wilful misconduct, bad faith, gross negligence or reckless disregard by it of its obligations and duties under the Administration Agreement or in cases where the Administrator fails to act honestly and in good faith with a view to the best interests of the Company or to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Administrator and its directors, officers, and employees shall be indemnified by the Company from and against all claims, demands, losses (other than loss of profits), actions, causes of action, charges, debts, costs, expenses, damages, liabilities or obligations (including judgements, fines, penalties, amounts paid in settlement and legal costs on a solicitor client basis) in connection therewith, brought, commenced or prosecuted against any of such indemnified parties or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of the Administrator's duties and the provision of the services under the Administration Agreement, except as may be incurred as a result of the wilful misconduct, bad faith, gross negligence or reckless disregard of the Administrator or any of its directors, officers, or employees, as the case may be in carrying out its obligations under the Administration Agreement.

(3) **Termination of Administrator**

Holders of Class A Shares and Preferred Shares, by a two-thirds majority vote at a meeting called and held for such purpose, may cause the Administration Agreement to be terminated upon not less than six months' notice. On such termination, the Administrator will be entitled to a termination payment from the Company equal to the average monthly fee paid to the Administrator for the four months immediately preceding the date of termination multiplied by the number of months remaining in the term of the Administration Agreement. The Administration Agreement may also be terminated by the Company if the Administrator has committed certain events of bankruptcy or insolvency or is in material breach of the terms thereof and such breach has not been cured within 60 days after notice thereof has been given to the Administrator. The Administrator will not be entitled to a termination payment under such circumstances.

**6.2 Portfolio Adviser**

(1) **Contact Information**

**First Asset Investment Management Inc.**  
95 Wellington Street West, Suite 1400  
Toronto, Ontario M5J 2N7

(2) **Duties and Services Provided**

The Portfolio Adviser has been retained by the Administrator to provide administrative services, including investment advisory services, required by the Company pursuant to the Portfolio Advisory Agreement.

In the Portfolio Advisory Agreement, the Portfolio Adviser covenants to act at all times on a basis which is fair and reasonable to the Company, to act honestly and in good faith with a view to the best interests of the Company and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in the circumstances.

The Portfolio Advisory Agreement provides that the Portfolio Adviser, its directors, officers and employees will not be liable for any losses (other than loss of profits), expenses, costs, claims,

actions, damages or liabilities if the Portfolio Adviser has satisfied its duties and the standard of care, diligence and skill set forth in the Portfolio Advisory Agreement, unless such claim results from an act or omission involving the wilful misconduct, fraud, gross negligence or reckless disregard of the duties and standard of care, diligence and skill set out in the Portfolio Advisory Agreement of the Portfolio Adviser or its directors, officers or employees or a material breach of the Portfolio Adviser's obligations under the Portfolio Advisory Agreement.

(3) **Key Members**

The name, municipality of residence, position with the Portfolio Adviser and principal occupation of each of the directors and officers of the Portfolio Adviser are set out below.

<i>Name and Municipality of Residence</i>	<i>Position with Portfolio Adviser</i>	<i>Principal Occupation</i>
Akkawi, Z. Edward Toronto, Ontario	Director and Chief Operating Officer	Director and Chief Operating Officer of FA Management Corp. ("FAMC") <sup>(1)</sup>
Allardyce, Craig <sup>(2)</sup> Toronto, Ontario	Portfolio Manager	Portfolio Manager of FAMC
Couprrie, Chris <sup>(3)</sup> Toronto, Ontario	Portfolio Manager	Portfolio Manager of FAMC
Dinelle, Paul V. Toronto, Ontario	Director and Executive Vice-President	Director and Executive Vice-President of FAMC
Goldman, Lee <sup>(4)</sup> Toronto, Ontario	Senior Vice-President, Portfolio Manager and Chief Compliance Officer	Senior Vice-President, Portfolio Manager and Chief Compliance Officer of FAMC
Gordon, Barry H. Toronto, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer of FAMC
Goswami, Manash <sup>(5)</sup> Toronto, Ontario	Portfolio Manager	Portfolio Manager of FAMC
Schikowsky, Charlene A. Toronto, Ontario	Senior Vice-President, Administration and Operations	Senior Vice-President, Administration and Operations of FAMC
Stephenson, John <sup>(6)</sup> Toronto, Ontario	Senior Vice-President and Portfolio Manager	Senior Vice-President and Portfolio Manager of FAMC
Wagman, Karen Toronto, Ontario	Chief Financial Officer	Chief Financial Officer of FAMC

Unless otherwise indicated, all of the directors and officers of the Manager have held their principal occupations for the five years preceding the date hereof.

<i>Name and Municipality of Residence</i>	<i>Position with Portfolio Adviser</i>	<i>Principal Occupation</i>
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- (1) FAMC is a Toronto-based, independent asset management company.
- (2) Prior to joining the First Asset organization in April 2010, Mr. Allardyce was Vice President and Portfolio Manager with Mavrix Fund Management Inc. where he was responsible for economic and credit research, investment strategy and trading. He has nearly 20 years of fixed income experience including portfolio management, sales and trading and interdealer brokerage.
- (3) Prior to joining the First Asset organization in February 2007, Mr. Couprie was a research associate at Desjardins Securities covering the transportation sector, as well as special situations. Prior to that, Mr. Couprie worked at a hedge fund employing a long short market neutral strategy. Mr. Couprie holds a Bachelor of Commerce degree from the University of Toronto in Toronto, Ontario and holds the designation of Chartered Financial Analyst.
- (4) Prior to joining the First Asset organization in April 2006, Mr. Goldman was the Vice President and Treasurer of a subsidiary of Mackenzie Financial Corporation, and Manager of the Mackenzie Sentinel Mortgage Fund.
- (5) Prior to joining the First Asset organization in September 2007, Mr. Goswami was a Research Associate at Scotia Capital covering the Canadian energy infrastructure sector. Prior to that, Mr. Goswami worked at a boutique investment bank specializing in structured finance products. Mr. Goswami holds a Bachelor of Arts Honours (Biology & Economics) from Queen's University in Kingston, Ontario, a Masters of Business Administration from the Ivey School of Business at the University of Western Ontario in London, Ontario. In addition, he holds the designation of Chartered Financial Analyst and Certified Management Accountant.
- (6) Prior to joining the First Asset organization in April, 2006, Mr. Stephenson led a team managing a fund of income trusts and in designing and managing a long/short North American equity/commodities strategy focused on the North American energy and utilities sectors for Second Street Capital, Ltd. Between June of 1997 and February 2006 he worked as an equity analyst (covering the merchant energy and oil and gas sector) and as a partner in an energy-focused management consulting firm as well as co-founder and principal strategist of a long/short U.S. equities fund.

Investment decisions made by the above mentioned individuals are not subject to the oversight, approval or ratification of a committee.

