

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. The securities offered by this prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States of America. See "Plan of Distribution".

PROSPECTUS

Initial Public Offerings

January 30, 2007

NBSPLIT

\$199,997,374 (Maximum)

\$106,002,630
5,745,400 Capital Shares

\$93,994,744
2,872,700 Preferred Shares

Prices: \$18.45 per Capital Share and \$32.72 per Preferred Share

(Two Capital Shares will be issued for each Preferred Share)

NB Split Corp. (the "Company") will hold common shares (the "National Bank Shares") of the National Bank of Canada ("National Bank") in order to generate quarterly fixed cumulative preferential distributions for the holders of the Company's class A preferred shares (the "Preferred Shares") and to enable the holders of the Company's class A capital shares (the "Capital Shares") to participate in any capital appreciation in the National Bank Shares and to benefit from any increase in the dividends payable on the National Bank Shares.

The Capital Shares and the Preferred Shares are being offered separately but will be issued only on the basis that two Capital Shares will be issued and outstanding for each Preferred Share issued and outstanding. The net proceeds from the offerings of the Capital Shares and the Preferred Shares will be used by the Company to fund the purchase of the National Bank Shares.

The Capital Shares and the Preferred Shares will be redeemed by the Company on February 15, 2012 (the "Redemption Date"). In addition, the Preferred Shares are redeemable at the option of the Company, at any time, in whole or in part, at a premium which declines to par in year five and may otherwise be redeemed by the Company prior to the Redemption Date in certain limited circumstances including on December 15th in each year commencing in 2008 or, where such day is not a business day, on the preceding business day, if there are unmatched retractions of Capital Shares. See "Details of the Offerings — Certain Provisions of the Capital Shares" and "Details of the Offerings — Certain Provisions of the Preferred Shares".

CAPITAL SHARES

The Capital Shares will be entitled on redemption to the benefit of any capital appreciation in the market price of the National Bank Shares after payment of administrative and operating expenses of the Company. Holders of Capital Shares will also benefit from any increase in the dividends paid on the National Bank Shares as in the event that the dividends on the National Bank Shares exceed the amount of the fixed Preferred Share distributions and all expenses of the Company, the excess amount will be paid as dividends on the Capital Shares, as determined by the Company's board of directors. Based on the current National Bank Share dividends and estimated expenses of the Company, the Company expects to pay quarterly dividends of \$0.0296 per Capital Share (\$0.1182 per year or approximately 0.64% of the Capital Share offering price) assuming the minimum amount of the offerings. The initial distribution is expected to be \$0.034 per Capital Share and is expected to be payable on or about June 15, 2007 based upon the anticipated closing date of February 22, 2007 (the "Closing Date"). The amount of quarterly dividends actually paid on the Capital Shares will vary depending upon the prices at which the National Bank Shares are acquired and the actual dividends paid on the National Bank Shares from time to time. Distributions on the Capital Shares are expected to consist of Ordinary Dividends (as defined herein) but may include non-taxable returns of capital and capital gains dividends. See "Details of the Offerings — Certain Provisions of the Capital Shares" and "The Company — Distribution Policy".

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PREFERRED SHARES

Holders of Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions equal to \$0.3886 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of approximately 4.75%. Such distributions are expected to consist of Ordinary Dividends but may include non-taxable returns of capital and capital gains dividends. The initial distribution, which covers the period between the Closing Date and May 31, 2007, is expected to be \$0.4471 per Preferred Share and is expected to be payable on or about June 15, 2007 based upon the anticipated Closing Date. Any outstanding Preferred Shares will be redeemed by the Company on the Redemption Date at a price per share equal to the lesser of \$32.72 and the Unit Value (as defined herein). See “Details of the Offerings — Certain Provisions of the Preferred Shares”. **The Preferred Shares have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited (“DBRS”).** A rating by DBRS is not a recommendation to buy, sell or hold securities and is subject to revision, suspension or withdrawal by DBRS at any time. See “Details of the Offerings — Certain Provisions of the Preferred Shares — Credit Rating” and “Risk Factors”.

	Price to the Public ⁽¹⁾	Agents’ Fee	Net Proceeds to the Company ⁽²⁾
Per Capital Share	\$18.45	\$1.107	\$17.343
Total Minimum Offering ⁽³⁾	\$26,497,890	\$1,589,873.4	\$24,908,016.6
Total Maximum Offering ⁽⁴⁾	\$106,002,630	\$6,360,157.8	\$99,642,472.2
Per Preferred Share	\$32.72	\$0.982	\$31.738
Total Minimum Offering ⁽³⁾	\$23,496,232	\$705,174.2	\$22,791,057.8
Total Maximum Offering ⁽⁴⁾	\$93,994,744	\$2,820,991.4	\$91,173,752.6

(1) The offering prices were established by the Agents (as defined herein).

(2) Before deducting the expenses of the offerings payable on closing, estimated at \$600,000, which will be paid by the Company out of the proceeds of these offerings.

(3) There will be no closing unless a minimum of 718,100 Preferred Shares and 1,436,200 Capital Shares are sold. If subscriptions for a minimum of 718,100 Preferred Shares and 1,436,200 Capital Shares have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the offerings may not continue without the consent of the securities authorities and those who have subscribed for Preferred Shares and Capital Shares on or before such date.

(4) The Company has granted the Agents an option (the “Over-Allotment Option”), exercisable for a period of 30 days following the closing, to purchase additional Preferred Shares and Capital Shares in an amount up to 15% of the aggregate number of Preferred Shares and Capital Shares issued at the closing on the same terms set forth above. If the Over-Allotment Option is exercised in full, under the maximum offerings, the price to the public, the Agents’ fees and the net proceeds to the Company will be \$229,996,980.1, \$10,558,321.58 and \$219,438,658.52, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares and Capital Shares issuable on the exercise of the Over-Allotment Option. See “Plan of Distribution”.

In the opinion of Blake, Cassels & Graydon LLP, the Capital Shares and the Preferred Shares, if and when listed on a prescribed stock exchange (such as the Toronto Stock Exchange), will be qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. See “Eligibility for Investment”. **Prospective investors should consult their own tax advisors for advice with respect to the income tax consequences of investing in Preferred Shares or Capital Shares having regard to their own particular circumstances.**

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Preferred Shares and Capital Shares, subject to the Company fulfilling all of the requirements of the TSX on or before April 26, 2007, including distribution of such shares to a minimum number of public holders.

The Company is considered to be a mutual fund but will apply for an exemption from certain of the protections provided by the policies of the Canadian securities regulators applicable to conventional mutual funds. See “Investment Considerations and Risk Factors” for a discussion of certain factors that should be considered by prospective purchasers of Capital Shares and Preferred Shares. **There is currently no market through which the Capital Shares or the Preferred Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus. The Agents may over-allot or effect transactions as described under “Plan of Distribution”.**

National Bank Financial Inc. (“NBF”) is the promoter and one of the Agents of these offerings. NBF will, as agent on behalf of the Company, sell National Bank Shares as required to fund retractions or redemptions of Capital Shares and Preferred Shares for which NBF will be entitled to receive commissions. Subject to receipt of regulatory approval, NBF, in certain circumstances, may sell, as principal, National Bank Shares to the Company and may purchase, as principal, National Bank Shares when such National Bank Shares are sold by the Company. See “The Company — Sale of National Bank Shares”. No commissions are payable in connection with such principal trades. Certain of the directors and officers of the Company are currently employees of NBF.

NBF, Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Raymond James Ltd., Desjardins Securities Inc., Blackmont Capital Inc. and Wellington West Capital Inc. (collectively, the “Agents”), as agents, conditionally offer the Capital Shares and the Preferred Shares subject to prior sale on a best efforts basis, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters by Blake, Cassels & Graydon LLP on behalf of the Company and the Agents. See “Plan of Distribution”.

Subscriptions will be received for the Capital Shares and the Preferred Shares offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time. Closing of these offerings is expected to occur on or about February 22, 2007 but no later than March 30, 2007. Registrations and transfers of Capital Shares and Preferred Shares will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Capital Shares and Preferred Shares will not have the right to receive physical certificates evidencing their ownership of such shares.

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PROSPECTUS SUMMARY

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

NB Split Corp.

NB Split Corp. (the “Company”) will hold common shares (the “National Bank Shares”) of National Bank of Canada (“National Bank”) in order to generate quarterly fixed cumulative preferential distributions for the holders of the Company’s class A preferred shares (the “Preferred Shares”) and to enable the holders of the Company’s class A capital shares (the “Capital Shares”) to participate in any capital appreciation in the National Bank Shares and to benefit from any increase in the dividends payable on the National Bank Shares. The net proceeds from the offering of the Capital Shares and the Preferred Shares offered hereby will be used by the Company to fund the purchase of the National Bank Shares.

The Offerings

Offerings:	The offerings consist of the Capital Shares and the Preferred Shares of the Company.
Amounts:	Maximum — \$106,002,630 (5,745,400 Capital Shares) Minimum — \$26,497,890 (1,436,200 Capital Shares) Maximum — \$93,994,744 (2,872,700 Preferred Shares) Minimum — \$23,496,232 (718,100 Preferred Shares)
Prices:	\$18.45 per Capital Share \$32.72 per Preferred Share
Unit and Unit Value:	A “Unit” is considered to consist of two Capital Shares and one Preferred Share. “Unit Value” is generally equal to the net amount received by the Company on the disposition of that number of National Bank Shares represented by the Unit’s <i>pro rata</i> share of the National Bank Shares held by the Company or, if it is determined that it is not practicable to sell National Bank Shares, Unit Value will be determined with reference to the closing price for the National Bank Shares on the previous Valuation Date (as defined below) plus, in each case, other net assets of the Company. See “Details of the Offerings”.

Capital Shares

Investment Objective:	The Capital Shares will provide their holders with a leveraged investment, the value of which is linked to changes in the market price of the National Bank Shares. Holders of Capital Shares will be entitled on redemption to the benefit of any capital appreciation in the market price of the National Bank Shares after payment of administrative and operating expenses of the Company. The fixed distributions on the Preferred Shares will be funded from the dividends received on the National Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of National Bank Shares. In the event that the dividends paid on the National Bank Shares exceed the amount of the fixed Preferred Share distributions and all expenses of the Company, the excess amount will be paid as dividends on the Capital Shares, as determined by the Company’s board of directors (the “Board of Directors”). If the Unit Value is less than or equal to \$32.72 on February 15, 2012 (the “Redemption Date”), the Capital Shares will have no value on redemption. See “Details of the Offerings — Certain Provisions of the Capital Shares”, “The Company — Distribution Policy” and “Risk Factors — Leverage”.
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Retraction:

Capital Shares may be surrendered for retraction at any time. Retraction payments for Capital Shares will be made on the 15th day of each month or, where such day is not a business day, on the preceding business day (a “Retraction Payment Date”) provided the Capital Shares have been surrendered for retraction on or before the tenth business day before such Retraction Payment Date (a “Valuation Date”).

Regular Retraction — A holder retracting two Capital Shares under a Regular Retraction will receive the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing a Preferred Share in the market; and (ii) \$0.40.

Concurrent Retraction — A holder who surrenders two Capital Shares together with one Preferred Share under a Concurrent Retraction will receive an amount equal to 95% of the Unit Value less \$0.40.

Special Annual Retraction — A holder retracting two Capital Shares under a Special Annual Retraction for payment on the Retraction Payment Date occurring on December 15 in each year commencing in 2008 or, where such day is not a business day, on the preceding business day (each an “Annual Retraction Payment Date”), will receive the amount, if any, by which the Unit Value exceeds \$32.72.

A holder who surrenders two Capital Shares together with one Preferred Share under a Special Annual Retraction will receive an amount equal to the Unit Value.

Provided a holder of Capital Shares surrenders 10,000 or more Capital Shares for retraction under a Special Annual Retraction and tenders either one Preferred Share for every two Capital Shares retracted or a cash amount equal to \$32.72 for every two Capital Shares retracted plus in each case a \$0.025 delivery charge for every two Capital Shares retracted, such holder may elect to receive the holder’s *pro rata* share of the National Bank Shares and other net assets of the Company represented by the Capital Shares retracted.

Redemption:

Any outstanding Capital Shares will be redeemed by the Company on February 15, 2012 (the “Redemption Date”). On such redemption, each holder will receive for every two Capital Shares redeemed, at the holder’s option, either (i) the amount, if any, by which the Unit Value on such date exceeds \$32.72; or (ii) provided the holder has tendered a cash amount of \$32.72 for every two Capital Shares redeemed, the holder’s *pro rata* share of the National Bank Shares and other net assets of the Company. See “Details of the Offerings — Certain Provisions of the Capital Shares — Redemption”.

In addition, the Board of Directors has the right to redeem the Capital Shares then outstanding at the next Annual Retraction Payment Date if the market value of the National Bank Shares held by the Company is \$15,000,000 or less for two consecutive Valuation Dates. See “Details of the Offerings — Certain Provisions of the Capital Shares — Automatic Redemption”.

