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2006 Annual Report

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*This report contains “forward-looking statements”. The words “believe”, “expect”, “anticipate”, “intend”, “estimate” and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time-to-time in the company’s continuous disclosure documents. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

## Management's Report on Fund Performance

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The following is a report on BAM Split Corp.'s (the "company", formerly called BNN Split Corp.) performance and contains financial highlights but does not contain the complete financial statements of the company. During the quarter, the company received approval from its board of directors to change the company name to BAM Split Corp. This change incorporates into the company's name the stock symbol, "BAM," of its principal investment, Brookfield Asset Management Inc. This report should be read in conjunction with the financial statements and notes thereto for the year ended September 30, 2006 and the financial statements and notes thereto for the year ended September 30, 2005.

This report follows the disclosure obligations under National Instrument 81-106 Investment Fund Continuous Disclosure ("NI-81-106" or the "Instrument"). The Instrument came into force on June 1, 2005. The following chart summarizes the key provisions of the Instrument including the implementation for the company:

Type of Disclosure Document	Implementation
Annual Financial Statements and Management Report on Fund Performance ("MRFP")	For all years ended on or after September 30, 2005
Annual Information Form ("AIF")	For all years ended on or after September 30, 2005
Proxy Voting Record	For annual periods beginning on July 1, 2005 and to be published no later than August 31st each year starting in 2006
Semi-Annual Financial Statements and Management Report on Fund Performance	First interim report after first filing of financial statements subject to NI-81-106
Quarterly Portfolio Disclosure	All first and third quarterly periods following the year ended September 30, 2005
Proxy Solicitation and Information Circular	For all years ended on or after September 30, 2005

You can get a copy of the annual financial statements at your request and at no cost by calling (416) 363-9491, by writing to us at 181 Bay Street, BCE Place, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3 or by visiting SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the company's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure when that information becomes available.

### INVESTMENT OBJECTIVE AND STRATEGIES

The company commenced operations on September 5, 2001 with the objective of investing in Class A Limited Voting shares of Brookfield Asset Management Inc. ("Brookfield", formerly Brascan Corporation) in order to generate fixed preferential cumulative quarterly dividends for the holders of the company's preferred shares and to enable the holders of the company's capital shares to participate in any capital appreciation in the Brookfield shares.

### RISK

The following are risk factors relating to an investment in the company:

#### Interest Rate Fluctuations

The market value of a unit may, 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 a unit.

#### Fluctuations in Value of Brookfield Asset Management Shares ("BAM shares")

The net asset value of the company will vary according to the value of the BAM shares and may be influenced by factors not within the control of the company, including the financial performance of the BAM shares which may result in a decline in value of the investment portfolio and/or in dividend income from the investment, interest rates and other financial market conditions.

## RESULTS OF OPERATIONS

As at September 30, 2006, the Net Asset Value per unit was \$137.04 as compared to \$100.11 as at September 30, 2005, representing an increase of 37% reflecting appreciation in the market value of the BAM shares. Net asset value is calculated as the differential between total assets and total liabilities (not including preferred shares).

The company generated income available for distribution for the year ended September 30, 2006 of \$14.7 million, an increase from \$12.5 million for the prior year due to the increase in quarterly dividends paid by Brookfield from US\$0.11 per share to US\$0.16 per share commencing in May 2006.

During the year, the company paid dividends of \$11.8 million and \$3.2 million to preferred and capital shareholders respectively, compared to \$11.8 million and \$0.7 million in the prior year.

The company has recorded a \$3.0 million future tax asset from the payment of a Part IV tax liability relating to the 2002 taxation year as this tax is refundable through dividend declarations. In addition, the company has recorded a \$0.7 million estimated expense and associated liability related to penalties and interest on the assessment of taxes related to dividend income earned for the 2002 taxation year.

Total assets at September 30, 2006 were \$1,311.9 million, compared to \$955.9 million at the same date in 2005. The increase in assets reflects an increase in unrealized gains within the portfolio of \$352.9 million. The fair value of the company's investment portfolio at September 30, 2006 was \$1,308.7 million (2005 – \$955.8 million).