(4) **Termination of Portfolio Adviser**

The Portfolio Advisory Agreement, unless terminated as described below, will continue as long as the Administrator or an affiliate of the Administrator is a party to the Administration Agreement.

The Portfolio Adviser may terminate the Portfolio Advisory Agreement, without payment of any penalty: (i) upon 90 days' notice without cause; (ii) if the Administrator is in material breach of the provisions of the Portfolio Advisory Agreement and such breach has not been cured within 20 Business Days' after notice thereof has been given to the Administrator; (iii) if there is a material change in the Investment Guidelines to which the Portfolio Adviser has not agreed; (iv) if there is a dissolution and commencement of winding-up of the Company; or (v) if the Company becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Company or a substantial portion of its assets.

The Administrator may terminate this Portfolio Advisory Agreement, without payment of any penalty: (i) if the Portfolio Adviser commits a material breach which breach has not been cured within 20 Business Days after notice thereof has been given by the Administrator, subject to certain exceptions; (ii) if there is a dissolution and commencement of winding-up of the Portfolio Adviser; (iii) if the Portfolio Adviser becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Portfolio Adviser or a substantial portion of its assets; (iv) if the assets of the Portfolio Adviser have become subject to seizure or confiscation by any public or governmental organization; (v) if the Portfolio Adviser has lost any registration, licence or other authorization required by it to perform the services delegated to it hereunder; or (vi) if the Portfolio Adviser has acted with wilful misconduct, fraud or gross negligence and as a result of such action there has been a material adverse effect on the Company.

In the event that the Portfolio Advisory Agreement is terminated as provided above, the Administrator shall promptly appoint a successor portfolio adviser to carry out the activities of the Portfolio Adviser until a meeting of the Shareholders is held to confirm such appointment.

### 6.3 Directors and Officers of the Company

The names, municipality of residence, position with the Company and principal occupation of each of the directors and officers of the Company are as follows:

<i>Name and Municipality of Residence</i>	<i>Office with the Company</i>	<i>Principal Occupation</i>
AKKAWI, Z. EDWARD Toronto, Ontario	Vice-President, Operations	Chief Operating Officer, General Counsel, Corporate Secretary and Director of First Asset
CARR, DOUGLAS King City, Ontario	Director <sup>(A)</sup>	Corporate Director <sup>(1)</sup>
DAVIS, BRIAN Toronto, Ontario	Director and Chief Executive Officer	Executive Vice President, Corporate Development and Governance of the Administrator <sup>(2)</sup>
EVANS, TIM Oakville, Ontario	Director, Chief Financial Officer and Corporate Secretary	Director of the Administrator <sup>(3)</sup>
DESCHAMPS, DARIN E. Oakville, Ontario	Director	Managing Director, Head of Financial Institutions Group Corporate and Investment Banking of the Administrator <sup>(4)</sup>
TAYLOR, DAVID Toronto, Ontario	Director <sup>(A)</sup>	Corporate Director <sup>(5)</sup>
ROBB, IAIN A. Toronto, Ontario	Director <sup>(A)</sup>	Partner, Gowling Lafleur Henderson LLP <sup>(6)</sup>

- (A) Member of the Audit Committee.
- (1) Prior to September 1, 2007, Mr. Carr was Senior Vice-President, Finance and Chief Financial Officer of the Hospitals of Ontario Pension Plan.
- (2) Mr. Davis was a lawyer at Torys LLP between June, 1986 and November, 2005.
- (3) Mr. Evans was an Associate Vice President at AIC Investment Services Inc. between June, 2002 and March, 2003 and a Vice President at Berkshire Securities Inc. between March, 2003 and July, 2005.
- (4) Mr. Deschamps was a Managing Director, Investment Banking, Head of Diversified Industries Group with TD Securities Inc. from April 2002 to February 2005.
- (5) Mr. Taylor was a partner at KPMG LLP between October 1975 and September 2005.
- (6) Gowling Lafleur Henderson LLP is a Canadian law firm.

All of the directors and officers of the Company have held their principal occupation for the five years preceding the date hereof, except as indicated in the notes above.

#### **6.4 Custodian**

##### **(1) Contact Information**

**State Street Trust Company Canada**  
30 Adelaide Street East, Suite 1200  
Toronto, Ontario M5C 3G6

##### **(2) Duties and Services Provided**

The Custodian serves as custodian of the Company in respect of the Class A Shares and Preferred Shares pursuant to a custodial agreement dated June 26, 2007 (the "**Custodial Agreement**").

The Company is responsible for payment of the fees of the Custodian which are included in the ongoing expenses of the Company. The Custodian may appoint sub-custodians in Canada to hold Company assets in Canada. In addition, the Custodian may, for the purpose of more expeditiously effecting portfolio transactions outside Canada, hold Company assets outside Canada or appoint sub-custodians outside Canada. All sub-custodians must be appointed pursuant to a sub-custodian agreement on terms and conditions similar to the terms and conditions of the Custodial Agreement which shall contain adequate provision for the Company, acting through the Custodian, to enforce its rights. Any sub-custodian must meet the guidelines prescribed by NI 81-102, and if further delegation is made, the prior written consent of the Custodian and the Company must be given and adequate provision must also be made for the Company, acting through the Custodian and sub-custodian(s), to enforce its rights.

Pursuant to the Custodial Agreement, the Custodian will be indemnified out of the Company's assets in certain circumstances, including from any direct loss, liability, claim or expenses (including reasonable legal counsel fees and disbursements) suffered or incurred by the Custodian arising from or in connection with the performance of its duties under the Custodial

Agreement except with respect to liabilities or expenses occasioned by or resulting from the fraud, wilful default, negligence, breach or wrongful act of the Custodian or any of its employees, directors or officers in the performance of the Custodian's duties under the Custodial Agreement.

(3) **Termination Provisions**

The Custodial Agreement may be terminated by the Company or Custodian on 60 days' prior written notice, and may be terminated immediately if a party is in material breach of its obligations under the agreement and has failed to cure such breach within 30 days of receiving written notice of the breach, or in the event any involuntary action or proceeding is initiated against another party under any applicable insolvency, bankruptcy or reorganization legislation or similar law.

**6.5 Auditor**

**Deloitte & Touche LLP**  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

The Auditors have been the auditors of the Company since its formation.

**6.6 Registrar**

(1) **Contact Information**

**Computershare Investor Services Inc.**  
100 University Avenue, 8<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1

(2) **Duties and Services Provided**

The Registrar acts as transfer agent and registrar for the Class A Shares and Preferred Shares of the Company, providing certain record-keeping, Shareholder reporting and general administration services pursuant to a registrar, transfer agency and distribution agency agreement between the Administrator on behalf of the Company, the Administrator and Registrar dated June 26, 2007 (the "**Registrar, Transfer Agency and Distribution Agency Agreement**"). The register of securities of the Company are kept by the Registrar in Toronto, Ontario.