Distributions:

It will be the policy of the Board of Directors to declare and pay quarterly dividends on the Capital Shares in an amount equal to the dividends received by the Company on the National Bank Shares minus the distributions payable on the Preferred Shares and accruals for all administrative and operating expenses. Based on the current National Bank Share dividends and estimated expenses of the Company, the Company expects to pay quarterly dividends of \$0.0296 per Capital Share (\$0.1182 per year or approximately 0.64% of the Capital Share

offering price) assuming the minimum amount of the offerings. The initial distribution is expected to be \$0.034 per Capital Share and is expected to be payable on or about June 15, 2007 based upon the anticipated closing date of February 22, 2007 (the “Closing Date”). Such distributions are expected to consist of Ordinary Dividends but may include non-taxable returns of capital and capital gains dividends. The amount of quarterly distributions actually paid on the Capital Shares will vary depending upon the prices at which the National Bank Shares are acquired and the actual dividends paid on the National Bank Shares from time to time.

In addition, if the Company realizes capital gains on the sale of National Bank Shares and would be liable to pay tax thereon, the Company may declare a taxable capital gains dividend on the Capital Shares. Such dividend will minimize any tax payable by the Company and, as such, should benefit the Company and its shareholders. If such dividend was to be payable, the Company expects that such dividend would be paid in Capital Shares rather than in cash. See “The Company — Distribution Policy”.

Priority:

The Capital Shares will rank subsequent to the Preferred Shares and prior to the Class J Shares with respect to the payment of dividends, distributions upon a redemption, retraction or reduction of capital and distributions upon a dissolution, liquidation or winding-up of the Company.

Preferred Shares

Credit Rating:

The Preferred Shares have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service Limited. See “Details of the Offerings — Certain Provisions of the Preferred Shares — Credit Rating”.

Distributions:

Holder of the Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions equal to \$0.3886 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of approximately 4.75%. Such distributions are expected to consist of Ordinary Dividends but may include non-taxable returns of capital and capital gains dividends. The Company will, to the extent possible, pay dividends on the Preferred Shares in the form of Ordinary Dividends. Such quarterly distributions are expected to be paid by the Company on or before the 15th day of March, June, September and December in each year. The initial distribution, which covers the period between the Closing Date and May 31, 2007, is expected to be \$0.4471 per Preferred Share and is expected to be payable on or before June 15, 2007 based upon the anticipated Closing Date.

Preferred Share distributions will be funded from the dividends received on the National Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of National Bank Shares. See “Details of the Offerings — Certain Provisions of the Preferred Shares” and “The Company — Distribution Policy”.

Retraction:

Preferred Shares may be surrendered for retraction at any time. Retraction payments for Preferred Shares will be made on the Retraction Payment Date provided the Preferred Shares have been surrendered for retraction on or before the Valuation Date preceding such Retraction Payment Date.

A holder retracting Preferred Shares will receive a cash price per Preferred Share retracted equal to the amount, if any, by which 95% of the Unit Value exceeds

the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) \$0.40.

Redemption:

Any outstanding Preferred Shares will be redeemed by the Company on the Redemption Date at a price per share equal to the lesser of \$32.72 and the Unit Value. The Company may also redeem Preferred Shares on any Annual Retraction Payment Date at a price per share equal to \$32.72 to the extent that unmatched Capital Shares have been tendered for retraction under the Special Annual Retraction. See “Details of the Offerings — Certain Provisions of the Preferred Shares — Redemption”.

Preferred Shares may also be redeemed by the Company at any time prior to the Redemption Date at a price (the “Premium Redemption Price”) which, until February 15, 2008 will be equal to \$34.03 and which will decline by \$0.33 each year to be equal to \$32.72 after February 15, 2011. See “Details of the Offerings — Certain Provisions of the Preferred Shares — Redemption at Premium”.

In addition, the Board of Directors has the right to redeem the Preferred Shares then outstanding at the next Annual Retraction Payment Date if the market value of the National Bank Shares held by the Company is \$15,000,000 or less for two consecutive Valuation Dates. See “Details of the Offerings — Certain Provisions of the Preferred Shares — Automatic Redemption”.

Priority:

The Preferred Shares will rank prior to the Capital Shares and the Class J Shares with respect to the payment of dividends, distributions upon a redemption, retraction or reduction of capital and distributions upon a dissolution, liquidation or winding-up of the Company.

Canadian Federal Income Tax Considerations

Taxation of the Company:

Following the closing of these offerings, the Company will qualify, and intends to continue to qualify, as a mutual fund corporation under the Income Tax Act (Canada) (the “Tax Act”). As a mutual fund corporation the Company will be entitled to capital gains refunds in respect of: (i) capital gains dividends paid by it; and (ii) qualifying redemptions. As a result thereof and of the deduction of expenses in computing its taxable income, the Company does not expect to be subject to any material net non-refundable income tax liability.

Dividends

Taxation of Shareholders Resident in Canada:

Dividends other than capital gains dividends (“Ordinary Dividends”) received by individuals on the Preferred Shares or Capital Shares will likely be subject to the proposed enhanced gross-up and dividend tax credit rules applicable to dividends received on shares of a public Canadian corporation.

Ordinary Dividends received by corporations, other than specified financial institutions, on the Preferred Shares or Capital Shares will generally be included in computing income and deductible in computing taxable income.

Ordinary Dividends received by specified financial institutions on the Preferred Shares or Capital Shares will be included in computing income and will be deductible in computing taxable income, provided that such shares were not acquired in the ordinary course of business or certain conditions applicable to term preferred shares are met, such as the 10% ownership restriction.

Ordinary Dividends received by private corporations (and certain other corporations) on the Preferred Shares or Capital Shares will be subject to a refundable tax under Part IV of the Tax Act, generally at the rate of 33 $\frac{1}{3}$ %.

Ordinary Dividends received by certain corporations other than private corporations on the Preferred Shares will be subject to a 10% tax under Part IV.1 of the Tax Act.

Return of capital payments to a holder of Preferred Shares or Capital Shares will not be subject to tax but will reduce the adjusted cost base of such Preferred Shares or Capital Shares to the holder.

The amount of any capital gains dividend received by a holder of Preferred Shares or Capital Shares 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.

Capital Shares received by a holder of Capital Shares as payment of a capital gains dividend will be deemed to have been acquired by such holder at a cost equal to the amount of such dividend.

Dispositions

A disposition of a Capital Share or a Preferred Share held as capital property, whether to the Company or otherwise, may result in a capital gain or a capital loss to the holder thereof. A redemption or retraction of Capital Shares or Preferred Shares, including where a holder elects to receive National Bank Shares, is considered a disposition for these purposes.

Eligibility for Investment

Preferred Shares and Capital Shares, if and when listed on a prescribed stock exchange, will be qualified investments for trusts governed by a registered retirement savings plan, a deferred profit sharing plan, a registered retirement income fund or a registered education savings plan.

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

Summary of Fees, Charges and Expenses Payable by the Company

The following table contains a summary of the fees, charges and expenses payable by the Company.

<u>Type of Charge</u>	<u>Description including amount/rate</u>
Fee paid to the Agents (as defined herein) for selling Capital Shares and Preferred Shares.	\$1.107 (6.0%) per Capital Share. \$0.982 (3.0%) per Preferred Share.
Other expenses (including transaction costs, incorporation and organization costs of the Company and expenses of the offerings) incurred by National Bank Financial Inc. (“NBF”) on behalf of the Company prior to the closing of these offerings.	NBF will be reimbursed for expenses related to the establishment of the Company and the offerings of the Capital Shares and Preferred Shares hereunder.
Fee paid to FA Administration Services Inc. (the “Administrator”) for administration of the ongoing operations of the Company.	A monthly fee of $\frac{1}{12}$ of 0.25% of the market value of National Bank Shares held by the Company (the “Administration Fee”).
Operating expenses of the Company.	In addition to the Administration Fee referred to above, the Company will be responsible for all ordinary expenses incurred in connection with the operation and administration of the Company. It is anticipated that the operating expenses of the Company for its first full year of operations (excluding the Administration Fee) will be approximately \$200,000. See “The Company — Expenses and Administration” and “The Company — Credit Facility”. The Administrator may pay such expenses on behalf of the Company as and when incurred.

Investment Considerations and Risk Factors

An investment in Capital Shares and Preferred Shares is subject to certain risk factors which prospective investors should consider before purchasing such shares. An investment in Capital Shares or Preferred Shares does not constitute an investment in the National Bank Shares. The value of the Capital Shares and Preferred Shares will be influenced by factors which are not within the control of the Company, including leverage, the financial performance of the National Bank Shares, interest rates and other financial market conditions. Holders of Capital Shares will enjoy a form of leverage in that any capital appreciation in the National Bank Shares after payment of any distributions on the Preferred Shares, redemption or retraction value of the Preferred Shares and expenses will be for the benefit of the holders of Capital Shares. In the event of a decrease in the value of National Bank Shares, this leverage will work to the disadvantage of the holders of the Capital Shares. If the Unit Value on the Redemption Date is \$32.72 or less, the Capital Shares will have no value on redemption. The Company may engage in securities lending and may be subject to counterparty risk associated with such transactions. See “Investment Considerations and Risk Factors”, “The Company — Distribution Policy” and “Interest of Management and Others in Material Transactions”.

Book-Entry Only System

Registration of interests in and transfers of the Capital Shares and Preferred Shares will be made only through the book-entry only system of CDS Clearing and Depository Services Inc. Capital Shares and Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a participant in the CDS book-entry only system. Beneficial owners of Capital Shares and Preferred Shares will not have the right to receive physical certificates evidencing their ownership of such shares.

THE COMPANY

NB Split Corp. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on December 15, 2006. The Company has its registered and head office at 130 King Street West, Suite 3200, Toronto, Ontario, M5H 3T9, telephone: 1.877.642.1289. Information relating to the Company is available at its website at www.nbsplit.com.

The Company will hold common shares (the “National Bank Shares”) of National Bank of Canada (“National Bank”) in order to generate quarterly fixed cumulative preferential distributions for the holders of the Company’s class A preferred shares (the “Preferred Shares”) and to enable the holders of the Company’s class A capital shares (the “Capital Shares”) to participate in any capital appreciation in the National Bank Shares and to benefit from any increase in the dividends payable on the National Bank Shares. The policy of the Company is to hold the National Bank Shares and not to sell the National Bank Shares, except as described herein.

The Company is considered to be a mutual fund but will apply for an exemption from certain of the protections provided by the policies of the Canadian securities regulators applicable to conventional mutual funds.

Purchase of National Bank Shares

National Bank Shares purchased by the Company may be purchased from NBF, as principal. Any National Bank Shares acquired by the Company from NBF, as principal, will be purchased in accordance with the rules of the applicable stock exchange and the price paid (inclusive of all transaction costs, if any) to NBF will not be greater than the price which would have been paid (inclusive of all transactions costs, if any) if the acquisition had been made through the facilities of the principal stock exchange on which the National Bank Shares are listed and posted for trading, at the time of purchase from NBF. All such principal transactions will be approved by a majority of the independent directors of the Company and no commissions will be paid to NBF in respect of any such principal transactions. NBF may realize a gain or a loss in respect of National Bank Shares it sells as principal to the Company in these circumstances. Any carrying costs and other expenses incurred by NBF on behalf of the Company from the time of purchase of the National Bank Shares will be for the account of the Company.

Sale of National Bank Shares

The Company expects to sell National Bank Shares to fund the retraction or redemption of any Capital Shares or Preferred Shares, following the receipt of any stock dividends, or to meet obligations of the Company in respect of liabilities including extraordinary liabilities. Subject to the receipt of all necessary regulatory approvals, some or all of the National Bank Shares being sold may be purchased by NBF, as principal. Any National Bank Shares sold by the Company to NBF, as principal, will be sold in accordance with the rules of the applicable stock exchange, and the price paid (inclusive of all transaction costs, if any) by NBF will not be less than the price which would have been paid (inclusive of all transaction costs, if any) if the sale had been made through the facilities of the principal stock exchange on which the National Bank Shares are listed and posted for trading, at the time of sale to NBF. All such principal transactions will be approved by a majority of the independent directors of the Company and no commissions will be paid to NBF in respect of any such principal transactions.

Credit Facility

The Company intends to establish a revolving credit facility which may be used by the Company to fund the payment of a portion of the fixed distributions on the Preferred Shares on a temporary basis if necessary. If utilized, the Company expects to repay any amounts borrowed under the revolving credit facility within one year of the date of such borrowing. Any amount outstanding under the credit facility would be repaid using one or more of the following: (i) dividends received on the portfolio of National Bank Shares held by the Company; (ii) the sale of such National Bank Shares; or (iii) revenue from securities lending. To the extent that the credit facility is used, the Company will pledge National Bank Shares as collateral for amounts borrowed thereunder.

The amount outstanding under the credit facility at any time will not exceed 5.0% of the aggregate market value of the National Bank Shares held by the Company at the time of borrowing.

Expenses and Administration

The Company will be responsible for all of its operating expenses. It is anticipated that the operating expenses of the Company for its first full year of operations (excluding the fee payable under the Administration Agreement referred to below) will be approximately \$200,000.

