

GLOBALBANC ADVANTAGED 8 SPLIT CORP.

**ANNUAL INFORMATION FORM
for the year ended
DECEMBER 31, 2007**

March 28, 2008

TABLE OF CONTENTS

	Page
NAME, FORMATION AND HISTORY OF THE COMPANY	1
INVESTMENT RESTRICTIONS.....	2
DESCRIPTION OF THE SECURITIES OF THE COMPANY	3
Description of Share Capital	3
Certain Provisions of Class J Shares	3
Certain Provisions of the Class A Shares	4
Distributions	4
Redemption Privileges	4
Resale of Class A Shares Tendered for Monthly Redemption.....	6
Priority.....	6
Suspension of Redemptions	6
Resale of Units Tendered for Concurrent Annual Redemption	7
Issuance of Additional Preferred Shares or Class A Shares.....	7
Certain Provisions of the Preferred Shares	7
Distributions	7
Redemption Privileges	7
Resale of Preferred Shares Tendered for Monthly Redemption.....	9
Priority.....	9
Credit Rating.....	9
Book-Entry Only System.....	10
CALCULATION OF NET ASSET VALUE	10
RESPONSIBILITY FOR OPERATIONS	12
Directors and Officers.....	12
The Administrator	13
The Investment Advisory Agreement.....	14
Officers and Directors of First Asset.....	14
Auditors	15
Custodian	16
Registrar and Transfer Agent.....	16
CONFLICTS OF INTEREST.....	16
GOVERNANCE OF THE COMPANY	16
INCOME TAX CONSIDERATIONS	17
Tax Treatment of Shareholders	19
Disposition of Shares	19
FEES AND EXPENSES	20
Administration Fee	20
Ongoing Expenses	20
Fees and Expenses of Independent Directors	20
Fees and Expenses of the Independent Review Committee	20
Forward Fee	20

TABLE OF CONTENTS
(continued)

	Page
MATERIAL CONTRACTS.....	21
LEGAL AND ADMINISTRATIVE PROCEEDINGS	21
ADDITIONAL INFORMATION - RISK FACTORS	21
Risks Related to Both Classes of Shares	21
Risks Related to Preferred Shares	27
Risks Related to Class A Shares	27

Unless otherwise indicated herein, the information set out in this Annual Information Form is current as of December 31, 2007.

NAME, FORMATION AND HISTORY OF THE COMPANY

GlobalBanc Advantaged 8 Split Corp. (the “**Company**”) is a mutual fund corporation incorporated under the laws of the Province of Ontario pursuant to articles of incorporation dated May 1, 2007. The Company’s principal office is located at 130 King Street West, Suite 3200, Toronto, Ontario, M5H 3T9. Information relating to the Company is available on the Internet at www.globalbancsplit.com.

The Company was formed to provide holders of its shares 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 National Instrument 81-102 – *Mutual Funds* (“**NI 81-102**”).

The Company differs from conventional mutual funds in a number of respects, most notably as follows: (i) while the preferred shares of the Company (the “**Preferred Shares**”) and the class A shares of the Company (the “**Class A Shares**” and together with Preferred Shares, the “**Shares**”) 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.

On, June 26, 2007, pursuant to a prospectus dated May 29, 2007 and an agency agreement (the “**Agency Agreement**”) dated May 29, 2007 among National Bank Financial Inc. (“**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 are listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “**GBA.PR.A**” and the Class A Shares are listed on the TSX under the symbol “**GBA**”.

On June 26, 2007, National Bank Financial Inc. (the “**Administrator**” pursuant to an administration agreement dated as of June 26, 2007 (the “**Administration Agreement**”) between the Company and NBF) entered into an investment advisory agreement with First Asset Investment Management Inc. (“**First Asset**”) (the “**Investment Advisory Agreement**”). First Asset was retained to provide the administrative services, including investment advisory services, required by the Company.

The Company's investment objectives with respect to the Preferred Shares are (i) 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 (ii) 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**").

On June 26, 2007, the Company entered into a forward agreement (the "**Forward Agreement**") with National Bank of Canada ("**NBC**") (the "**Counterparty**"). 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 therefore, 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 Shares, 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 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 is typical of similar credit facilities of this nature. The Company may pledge its assets to secure such borrowing. 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.