The Company is responsible for payment of the fees and reimbursement of expenses of the Registrar, which are included in the ongoing expenses of the Company. Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, the Company agrees to indemnify the Registrar in certain circumstances, including from any liability which may arise out of acts performed or omitted to be performed by it in accordance with the agreement, except liability arising out of bad faith, wilful misconduct or gross negligence on the part of the Registrar.

(3) **Termination Provisions**

The Registrar, Transfer Agency and Distribution Agency Agreement may be terminated on 90 days' prior written notice.

**SECTION 7 - CONFLICTS OF INTEREST**

The information provided in this Section 7 is as at March 21, 2011.

The Administrator will administer the operations of the Company pursuant to the Administration Agreement and will receive a monthly fee equal to  $\frac{1}{12}$  of 0.25% of the NAV of the Company. Certain of the directors and officers of the Company are employees of the Administrator. The Administrator may have acted as underwriter in connection with the distribution of some of the shares in the Canadian Securities Portfolio. The Administrator is a wholly-owned subsidiary of NBC and/or one or more of its affiliates have entered into financial service transactions with the Company, including the Company's loan facility and the Forward Agreement, and will earn certain fees and be reimbursed for certain expenses in connection therewith. These transactions will be negotiated at arm's length between the Administrator or its affiliates, on the one hand, and the Company, on the other hand, and as such will be on market terms and conditions. The Administrator and its affiliates will have priority rights under these transactions, which they may exercise without regard to the interests of Shareholders.

The Administrator will purchase, as agent on behalf of the Company, the Canadian Securities Portfolio and is entitled to receive commissions in respect of such purchases and reimbursement of expenses. These commissions will not exceed rates charged to comparable institutional investors. Neither the Administrator nor its affiliates will sell, as principal, securities comprising the Canadian Securities Portfolio to the Company.

**7.1 Principal Holders of Securities**

GlobalBanc Advantaged 8 Holdings Corp. owns all of the 150 issued and outstanding Class J Shares.

To the knowledge of the Company, no person or company owns, beneficially, either directly or indirectly, more than 10% of any class of outstanding Securities. All of the Securities are registered in the name of CDS.

As at March 21, 2011:

- (a) none of the directors and senior officers of the Company owned any of the outstanding securities of the Administrator; and
- (b) Mr. Akkawi, an officer of the Company, indirectly owned and controlled approximately 15% of the outstanding securities of the Portfolio Adviser.

The members of the IRC do not own any securities of the Company, the Administrator or any person or company that provides services to the Company or the Administrator, including the Portfolio Adviser.

## 7.2 **Affiliated Entities of the Company**

No person or company that provides services to the Company in relation to the Company is an affiliated entity of the Company.

## 7.3 **Services Not Exclusive**

The services of the Administrator, Portfolio Adviser and their respective officers and directors and their affiliates and associates are not exclusive to the Company. The Portfolio Adviser or any of their respective affiliates and associates (other than the Administrator) may, at any time, engage in the promotion, management, administration or investment management of any other company, fund or trust which invests primarily in bank-based companies.

## **SECTION 8 - GOVERNANCE OF THE COMPANY**

### 8.1 **Independent Review Committee**

The Company has appointed Messrs. Douglas A. S. Mills, Carl M. Solomon and Henry J. Knowles as members of its IRC in accordance with NI 81-107. Mr. Mills is the Chair of the IRC. The Company shares its IRC with NB Split Corp. The relationship with the IRC is administered by FA Administration Services Inc., an affiliate of the Portfolio Adviser. The costs and expenses associated with the IRC are shared with NB Split Corp. The Company has agreed to indemnify each IRC member as permitted under NI 81-107 and has entered into an indemnity agreement to that effect with each IRC member.

The IRC is responsible for overseeing conflicts of interest matters relating to the Company, which are identified by the Company. The mandate of the IRC is to review and provide input or recommendations to the Company on all conflict of interest matters that have been referred to the IRC. NI 81-107 also imposes obligations upon the Company 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 IRC in carrying out its functions. The IRC has adopted a written charter which it will follow when performing its functions and will be subject to requirements to conduct regular assessments and provide reports to the Company and its Shareholders in respect of its functions. In performing their duties, members of the IRC are required to act honestly, in good faith and in the best interests of the Company and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

There has been no change in the composition of the IRC since it was initially formed.

### 8.2 **Business Practices, Sales Practices, Risk Management Controls and Internal Conflicts of Interest**

The Company has adopted certain conflict policies (the “**Conflict Policies**”), which address a variety of matters which could give rise to conflict of interests or potential conflicts of interest as identified by the Company. The Company and its directors and officers must adhere to these Conflict Policies which have been reviewed by the IRC, and cannot deviate from these Conflict Policies without consultation with the IRC.

All employees of the Portfolio Adviser are bound by:

- (a) a Code of Ethics and Conduct which, among other things, addresses proper business practices, conflicts of interest and personal trading rules; and
- (b) the First Asset Investment Fund Conflicts Policy and Procedures which, among other things, addresses conflicts of interests involving investment funds managed or administered by the Portfolio Adviser as required under NI 81-107.

There are no formal risk management policies, practices or guidelines, however, the Company is managed in accordance with the investment objectives, strategy, practices and restrictions set out in Section 3 - *Investment Objectives, Restrictions and Practices*, and which are monitored regularly by appropriate personnel to ensure compliance therewith.

### **8.3 Use of Derivatives**

In order to gain exposure to the price performance and dividend payments (including any increases thereof) of the GlobalBanc Portfolio, the Company has applied the net proceeds of the Offering to purchase the Canadian Securities Portfolio consisting of securities of certain Canadian public issuers listed on the TSX that qualify as "Canadian securities" for purposes of the Tax Act. The Company has entered into the Forward Agreement with the Counterparty pursuant to which the Company has agreed to transfer on or about the Final Redemption Date the Canadian Securities Portfolio to the Counterparty in exchange for an amount determined by reference to the Canadian dollar value of the GlobalBanc Portfolio. The terms of the Forward Agreement provide that it may be partially settled prior to the Final Redemption Date at the request of the Company in order to fund distributions and retractions, redemptions and repurchases of Securities and to pay any expenses or liabilities of the Company, and the notional amount of the Forward Agreement will be adjusted accordingly.