NBF will be reimbursed for expenses related to the establishment of the Company and the offering of the Capital Shares and Preferred Shares hereunder (including transaction costs, incorporation and organization costs of the Company and expenses of the offerings) incurred by NBF on behalf of the Company prior to the closing of the offerings.

The Company and the FA Administration Services Inc. (the "Administrator") have entered into an administration agreement (the "Administration Agreement") dated as of January 30, 2007 which has a term expiring upon the redemption or retraction of all Capital Shares and Preferred Shares. Under the Administration Agreement, the Administrator shall administer the ongoing operations of the Company.

In consideration for the services provided by the Administrator, the Company will pay the Administrator a monthly fee of $\frac{1}{12}$ of 0.25% of the market value of the National Bank Shares held by the Company. The Administrator may pay operating expenses on behalf of the Company as and when incurred for which the Administrator will be reimbursed.

Holders of Capital 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.

Distribution Policy

Holders of the Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions equal to \$0.3886 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of approximately 4.75%.

The fixed distributions on the Preferred Shares will be funded from the dividends received on the National Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of National Bank Shares. Based on the current dividends paid on the National Bank Shares, it is not expected that the Company would have to sell any National Bank Shares to fund the Preferred Share distributions.

Any portion of Preferred Share distributions which is derived from the proceeds of sale of the National Bank Shares will consist of a non-taxable return of capital or a combination of a capital gains dividend and a non-taxable return of capital.

Holders of Capital Shares will be entitled to receive dividends as and when declared by the Board of Directors. It will be the policy of the Board of Directors to declare and pay quarterly dividends on the Capital Shares in an amount equal to the dividends received by the Company on the National Bank Shares minus the distributions payable on the Preferred Shares and accruals for all administrative and operating expenses. Based on the current National Bank Share dividends and estimated expenses of the Company, the Company expects to pay quarterly dividends of \$0.0296 per Capital Share (\$0.1182 per year or approximately 0.64% of the Capital Share offering price).

In addition, if the Company realizes capital gains on the sale of National Bank Shares and would be liable to pay tax thereon, the Company may declare a taxable capital gains dividend on the Capital Shares. Such dividend will minimize any tax payable by the Company and, as such, should benefit the Company and its shareholders. If such dividend was to be payable, the Company expects that such dividend would be paid in Capital Shares rather than in cash. As a result, the cash which would otherwise have been distributed or used to pay tax will remain invested in National Bank Shares for the benefit of the holders of Capital Shares. A capital

gains dividend payable in Capital Shares will increase the aggregate adjusted cost base to the holders of Capital Shares of their Capital Shares. Immediately following payment of such dividend in Capital Shares, the number of Capital Shares outstanding will be automatically consolidated such that the number of Capital Shares outstanding will be equal to the number of Capital Shares outstanding immediately prior to such payment.

The Board of Directors may, immediately prior to the redemption of all or substantially all outstanding Capital Shares and Preferred Shares, declare dividends on the Capital Shares, the Preferred Shares or both in an amount necessary to generate a refund of refundable tax paid by the Company under Part IV of the *Income Tax Act* (Canada) (the “Tax Act”).

Securities Lending

In order to generate additional returns, the Company may lend National Bank Shares to securities borrowers acceptable to the Company pursuant to the terms of a securities lending arrangement under which (i) the borrower will pay to the Company a negotiated securities lending fee and will make compensation payments to the Company equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Company will receive collateral security. The Custodian (as defined herein) as securities lending agent for the Company, will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. All securities lending arrangements will comply with the provisions of National Instrument 81-102 — *Mutual Funds* and will be approved by all of the independent directors of the Company.

Voting Rights of the National Bank Shares

Holders of the Capital Shares and the Preferred Shares will have no voting rights in respect of the National Bank Shares. From time to time, the independent directors of the Company will determine whether or not to vote the National Bank Shares and, if so, how such National Bank Shares will be voted.

The independent directors of the Company will vote the National Bank Shares in the best interests of the Company. The independent directors consider the “best interests” of the Company to mean the best long-term economic interests of its Shareholders. The Trust’s proxy voting record for the annual period ending June 30, 2007 will be available at any time after August 31, 2007 to any shareholder on request, at no cost, and will also be available on the web at www.nbsplit.com.

THE ADMINISTRATOR

The Administrator is an affiliate of First Asset Funds Inc. (“First Asset”). First Asset is a company engaged in the business of sponsoring and managing investment funds. As at December 5, 2006 First Asset had approximately \$1.1 billion in net assets under administration.

NATIONAL BANK OF CANADA

The information contained herein relating to National Bank and its subsidiaries is based upon the documents listed below each of which has been filed with the various securities commissions or similar authorities in Canada or have been posted on National Bank’s website.

- (a) National Bank’s annual information form dated January 18, 2006;
- (b) National Bank’s annual reports for its 2002 to 2006 fiscal years; and
- (c) National Bank’s fourth quarter 2006 report to shareholders, including its supplementary financial information report.

The foregoing reports and other documents are available through SEDAR at www.sedar.com or the National Bank website at www.nbc.ca. More comprehensive financial and other information is contained in such reports and the following summary is qualified by reference to such reports and other documents and all of the financial information and notes contained therein.

The Company and the Agents have had no access to any information about National Bank other than information in such publicly filed reports and other documents. Further, the Company and the Agents have not had an opportunity or the access to information required to verify the accuracy or completeness of any

information contained in such reports and other documents or to determine if there has been any omission by National Bank to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any information contained in such reports and other documents has been furnished by National Bank or which may affect the significance or accuracy of any information contained in any such reports and other documents and summarized herein. The Company's Capital Shares and Preferred Shares derive their value from the Company's underlying investment in the National Bank Shares and prospective purchasers should consult their own investment advisor for advice with respect to the merits of an investment in securities which derive their value from an underlying investment in National Bank Shares.

National Bank has not participated in the preparation of this prospectus and does not take any responsibility or assume any liability with respect to the accuracy or completeness of any information contained herein. None of National Bank and its officers, directors, auditors or other experts whose reports, opinions or statements have been used in connection with this prospectus has any statutory liability with respect to the accuracy or completeness of any of the information contained in this prospectus.

The selected financial information which is referred to below has been excerpted or derived from the publicly filed reports and other documents of National Bank described above.

Description of National Bank

National Bank is a chartered bank governed by the *Bank Act* (Canada). National Bank's roots date back to 1859 with the founding of Banque Nationale in Quebec City. National Bank's current charter is the result of a series of amalgamations, first with Banque d'Hochelaga in 1924 to form Bank Canadian National, which then merged with The Provincial Bank in 1979 to form National Bank. In 1985, National Bank acquired The Mercantile Bank of Canada. The head office is located at 600 de La Gauchetière West, 4th Floor, Montreal, Quebec, Canada, H3B 4L2.

At October 31, 2006, National Bank had a market capitalization of approximately \$9.893 billion, \$228.749 billion in total assets under management/administration, 14,381 full time equivalent employees, and 451 branches in Canada.

National Bank is an integrated financial group that provides comprehensive financial services to consumers, small and medium-sized enterprises and large corporations in its core market, while offering specialized services elsewhere in the world. National Bank offers a full array of banking services, including corporate and investment banking. It is an active player on international markets and, through its subsidiaries, is involved in securities brokerage, insurance and wealth management, as well as mutual fund and retirement plan management. National Bank has three main business segments: Personal and Commercial Banking, Wealth Management and Financial Markets. National Bank is Canada's sixth largest bank and the leading bank in Quebec.

Selected Financial Information

The following represents a historical summary of selected financial data pertaining to National Bank which has been derived from the publicly filed reports and other documents of National Bank.

	Year Ended October 31				
	2006	2005	2004	2003	2002
	(audited) (millions except per share data)				
Net Income	\$ 871	\$ 855	\$ 725	\$ 624	\$ 429
Total Assets	\$116,885	\$107,970	\$ 88,497	\$ 84,626	\$ 76,031
Common Shareholders' Equity	\$ 4,388	\$ 4,197	\$ 3,829	\$ 3,722	\$ 3,601
Average Number of common shares outstanding (diluted)	165,549	168,964	173,276	179,235	187,727
Earnings per common share (diluted)	\$ 5.13	\$ 4.90	\$ 4.05	\$ 3.34	\$ 2.18
Dividends per common share	\$ 1.96	\$ 1.72	\$ 1.42	\$ 1.08	\$ 0.93
Book Value per common share	\$ 27.17	\$ 25.39	\$ 22.87	\$ 21.32	\$ 19.72

NATIONAL BANK SHARE TRADING HISTORY

The National Bank Shares are listed on the Toronto Stock Exchange (“TSX”).

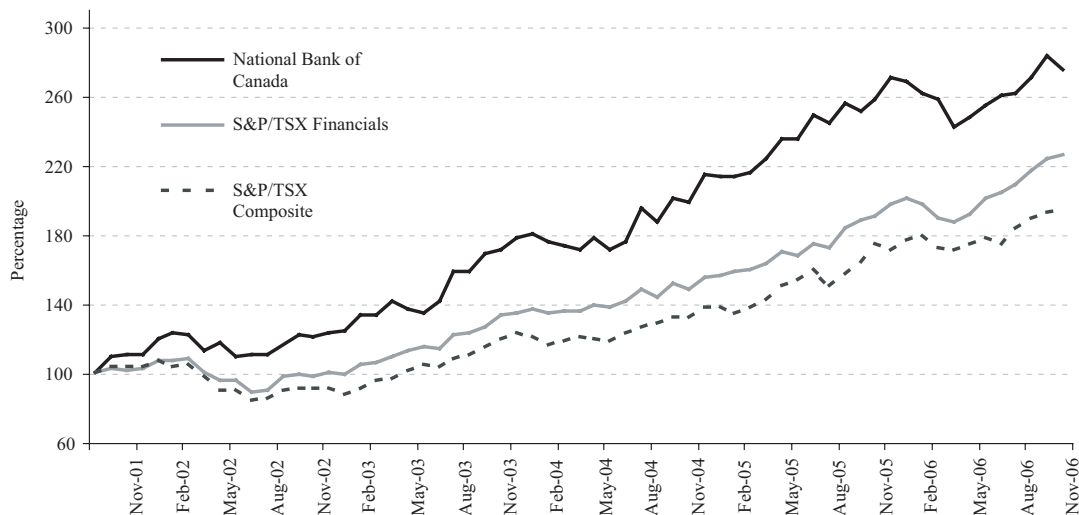
The following table sets forth the market price range and trading volume of the National Bank Shares on the TSX for the calendar period indicated. **The information contained in the section below, obtained from Bloomberg Financial Services, is historical and is not intended to be, nor should it be construed to be, an indication as to the future trading levels of the National Bank Shares.**

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u> (millions of shares)
2002			
First Quarter	\$33.44	\$31.05	47.05
Second Quarter	\$37.20	\$32.22	47.50
Third Quarter	\$37.50	\$34.37	37.75
Fourth Quarter	\$43.48	\$36.32	43.98
2003			
First Quarter	\$33.44	\$31.05	47.05
Second Quarter	\$37.20	\$32.22	47.50
Third Quarter	\$37.50	\$34.37	37.75
Fourth Quarter	\$43.48	\$36.32	43.98
2004			
First Quarter	\$46.71	\$42.41	38.53
Second Quarter	\$47.99	\$42.21	28.14
Third Quarter	\$45.20	\$42.31	23.94
Fourth Quarter	\$49.75	\$43.65	25.43
2005			
First Quarter	\$55.69	\$47.70	31.63
Second Quarter	\$55.41	\$51.49	32.61
Third Quarter	\$62.31	\$54.30	29.87
Fourth Quarter	\$64.00	\$57.37	30.31
2006			
First Quarter	\$65.84	\$59.37	38.98
Second Quarter	\$65.00	\$55.89	29.66
Third Quarter	\$63.38	\$56.00	28.79
October	\$61.94	\$58.27	14.12
November	\$66.49	\$60.86	11.56
December	\$66.59	\$63.93	12.53
2007			
January 1-26	\$66.39	\$62.83	12.20

On January 26, 2007, the closing price of National Bank Shares on the TSX was \$63.77.

The graph below compares the percentage change in returns of National Bank Shares as compared to the percentage change in the S&P/TSX Composite Index and the S&P/TSX Financials Index as of November, 2001 until November, 2006.