The Company's investment objectives with respect to the Class A Shares are (i) to provide holders of Class A Shares with the opportunity for leveraged growth in net asset value per Class A Share after the repayment of the original issue price of the Preferred Shares and (ii) 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**".

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 GlobalBanc Portfolio. 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. The Company's investment criteria provide that the Company adhere to the following investment restrictions (the "**Investment Restrictions**"):

- (a) the Company will only invest in the Canadian Securities Portfolio, the Company will restrict its investments to securities that are "Canadian securities" as defined by subsection 39(6) of the *Income Tax Act* (Canada) (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) 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) 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) 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) the Company may hold cash, and it may invest excess cash in cash equivalents;
- (f) 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) 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) 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.

DESCRIPTION OF THE SECURITIES OF THE COMPANY

Description of Share Capital

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 February 29, 2008, 2,686,500 Class A Shares, 2,686,500 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 Annual Information Form to a "Shareholder" means, unless the context otherwise requires, the owner of the beneficial interest in such Shares.

Certain Provisions of 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 (as defined below) 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.

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

Certain Provisions of the Class A Shares

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.

The Company will not pay special distributions on the Class A Shares if after payment of the distribution the NAV per Unit (as defined under "*Calculation of Net Asset Value*") 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.

All cash distributions will be paid through CDS Clearing and Depository Services Inc's ("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 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**").

On March 19, 2008, the Company announced that a cash distribution will not be paid on the Class A Shares for the quarter-ending March 31, 2008.

Redemption Privileges

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. The Shareholder will receive the Class A Share redemption price (except as described under "*Resale of Class A Shares Tendered for Monthly Redemption*" below) for the redeemed Class A Shares on the Redemption Payment Date in respect of such redemption date.

Except as noted below, holders of Class A Shares whose shares are surrendered for redemption will be entitled to receive the Class A Share redemption price. 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 *“Risk Factors”*.

If any Class A Shares tendered for redemption are not resold in the manner described below under *“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.

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, commencing on the redemption date in November, 2008. The amount received per Unit (as defined below) 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”* below). 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 *“Risk Factors”*.

As disclosed below under *“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 Net Asset Value 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 “*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.

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 “*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.

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.

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.

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.

Resale of Units Tendered for Concurrent Annual Redemption

Pursuant to the Recirculation Agreement, the recirculation agent 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.

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.

Certain Provisions of the Preferred Shares

Distributions

Holders of record of Preferred Shares at 5:00 p.m. (Toronto time) on the last business day of 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. Distributions on the Preferred Shares are expected to consist of non-taxable returns of capital and capital gains dividends.

All cash distributions will be paid through CDS' book-entry only system or paid in such other manner as may be agreed to by the Company. 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.

Redemption Privileges

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. The Shareholder will receive the Preferred Share redemption price (except as described under "*Resale of Preferred Shares Tendered for Monthly Redemption*" below) for the redeemed shares on the redemption payment date in respect of such Redemption Date.

Except as noted below, holders of Preferred Shares whose shares are surrendered for redemption will be entitled to receive the Preferred Share redemption price. 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.

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*" below). 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.

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 "*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.

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 will be equal to \$10.40 and which will decline 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.

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.

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.

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.

Credit Rating

The Preferred Shares were initially rated Pfd-2 (low) by DBRS but on January 16, 2008, DBRS Limited (“DBRS”) lowered its rating to Pfd-3 (high) with a Stable Trend. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. DBRS' rating of the Preferred Shares is on a preferred security rating scale that ranges from Pfd-1 to Pfd-5, which represents the range from highest to lowest quality of rated securities. The assignment of a "(high)" or "(low)" modifier within each of the five preferred security rating categories indicates relative standing within such category. Securities rated in the Pfd-3 rating category by DBRS are of adequate credit quality. On March 19, 2008, DBRS announced that the rating of certain structured preferred shares with significant exposure to the financial sector, which includes the Company's Preferred Shares, have been placed “Under Review with Developing Implications”. The credit rating accorded to the Preferred Shares by DBRS is not a recommendation to purchase, hold or sell Preferred Shares as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by DBRS in the future if in its judgment circumstances so warrant.

The rating assigned by DBRS represents an evaluation of the Preferred Shares based solely on credit related factors. It does 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. See “*Risk Factors — Maintaining a Credit Rating*”.