The Portfolio Adviser has written policies and procedures in place that set out the objectives and goals for derivatives trading and the risk management procedures applicable to derivatives trading. These policies are reviewed on a regular basis by the Portfolio Adviser. Under the Portfolio Adviser's policies and procedures with respect to the use of derivatives, the lead portfolio manager is responsible for initiating, approving and supervising all derivative transactions. All portfolio transactions, including derivative transactions, are reviewed monthly by the Portfolio Adviser's compliance department to ensure that they are consistent with the policies, strategies and procedures for the Company. Derivative transactions are regularly assessed by derivative type, term, and counterparty. The Portfolio Adviser regularly tests the derivative management activities in order to: (a) ensure that derivatives activities are in compliance with the Portfolio Adviser's derivatives policies and procedures and with the laws and regulations to which these activities are subject; (b) ensure that derivative transactions are duly authorized and accurately and completely recorded on the books of the Company; (c) ensure that the securities are properly valued on the books and records of the Company; and (d) ensure that hedging activities are consistent with the Portfolio Adviser's derivatives/securities portfolio management policies and procedures for the Company. The Board of Directors does not have day-to-day involvement in the risk management process.

#### **8.4 Securities Lending, Repurchase Transactions, Etc.**

The Company has not yet engaged in securities lending. If the Company decides to engage in such activities, it will comply with the relevant provisions of NI 81-102. Prior to commencing any securities lending, the Company will adopt written policies and procedures that prescribe the risk management procedures applicable to securities lending.

The Company does not currently intend to engage in any securities lending, repurchase or reverse purchase transactions.

#### **8.5 Voting Securities of Other Funds**

The Company did not own securities of other investment funds during the year.

#### **8.6 Proxy Voting**

As the Company only has exposure to the securities in the GlobalBanc Portfolio through the Forward Agreement and does not have a direct or indirect interest in the securities in the GlobalBanc Portfolio, neither the Company nor Shareholders by virtue of their investment in Shares will have any voting or other rights with respect to any of the securities in the GlobalBanc Portfolio.

In respect of any voting securities that the Company may hold in the Canadian Securities Portfolio, subject to compliance with the provisions of applicable securities law, the Company has the right to vote proxies relating to such securities. In certain circumstances, the Company may delegate this function.

In all cases, proxies must be voted in a manner which the Company believes will maximize the value of the Company's investments - and the economic interests of the Shareholders - over the long-term. The Company maintains guidelines for the voting of proxies, however, each vote is ultimately cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of the vote. The Company may vote contrary to such guidelines, if it determined it would be in the best interest of the Company to do so.

The proxy voting guidelines provide that if at any time the Administrator is acting as an advisor for the applicable issuer, the independent directors of the Company would decide how to vote the issuer's securities to eliminate any possibility of a conflict of interest.

The policies and procedures that the Company follows when voting proxies relating to the portfolio securities are available at [www.globalbancsplit.com](http://www.globalbancsplit.com), or on request, at no cost, by calling or writing the Company. The Company's proxy voting record for the most recent period ended June 30 of each year is available free of charge to any Holder of the Company upon request at any time after August 31 of that year and is available on the Internet at [www.globalbancsplit.com](http://www.globalbancsplit.com).

## 8.7 Short-Term Trading

The Company has no policies and procedures relating to the monitoring, detection and deterrence of short-term trades of Securities by Shareholders.

## SECTION 9 - FEES AND EXPENSES

### 9.1 Fees

<u>Fee Payable To:</u>	<u>Amount and Description</u>
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<b>Administrator</b>	A monthly fee of 1/12 of 0.25% of the NAV of the Company. The administration fee is calculated daily and payable monthly, plus applicable taxes, in arrears on or before the 10 <sup>th</sup> Business Day following the last day of each month. The Administrator may pay operating expenses on behalf of the Company as and when incurred for which the Administrator will be reimbursed. The Administrator is responsible for fees payable to the Portfolio Adviser out of its administration fee.
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<b>IRC</b>	The Company pays a fee to each IRC member. See Section 11.1 - <i>Independent Review Committee</i> .
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<b>Directors</b>	The Company pays a fee to certain directors. See Section 11.2 - <i>Directors</i> .
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<b>Forward Fee</b>	The Company will pay to a Counterparty an amount under a Forward Agreement, calculated daily and payable quarterly in arrears, of 0.40% per annum of the forward amount under the Forward Agreement and an amount of 0.20% per annum in respect of hedging costs incurred.
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### 9.2 Ongoing Expenses

The Company will pay all of its own expenses, the Administrator's expenses incurred in connection with its duties as the Administrator, including custodial fees, IRC member fees and expenses in connection with the IRC, directors' fees and insurance, the preparation of tax filings, taxes (other than the Administrator's own corporate taxes), legal, accounting, audit and valuation fees, Shareholder reporting costs, website maintenance costs, registrar and transfer agency costs, printing and mailing costs, listing fees and expenses, salaries, benefits and consulting fees and other administrative expenses (including the calculation of NAV), costs to be incurred in connection with the Company's continuous public filing and other obligations, and commissions, fees and other expenses associated with the execution of transactions in respect of the GlobalBanc Portfolio. The Company is also responsible for any extraordinary expenses of the Company which may be incurred from time to time.

Expenses also include expenses of any action, suit or other proceedings in which or in relation to which any board member, the Administrator, the Portfolio Adviser, the Custodian, the

Registrar and in certain cases their respective directors, officers, employees, consultants and/or agents, and any IRC member is entitled to indemnity by the Company.

The Company is also responsible for all commissions and other costs of portfolio transactions. All such expenses are subject to an independent audit and report thereon to the Custodian and the Company provides reasonable access to its books and records for such purpose.

As long as the NAV per Unit of the Company is above the par value of the Preferred Shares, then all of the expenses of the Company are born by the Class A Shares. If the NAV per Unit of the Company falls to or below the par value of the Preferred Shares, then the expenses of the Company are born by the Preferred Shares until such time as the NAV per Unit of the Company returns to levels above the par value of the Preferred Shares.

## **SECTION 10 - INCOME TAX CONSIDERATIONS**

### **10.1 General**

In the opinion of Blake, Cassels & Graydon LLP, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a Holder. This summary is applicable to a Holder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Company and holds Securities as capital property. Generally, Securities will be considered to be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have them treated as capital property by making an election in accordance with the Tax Act. This summary is based on the assumptions that the Canadian Securities Portfolio will consist of "Canadian securities" as defined by subsection 39(6) of the Tax Act and that the Company has elected in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the facts set out herein, a certificate of the Company, the current provisions of the Tax Act, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") publicly available prior to the date hereof and all proposals to amend the Tax Act (the "Tax Proposals") publicly announced prior to the date hereof. Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is based on the assumption that the Company was not established and will not be maintained primarily for the benefit of non-residents and that at no time will the total fair market value of Securities of the Company held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships as defined by the Tax Act) exceed 50%

of the fair market value of all issued and outstanding shares of the Company. This summary is also based on the assumption that the Canadian Securities Portfolio will not be lent, directly or indirectly, to the Counterparty under the Forward Agreement. This summary assumes that the Company will comply with the investment restrictions.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Securities. Moreover, the income and other tax consequences of acquiring, holding or disposing of Securities will vary depending on the investor's particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel expresses no views herein in respect of the deductibility of interest on any funds borrowed by a Holder to purchase Securities.