**Comparative Returns: National Bank versus S&P/TSX Composite Index and S&P/TSX Financials Index
(November, 2001 to January 26, 2007)**



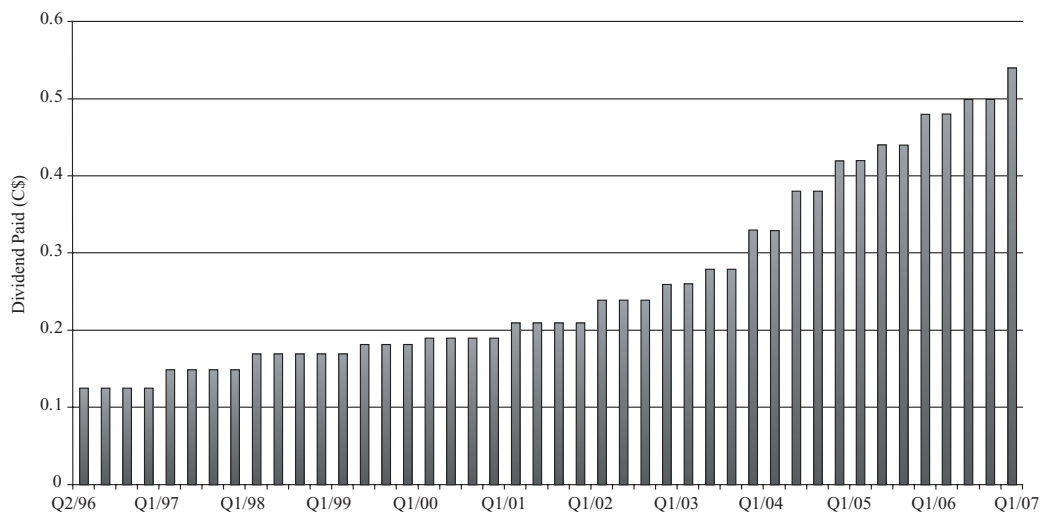
The following table sets forth the annual dividend history for the periods indicated below in respect of the National Bank Shares:

Year Ended October 31				
2006	2005	2004	2003	2002
\$1.96	\$1.72	\$1.42	\$1.08	\$0.93

At the National Bank board of directors meeting held on November 30, 2006, the National Bank board of directors declared a \$0.04 increase in the dividend payable on National Bank Shares to \$0.54 cents per National Bank Share, payable on February 1, 2007 to shareholders of record on December 28, 2006.

The following graph sets forth the dividends paid or payable on the Shares for each fiscal quarter of National Bank for the quarter starting November 1, 1996 until the quarter ending January 31, 2007.

National Bank — Quarterly Dividends Per Share (Q2/1996 to Q1/2007)



The information contained in the above section, obtained from Bloomberg Financial Services, is historical and is not intended to be, nor should it be construed to be, an indication as to the future dividend levels on the National Bank Shares.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Capital Shares, an unlimited number of Preferred Shares, an unlimited number of Class B, Class C, Class D and Class E capital shares, issuable in series, an unlimited number of Class B, Class C, Class D and Class E preferred shares, issuable in series, and an unlimited number of Class J Shares. The classes of capital shares other than the Capital Shares and the classes of preferred shares other than the Preferred Shares are collectively referred to as the “subsequent classes”. If shares of the subsequent classes are issued, the holders of any such shares will have no rights in respect of the National Bank Shares.

Capital Shares and Preferred Shares

The attributes of the Capital Shares and the Preferred Shares offered hereby are described below under “Details of the Offerings”. The Company will not issue any further Capital Shares or Preferred Shares except as described under “The Company — Distribution Policy” and “Details of the Offerings — Issue of Additional Capital Shares and Preferred Shares”.

Class J Shares

The holders of the Class J Shares are entitled to receive dividends, if, as and when declared by the Board of Directors. However, holders of Class J Shares are not entitled to receive any dividends on the Class J Shares at any time when there are any Capital Shares or Preferred Shares issued and outstanding unless approved by all of the independent directors of the Company.

The holders of the Class J Shares are entitled to one vote per share. The Class J Shares of the Company are retractable at any time. For retractions occurring at a time when any Capital Shares or Preferred Shares are outstanding, the retraction price will be \$1.00 per share; for other retractions, the retraction price will be based on the net asset value of the Company. The Class J Shares are redeemable by the Company at any time for a redemption price equal to \$1.00 per share, being the amount paid-up thereon. The Class J Shares rank subsequent to both the Capital Shares and the Preferred Shares with respect to dividends and with respect to distributions upon a retraction, redemption or reduction of capital and distributions on the dissolution, liquidation or winding-up of the Company. Each Class J Share entitles the holder thereof to participate in the distribution of the remaining net assets of the Company on a dissolution, liquidation or winding-up of the Company.

NB Split Holdings Corp. (“Holdings”) owns the 150 issued and outstanding Class J Shares of the Company. See “Principal Shareholders.”

Subsequent Classes of Shares

The subsequent classes are issuable in series. Subject to the Company’s articles, the Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to the shares of each series. Except with respect to matters as to which the holders of capital shares and holders of preferred shares are entitled by law to vote or as otherwise provided in the Company’s articles, the holders of capital shares and holders of preferred shares will not be entitled to vote at meetings of shareholders.

DETAILS OF THE OFFERINGS

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

Unit Value

A “Unit” is considered to consist of two Capital Shares and one Preferred Share.

“Unit Value” is defined as:

- (a) the amount received by the Company on the disposition of that number of National Bank Shares represented by the Unit’s *pro rata* share of the National Bank Shares. In respect of any retraction by a

holder on a Valuation Date (as defined herein) and the calculation of Unit Value under this paragraph for such purpose, the number of National Bank Shares to be disposed of will be rounded down to the nearest whole share; or

- (b) in the event that the Administrator determines that it is not practicable to sell a *pro rata* share of the National Bank Shares (for example, where a relatively small number of shares are tendered for cash retraction), the Company may fund such retractions in whole or in part out of cash on hand. Unit Value in this case will be calculated using, and paid on the basis of, the closing price for National Bank Shares on the TSX on the trading day immediately preceding the relevant Valuation Date (as defined below) or the date on which Unit Value is calculated; or, if no trading in National Bank Shares occurred on such day on the TSX, the closing price for National Bank Shares on such other exchange or market as the Administrator may select on such day; or, if no closing price is available from any exchange or market for National Bank Shares, the average of the bid and ask prices for such shares at close of trading on the TSX on such day;

less, in either case, brokerage fees, commissions and all other transaction costs relating to such sale plus (minus) the *pro rata* share of the amount (the “Residual Amount”) by which the value of the other assets of the Company (excluding any refundable taxes not then available to the Company) exceed (are less than) the liabilities (including any extraordinary liabilities and accrued termination costs) of the Company as at the relevant Valuation Date and the redemption value of the Class J Shares, all as determined by the Board of Directors. For greater certainty, the Preferred Shares will not be treated as liabilities and the amount of any tax loss carryforwards will not be treated as an asset for these purposes.

If, on February 15, 2012 (the “Redemption Date”), the Company is entitled to a refund of refundable taxes but such refund is not immediately available, the Company will either defer payment of a portion of the redemption price until the refund is received by the Company or take steps to monetize or otherwise convert the refund into cash. In any event, for purposes of calculating the Residual Amount for redemptions on the Redemption Date, any refundable taxes not then available to the Company will be treated as an asset equal to the net realizable value thereof as determined by the Board of Directors.

Any net capital or non-capital losses available to the Company on the Redemption Date will not be treated as an asset either on or subsequent to the Redemption Date, in the calculation of Unit Value.

If it is not possible to sell National Bank Shares due to the cessation or suspension of trading of the National Bank Shares on the stock exchanges or markets on which National Bank Shares are normally traded, the Company will sell those National Bank Shares, which can then be lawfully sold and the applicable portion of such proceeds from such sale will be paid on the Retraction Payment Date (as defined herein) and the remaining National Bank Shares required to be sold to fund the cash retraction of the relevant shares will be sold by the Company as soon as possible following the resumption of trading of such National Bank Shares and the applicable portion of such proceeds therefrom paid within five business days following such sale.

The Unit Value will be calculated once each week, other than the last week of each month, in which case the Unit Value will be calculated on the last day of the month. Such information will be provided by the Administrator to holders of the Preferred Shares and Capital Shares on request by calling 1-877-642-1289 or by accessing the Administrator’s website at www.firstassetfunds.com.

Certain Provisions of the Capital Shares

Investment Objective

The Capital Shares will provide their holders with a leveraged investment, the value of which is linked to changes in the market price of the National Bank Shares held by the Company. Holders of Capital Shares will be entitled on redemption to the benefit of any capital appreciation in the market price of the National Bank Shares after accrual for administrative and operating expenses of the Company and to benefit from any increase in the dividends payable on the National Bank Shares. The fixed distributions on the Preferred Shares will be funded from the dividends received on the National Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of National Bank Shares. In the event that the dividends paid on the National Bank Shares exceed the amount of the fixed Preferred Share distributions and all

expenses of the Company, the excess amount will be paid as dividends on the Capital Shares, as determined by the Board of Directors. If the Unit Value is less than or equal to \$32.72 on the Redemption Date, the Capital Shares will have no value on redemption. See “Investment Considerations and Risk Factors” and “The Company — Distribution Policy”.

Retraction

The Capital Shares may be surrendered for retraction at any time by the holders. Holders may surrender their Capital Shares for retraction by exercising a Regular Retraction, a Concurrent Retraction or a Special Annual Retraction, all as described below. Retraction payments for Capital Shares will be made on the 15th day of each month or, where such day is not a business day, the preceding business day (a “Retraction Payment Date”) provided the Capital Shares have been surrendered for retraction on or before the tenth business day before such Retraction Payment Date (the “Valuation Date”). As used herein, the term “business day” means any day, except for a Saturday or Sunday, which is not a statutory or civic holiday in Toronto, Ontario.

Each retraction privilege described below must be exercised by causing written notice to be received by the Company within the notice periods prescribed herein and in the manner described under “Details of the Offerings — Book-Entry Only System”. Each notice must indicate whether the Capital Shares are being retracted pursuant to a Regular Retraction, Concurrent Retraction or a Special Annual Retraction and, where there is an option, how the holder wishes to be paid for his or her Capital Shares retracted. Capital Shares (and Preferred Shares in the case of a Concurrent Retraction or a Special Annual Retraction) will be irrevocably surrendered for retraction upon the delivery of such notice to CDS Clearing and Depository Services Inc. (“CDS”) through a CDS Participant (defined below under “Details of the Offering — Book-Entry Only System”).

Regular Retraction

A holder who surrenders Capital Shares under a regular retraction (a “Regular Retraction”) will receive for every two Capital Shares retracted on the Retraction Payment Date the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing a Preferred Share in the market; and (ii) \$0.40. The retraction price of a Capital Share may be more or less than the market price of a Capital Share at the time of retraction.

Concurrent Retraction

A holder who surrenders two Capital Shares together with one Preferred Share under a concurrent retraction (a “Concurrent Retraction”) will receive on the Retraction Payment Date an amount equal to 95% of the Unit Value less \$0.40.

Special Annual Retraction

A holder of Capital Shares who surrenders two Capital Shares under a special annual retraction (a “Special Annual Retraction”) for the Retraction Payment Date occurring on December 15 in each year commencing in 2008 or, where such day is not a business day, the preceding business day (each such date being an “Annual Retraction Payment Date”) will receive on the applicable Annual Retraction Payment Date the amount, if any, by which the Unit Value exceeds \$32.72.

A holder who surrenders two Capital Shares together with one Preferred Share under a Special Annual Retraction will receive on the applicable Annual Retraction Payment Date an amount equal to the Unit Value.

Provided a holder of Capital Shares surrenders 10,000 or more Capital Shares for retraction under a Special Annual Retraction and tenders either one Preferred Share for every two Capital Shares retracted or a cash amount equal to \$32.72 for every two Capital Shares retracted plus in each case a \$0.025 delivery charge for every two Capital Shares retracted payable to the Administrator, such holder may elect to receive his or her *pro rata* share of the National Bank Shares (rounded down to the nearest whole share) represented by the Capital Shares retracted plus (minus) the Residual Amount (payable at the Company’s discretion in cash or by adjustment to the number of National Bank Shares to be delivered to the holder) as at the relevant Valuation

Date, all as determined by the Board of Directors. For greater certainty, the Preferred Shares will not be treated as liabilities and any tax loss carryforwards will not be treated as an asset for these purposes. Any cash so tendered is to be tendered to CDS through a CDS Participant.

General

If any Capital Shares are surrendered for retraction (other than in the event of a Concurrent Retraction or a Special Annual Retraction where Preferred Shares are surrendered to the Company), the Company will as soon as practicable thereafter redeem or purchase for cancellation that number of Preferred Shares as is equal to one-half the number of Capital Shares so retracted. The Company will sell National Bank Shares owned by the Company to the extent required to fund such redemptions or purchases and to pay the retraction price for the Capital Shares so retracted. Any and all Capital Shares which have been surrendered to the Company for retraction prior to the relevant Valuation Date are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date or Annual Retraction Payment Date, unless not redeemed thereon, in which event such Capital Shares shall remain outstanding and be considered to be surrendered for retraction on the following Retraction Payment Date.

The Company will be obligated to redeem Capital Shares only to the extent that the redemption would not be contrary to any applicable law. If the Company is unable for this reason to redeem all of the Capital Shares surrendered for payment on a Retraction Payment Date or Annual Retraction Payment Date, it will redeem on each Retraction Payment Date thereafter, on a *pro rata* basis from shareholders who so surrendered shares, disregarding fractions, such number of Capital Shares not so redeemed as the Company determines it is then permitted to redeem, having regard to its obligation to concurrently redeem or otherwise acquire one Preferred Share for every two Capital Shares so redeemed. The Company will repeat such process on each successive Retraction Payment Date until all such Capital Shares have been redeemed.