Book-Entry Only System

Registration of interests in and transfers of the Shares will be made only through the book-entry only system of CDS. Shares must be purchased, transferred and surrendered for retraction or redemption only through a CDS Participant. All rights of an owner of Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Shares. Upon purchase of any Shares, the owner will receive only the customary confirmation.

Neither the Company, State Street Trust Company of Canada (the “**Custodian**”), the Administrator, nor the Agents will have any liability for (i) records maintained by CDS relating to the beneficial interests in the shares 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 shares to pledge such Shares or otherwise take action with respect to such owner’s interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Company has the option to terminate registration of the shares through the book-entry only system in which case certificates for shares in fully registered form would be issued to beneficial owners of such securities or to their nominees.

CALCULATION OF NET ASSET VALUE

The net asset value (“**Net Asset Value**” or “**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 “**NAV per Unit**” on any day is obtained by dividing the NAV on such day by the number of Units outstanding on that day. A “**Unit**” is a notional unit comprising of one Preferred Share and one Class A Share.

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 “*The Company — 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 Net Asset Value 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.

On March 19, 2008, the Company announced that it will commence publishing the NAV of the Class A Shares and Preferred Shares daily. Such information will be provided by the Administrator to Shareholders on request by calling 1-877-642-1289 or through the Internet at 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 market 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.

National Instrument 81-106 – *Investment Fund Continuous Disclosure* (“**NI 81-106**”) requires an investment fund, such as the Company, to calculate its net asset value in accordance with Canadian generally accepted accounting principles (“**GAAP**”). Canadian GAAP was recently modified by the introduction of section 3855 Financial Instruments – Recognition and Measurement of the handbook of the Canadian Institute of Chartered Accountants. Section 3855 redefines fair value as being the closing bid price for long positions and the closing ask price for short positions, in lieu of the closing or last trade price for all positions. Section 3855 applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2006. Therefore, the combined effect of NI 81-106 and section 3855 would require the Company to determine the value of securities listed on a recognized public securities exchange or on NASDAQ using the fair value as defined by section 3855, instead of the valuation principles described above. However, the Canadian securities regulatory authorities have issued a related decision (the “**CSRA Decision**”) which permits investment funds, such as the Company, to calculate its Net Asset Value in accordance with Canadian GAAP without giving effect to section 3855 (“**Modified GAAP**”) for purposes other than issuing annual or interim financial statements, such as the issue and redemption of Units. Unless the CSRA Decision is extended, the exemptive relief granted by it will terminate on the earlier of September 30, 2008 and the date on which amendments to NI 81-106 come into effect with respect to the calculation of Net Asset Value.

The Company has adopted Section 3855 since its inception. Consequently, as at December 31, 2007, the Canadian Securities Portfolio is valued at the closing bid price of each security and the value of the Forward Agreement has been adjusted accordingly based on its terms.

RESPONSIBILITY FOR OPERATIONS

Directors and Officers

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:

<u>Name and Municipality of Residence</u>	<u>Office with the Company</u>	<u>Principal Occupation</u>
DAVID LEGRESLEY Toronto, Ontario	Chairman	Vice Chair, National Bank Financial
BRIAN DAVIS ⁽²⁾ Toronto, Ontario	Director	Executive Vice President, Corporate Development and Governance, National Bank Financial
MICHAEL SHUH Toronto, Ontario	Director, Chief Executive Officer	Managing Director, Group Head Retail Structured Products Investment Banking, National Bank Financial Inc.
TIM EVANS ⁽³⁾ Oakville, Ontario	Chief Financial Officer	Director, National Bank Financial Inc.
Z. EDWARD AKKAWI Toronto, Ontario	Vice-President, Operations	Chief Operating Officer, General Counsel, Corporate Secretary and Director of First Asset Funds Inc. (“FAFI”)
DOUGLAS CARR ⁽¹⁾⁽⁴⁾ Toronto, Ontario	Director	Corporate Director
DAVID TAYLOR ⁽¹⁾⁽⁵⁾ Toronto, Ontario	Director	Corporate Director
IAIN A. ROBB ⁽¹⁾ Toronto, Ontario	Director	Partner, Gowling Lafleur Henderson LLP

(1) Member of the Audit Committee.