**This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Securities, based on their particular circumstances.**

## **10.2 Status of the Company**

Following the closing of the offering, the Company qualified as a "mutual fund corporation" and a "financial intermediary corporation", as defined in the Tax Act. The Company has advised counsel that it has filed the necessary election under the Tax Act so that it was deemed to be a "public corporation" effective from the beginning of its first taxation year, and therefore qualified as a mutual fund corporation throughout its first taxation year. The Company has further advised counsel that it intends to continue to so qualify throughout each subsequent taxation year in which any Class A Shares or Preferred Shares remain outstanding and this summary assumes this will be the case.

## **10.3 Taxation of the Company**

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. Also, as a mutual fund corporation, the Company is entitled to maintain a capital gains dividend account in respect of its net realized capital gains and from which it may elect to pay dividends ("**capital gains dividends**") which are treated as capital gains in the hands of the Holders of the Company.

The Company did not realize any income, gain or loss upon entering into the Forward Agreement. Gains or losses realized by the Company on the sale of securities in the Canadian Securities Portfolio will be taxed as capital gains or losses. If the obligations of the Company and the Counterparty under the Forward Agreement are settled by making cash payments, a payment made or received by the Company may be treated as an income outlay or receipt, as applicable. If the Company delivers securities in the Canadian Securities Portfolio to the Counterparty in satisfaction of its obligations under the Forward Agreement and receives a payment from the Counterparty equal to the price stipulated in the Forward Agreement, the Company will realize capital gains (losses) equal to the amount by which such purchase price (less reasonable costs of disposition) exceeds (is less than) the aggregate adjusted cost base of such securities. The amount of any such capital loss otherwise determined may, in certain

circumstances described in the Tax Act, be reduced by the amount of dividends from taxable Canadian corporations, if any, previously received by the Company.

In computing income for a taxation year, the Company will be required to include in income the amount of the dividends, if any, received by the Company in the year. In computing taxable income, the Company will generally be permitted to deduct the amount of all dividends received by it from taxable Canadian corporations.

As a “financial intermediary corporation” the Company is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Company and is not generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company on “taxable preferred shares” under the Tax Act. As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Company is generally subject to a refundable tax of 33 1/3% under Part IV of the Tax Act on taxable dividends received by the Company during the year from taxable Canadian corporations to the extent that such dividends were deductible in computing the Company’s taxable income for the year. This tax is refundable upon payment by the Company of sufficient dividends other than capital gains dividends (“**Ordinary Dividends**”).

To the extent that the Company earns net income, after expenses, from sources other than taxable capital gains and dividends from taxable Canadian corporations, the Company will be subject to income tax on such income and no refund of such tax will be available. The Company is entitled to deduct an amount equal to the reasonable expenses that it incurred in the course of issuing Class A Shares and Preferred Shares. Such issue expenses, including the Agents’ fees, will be deductible by the Company rateably over a five-year period subject to reduction in any taxation year which is less than 365 days. Generally, the Company will also be entitled to deduct reasonable administrative expenses and certain other deductible expenses. Any non-capital losses incurred by the Company may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Company. The Company has advised counsel that it is not anticipated that the Company will pay non-refundable Canadian income tax in its taxation years ending on or before December 31, 2012.

#### **10.4 Tax Treatment of Shareholders**

Holders must include in income Ordinary Dividends, if any, paid to them by the Company. For individual Holders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules applicable to taxable dividends paid by taxable Canadian corporations. The Tax Act provides for an enhanced gross-up and dividend tax credit for “eligible dividends” received from a corporation resident in Canada which are so designated by the corporation paying the dividend. It is not anticipated that Ordinary Dividends will be paid by the Company.

The amount of any capital gains dividend received by a Holder from the Company will be considered to be a capital gain of the Holder from the disposition of capital property in the taxation year of the Holder in which the capital gains dividend is received. Where a capital gains dividend is paid in Securities or paid in cash and reinvested in Preferred Shares or Class A Shares, as the case may be, the cost of such Preferred Shares or Class A Shares, as the case may be, acquired by a Holder will be equal to the amount of such dividend. For the purposes of

determining the adjusted cost base to a Holder of such shares, when acquired, the cost of the newly acquired Preferred Shares or Class A Shares, as the case may be, will be averaged with the adjusted cost base of all of the shares of that class owned by the Holder as capital property immediately before that time.

The amount of any payment received by a Holder from the Company as a return of capital on a Security will not be required to be included in computing income. Instead, such amount will reduce the adjusted cost base of the relevant Securities to the Holder. To the extent that the adjusted cost base of a Security to the Holder would otherwise be a negative amount, the Holder will be considered to have realized a capital gain from the disposition of such Security at that time equal to the negative amount and the adjusted cost base of the relevant Security will be increased to nil. A person acquiring Securities may become taxable on income or capital gains accrued or realized before such person acquired such Securities.

### **10.5 Disposition of Shares**

Upon the redemption or other disposition of a Security by a Holder, a capital gain (or a capital loss) will be realized by the Holder to the extent that the proceeds of disposition of the Security exceed (or are less than) the aggregate of the adjusted cost base of the Security and any reasonable costs of disposition. Generally, one half of a capital gain (a taxable capital gain) is included in computing income and one half of a capital loss (an allowable capital loss) is deductible against taxable capital gains in accordance with the detailed provisions of the Tax Act in that regard. Individuals (other than certain trusts) who realize or are deemed to realize net capital gains, or receive dividends, may be subject to an alternative minimum tax under the Tax Act.

### **10.6 Eligibility for Investment**

Provided the Preferred Shares or the Class A Shares are listed on a designated stock exchange in Canada (which includes the TSX), the Securities will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, deferred profit sharing plans and tax-free savings accounts.

Provided that the holder of a tax-free savings account or, pursuant to certain Tax Proposals released on March 22, 2011 (the "**March 22 Proposals**"), the annuitant under a registered retirement savings plan or registered retirement income fund does not hold a significant interest in the Company or any person or partnership that does not deal at arm's length with the Company for purposes of the Tax Act, and provided that such holder or annuitant deals at arm's length with the Company for purposes of the Tax Act, the Securities will not be a prohibited investment for a trust governed by such tax-free savings account or, pursuant to the March 22 Proposals, such registered retirement savings plan or registered retirement income fund.