Redemption

Any Capital Shares outstanding on the Redemption Date will be redeemed by the Company on such date. On such redemption, each holder will receive for every two Capital Shares redeemed, at the holder's option, either:

- (a) the amount, if any, by which the Unit Value exceeds \$32.72; or
- (b) provided the holder tenders to the Company at least 20 business days prior to the Redemption Date, a cash amount of \$32.72 for every two Capital Shares redeemed, such holder's *pro rata* share of the National Bank Shares (rounded down to the nearest whole share) plus (minus) the Residual Amount (payable at the Company's discretion in cash or by adjustment to the number of National Bank Shares to be delivered to the holder) as at the Redemption Date, all as determined by the Board of Directors. For greater certainty, the Preferred Shares will not be treated as liabilities and any tax loss carryforwards will not be treated as an asset for these purposes. Any cash so tendered is to be tendered to CDS through a CDS Participant.

Notice of redemption will be given to CDS Participants holding Capital Shares on behalf of the beneficial owners thereof at least 45 days prior to the Redemption Date. A holder of Capital Shares must give written notice to CDS through a CDS Participant at least 20 business days prior to the Redemption Date indicating how the holder chooses to be paid for his or her redeemed Capital Shares. Holders who do not give the required business days' notice will be deemed to have chosen to be paid in cash.

Automatic Redemption

If for two consecutive Valuation Dates the aggregate market value of the National Bank Shares held by the Company is \$15,000,000 or less, then the Board of Directors has the right to redeem at the next Annual Retraction Payment Date: (i) all Capital Shares then outstanding for a cash amount for every two shares equal to the redemption price of the Capital Shares calculated as if such date was the Redemption Date; and (ii) all Preferred Shares then outstanding for a cash amount per share equal to \$32.72. In such circumstances, the Company will not provide holders of Capital Shares and Preferred Shares with 45 days' prior notice of the redemption but will forthwith issue a press release and will provide holders of Capital Shares and Preferred Shares with notice of the redemption as soon as practicable.

Distributions

Holders of Capital Shares are entitled to receive any dividends that the Board of Directors may declare subject to the prior rights of the holders of the Preferred Shares. It will be the policy of the Board of Directors to declare and pay quarterly dividends in an amount equal to the dividends received by the Company on the National Bank Shares minus the distributions payable on the Preferred Shares and accruals for all administrative and operating expenses. Based on the current National Bank Share dividends and estimated expenses of the Company, the Company expects to pay quarterly dividends of \$0.0296 per Capital Share (\$0.1182 per year or approximately 0.64% of the Capital Share offering price) assuming the minimum amount of the offerings. The initial distribution is expected to be \$0.034 per Capital Share and is expected to be payable on or about June 15, 2007 based upon the anticipated closing date of February 22, 2007 (the “Closing Date”). Such distributions are expected to consist of Ordinary Dividends (as defined herein) but may include non-taxable returns of capital and capital gains dividends. The amount of quarterly distributions actually paid on the Capital Shares will vary depending upon the prices at which the National Bank Shares are acquired and the actual dividends paid on the National Bank Shares from time to time.

In addition, if the Company realizes capital gains on the sale of National Bank Shares and would be liable to pay tax thereon, the Company may declare a capital gains dividend on the Capital Shares. Such dividend will minimize any tax payable by the Company and, as such, should benefit the Company and its shareholders. If such dividend was to be payable, the Company expects that such dividend would be payable in Capital Shares rather than in cash. As a result, the cash which would otherwise have been distributed or used to pay tax will remain invested in National Bank Shares for the benefit of the holders of Capital Shares. A capital gains dividend payable in Capital Shares will increase the aggregate adjusted cost base to the holders of Capital Shares of their Capital Shares. Immediately following payment of such dividend in Capital Shares, the number of Capital Shares outstanding will be automatically consolidated such that the number of Capital Shares outstanding will be equal to the number of Capital Shares outstanding immediately prior to such payment.

Voting Rights

Except as required by law, holders of Capital Shares will not be entitled to receive notice of, to attend or to vote at any meetings of shareholders of the Company (including with respect to reductions of capital and share consolidations as described under “The Company — Distribution Policy”) other than meetings of the holders of Capital Shares. Holders of Capital Shares will not be entitled to vote any of the National Bank Shares held by the Company. The independent directors of the Company will determine the manner in which the National Bank Shares will be voted at any meeting of National Bank Shareholders.

In addition, the articles of the Company provide that the Company shall not, without the prior approval of the holders of Capital Shares, (i) amend the rights, privileges, restrictions and conditions attached to the Capital Shares; (ii) amend the provisions in the articles of the Company relating to the restrictions on the business that the Company may carry on; (iii) change (other than a change permitted by applicable law without the consent of securityholders of a mutual fund) any contract or enter into any contract as a result of which the basis for calculating the fees or other expenses that are charged to the Company could result in an increase in charges to the Company; (iv) change the Company’s auditors; or (v) wind up or dissolve voluntarily.

Modifications

Approval of amendments to the provisions of the Capital Shares may be given by a special resolution carried by an affirmative vote of not less than two thirds of the votes cast at a meeting of the holders of Capital Shares duly called and held for such purpose at which the holders of 10% of the outstanding Capital Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Capital Shares then present would constitute the quorum.

Priority

The Capital Shares will rank subsequent to the Preferred Shares and prior to the Class J Shares with respect to the payment of dividends, distributions upon a redemption, retraction or return of capital and distributions upon a dissolution, liquidation or winding-up of the Company.

Certain Provisions of the Preferred Shares

Distributions

Holders of the Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions equal to \$0.3886 per Preferred Share. On an annualized basis, this would represent a yield on the Preferred Share offering price of approximately 4.75%. Quarterly distributions on the Preferred Shares are expected to be paid by the Company on or before the 15th day of March, June, September and December in each year. The initial distribution, which covers the period between the Closing Date and May 31, 2007, is expected to be \$0.4471 per Preferred Share and is expected to be payable on or before June 15, 2007 based upon the anticipated Closing Date. Such distributions are expected to consist of Ordinary Dividends but may include non-taxable returns of capital and capital gains dividends. The Company will, to the extent possible, pay dividends on the Preferred Shares in the form of Ordinary Dividends. See “The Company — Distribution Policy”.

Preferred Share distributions will be funded from the dividends received on the National Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of National Bank Shares. Based on the current dividends paid on the National Bank Shares, it is not expected that the Company would have to sell any National Bank Shares to fund the Preferred Share distributions.

Any portion of Preferred Share distributions which is derived from the proceeds of sale of the National Bank Shares will, for tax purposes, consist of a non-taxable return of capital or a combination of a capital gains dividend and a non-taxable return of capital. See “The Company — Distribution Policy” and “Canadian Federal Income Tax Considerations — Tax Treatment of Distributions on Preferred Shares and Capital Shares”.

Retraction

The Preferred Shares may be surrendered for retraction at any time. Retraction payments for Preferred Shares will be made on the Retraction Payment Date provided the Preferred Shares have been surrendered for retraction on or before the Valuation Date.

The retraction privilege described below must be exercised by causing written notice to be received by the Company within the notice period prescribed herein and in the manner described under “Details of the Offerings — Book-Entry Only System”. Preferred Shares will be irrevocably surrendered for retraction upon the delivery of such notice to CDS through a CDS Participant.

A holder who surrenders a Preferred Share for retraction will receive on the Retraction Payment Date the amount, if any, by which 95% of the Unit Value exceeds the aggregate of (i) the average cost to the Company, including commissions, of purchasing two Capital Shares in the market; and (ii) \$0.40.

General

If any Preferred Shares are surrendered for retraction (other than in the event of a Concurrent Retraction or a Special Annual Retraction where Capital Shares are surrendered to the Company), the Company will as soon as practicable thereafter purchase for cancellation that number of Capital Shares which is equal to twice the number of Preferred Shares so retracted. The Company will sell National Bank Shares owned by the Company to the extent required to fund such redemptions or purchases and to pay the retraction price for the Preferred Shares so retracted. Preferred Shares which have been surrendered to the Company for retraction prior to the relevant Valuation Date are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Payment Date, unless not redeemed thereon, in which event such Preferred Shares shall remain outstanding and be considered to be surrendered for retraction on the following Retraction Payment Date.

The Company will be obligated to redeem Preferred Shares only to the extent that such redemption would not be contrary to any applicable law. If the Company is unable for this reason to redeem all of the Preferred Shares surrendered for payment on a Retraction Payment Date, it will redeem on each Retraction Payment Date thereafter, on a *pro rata* basis from shareholders who so surrendered shares, disregarding fractions, such number of Preferred Shares not so redeemed as the Company determines it is then permitted to redeem, having regard

to its obligation to concurrently redeem or otherwise acquire two Capital Shares for each Preferred Share redeemed. The Company will repeat such process on each successive Retraction Payment Date until all such Preferred Shares have been redeemed.

Redemption

Any Preferred Shares still outstanding on the Redemption Date will be redeemed by the Company on such date at a price per share equal to the lesser of \$32.72 and the Unit Value.

In addition, the Company may redeem Preferred Shares on any Annual Retraction Payment Date for \$32.72 per share. The Company will only redeem Preferred Shares in these circumstances to the extent that unmatched Capital Shares have been tendered for retraction under the Special Annual Retraction. Where less than all the Preferred Shares are to be so redeemed, Preferred Shares shall be redeemed on a *pro rata* basis or in such other manner as is approved by the Board of Directors. The Company may also redeem Preferred Shares in the circumstances described under “Changes Affecting National Bank Shares”.

Notice of redemption will be given to CDS Participants holding Preferred Shares on behalf of the beneficial owners thereof at least 45 days prior to the Redemption Date and at least seven business days prior to any other date of redemption.

Redemption at Premium

Preferred Shares may be redeemed by the Company at any time prior to the Redemption Date at a price (the “Premium Redemption Price”) which, until February 15, 2008, will equal \$34.03 and which will decline by \$0.33 each year to be equal to \$32.72 after February 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 date of redemption.

Automatic Redemption

If for two consecutive Valuation Dates the aggregate market value of the National Bank Shares held by the Company is \$15,000,000 or less, then the Board of Directors has the right to redeem at the next Annual Retraction Payment Date: (i) all Capital Shares then outstanding for a cash amount per share equal to the redemption price of two Capital Shares calculated as if such date was the Redemption Date; and (ii) all Preferred Shares then outstanding for a cash amount per share equal to \$32.72. In such circumstances, the Company will not provide holders of Capital Shares and Preferred Shares with 45 days’ prior notice of the redemption but will forthwith issue a press release and will provide holders of Capital Shares and Preferred Shares with notice of the redemption as soon as practicable.

Voting Rights

Except as required by law, holders of Preferred Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company (including with respect to reductions of capital and share consolidations of the Capital Shares described under “The Company — Distribution Policy”) other than meetings of the holders of Preferred Shares. Holders of Preferred Shares will not be entitled to vote any of the National Bank Shares held by the Company. The independent directors of the Company will determine the manner in which the National Bank Shares will be voted at any meeting of National Bank Shareholders.

In addition, the articles of the Company provide that the Company shall not, without the prior approval of the holders of Preferred Shares, (i) amend the rights, privileges, restrictions and conditions attaching to the Preferred Shares; (ii) amend the provisions in the articles of the Company relating to the restrictions on the business that the Company may carry on; (iii) change (other than a change permitted by applicable law without the consent of securityholders of a mutual fund) any contract or enter into any contract as a result of which the basis for calculating the fees or other expenses that are charged to the Company could result in an increase in charges to the Company; (iv) change the Company’s auditors; or (v) wind up or dissolve voluntarily.

Modification

Approval of amendments to the provisions of the Preferred Shares may be given by a special resolution carried by an affirmative vote of not less than two thirds of the votes cast at a meeting of the holders of Preferred Shares duly called and held for such purpose at which the holders of 10% of the outstanding Preferred Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Preferred Shares then present would constitute the quorum.

Priority

The Preferred Shares will rank prior to the Capital Shares and the Class J Shares with respect to the payment of dividends, distributions upon a redemption, retraction or return of capital and distributions upon a dissolution, liquidation or winding-up of the Company.

Credit Rating

The Preferred Shares have been provisionally rated Pfd-2 (low) by Dominion Bond Rating Service (“DBRS”). Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. DBRS’s 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-2 rating category by DBRS are of satisfactory credit quality. 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”

Issue of Additional Capital Shares and Preferred Shares

The Company may issue additional Capital Shares and Preferred Shares together as a Unit provided that the Company receives net proceeds per Unit equal to the Unit Value based on the closing price for the National Bank Shares on the Valuation Date prior to the pricing of the offering, or provided that any investor acquiring Units delivers to the Company one National Bank Share for each Unit to be acquired plus or minus an amount equal to the pro-rata share of the value of the net assets of the Company and plus any costs incurred by the Company in connection with such additional issuance of Units.