There were no redemptions or retractions of preferred shares during the year ended September 30, 2006, with the balance remaining consistent with the prior year at \$238.7 million. Shareholders' equity increased to \$1,069.8 million in 2006 from \$717.1 million in 2005 due primarily to unrealized gains on the Brookfield shares.

## RELATED PARTY TRANSACTIONS

The company's operations are managed by Brookfield, which is entitled to a fee of up to 10% of ordinary expenses of the company. For the year ended September 30, 2006, Brookfield charged a fee of \$20,000 (2005 – \$20,000).

## FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the company and is intended to facilitate an understanding of the company's financial performance since inception and is presented in accordance with NI-81-106. This information is derived from the company's audited financial statements.

		For the years ended September 30			
	2006	2005	2004	2003	2002 <sup>1</sup>
Net asset value per unit, beginning of year	\$ 100.11	\$ 70.72	\$ 65.76	\$ 61.03	\$ —
Increase (decrease) from operations:					
Share issuance proceeds	—	—	15.38	—	49.79
Share issuance costs	—	—	(0.41)	—	(0.90)
Net asset value dilution <sup>3</sup>	—	—	(41.90)	—	—
Total revenue	1.64	1.33	1.54	1.95	1.92
Total expenses	(0.09)	(0.02)	(0.05)	(0.03)	(0.06)
Unrealized gains for the year	36.96	29.39	32.01	4.67	12.07
Total increase from operations <sup>2</sup>	38.51	30.70	6.57	6.59	62.82
Distributions:					
From interest and dividends	(1.57)	(1.31)	(1.61)	(1.86)	(1.79)
Total annual distributions	(1.57)	(1.31)	(1.61)	(1.86)	(1.79)
Net asset value per unit, end of year	\$ 137.04	\$ 100.11	\$ 70.72	\$ 65.76	\$ 61.03

<sup>1</sup> The company commenced operations on September 5, 2001.

<sup>2</sup> Net asset value and distributions are based on the actual number of units outstanding over the period. The increase from operations is based on the weighted average number of units outstanding over the period.

<sup>3</sup> Dilution occurred as a result of the issuance of capital shares for nominal consideration following the issuance of preferred shares during 2004 so that the number of capital shares issued and outstanding was equal to the number of preferred shares issued and outstanding as required by the articles of the company. There was no dilution to holders of existing preferred shares.

	As at and for the years ended September 30				
<i>thousands, except per share amounts</i>	2006	2005	2004	2003	2002 <sup>1</sup>
Total assets	\$ 1,311,924	\$ 955,921	\$ 675,250	\$ 328,813	\$ 305,189
Net asset value	1,069,785	717,145	436,495	203,793	180,169
Number of units outstanding	9,548	9,548	9,548	5,000	5,000
Management expense ratio (excluding dividends on preferred shares and issue costs)	0.1%	—%	0.1%	0.1%	0.2%
Management expense ratio (including dividends on preferred shares and issue costs)	1.4%	1.7%	3.0%	3.9%	7.3%
Portfolio turnover rate	N/A	N/A	N/A	N/A	N/A
Redemption price of preferred shares Class A <sup>2</sup>	\$ 26.00	\$ 26.25	\$ 26.50	\$ 26.50	\$ 26.20
Redemption price of preferred shares Class AA <sup>3</sup>	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> The company commenced operations on September 5, 2001.

<sup>2</sup> The company amended the mandatory redemption date and redemption price on August 21, 2003.

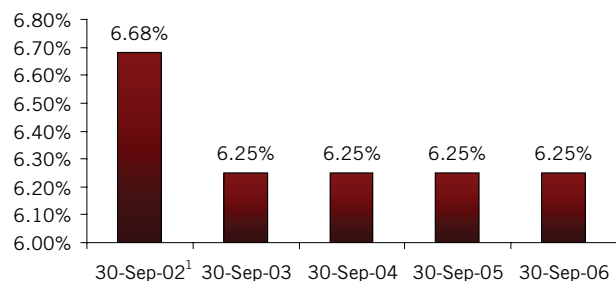
<sup>3</sup> Redemption period commences on March 25, 2009.