(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) Prior to September 1, 2007, Mr. Carr was Senior Vice-President, Finance and Chief Financial Officer of the Hospitals of Ontario Pension Fund.

(5) Mr. Taylor was a partner at KPMG LLP between October 1975 and September 2005.

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 notes above.

The Administrator

Pursuant to the Administration Agreement, the Administrator is administrator of the ongoing operations of the Company. The Administrator’s principal office is located at 130 King Street West, Suite 3200, Toronto, Ontario M5X 1J9.

In consideration for the services to be provided or caused to be provided by the Administrator, the Company will pay the Administrator a monthly fee of $\frac{1}{12}$ of 0.25% of the Net Asset Value of the Company.

The administration fee shall be calculated daily and payable monthly, plus applicable taxes, in arrears on or before the 10th 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.

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.

The Investment Advisory Agreement

In consideration for the services to be provided or caused to be provided by First Asset pursuant to the Investment Advisory Agreement, the Administrator will pay First Asset a monthly fee of $\frac{1}{12}$ of 0.25% of the Net Asset Value of the Company. The administration fee shall be calculated daily and payable monthly, plus applicable taxes, in arrears on or before the 15th business day following the last day of each month. The fees payable to First Asset for such services are payable by the Administrator out of its administrator's fee due under the Administration Agreement.

Officers and Directors of First Asset

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

<u>Name and Municipality of Residence</u>	<u>Position with First Asset</u>	<u>Principal Occupation</u>
BARRY H. GORDON Toronto, Ontario	President, Chief Executive Officer and Director	Chief Executive Officer, President and Director of the FAFI
KAREN WAGMAN Toronto, Ontario	Chief Financial Officer	Chief Financial Officer of FAFI
PAUL V. DINELLE Toronto, Ontario	Executive Vice-President and Director	Executive Vice-President and Director of the FAFI
Z. EDWARD AKKAWI Toronto, Ontario	Chief Operating Officer and Director	Chief Operating Officer, General Counsel, Corporate Secretary and Director of FAFI
CHARLENE A. SCHIKOWSKY Toronto, Ontario	Senior Vice President, Administration and Operations	Senior Vice-President, Administration and Operations of FAFI
LEE GOLDMAN Toronto, Ontario	Senior Vice-President, Portfolio Manager and Chief Compliance Officer	Senior Vice-President, Portfolio Manager and Chief Compliance Officer of First Asset
JOHN STEPHENSON Toronto, Ontario	Senior Vice-President and Portfolio Manager	Senior Vice-President and Portfolio Manager of First Asset

Unless otherwise indicated below, all of the directors and officers of First Asset have held their principal occupation for the five years preceding the date hereof.

Lee Goldman. Mr. Goldman is a Portfolio Manager, Senior Vice-President and Chief Compliance Officer of First Asset. Prior to joining the 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.

John Stephenson. Mr. Stephenson is a Portfolio Manager and Senior Vice-President of First Asset. Prior to joining the 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.

Auditors

The auditors of the Company are Deloitte & Touche LLP, 181 Bay Street, Suite 1400, Toronto, Ontario, M5J 2V1.

Custodian

State Street Trust Company of Canada, at its principal office in the City of Toronto, is the Custodian for the Company in respect of the Class A Shares and Preferred Shares of the Company.

Registrar and Transfer Agent

Computershare Investor Services Inc., at its principal office in the City of Toronto, is the registrar and transfer agent for the Class A Shares and Preferred Shares of the Company.

CONFLICTS OF INTEREST

NBF 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 Net Asset Value of the Company. Certain of the directors and officers of the Company are employees of NBF. NBF may have acted as underwriter in connection with the distribution of some of the shares in the Canadian Securities Portfolio. NBF 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 NBF or its affiliates, on the one hand, and the Company, on the other hand, and as such will be on market terms and conditions. **NBF and its affiliates will have priority rights under these transactions, which they may exercise without regard to the interests of Shareholders.**

Additionally, the Administrator, First Asset and their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of any other company, fund or trust which invests primarily in bank-based companies.

NBF 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 NBF nor its affiliates will sell, as principal, securities comprising the Canadian Securities Portfolio to the Company.

GOVERNANCE OF THE COMPANY

The Company has appointed Messrs. Douglas A. S. Mills, Carl M. Solomon and Henry J. Knowles as members of its Independent Review Committee ("**IRC**") in accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("**NI 81-107**"), which came into force on November 1, 2006. 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 First Asset. 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.