## **SECTION 11 - REMUNERATION OF DIRECTORS AND INDEPENDENT REVIEW COMMITTEE**

### **11.1 Independent Review Committee**

For their services as members of the IRC for the Company and NB Split Corp., the IRC members are paid an annual fee (as set out in the table below) and are reimbursed for their expenses. Such fees and expenses are allocated on a *pro rata* basis among the Company and NB Split Corp. For the most recently completed financial year, the IRC members received the following amounts in fees and in reimbursement of expenses for its services to both the Company and NB Split Corp.:

	<i>Aggregate Annual Fees*</i>	<i>Expenses Reimbursed</i>	<i>Indemnities Paid</i>
Mills, Douglas**	\$12,500.00	\$61.10	Nil
Solomon, Carl	\$10,000.00	\$26.82	Nil
Knowles, Henry	\$10,000.00	\$36.23	Nil

\*Plus applicable taxes

\*\* Chair of the IRC

### **11.2 Directors**

For serving as directors of the Company, the independent directors of the Company are paid an annual fee (as set out in the table below) and are reimbursed for their expenses. For the most recently completed financial year, the independent directors received the following amounts in fees and in reimbursement of expenses:

<i>Director</i>	<i>Annual Fee</i>	<i>Fees Paid in 2010</i>	<i>Expenses Reimbursed</i>
Carr, Douglas	\$8,500.00	\$8,500.00	Nil
Robb, Iain	\$8,500.00	\$8,500.00	Nil
Taylor, David	\$8,500.00	\$8,500.00	Nil

None of the other directors or officers are entitled to any fees for serving as directors or officers, as the case may be. Such directors and officers are entitled to be reimbursed for their expenses, but none had any expenses for the most recently completed financial year.

## **SECTION 12 - MATERIAL CONTRACTS**

The only material contracts entered into by the Company or the Administrator with respect to the Company, other than those entered into in the ordinary course of business, are as follows:

- (a) The Articles;
- (b) The Administration Agreement;
- (c) The Portfolio Advisory Agreement;
- (d) The Forward Agreement; and

(e) The Custodial Agreement.

Prospective or existing Shareholders can obtain copies of the foregoing on SEDAR at [www.sedar.com](http://www.sedar.com) or may examine such documents during normal business hours at the principal office of the Company.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Company.

### **SECTION 13 - LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The Company is not involved in any material legal proceedings, nor is the Company aware of existing or pending legal or arbitration proceedings involving the Company.

### **SECTION 14 - OTHER MATERIAL INFORMATION**

#### **14.1 Risk Factors**

There are risks and other considerations which investors should carefully consider before investing (or continuing to invest) in Securities, including but not limited to the following:

##### **(1) Risks Related to Both Classes of Shares**

**No Assurances on Achieving Objectives** - There is no assurance that the Company will be able to achieve any of its investment objectives. There is no assurance that the Company will be able to pay distributions on the Preferred Shares and the Class A Shares. The funds available for distribution to holders of Preferred Shares and Class A Shares will vary, by virtue of the Forward Agreement, according to, among other things, the dividends paid on all of the securities comprising the GlobalBanc Portfolio and the value of the securities comprising the GlobalBanc Portfolio.

**Loss of Investment** - An investment in the Company is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of a distribution not being made in any period.

**No Guaranteed Return** - There is no guarantee that an investment in the Company will earn any positive return in the short or long term.

**Concentration Risk** - The GlobalBanc Portfolio will consist only of securities of the companies in the banking industry and, as a result, the portfolio to which the Company will be exposed will not be diversified and the NAV may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time in response to economic conditions and regulatory changes that specifically affect the provision of banking services. This may have a negative impact on the value of the Preferred Shares and the Class A Shares.

Although the GlobalBanc Portfolio was initially invested approximately equally in each of the Banks, based on the varying market price of the Banks the GlobalBanc Portfolio cannot be

expected to remain equally-weighted over the life of the Company. As a result, an investor's relative exposure to any individual Bank may vary over time. The GlobalBanc Portfolio may also become less diversified as a result of the merger, amalgamation, acquisition or termination, or as a consequence of any other transactions affecting, any of the Banks. In the event that, for any reason there are fewer than 8 different Banks remaining in the GlobalBanc Portfolio at any time, the Company may, but is not required to, propose that securities of a replacement Bank be added to the GlobalBanc Portfolio. There is no assurance that a decision by the Company to propose or not propose the addition of securities of a replacement Bank to the GlobalBanc Portfolio will improve the Company's performance or limit its concentration risk. In addition, the Company has no control over the business decisions made by any of the Banks. As a result of business decisions made by the Banks, the investments of one or more of the Banks may be concentrated in a particular industry, country or geographic region, resulting in a reduction of the diversification of the GlobalBanc Portfolio.

**Fluctuations in Net Asset Value** - The NAV per Unit and the funds available for distribution will vary according to, among other things, the value of the securities comprising the GlobalBanc Portfolio, the dividends paid and interest earned thereon and the volatility of such securities. Fluctuations in the market values of the securities comprising the GlobalBanc Portfolio may occur for a number of reasons beyond the control of the Administrator or the Company.

**Trading Price of Securities** - Securities may trade in the market at a premium or discount to the NAV per Unit and there can be no assurance that Preferred Shares and Class A Shares will trade at a price equal to the NAV per Unit. This risk is separate and distinct from the risk that the NAV per Unit may decrease.

**Redemptions** - If Holders of a substantial number of Preferred Shares or Class A Shares exercise their redemption rights, the number of such Securities outstanding and the NAV of the Company could be significantly reduced with the effect of decreasing the liquidity of the Preferred Shares and Class A Shares in the market and increasing the management expense ratio of the Company. Furthermore, if such redemptions are material, the Company may have to sell portfolio assets in order to fund the payment of the redemption proceeds, thereby decreasing the assets available for investment. If the asset levels do not recover, the Company may not generate sufficient revenue in order to cover its operating expenses which may lead to further sales of portfolio assets to cover those expenses.

**Monthly Redemptions** - The redemption price for Class A Shares and the redemption price for Preferred Shares will be impacted materially by the cost to purchase the Company's Securities in the market as may be required in connection with monthly redemptions. The price of the Securities will be influenced by a number of factors not within the control of the Company including, among others, the liquidity of the market for the Securities at that time, which will be influenced by the number of Securities outstanding from time to time, and factors affecting the performance of the financial markets generally including, among others, interest rates, political risks and general economic conditions, including short-term influences affecting price volatility. If the Securities are not available in sufficient number at prevailing prices, the purchasing activity by the Company may increase significantly the purchase price for the Securities and the

redemption price for Class A Shares and the redemption price for Preferred Shares will be reduced accordingly. Redemptions may enhance the impact of these influences in connection with subsequent monthly redemptions. If Securities are recirculated, the prices realized by the Company will be similarly affected by the forces affecting the price of the Securities prevailing in the market from time to time including, among others, the demand for the Securities. If there is insufficient demand for the Securities at prevailing prices, the selling activity of such Securities before the Redemption Payment Date may decrease significantly the proceeds realized on the sale of such Securities. As with all Securities with redemption features, there is always a risk that redemptions will be significant.