Book-Entry Only System

Registration of interests in and transfers of the Capital Shares and Preferred Shares will be made only through a book-entry only system administered by CDS. On or about February 22, 2007 but no later than March 30, 2007, the Company will deliver to CDS certificates evidencing the aggregate number of Capital Shares and Preferred Shares subscribed for under these offerings. Capital Shares and Preferred Shares must be purchased, transferred and surrendered for retraction or redemption through a participant in the CDS Depository System (a “CDS Participant”). All rights of an owner of Capital Shares or Preferred Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Capital Shares or Preferred Shares. Upon purchase of any Capital Shares or Preferred Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Capital Shares or Preferred Shares mean, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

An owner of Capital Shares or Preferred Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto), on behalf of the owner, a written notice (the "Retraction Notice") of the owner's intention to retract shares sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. See "Details of the Offerings". The Retraction Notice may take the form of the notice attached as Exhibit A hereto or such other form as each CDS Participant may prescribe. Any expenses associated with the preparation and delivery of a Retraction Notice shall be for the account of the owner exercising the retraction privilege. Where a beneficial owner of Capital Shares is required to tender cash to the Company in connection with a Special Annual Retraction or a redemption of Capital Shares, such cash must be tendered to CDS through the relevant CDS Participant.

By causing a CDS Participant to deliver a Retraction Notice to CDS, an owner shall be deemed to have irrevocably surrendered his or her shares for retraction and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of the retraction privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Retraction Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect, and the retraction privilege to which it relates shall be considered for all purposes not to have been exercised thereby. In the event of a determination that a Retraction Notice is incomplete, not in proper form or not duly executed, CDS shall promptly notify the CDS Participant which delivered the Retraction Notice. A failure by a CDS Participant to exercise retraction privileges or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the Company to the CDS Participant or the owner.

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

CHANGES AFFECTING NATIONAL BANK SHARES

If National Bank or any other issuer of securities (each a "Portfolio Issuer") held by the Company from time to time received as a consequence of holding National Bank Shares makes a special distribution to its securityholders, is a party to or affected by any reorganization, amalgamation, plan of arrangement, securities exchange take-over bid, merger or sale of material assets or any other business combination (a "business combination") or a cash take-over bid is made for the securities (the "Portfolio Securities") of a Portfolio Issuer, the Board of Directors may take such action as it considers to be in the best interests of the Company. In taking such action, the Board of Directors shall consider the guidelines outlined below, provided that such guidelines shall not limit the general discretion conferred upon the Board of Directors with respect to any Portfolio Securities.

Upon any subdivision, consolidation, reclassification or other similar change to any of the Portfolio Securities held by the Company (a "reclassification"), the securities received in respect of the Portfolio Securities as a result of such reclassification will, together with any residual, be treated as Portfolio Securities for all purposes relating to the Capital Shares and the Preferred Shares including the prices payable on redemptions and retractions of Capital Shares and Preferred Shares.

Upon any distribution (an "extraordinary distribution") by a Portfolio Issuer in respect of Portfolio Securities, other than a cash dividend or a stock dividend paid in the ordinary course by a Portfolio Issuer, any similar Portfolio Securities received will, together with the Portfolio Securities in respect of which the distribution was made, be treated in the same manner as securities received upon any reclassification. Any other securities or property received upon an extraordinary distribution will either be sold, in which case the Company shall use the net proceeds to acquire additional Portfolio Securities as determined by the Board of Directors, or may be held by the Company.

Upon the implementation of any business combination affecting a Portfolio Issuer, or to which a Portfolio Issuer is a party, the securities of a Portfolio Issuer or any successor thereto received in respect of Portfolio Securities will, together with any residual, be treated in the same manner as securities received as the result of a reclassification and any other securities, property or cash received in respect of Portfolio Securities will be treated in the same manner as securities, property or cash received upon any extraordinary distribution by a Portfolio Issuer in respect of Portfolio Securities.

Any transferable rights issued to the Company pursuant to a rights offering by a Portfolio Issuer may be sold and the net proceeds of such sale will be used to purchase additional Portfolio Securities as determined by the Board of Directors which will, together with the Portfolio Securities in respect of which such rights were received, be treated in the same manner as securities received as the result of a reclassification.

In the event of a cash take-over bid for all or substantially all of the Portfolio Securities, the Board of Directors will, if it determines that such bid is in the best interests of holders of the Capital Shares, tender the Portfolio Securities held by the Company to such bid and use the proceeds of such bid to redeem thereafter the Preferred Shares at the applicable Premium Redemption Price. The Company will use the balance of the proceeds for the benefit of the holders of the Capital Shares. Unless the Board of Directors otherwise determines, in the event of a cash take-over bid for less than all of the Portfolio Securities, the Company will tender the Portfolio Securities to such bid and shall use the net available proceeds to acquire additional Portfolio Securities as determined by the Board of Directors.

INVESTMENT CONSIDERATIONS AND RISK FACTORS

The following are certain considerations relating to an investment in the Capital Shares or Preferred Shares of the Company which prospective investors should consider before purchasing such shares.

Leverage

Holders of the Capital Shares will enjoy a form of leverage in that any capital appreciation in the National Bank Shares purchased with the proceeds from the issue of both the Capital Shares and the Preferred Shares offered hereby after payment of any accrued and unpaid distributions on the Preferred Shares, redemption or retraction values of the Preferred Shares and expenses will be for the benefit of the holders of the Capital Shares. In the event of a decrease in the value of the Company's underlying investment in the National Bank Shares, this leverage will work to the disadvantage of holders of the Capital Shares, with the result that any net capital loss incurred by the Company on its investment in the National Bank Shares will effectively first be for the account of the holders of the Capital Shares. If the Unit Value is less than or equal to \$32.72 plus accrued and unpaid distributions on the Preferred Shares on the Redemption Date, the Capital Shares will have no value.

Interest Rate Fluctuations

It is anticipated that the market value of the Preferred Shares and the Capital Shares will, at any given time, be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the value of the Preferred Shares and the Capital Shares.

Market Fluctuations

The value of the Capital Shares and Preferred Shares will vary with the value of the National Bank Shares. The value of the National Bank Shares will be influenced by factors which are not within the control of the Company including the financial performance of National Bank, interest rates and other financial market conditions. Accordingly, the value of the Capital Shares and Preferred Shares will vary from time to time.

No Ownership Interest

An investment in Capital Shares or Preferred Shares does not constitute an investment in the National Bank Shares. Holders of Capital Shares and Preferred Shares will not own the National Bank Shares held by the Company or have any voting rights in respect of the National Bank Shares.

Mutual Fund Policies

The Company is considered to be a mutual fund but does not generally operate in accordance with, and will apply for an exemption from certain of the protections provided by, the policies of Canadian securities regulators applicable to conventional mutual funds.

Securities Lending

The Company may engage in securities lending. Although the Company will receive collateral for the loans and such collateral will be marked-to-market, the Company will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Maintaining a Credit Rating

There can be no assurance that the provisional rating on the Preferred Shares of Pfd-2 (low) 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.

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 Capital Shares.

Conflicts of Interest

The Administrator is engaged in a variety of investment management, investment advisory and other business activities. The services of the Administrator under the Administration Agreement are not exclusive and nothing in the Administration Agreement prevents the Administrator or any of its affiliates 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.

Retractions

If holders of a substantial number of Preferred Shares or Capital Shares exercise their retraction 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 Capital Shares in the market and increasing the management expense ratio of the Company.

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 under 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 Capital 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 the 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, proposed amendments (the "October 31 Proposed Amendments") 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. No such proposal has been released to date. Under the October 31 Proposed Amendments, 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 31 Proposed Amendments 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.

Prospective purchasers may wish to consult their own investment advisors for advice with respect to the merits of an investment in the Capital Shares or Preferred Shares.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, the Capital Shares and the Preferred Shares, if and when listed on a prescribed stock exchange, will be qualified investments under the Tax Act for trusts governed by registered retirement saving plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, the following summary presents the principal Canadian federal income tax considerations generally applicable to a prospective purchaser of Capital Shares or Preferred Shares pursuant to this prospectus who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Company, and holds the Capital Shares or Preferred Shares as capital property.

This summary is based upon the current provisions of the Tax Act, the Regulations thereunder (the "Regulations"), the specific proposals for amendments to the Tax Act and the Regulations which have been publicly announced by the Minister of Finance prior to the date hereof (the "Proposed Amendments") and counsel's understanding of the current published administrative policies or assessing practices of the Canada Revenue Agency (the "CRA"). This summary also relies on certain advice received from NBF relative to the terms and conditions of the Capital Shares and the Preferred Shares and on a certificate of the Company as to certain factual matters. This summary is not applicable to holders of an interest which would be a tax shelter investment for the purposes of the Tax Act. This summary does not deal with the mark-to-market rules in the Tax Act and holders that are "financial institutions" as defined in the Tax Act for purposes of these rules should consult their own tax advisors. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any prospective investor. Accordingly, prospective investors should consult their own tax advisors

for advice with respect to the income tax consequences of investing in Capital Shares or Preferred Shares having regard to their own particular circumstances, including the advisability and effect of electing, pursuant to subsection 39(4) of the Tax Act, to have all Canadian securities (including the Capital Shares and Preferred Shares) owned by them deemed to be capital properties and the deductibility of interest on monies borrowed to acquire Capital Shares or Preferred Shares.

This summary is based on the assumptions that the Capital Shares and Preferred Shares will at all times be listed on a prescribed stock exchange in Canada (such as the TSX) and the Company elects in accordance with the Tax Act to have each “Canadian security” (as defined in the Tax Act) treated as capital property. It is also based on the assumption the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada and that at no time will the fair market value of shares of the Company held by persons who are non-residents of Canada and or partnerships (other than Canadian partnerships under the Tax Act) exceed 50% of the fair market value of all outstanding shares of the Company.

Tax Treatment of the Company

Status

Following the closing of the offerings, the Company will qualify as a “mutual fund corporation” and a “financial intermediary corporation”, as defined in the Tax Act. The Company has advised 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 qualify 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 Capital Shares or Preferred Shares remain outstanding and this summary assumes this will be the case.

Dividends

Dividends received by the Company on the National Bank Shares held by it will be included in its income but will be deductible in computing its taxable income. The Company will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on all such dividends received by it on the National Bank Shares. However, any Part IV tax that is paid will be fully refunded to the Company on the payment by the Company of sufficient dividends (other than capital gains dividends as defined below) in the year or in subsequent taxation years, in accordance with the provisions of the Tax Act in that regard.

As the Company will be a “financial intermediary corporation” as defined in the Tax Act, it will not be subject to tax under Part VI.1 of the Tax Act on dividends that it pays on the Preferred Shares or Capital Shares.

Capital Gains

The Company has advised counsel that it intends to elect, pursuant to subsection 39(4) of the Tax Act, to have National Bank Shares (and any other Canadian securities) deemed to be capital properties.

The Company may realize a capital gain (or sustain a capital loss) upon the disposition of a National Bank Share (including the disposition of a National Bank Share if required to fund the fixed quarterly distributions payable on the Preferred Shares) to the extent that the proceeds of disposition therefor, net of reasonable costs of disposition, exceed (or are less than) the Company’s adjusted cost base of such share. 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 previously received by the Company on the National Bank Shares. One half of any capital gain will be a taxable capital gain and one half of any capital loss will be an allowable capital loss. Any allowable capital loss realized by the Company in a taxation year from the disposition of a National Bank Share may be deducted against taxable capital gains realized by the Company in the year, in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act. As a mutual fund corporation, the Company maintains a capital gains dividend account in respect of net capital gains realized by the Company and from which it may elect to pay dividends (“capital gains dividends”) which are treated as capital gains in the hands of the shareholders of the Company. See “Tax Treatment of Distributions on Preferred Shares and Capital Shares” below.

The Company, being a mutual fund corporation, will be entitled to refunds in accordance with the provisions of the Tax Act of substantially all tax payable by it with respect to net taxable capital gains upon payment of sufficient capital gains dividends or in respect of sufficient redemptions of Capital Shares or Preferred Shares.

Other Income

Interest income and securities lending fees earned by the Company will be included in computing its income.

Issue and Other Expenses

The Company will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Capital 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 administrative expenses and interest payable by it on money borrowed to purchase the National Bank Shares. 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.

On October 31, 2003, the Department of Finance released draft proposals regarding the deductibility of interest and other expenses (the "October 31 Proposed Amendments") for public comment. The October 31 Proposed Amendments propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a "reasonable expectation of cumulative profit", determined without reference to capital gains, from a business or property in order for a taxpayer to have a loss from the business or property resulting from the deductibility of interest and other expenses. If such Proposed Amendments were to apply to the Company, losses of the Company from a particular business or property could be limited. The Administrator has advised counsel that it expects the Company to have cumulative profit from the National Bank Shares held by it and accordingly the October 31 Proposed Amendments, in their current form, should not apply to limit losses, if any, of the Company. On February 23, 2005 the Minister of Finance announced that a more modest legislative proposal to replace the October 31 Proposed Amendments would be released for comment at an early opportunity. No such proposal has been released to date.

Net Tax Liability

As a result of the deductions and refunds of tax described above, the Company has advised counsel that it does not anticipate that it will be subject to any material net non-refundable tax liability.