INCOME TAX CONSIDERATIONS

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 Shareholder. This summary is applicable to a Shareholder 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 Shares as capital property. Generally, Shares will be considered to be capital property to a Shareholder provided the Shareholder does not hold the Shares 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 Shareholders who might not otherwise be considered to hold their Shares 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 will elect 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 and the regulations thereunder, 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 and the regulations thereunder (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 Shares 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 tax considerations applicable to an investment in Shares. Moreover, the income and other tax consequences of acquiring, holding or disposing of Shares 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 Shareholder to purchase Shares.

Accordingly, 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 Shares, based on their particular circumstances.

Provided the Shares are listed on a designated Canadian stock exchange (which currently includes the TSX), the Company will qualify as a “mutual fund corporation” and a “financial intermediary corporation” as defined in the Tax Act. The Company has informed counsel that it intends to file the necessary election under the Tax Act so that it will be deemed to be a “public corporation” effective from the beginning of its first taxation year, and therefore, can qualify as a mutual fund corporation throughout its first taxation year. The Company has advised counsel that it intends to continue to qualify as a mutual fund corporation throughout each taxation year in which any Shares are outstanding and this summary assumes that will be the case.

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 Shareholders of the Company.

The Company will not realize any income, gain or loss upon entering into the Forward Agreement. Gains or losses realized by the Company on the sale of 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.

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. The Company will generally not be permitted a deduction in computing taxable income for dividends received by it from other corporations, including non-resident 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 $\frac{1}{3}$ % under Part IV of the Tax Act on taxable dividends received by the Company during the year to the extent that such dividends were deductible in computing the Company’s taxable income for the year. This tax is refundable upon payment by the Company of sufficient dividends other than capital gains dividends (“**Ordinary Dividends**”).

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 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.

On October 31, 2003, the Department of Finance released, for public consultation, draft proposed amendments to 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, a 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 is limited under the October 2003 Tax Proposals or any alternative tax proposals, the taxable income of the Company in future years may 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.

Tax Treatment of Shareholders

Shareholders must include in income Ordinary Dividends, if any, paid to them by the Company. For individual Shareholders, 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 Shareholder from the Company will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the capital gains dividend is received. Where a capital gains dividend is paid in Shares or paid in cash and reinvested in Shares, the cost of such Shares acquired by a Shareholder will be equal to the amount of cash so reinvested. For the purposes of determining the adjusted cost base to a Shareholder of Shares, when Shares are acquired, the cost of the newly acquired Shares will be averaged with the adjusted cost base of all of the Shares owned by the Shareholder as capital property immediately before that time.

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

Disposition of Shares

Upon the redemption or other disposition of a Share by a Shareholder, a capital gain (or a capital loss) will be realized by the Shareholder to the extent that the proceeds of disposition of the Share exceed (or are less than) the aggregate of the adjusted cost base of the Share and any reasonable costs of disposition. 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 net capital gains, or receive dividends, may be subject to an alternative minimum tax under the Tax Act.

FEES AND EXPENSES

Administration Fee

Pursuant to the terms of the Administration Agreement, the Administrator is entitled to a monthly fee of $\frac{1}{12}$ of 0.25% of the Net Asset Value of the Company. The administration fee is calculated and payable monthly in arrears on or before the 10th business day following the last day of each month. The Administrator has retained First Asset to provide the administrative services, including investment advisory services, required by the Company. Fees payable to First Asset for such services will be paid by the Administrator out of its administration fee.

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 Administrator estimates that administration and operating costs, exclusive of debt service costs, expenses related to GlobalBanc Portfolio transactions and transaction costs related to any market purchases of Preferred Shares or Class A Shares by the Company, will be approximately \$180,000 per year.

Fees and Expenses of Independent Directors

For his services as an independent director on the board of directors of the Company, Mr. Douglas Mills received \$2,833 for the 8-months ending September 1, 2007. Mr. Iain Robb received \$5,667 for the 12-months ending December 31, 2007, and Messrs. David Taylor and Douglas Carr each received \$2,833 for the 4-month period ending December 31, 2007.