**Suspension of Redemptions** - The Company may, in certain circumstances, suspend redemptions.

**Multi-Class (or Series) Structure** - The Securities of the Company are available in more than one class (or series). If the Company cannot pay the expenses or satisfy the obligations of the Company entered into by the Company for the sole benefit of one of those classes (or series) of Securities using that class (or series) of Security's proportionate share of the assets of the Company, the Company may have to pay those expenses or satisfy those obligations out of another class (or series) of Security's proportionate share of the assets, which would lower the investment return of such other class (or series) of Security. In addition, a creditor of the Company may seek to satisfy its claim from the assets of the Company as a whole, even though its claim or claims relate only to a particular class (or series) of Security.

**Operating History** - The Company does not have a prolonged operating history.

**Changes in Legislation** - There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Company and its Shareholders. There can be no assurance that income tax laws and government incentive programs relating to the treatment of mutual fund corporations under the Tax Act will not be changed in a manner which adversely affects the distributions received by the Holders.

**Mutual Fund Policies** - The Company is considered to be a mutual fund but does not generally operate in accordance with the policies of Canadian securities regulators applicable to conventional mutual funds.

**Conflict of Interest** - The Administrator and Portfolio Adviser are engaged in a variety of investment management, Portfolio Advisory and other business activities. The services of the Administrator, the Portfolio Adviser and their respective officers and directors are not exclusive to the Company. The Portfolio Adviser or any of its affiliates and associates may, at any time, engage in the promotion, management, administration or investment management of other investment funds (some of which may invest primarily in securities held in the Company), and provide similar services to other investment funds and other clients, and engage in other activities. Although none of the directors or officers of the Administrator or the Portfolio Adviser will devote his or her full time to the business and affairs of the Company, each such director and officer will devote as much time as is necessary to discharge his or her responsibilities to the Company.

**No Ownership Interest** - An investment in Class A Shares or Preferred Shares does not constitute an investment in any of the securities in the GlobalBanc Portfolio. Holders of Class A Shares or Preferred Shares will not own the securities in the GlobalBanc Portfolio or have any voting rights in respect of the securities in the GlobalBanc Portfolio.

**Static Portfolio** - The GlobalBanc Portfolio is a static portfolio consisting of the portfolio securities. In certain limited circumstances, the Company will have the right to propose certain modifications of the GlobalBanc Portfolio, including the replacement of one or more of the Banks. Notwithstanding such adjustment and modification provisions, the composition of the GlobalBanc Portfolio is not “actively” managed and the GlobalBanc Portfolio would not necessarily be modified or adjusted to mitigate the effect of one or more of the Banks experiencing financial difficulty or a substantial change in its core businesses.

**Reliance on Portfolio Adviser** - The Portfolio Adviser has been retained to provide administrative, portfolio advisory and portfolio management services to the Company. As a result, the Company’s performance is dependent on the Portfolio Adviser. In the event that all or substantially all of the individual portfolio managers of the Portfolio Adviser who are responsible for providing such services to the Company cease to be employed by the Portfolio Adviser, or if the Portfolio Adviser ceases to be the Portfolio Adviser, the performance of the Company may be adversely affected. The Company is also dependent on key personnel of the Administrator and there can be no assurance such persons will remain employed by the Administrator throughout the term of the Company.

**Performance of Portfolio** - NAV per Unit will vary as the value of the portfolio securities varies by virtue of the Forward Agreement. The Company has no control over the factors that affect the value of the portfolio securities, including factors that affect all of the companies in the banking industry such as fluctuations in interest rates and factors unique to each company such as changes in its management, changes in its strategic direction, achievement of its strategic goals, mergers, acquisitions and divestitures, changes in its dividend policies and other events that may affect the value of its securities.

**Custodian** - Although the Custodian is in Canada and some of the assets of the Company may be held in Canada, some of the Company’s assets may be held in accounts with sub-custodians in other jurisdictions and, accordingly, there may be additional defences available to any judgment obtained by the Company in Canada which may affect enforcement in any such jurisdictions.

**Sensitivity to Interest Rates** - The market price of the Preferred Shares and Class A Shares may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV resulting from an increase in interest rates may also negatively affect the market price of the Preferred Shares or Class A Shares. Holders of Preferred Shares or Class A Shares who wish to redeem or sell their Preferred Shares or Class A Shares prior to the Final Redemption Date will therefore be exposed to the risk that the NAV per Unit or the market price of the Preferred Shares or Class A Shares may be negatively affected by interest rate fluctuations.

**Future Offerings** - The Company may issue additional securities from time-to-time which may be dilutive to Holders.

**Counterparty risks associated with the Forward Agreement** - The Company has entered into the Forward Agreement with the Counterparty and such agreement is a significant material contract of the Company. In entering into the Forward Agreement, the Company is exposed to the credit risk associated with the Counterparty. Depending upon the relative values of the GlobalBanc Portfolio and the Canadian Securities Portfolio, the Company's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty will default on its obligations under the Forward Agreement. Shareholders will have no recourse or rights against the assets of the Company or the Counterparty in respect of the Forward Agreement or arising out of the Forward Agreement. The Securities do not represent an interest in, or an obligation of the Counterparty or any affiliate thereof. Shareholders will not have any recourse directly against the Counterparty or any affiliate thereof.

**Early Termination of the Forward Agreement** - In the event of a termination of the Forward Agreement prior to the Final Redemption Date, the Company may experience a delay in entering into a new agreement that is substantially similar to the Forward Agreement or may be unable to enter into any such replacement agreement. During any period in which the Company does not have in place a forward sale agreement with a Counterparty that is substantially similar to the Forward Agreement, the Securities will not be exposed to the performance of the GlobalBanc Portfolio or will be exposed to the performance of the GlobalBanc Portfolio on different terms than are contemplated under the Forward Agreement. In any such event, the value of the Securities may be less than if the Forward Agreement had not been terminated prior to the Final Redemption Date. If the Forward Agreement is terminated prior to the Final Redemption Date for any reason, and the Company is unable to enter into an acceptable alternative Forward Agreement, the Board of Directors will take such action as they think is in the best interest of Shareholders, including employing alternative methods of obtaining exposure to the GlobalBanc Portfolio or redeeming all outstanding Securities and winding up the Company.

**Costs Associated with the GlobalBanc Portfolio** - The value of the Forward Agreement will be based substantially on the value of the securities comprising the GlobalBanc Portfolio at the relevant time. Such value will reflect the costs associated with buying or selling portfolio securities in their relevant markets (which costs will be determined based on prevailing market terms and conditions).