Tax Treatment of Distributions on Preferred Shares and Capital Shares

Taxable dividends ("Ordinary Dividends") received by a holder will be included in computing the holder's income.

In the case of a holder that is an individual, Ordinary Dividends will be subject to the gross-up and dividend tax credit rules under the Tax Act applicable to taxable dividends received from a taxable Canadian corporation. Under a Proposed Amendment, an enhanced gross-up and credit will apply for eligible dividends paid after 2005 to shareholders. The Administrator expects that Ordinary Dividends will qualify as eligible dividends for this purpose. There can be no assurance that this Proposed Amendment will be enacted.

An Ordinary Dividend on the Preferred Shares or Capital Shares received by a corporation other than a "specified financial institution" (as defined in the Tax Act) will normally be deductible by the corporation in computing its taxable income.

In the case of a holder that is a specified financial institution, Ordinary Dividends received on the Preferred Shares or Capital Shares will only be deductible in computing its taxable income if either:

- (a) the specified financial institution did not acquire the Preferred Shares or Capital Shares, as applicable, in the ordinary course of its business; or

- (b) at the time of receipt of the dividend by the specified financial institution,
 - (i) the Preferred Shares or Capital Shares, as applicable, are listed on a prescribed stock exchange in Canada, and
 - (ii) dividends are received in respect of not more than 10% of the issued and outstanding Preferred Shares or Capital Shares, as applicable, by
 - (A) the specified financial institution, or
 - (B) the specified financial institution and persons with whom it does not deal at arm's length.

For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner's share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

A holder of Preferred Shares which is a corporation other than a private corporation or a financial intermediary corporation will generally be subject to a 10% tax under Part IV.1 of the Tax Act in respect of any Ordinary Dividends received by it on the Preferred Shares to the extent that such dividends are deductible in computing its taxable income.

A holder which is a "private corporation" (as defined in the Tax Act) or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) will generally be liable to pay a refundable tax under Part IV of the Tax Act, generally imposed at the rate of 33 $\frac{1}{3}$ %, on Ordinary Dividends received on the Preferred Shares or Capital Shares to the extent that such dividends are deductible in computing its taxable income. When tax under Part IV.1 of the Tax Act also applies to an Ordinary Dividend received by a particular corporation on the Preferred Shares or Capital Shares, the rate of tax under Part IV of the Tax Act payable by such corporation is reduced to 23 $\frac{1}{3}$ %.

The amount of any capital gains dividend received by a holder of Preferred Shares or Capital Shares from the Company will be considered to be a capital gain of such holder from the disposition of capital property in the taxation year of the holder in which the capital gains dividend is received. See "Redemptions, Retractions and Other Dispositions of Preferred Shares or Capital Shares" below.

Returns of capital to a holder of Preferred Shares or Capital Shares are not subject to tax but will reduce the adjusted cost base of such Preferred Shares or Capital Shares to the holder. Where reductions to a holder's adjusted cost base of Preferred Shares or Capital Shares for a taxation year would result in the adjusted cost base becoming a negative amount, such amount will be treated as a capital gain realized by the holder in that taxation year, and the holder's adjusted cost base of such Preferred Shares or Capital Shares, as the case may be, will then be nil immediately after the time when the capital gain is realized.

Capital Shares received by a holder of Capital Shares as payment of a capital gains dividend will be deemed to have been acquired by such holder at a cost equal to the amount of such dividend.

Redemptions, Retractions and Other Dispositions of Preferred Shares or Capital Shares

A holder who disposes of or who is deemed to dispose of a Capital Share or a Preferred Share, including a disposition to the Company (whether on a retraction, redemption or otherwise), will realize a capital gain (or sustain a capital loss) equal to the amount by which the proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the holder's adjusted cost base of such share.

Where the holder of a Preferred Share or Capital Share is a corporation, a trust of which a corporation is a beneficiary or a partnership of which a corporation is a member, in certain circumstances the amount of any capital loss otherwise determined may be reduced by the amount of Ordinary Dividends previously received on the share. These rules may also apply where a trust or partnership is a member of a partnership or a beneficiary of a trust that owns Preferred Shares or Capital Shares.

The portion of a capital gain that must be included in income as a taxable capital gain and the portion of a capital loss that is an allowable capital loss is one half.

A holder of Capital Shares or Preferred Shares that is a “Canadian-controlled private corporation” (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its “aggregate investment income” for the year, which is defined to include taxable capital gains.

The proceeds of disposition to a holder of Capital Shares who elects an *in specie* distribution of a *pro-rata* share of National Bank Shares upon a qualifying retraction of 10,000 or more Capital Shares will be the fair market value of such National Bank Shares and that amount will be the cost to the holder of such National Bank Shares.

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

Tax Exempt Purchasers

Capital Shares and Preferred Shares, if and when listed on a prescribed stock exchange (such as the TSX), will be qualified investments for trusts governed by a registered retirement saving plan, a deferred profit sharing plan, a registered retirement income fund or a registered education savings plan.

USE OF PROCEEDS

The net proceeds from the offerings of the Capital Shares and the Preferred Shares, including any net proceeds from the exercise of the Over-Allotment Option (as defined herein), (but after deducting the Agents’ fees and expenses of the issue) will be used by the Company to fund the purchase of National Bank Shares. See “The Company — Sale of National Bank Shares”. Except as noted herein under “Plan of Distribution” and “Interest of Management and Others in Material Transactions”, the net proceeds of these offerings will not be applied for the benefit of the Agents.

PLAN OF DISTRIBUTION

Under an agreement dated as of January 30, 2007 (the “Agency Agreement”) between the Company and NBF, Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corp., Raymond James Ltd., Desjardins Securities Inc., Blackmont Capital Inc. and Wellington West Capital Inc. (the “Agents”), the Company has appointed the Agents to offer for sale to the public the securities offered hereby. The Agents have agreed to assist the Company in the preparation and filing of this prospectus to qualify the Capital Shares and the Preferred Shares for distribution to the public and to offer for sale to the public the Capital Shares and the Preferred Shares offered hereby, upon the terms and subject to the conditions contained in the Agency Agreement. The Agents have agreed to use their best efforts to sell the securities offered hereby and will receive a fee equal to \$1.107 (6.0%) per Capital Share sold and \$0.982 (3.0%) per Preferred Share sold. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fee.

The offering prices of the Capital Shares and the Preferred Shares are \$18.45 per Capital Share and \$32.72 per Preferred Share. The offering prices of the Capital Shares and Preferred Shares were established by the Agents.

Subscriptions for the securities to be offered hereby will be accepted for Capital Shares and Preferred Shares by the Closing Date. The Capital Shares and the Preferred Shares are being offered separately but will be issued only on the basis that two Capital Shares will be issued and outstanding for each Preferred Share issued and outstanding. The right is reserved to close the subscription books at any time without notice and to accept or reject, in whole or in part, any subscriptions received.

While the Agents have agreed to use their best efforts to sell the securities offered hereby, the Agents are not obliged to purchase any securities which are not sold. The Agency Agreement provides that, upon the

occurrence of certain stated events, the Agents may terminate the offerings of the securities and the obligations of subscribers to purchase the securities will then cease.

The securities offered hereby have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “U.S. Securities Act”) or any state securities laws and are not being offered or sold by the Company or any of its agents in the United States or to U.S. persons. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States. Because the Company is not making any offering of the securities in the United States or to U.S. persons, (i) the Company is not registered, and does not intend to be registered, as an investment company under the *United States Investment Company Act of 1940*, as amended (the “1940 Act”) and (ii) will not be subject to the requirements of, or have the benefits of the remedies provided by, the 1940 Act with respect to registered investment companies, their advisers and other affiliates.

Investors who purchase any securities offered hereby will be deemed to have acknowledged, represented to and agreed with the Company and the Agents that they understand that such securities have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States or to U.S. persons, as such term is defined in Rule 902 of Regulation S under the U.S. Securities Act or within the meaning of the 1940 Act, and further understand and acknowledge that the Company is not registered under the 1940 Act.

The Company has granted the Agents an option (the “Over-Allotment Option”), exercisable in whole or in part at any time and from time to time during the period of 30 days following the closing, to purchase additional Preferred Shares and Capital Shares in an amount up to 15% of the aggregate number of Preferred Shares and Capital Shares issued at the closing on the same terms set forth above.

If subscriptions for a minimum of 718,100 Preferred Shares and 1,436,200 Capital Shares have not been received within 90 days following the date of issuance of a final receipt for the prospectus, the offerings may not continue without the consent of the securities authorities and those who have subscribed for Preferred Shares and Capital Shares on or before such date. If the minimum offerings are not achieved and the necessary consents are not obtained or if the closing does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction.

Pursuant to policy statements of certain Canadian securities administrators, the Agents may not, throughout the period of distribution, bid for or purchase Capital Shares or Preferred Shares. The foregoing restriction is subject to certain exemptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, Capital Shares or Preferred Shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market-making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the offering of the Capital Shares and the Preferred Shares, the Agents may over-allot or effect transactions related to their over-allotted position. Such transactions, if commenced, may be discontinued at any time.

CAPITALIZATION

The capitalization of the Company at January 30, 2007, and at such date as adjusted to give effect to the issue and sale of the Capital Shares and the Preferred Shares offered hereby, is set forth in the table below.

	<u>Authorized</u>	<u>Outstanding as at January 30, 2007</u>	<u>To be outstanding as at January 30, 2007 after giving effect to these offerings⁽¹⁾</u>
Liabilities			
Preferred Shares ⁽²⁾	unlimited	nil	\$ 93,994,744 (2,872,700 shs.)
Shareholders' Equity			
Class J Shares	unlimited	\$150 (150 shs.)	\$ 150 (150 shs.)
Capital Shares	unlimited	nil	\$ 106,002,630 (5,745,400 shs.)
Issue Costs		—	\$ (9,781,149.2)
Total Capitalization ⁽³⁾		<u>\$150</u>	<u>\$190,216,374.8</u>

(1) Assumes the maximum amount of the offerings.

(2) The Preferred Shares are classified as a liability because they are retractable at the holder's option.

(3) The Company does not have any retained earnings or contributed surplus as at January 30, 2007.

PRINCIPAL SHAREHOLDERS

Holdings owns all of the 150 issued and outstanding Class J Shares of the Company. The three independent directors of the Company will each own 33⅓% of the common shares of Holdings. All of the Class J Shares of the Company will be lodged in escrow with Computershare Trust Company of Canada pursuant to an agreement to be dated the Closing Date among Holdings, Computershare Trust Company of Canada and the Company and the common shares of Holdings (the "Holdings Shares") will be lodged in escrow with Computershare Trust Company of Canada pursuant to an agreement to be dated the Closing Date among the holders thereof, Computershare Trust Company of Canada and Holdings (collectively, the "Escrow Agreements"). Under the Escrow Agreements, none of the Class J Shares or the Holdings Shares may be disposed of or dealt with in any manner until all the Capital Shares and Preferred Shares have been retracted or redeemed, without the express consent, order or direction in writing of the Ontario Securities Commission except that the Holdings Shares may be pledged to a Canadian chartered bank as collateral to secure a *bona fide* debt to such bank.

DIRECTORS AND OFFICERS

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

<u>Name and Municipality of Residence</u>	<u>Office with the Company</u>	<u>Principal Occupation</u>
DAVID LEGRESLEY Toronto, Ontario	Chairman	Vice Chair of National Bank Financial Group
BRIAN DAVIS ⁽²⁾ Toronto, Ontario	Director	Executive Vice President, Corporate Development and Governance, National Bank Financial Group
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	Vice President, National Bank Financial Inc.
DOUGLAS A.S. MILLS Creemore, Ontario	Director	Chairman of The Glenncreggan Limited
JOHN R. MOTT Toronto, Ontario	Director	Chartered Accountant
IAIN A. ROBB Toronto, Ontario	Director	Partner, Gowling Lafleur Henderson LLP

(1) Member of the Audit Committee.

(2) Mr. Davis was a partner 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.

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 following is a brief description of the background of the key management personnel of the Company.

David LeGresley. Mr. LeGresley is the Vice Chair of National Bank Financial Group. Prior to this appointment, Mr. LeGresley spent the past seven years as Executive Vice President and Head of National Bank Financial's Corporate and Investment Banking division. Mr. LeGresley has a Masters of Business Administration from Harvard Business School and an undergraduate degree in engineering from the University of Toronto.

Brian Davis. Mr. Davis is the Executive Vice President of Corporate Development and Governance of National Bank Financial Group. From January 1990 to December 2005, Mr. Davis was a partner of the law firm Torys LLP.

Michael Shuh. Mr. Shuh is a Managing Director and Group Head Retail Structured Products Investment Banking of National Bank Financial Inc. Mr. Shuh has held increasingly more senior positions since joining First Marathon Securities Inc. in August 1998, which was subsequently acquired by National Bank Financial Inc.