Fees and Expenses of the Independent Review Committee

For their services as members of the IRC for the Company and NB Split Corp., for the year-ended 2007, Douglas Mills received \$23,937, Carl Solomon received \$20,833 and Henry Knowles received \$20,833 in fees and in reimbursement of expenses.

Forward Fee

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.

MATERIAL CONTRACTS

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

- (a) the Administration Agreement;
- (b) the Investment Advisory Agreement;
- (c) the Forward Agreement; and
- (d) the Agency Agreement.

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

LEGAL AND ADMINISTRATIVE PROCEEDINGS

Neither the Company nor the Administrator is involved in any material legal proceedings, nor is the Company or Administrator aware of existing or pending legal or arbitration proceedings involving the Company or the Administrator.

ADDITIONAL INFORMATION - RISK FACTORS

There are risks and other considerations which investors should carefully consider before investing (or continuing to invest) in Shares of the Company. Some of these are described in this section.

Risks Related to Both Classes of Shares

Operating History

The Company does not have a prolonged operating history.

Changes in Legislation

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 of Preferred Shares or Class A Shares.

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 First Asset are engaged in a variety of investment management, investment advisory and other business activities. The services of the Administrator and First Asset under their respective agreements are not exclusive and nothing in those agreements prevents the Administrator or First Asset, or any of their respective affiliates or associates from providing similar services to other investment

funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company), or from engaging in other activities.

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.

No Assurances on Achieving Objectives

There is no assurance that the Company will be able to achieve 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.

No Guaranteed Return

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

Trading Price of Shares

Shares 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.

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.

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.

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 Portfolio Securities may occur for a number of reasons beyond the control of the Administrator or the Company.

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.

Redemptions

If holders of a substantial number of Preferred Shares or Class A Shares exercise their redemption rights, the number of such Shares outstanding and the Net Asset Value 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.

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 Shares in the market as may be required in connection with monthly redemptions. The price of the Shares 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 Shares at that time, which will be influenced by the number of Shares 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 Shares are not available in sufficient number at prevailing prices, the purchasing activity by the Company may increase significantly the purchase price for the Shares 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 Shares are recirculated, the prices realized by the Company will be similarly affected by the forces affecting the price of the Shares prevailing in the market from time to time including, among others, the demand for the Shares. If there is insufficient demand for the Shares at prevailing prices, the selling activity of such Shares before the Redemption Payment Date may decrease significantly the proceeds realized on the sale of such Shares. As with all Shares with redemption features, there is always a risk that redemptions will be significant.

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 Shares 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 Shares 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 Shares 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 Shares 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).

Withholding Taxes

The Forward Agreement currently provides that, for the purposes of computing the Forward Amount, provided that applicable laws and regulations and their interpretation and application remain unchanged, ordinary dividends on the securities comprising the GlobalBanc Portfolio will not be reduced by withholding taxes otherwise currently payable in respect thereof at rates in effect on the date hereof. However, if such costs and expenses increase, as a result of changes in existing rates or through the imposition of new taxes due to changes in applicable laws, including, without limitation, laws relating to taxation including stamp duties, the Company's return on its exposure to the performance of the GlobalBanc Portfolio will be reduced.

Foreign Currency Exposure

The securities comprising the GlobalBanc Portfolio are denominated in foreign currencies. Accordingly, the value of the Shares 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 Portfolio Securities include 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.

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. 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 and to the Agents or as a result of a change law, upon physical settlement of the Forward Agreement, the character and timing of the gain under the Forward Agreement were other than a capital gain on the sale of the securities in the Canadian Securities Portfolio, after-tax returns to Shareholders could be reduced, possibly to an amount less than that which would have been realized by Shareholders 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 Shareholders 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 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, 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.

Risks Related to Preferred Shares

Maintaining a Credit Rating

There can be no assurance that the rating on the Preferred Shares of Pfd-3 (high) by DBRS will remain in effect or not be revised. If such rating is withdrawn or revised, there may be an adverse effect on the market price of the Preferred Shares.

Risks Related 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 advisors for advice in connection with an investment (or continuing to invest) in the Class A Shares or Preferred Shares.

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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 toll-free 1-877-642-1289 or by sending a request via e-mail to info@firstasset.com. These documents and other information about the Company, such as information circulars and material contracts, are also available on the Company's Internet site at www.globalbancsplit.com or at www.sedar.com.