## PAST PERFORMANCE

### Year by Year Returns

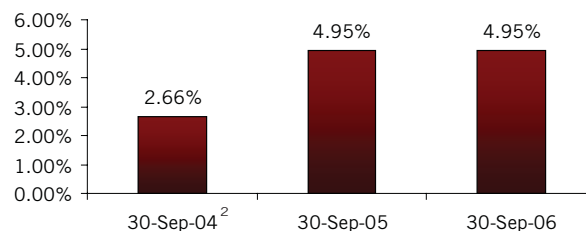
The following charts show the company's annual performance of its Class A and Class AA preferred shares since their issuance indicating, in percentage terms, that an investment made in the Class A and Class AA preferred shares at issuance would yield 6.25% and 4.95%, respectively, assuming the shares are sold at redemption price. The charts are not reflective of the current yield to maturity and past performance is not an indication of how the shares will perform in the future.

Annual Performance - Class A Preferred shares



<sup>1</sup> Reflects the period September 5, 2001 to September 30, 2002.

Annual Performance - Class AA Preferred shares



<sup>2</sup> Reflects the period March 18, 2004 to September 30, 2004.

### Annual Compound Returns

The following table compares the yield on issuance of the company's preferred shares against the yield provided by a Government of Canada bond that matures during a similar period. Returns are based on the par value of a preferred share.

	Since Inception	Three Year	One Year
Preferred Shares Class A – September 30, 2010	6.25%	6.25%	6.25%
10-year Government of Canada Bonds – June 1, 2010	5.50%	5.50%	5.50%
Preferred Shares Class AA – March 25, 2016	4.95%	N/A	4.95%
10-year Government of Canada Bonds – June 1, 2015	4.50%	N/A	4.50%

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### Investment Portfolio

The investment in the Brookfield shares, the associated costs and the fair values as at September 30, 2006 and 2005 are as follows:

<i>thousands</i>	Number of Shares <sup>1</sup>		Cost		Fair Value	
	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005
Brookfield Class A Limited Voting shares	<b>26,481</b>	26,481	<b>\$ 354,829</b>	\$ 354,829	<b>\$ 1,308,706</b>	\$ 955,798

<sup>1</sup> Reflects share split of Brookfield shares in 2006.

## Management's Responsibility for the Financial Statements

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The accompanying financial statements and other financial information in this Annual Report have been prepared by the company's management who is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. These financial statements have been prepared in conformity with Canadian generally accepted accounting principles, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders, have examined the financial statements set out on pages 5 through 11 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

The financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.

*"signed"*

Toronto, Canada  
November 24, 2006

Sachin G. Shah  
*Chief Financial Officer and Secretary*

## Auditors' Report

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### **To the Shareholders of BAM Split Corp.**

We have audited the statements of net assets of BAM Split Corp. as at September 30, 2006 and 2005, and the statements of investment operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2006 and 2005 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
November 24, 2006



Deloitte & Touche LLP  
Chartered Accountants

## Statements of Net Assets

As at September 30

*thousands, except per share/unit amounts*

	2006	2005
<b>Assets</b>		
Cash and equivalents	\$ 210	\$ 102
Investment portfolio, at fair market value	1,308,706	955,798
Future tax asset	2,986	—
Accounts receivable	22	21
	1,311,924	955,921
<b>Liabilities</b>		
Accounts payable	2,000	76
Taxes payable	1,439	—
Preferred shares (Class A and AA)	238,700	238,700
Total liabilities	242,139	238,776
<b>Net asset value</b>	<b>1,069,785</b>	<b>717,145</b>
<b>Shareholders' equity</b>		
Capital shares	123,950	123,950
Retained earnings	945,835	593,195
	\$ 1,069,785	\$ 717,145
Number of units outstanding	9,548	9,548
Net asset value per capital share	\$ 112.04	\$ 75.11
Par value per preferred share	25.00	25.00
Net asset value per unit <i>(Note 4)</i>	\$ 137.04	\$ 100.11