**Foreign Currency Exposure** - The securities comprising the GlobalBanc Portfolio are denominated in foreign currencies. Accordingly, the value of the Securities will be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar to the extent they are not hedged against. The amount payable under the Forward Agreement for the Canadian Securities Portfolio will be determined with reference to the Canadian dollar return of the GlobalBanc Portfolio determined as if approximately, and in any event not less than, 80% of the value of the GlobalBanc Portfolio was hedged back to the Canadian dollar at all times. The hedging arrangements may have the effect of limiting or reducing returns if the value of the

Canadian dollar decreases relative to the foreign currencies. In addition, costs associated with the hedging program may outweigh the benefits in some circumstances.

The currency hedging provided for under the Forward Agreement will notionally reflect currency Forward Agreements that are cash-settled each quarter and then reset to take into account prevailing principal-at-risk amounts and exchange ratios. The returns under the Forward Agreement will be affected (positively or negatively) by (a) the differential between the forward currency exchange rate and the prevailing spot exchange rate in each currency; and (b) the relative allocation of the GlobalBanc Portfolio to each currency being hedged. The differential between forward exchange rates and spot rates is largely a function of different short-term interest rates between the jurisdictions. As a result, the returns under the Forward Agreement may be positively or negatively affected by the currency hedging provided for thereunder. The Counterparty has covenanted that this will be done on terms no less favourable to the Company than would be available in the market generally at the time the currency agreements are entered into.

**Foreign Market Exposure** - The GlobalBanc Portfolio includes securities of issuers carrying on business or making investments in jurisdictions outside Canada. The price of such securities may be significantly affected by conditions in the jurisdiction in which the issuer is located or its securities are traded, including political upheaval, acts of terrorism and war.

**Market Disruptions** - War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that would be held from time to time.

**Treatment of Proceeds of Disposition** - In determining its income for tax purposes, the Company will treat gains or losses on the disposition of securities in the Canadian Securities Portfolio under the Forward Agreement as capital gains and losses as the Company has made the election under the Tax Act to treat each of its "Canadian securities" as defined in subsection 39(6) of the Tax Act as capital property. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If, contrary to the advice of counsel to the Company or as a result of a change of law, upon physical settlement of the Forward Agreement, the character and timing of any gain realized pursuant to the Forward Agreement were other than a capital gain on the sale of the securities in the Canadian Securities Portfolio, after-tax returns to Holders could be reduced, possibly to an amount less than that which would have been realized by Holders if they had held a direct investment in the GlobalBanc Portfolio and the Company could be subject to non-refundable income tax from such transactions.

**Tax Proposals Regarding Mutual Fund Corporation Status** - The tax treatment of the Company and its Holders depends, in part, upon the Company being a "mutual fund corporation" under the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released certain proposals to amend the Tax Act (the "**September 2004 Tax Proposals**") pursuant to which a corporation, such as the Company, would lose its status as a mutual fund

corporation if at any time after 2004 the aggregate fair market value of all issued and outstanding shares of the corporation held by one or more non-resident persons and/or by partnerships (other than Canadian partnerships under the Tax Act) is more than 50% of the aggregate fair market value of all the issued and outstanding shares of the corporation, unless no more than 10% (based on fair market value) of the corporation's property is, at any time, "taxable Canadian property" under the Tax Act and certain other types of "specified property" (as defined in the September 2004 Tax Proposals). The September 2004 Tax Proposals currently do not provide any means of rectifying the loss of mutual fund corporation status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion to implement measures proposed in the 2004 Federal Budget. Such motion was incorporated into Bill C-33, which received Royal Assent on May 13, 2005. Such notice did not include the September 2004 Tax Proposals and this fact was specifically referred to in the accompanying release.

The Preferred Shares and Class A Shares of the Company are marketed only in Canada, and provided the Company complies with its Investment Restrictions, it is not anticipated that more than 10% of the fair market value of the Company's assets will, at any time, consist of taxable Canadian property and other specified property, with a result that the Administrator does not anticipate that the September 2004 Tax Proposals (even if enacted in their current form) would lead to a loss of mutual fund corporation status for the Company.

**Tax Proposals Regarding Losses and Expenses** - On October 31, 2003, the Department of Finance released, for public consultation, certain proposals to amend the Tax Act (the "**October 2003 Tax Proposals**") that would require, for taxation years commencing after 2004, that there be a reasonable expectation of profit from a business or property for a taxpayer to realize a loss from such business or property, and that make it clear that profit in this sense does not include capital gains. As part of the February 23, 2005 Federal Budget, the Department of Finance announced that it has developed a more modest legislative initiative and that it will, at an early opportunity, release an alternative tax proposal for comment. Under the October 2003 Tax Proposals, the taxpayer will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer carried on, and can reasonably be expected to carry on, the business, or has held, and can reasonably be expected to hold, the property. If the deduction of losses of the Company was limited in a particular year under the October 2003 Tax Proposals or any alternative tax proposals, the taxable income of the Company in future years would be increased, and the Company may increase the amount of capital gains dividends paid to Shareholders in order to obtain a refund of tax with respect to net realized capital gains.

(2) **Risks Particular to Preferred Shares**

**Sensitivity to NAV per Unit** - As long as the NAV per Unit of the Company is above the par value of the Preferred Shares, then all of the expenses of the Company are born by the Class A Shares. If the NAV per Unit of the Company falls to or below the par value of the Preferred Shares, then the expenses of the Company are born by the Preferred Shares until such time as the NAV per Unit of the Company returns to levels above the par value of the Preferred Shares.

(3) **Risks Particular to Class A Shares**

**Leverage** - An investment in Class A Shares is subject to the additional risk that the Class A Shares represent a leveraged investment and therefore the potential returns on such shares is amplified both to the benefit and detriment of Class A Shares. An investment in Class A Shares is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

**Readers may wish to consult their own investment advisers for advice in connection with an investment (or continuing to invest) in the Class A Shares and/or Preferred Shares.**

**SECTION 15 - EXEMPTIONS AND APPROVALS**

Except as discussed in Section 3.4, the Company has not applied for or obtained exemptive relief from, any provisions of NI 81-102, National Instrument 81-105 - *Mutual Fund Sales Practices* or National Policy Statement No. 39 - *Mutual Funds*.

*Company:* GlobalBanc Advantaged 8 Split Corp.  
*Portfolio* First Asset Investment Management Inc.  
*Adviser:*  
*Address:* 95 Wellington Street West, Suite 1400, Toronto, Ontario, M5J 2N7  
*Telephone:* (416) 642-1289 or Toll-Free at 1-877-642-1289

- Additional information about the Company is available in the Company's management reports of fund performance and financial statements.
- You can get a copy of these documents at no cost by calling (416) 642-1289, or toll-free at 1-877-642-1289, or from your dealer or by e-mail at [info@firstasset.com](mailto:info@firstasset.com).
- These documents and other information about the Company, such as information circulars and material contracts, are also available at [www.globalbancsplit.com](http://www.globalbancsplit.com) or at [www.sedar.com](http://www.sedar.com). For greater certainty, neither those websites nor any of the information on those websites, are incorporated by reference in this AIF.