Tim Evans. Mr. Evans is a Vice President of National Bank Financial Inc. Prior to joining National Bank Financial Inc. in August 2005, Mr. Evans was a Vice President of Berkshire Securities Inc. Prior to joining

Berkshire Securities Inc. in March 2003, Mr. Evans was an associate Vice President at AIC Investment Services Inc.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

NBF may receive certain fees at normal market rates for the purchase and sale of the National Bank Shares or the purchase for cancellation of Capital Shares and Preferred Shares. Certain of the officers and directors of the Company are currently employees of NBF. See “Directors and Officers”.

The Company and its senior officers and directors will undertake to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation, for themselves. The Company will undertake to use all reasonable efforts to cause all future senior officers and directors to file insider trading reports as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation and to deliver to each applicable provincial securities regulatory authority an undertaking to file insider trading reports in accordance with applicable provincial securities legislation. Each of National Bank and the Company will severally agree to advise promptly each of the provincial securities regulatory authorities in the event it is unsuccessful in causing any of its applicable officers or directors to comply with the foregoing reporting requirements. The foregoing undertakings shall remain in full force until such time as all of the Capital Shares and Preferred Shares have been redeemed, retracted or purchased for cancellation.

MATERIAL CONTRACTS

Contracts material to investors in the securities offered by this prospectus that have been or that will have been entered into by the Company prior to the closing of the offerings are:

- (1) the Administration Agreement described under “The Company — Expenses and Administration”; and
- (2) the Agency Agreement described under “Plan of Distribution”.

Copies of the foregoing agreements, after execution thereof, may be inspected during business hours at the head office of the Company during the course of distribution of the securities offered hereby.

LEGAL OPINIONS

The matters referred to under “Eligibility for Investment” and “Canadian Federal Income Tax Considerations” and certain other legal matters relating to the securities offered hereby will be passed upon at the closing of the offerings by Blake, Cassels & Graydon LLP on behalf of the Company and the Agents.

PROMOTER

NBF has taken the initiative in organizing the Company and, accordingly, may be considered to be the “promoter” of the Company within the meaning of the securities legislation of certain provinces and territories of Canada. NBF will receive commissions and reimbursement of certain expenses, all as described under “Interest of Management and Others in Material Transactions”.

AUDITOR, CUSTODIAN, TRANSFER AGENT AND REGISTRAR

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

State Street Trust Company Canada will act as the custodian for the Company in respect of the National Bank Shares pursuant to a custodian agreement to be dated the Closing Date, between the Company and State Street Trust Company Canada (the “Custodian Agreement”).

The transfer agent and registrar for the Capital Shares and the Preferred Shares is Computershare Investor Services Inc. at its principal office in the City of Toronto.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories provides a purchaser with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his province or territory for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the prospectus of NB Split Corp. (the "Company") dated January 30, 2007 relating to the sale and issue of Capital Shares and Preferred Shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our auditors' report to the Directors of the Company on the balance sheet of the Company as at January 30, 2007. Our report is dated January 30, 2007.

Toronto, Ontario
January 30, 2007

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

AUDITORS' REPORT

To the Directors of NB Split Corp.:

We have audited the balance sheet of NB Split Corp. (the "Company") as at January 30, 2007. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

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

In our opinion, this balance sheet presents fairly, in all material respects, the financial position of the Company as at January 30, 2007 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
January 30, 2007

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

NB SPLIT CORP.
BALANCE SHEET
January 30, 2007

	<u>Actual</u>
Assets	
Cash	<u>\$150</u>
Liabilities and Shareholders' Equity	
Liabilities	
Preferred Shares (note 1(b))	—
Shareholders' Equity	
Share Capital (note 1)	
Capital Shares (note 1(b))	—
Class J Shares	150
Issue Costs	<u>—</u>
	<u>\$150</u>

See accompanying notes to Balance Sheet

On behalf of the Board:

(Signed) DAVID LEGRESLEY
 Director

(Signed) MICHAEL D. SHUH
 Director

NB SPLIT CORP.
NOTES TO BALANCE SHEET
January 30, 2007

1. ORGANIZATION AND SHARE CAPITAL

(a) Incorporation and Authorized Share Capital

NB Split Corp. (the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on December 15, 2006. The Company’s authorized share capital consists of an unlimited number of Class A capital shares (the “Capital Shares”), an unlimited number of Class A preferred shares (the “Preferred Shares”), an unlimited number of Class B, C, D and E capital shares, issuable in series and Class B, C, D and E preferred shares, issuable in series, and an unlimited number of Class J Shares.

(b) Preferred Shares and Capital Shares

The Company will ensure that two Capital Shares will be issued and outstanding for each Preferred Share issued and outstanding and that it will be in compliance with the provisions in its articles attaching to the Capital Shares and Preferred Shares. Consequently, any retractions of Preferred Shares or Capital Shares will require the Company to make an aggregate retraction payment for the Preferred Shares and Capital Shares so retracted based on the Unit Value (as defined in the Company’s prospectus dated January 30, 2007).

(i) Preferred Shares

Holders of Preferred Shares will be entitled to receive quarterly fixed cumulative preferential distributions equal to \$0.3886 per Preferred Share. Such quarterly distributions are expected to be paid on or before the 15th day of March, June, September and December in each year commencing June, 2007.

The Preferred Shares outstanding on February 15, 2012 will be redeemed by the Company on such date for a redemption price per share equal to the lesser of \$32.72 and the Unit Value.

The Preferred Shares may be surrendered at any time for retraction.

Holders of Preferred Shares are not entitled to vote the National Bank Shares (as defined in the Company’s prospectus dated January 30, 2007) and are not entitled to vote at meetings of the Company, except as set forth in the Company’s articles and as provided by law.

(ii) Capital Shares

The Capital Shares outstanding on February 15, 2012 will be redeemed on such date for an amount per share equal to the excess of the Unit Value less \$32.72 for each two Capital Shares redeemed. The Capital Shares may be surrendered at any time for retraction.

Holders of Capital Shares are not entitled to vote the National Bank Shares and are not entitled to vote at meetings of the Company, except as set forth in the Company’s articles and as provided by law.

Holders of Capital Shares will be entitled to receive dividends as and when declared by the Company’s board of directors (the “Board of Directors”). It will be the policy of the Board of Directors to declare and pay quarterly dividends in an amount equal to the dividends received by the Company on the National Bank Shares minus the distributions payable on the Preferred Shares and all administrative and operating expenses.

(c) Class J Shares

The Class J Shares of the Company are retractable at any time. For retractions occurring at a time when any Capital Shares or Preferred Shares are outstanding, the retraction price will be \$1.00 per share; for other retractions the retraction price will be based on the net asset value of the Company. The Class J Shares are redeemable at any time for \$1.00 per share.

Holders of Class J Shares are entitled to one vote per share.

The holders of Class J Shares are entitled to receive dividends, if, as and when declared by the Board of Directors. However, except as provided in the Company’s prospectus, holders of Class J Shares are not entitled to receive any dividends at any time when there are any Capital Shares or Preferred Shares outstanding unless approved by all of the independent directors of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the most significant of which are outlined below:

- (a) Investments — The Company’s investment in common shares of the National Bank of Canada (“National Bank Shares”) will be carried at market value.

NB SPLIT CORP.
NOTES TO BALANCE SHEET (Continued)
January 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (b) Investment Transactions — Investment transactions will be recorded on a trade date basis.
- (c) Income Recognition — Dividend income will be recorded on the ex-dividend date. Interest income will be recorded on an accrual basis.

3. DEFERRED ISSUE COSTS

The issue costs associated with the creation of the Preferred Shares will be deferred and amortized over the term of the Preferred Shares.

Issue costs will also be charged to operations when Preferred Shares are retracted.

4. RELATED PARTY INFORMATION

The Company has engaged National Bank Financial Inc. (“NBF”), Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corp., Raymond James Ltd., Desjardins Securities Inc., Blackmont Capital Inc. and Wellington West Capital Inc. (collectively, the “Agents”) as its agents to offer for sale to the public pursuant to a prospectus dated January 30, 2007 the Capital Shares and the Preferred Shares described in Note 1. NBF is the promoter of the Company. National Bank will receive a fee upon the issue of Capital Shares and the Preferred Shares for acting as one of the Agents.

The Company intends to establish a revolving credit facility which may be used by the Company to fund the payment of a portion of the fixed distributions on the Preferred Shares on a temporary basis if necessary. The Company expects to repay any amounts borrowed under the revolving credit facility within one year of the date of such borrowing.

To the extent that the credit facility is used, the Company will pledge National Bank Shares as collateral for amounts borrowed thereunder.

The Company has engaged FA Administration Services Inc. under an administration agreement dated as of January 30, 2007, to administer all of the ongoing operations of the Company. In consideration for the services provided by FA Administration Services Inc., as administrator, the Company will pay FA Administration Services Inc. a monthly fee of $\frac{1}{12}$ of 0.25% of the market value of the National Bank Shares.

CERTIFICATE OF THE COMPANY AND THE PROMOTER

Dated: January 30, 2007

The foregoing constitutes full, true and, plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 63 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act* (Newfoundland and Labrador) by Part II of the *Securities Act* (Prince Edward Island), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) MICHAEL D. SHUH
Chief Executive Officer

(Signed) TIM EVANS
Chief Financial Officer

On behalf of the Board of Directors

(Signed) MICHAEL D. SHUH
Director

(Signed) DAVID LEGRESLEY
Director

(Signed) BRIAN DAVIS
Director

NATIONAL BANK FINANCIAL INC.
(as Promoter)

(Signed) MICHAEL D. SHUH
Managing Director

CERTIFICATE OF THE AGENTS

Dated: January 30, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 64 of the *Securities Act* (Nova Scotia), by Part 6 of the *Securities Act* (New Brunswick), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by Part II of the *Securities Act* (Prince Edward Island), by Part 3 of the *Securities Act* (Yukon Territory), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut), and the respective regulations thereunder. To the best of our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

NATIONAL BANK FINANCIAL INC.

(Signed) MICHAEL D. SHUH

SCOTIA CAPITAL INC.

BMO NESBITT
BURNS INC.

CIBC WORLD
MARKETS INC.

RBC DOMINION
SECURITIES INC.

TD SECURITIES INC.

(Signed) BRIAN D.
MCCHESNEY

(Signed) DAVID R.
THOMAS

(Signed) RONALD
W.A. MITCHELL

(Signed)
CHRISTOPHER BEAN

(Signed) CAMERON
GOODNOUGH

HSBC SECURITIES
(CANADA) INC.

CANACCORD
CAPITAL CORPORATION

RAYMOND
JAMES LTD.

DESJARDINS
SECURITIES INC.

(Signed) JAY LEWIS

(Signed) BINA N. PATEL

(Signed) SARA MINATEL

(Signed) BETH SHAW

BLACKMONT CAPITAL INC.

WELLINGTON WEST CAPITAL INC.

(Signed) CHARLES A. V. PENNOCK

(Signed) KEVIN M. HOOKE

EXHIBIT A
RETRACTION NOTICE
NB Split Corp.

To: CDS Participant

This notice (the "Retraction Notice") is to be completed by a broker representing a holder of Capital Shares of NB Split Corp. (the "Capital Shares") and/or a holder of Preferred Shares of NB Split Corp. (the "Preferred Shares") who desires to exercise retraction privileges as set out in the NB Split Corp. (the "Company") prospectus (the "Prospectus") dated January 30, 2007.

CDS Participants are urged to refer to the Prospectus to obtain details on the retraction payment dates and the notification periods.

TYPE OF RETRACTION (PLEASE CHECK ONE)

- Regular Retraction:** (available to a holder of Capital Shares or Preferred Shares)
Go to "Particulars of Retraction (I)"
- Concurrent Retraction** (must contemporaneously retract two Capital Share and one Preferred Share)
Go to "Particulars of Retraction (II)"
- Special Annual Retraction** (available to a holder of Capital Shares only)
Go to "Particulars of Retraction (III)"

PARTICULARS OF RETRACTION

I. Regular Retraction:

Number of Capital Shares to be retracted _____
 Number of Preferred Shares to be retracted _____

II. Concurrent Retraction:

Number of Capital Shares to be retracted _____
 Number of Preferred Shares to be retracted _____
 (Under a Concurrent Retraction, two Capital Share must be retracted for each Preferred Share retracted.)

III. Special Annual Retraction: (Available on December 15 in each year commencing 2008 only to holders of Capital Shares)

Number of Capital Shares to be retracted _____
 Please check one payment alternative if exercising a Special Annual Retraction:
 Cash _____
 Pro rata share of National Bank Shares _____

As set out in the Prospectus, a holder electing to receive payment of his or her *pro rata* share of National Bank Shares and other net assets of the Company must tender \$32.72 or one Preferred Share for every two Capital Shares retracted plus in each case a delivery charge of \$0.025 for each Capital Shares retracted payable to the Company's administrator together with this notice.

Cash tendered _____
 Number of Preferred Shares tendered _____
 Broker's Name: _____
 Fax No.: _____
 Tel. No.: _____
 Date of Retraction Notice: _____
 Signature of Authorized Person: _____

UPON AUTHENTICATING THIS RETRACTION NOTICE, THE CDS PARTICIPANT IS DIRECTED TO FORWARD THE FOREGOING INSTRUCTIONS FORTHWITH TO CDS.

NBSPLIT