On behalf of the Board,

*“signed”*

Bruce K. Robertson  
*Director*

*“signed”*

Sachin G. Shah  
*Director*



## Statements of Investment Operations

For the years ended September 30

<i>thousands</i>	2006	2005
<b>Income</b>		
Dividend income	\$ 15,621	\$ 12,497
Interest income	12	181
	<b>15,633</b>	<b>12,678</b>
<b>Expenses</b>		
Administrative fees	43	49
Directors' fees	28	25
Legal and audit fees	37	46
Transfer agent fees	17	17
Rating fees	5	5
Custodial fees	10	10
Listing fees	26	9
Management fee	20	20
Interest and penalties relating to taxes	700	—
Other	18	14
	<b>904</b>	<b>195</b>
Income available for distribution	<b>14,729</b>	12,483
Dividends paid on preferred shares	<b>(11,773)</b>	(11,773)
Income available for distribution on Capital and Class A shares	<b>2,956</b>	710
Change in unrealized appreciation of investment	<b>352,908</b>	280,650
Results of investment operations	<b>355,864</b>	281,360
Opening retained earnings	<b>593,195</b>	312,545
Dividends paid on capital shares	<b>(3,224)</b>	(710)
Retained earnings, end of year	<b>\$ 945,835</b>	\$ 593,195
Results of investment operations per capital share	<b>\$ 37.27</b>	\$ 29.47

## Statements of Changes in Net Assets

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For the years ended September 30

*thousands*

	2006	2005
<b>Capital transactions</b>		
Dividends paid on capital shares	\$ (3,224)	\$ (710)
<b>Investment transactions</b>		
Change in unrealized appreciation of investment portfolio	352,908	280,650
<b>Income transactions</b>		
Income available for distribution	14,729	12,483
Dividends paid on preferred shares	(11,773)	(11,773)
	2,956	710
<b>Change in net asset value during the year</b>	<b>352,640</b>	<b>280,650</b>
<b>Net asset value, beginning of year</b>	<b>717,145</b>	<b>436,495</b>
<b>Net asset value, end of year</b>	<b>\$ 1,069,785</b>	<b>\$ 717,145</b>

## Statements of Cash Flows

For the years ended September 30  
*thousands*

	2006	2005
<b>Cash flow from operating activities</b>		
Income available for distribution	\$ 14,729	\$ 12,483
Net change in non-cash working capital	376	—
	<b>15,105</b>	12,483
<b>Cash flow used in investing activities</b>		
Purchase of investments	—	(11,000)
<b>Cash flow used in financing activities</b>		
Dividends paid on:		
Preferred shares	(11,773)	(11,773)
Capital shares	(3,224)	(710)
	<b>(14,997)</b>	(12,483)
Increase (decrease) in cash and cash equivalents	108	(11,000)
Cash and cash equivalents, balance, beginning of year	102	11,102
<b>Cash and cash equivalents, balance, end of year</b>	<b>\$ 210</b>	\$ 102

### Supplemental disclosures

Cash income taxes paid	\$ 2,247	\$ —
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# Notes to the Financial Statements

## 1. Basis of Presentation

The company's portfolio of Class A Limited Voting shares ("Brookfield shares" or the "portfolio") of Brookfield Asset Management Inc. ("Brookfield", formerly Brascan Corporation) is carried at fair market value, which is the last traded price on a recognized exchange, with any adjustment required being recorded as an unrealized appreciation (depreciation) on the Statements of Investment Operations.

During the fourth quarter of fiscal year 2006, the company received approval from its board of directors to change the company name to BAM Split Corp. This change incorporates into the company's name the stock symbol, "BAM," of its principal investment, Brookfield Asset Management Inc.

Cash and cash equivalents includes any instruments with a maturity of less than 90 days.

Dividend income is recorded on the ex-dividend date.

### Guarantees

In the normal course of operations, the company may execute agreements that provide for indemnification and guarantees to third parties. The nature of substantially all the indemnification undertakings precludes the possibility of making a reasonable estimate of the maximum potential amount that the company could be required to pay to third parties as the agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically the company has not made any significant payments under such indemnification agreements and guarantees.

## 2. Securities

The number of Brookfield shares, their associated costs and their fair values as at September 30 are as follows:

	Number of Shares <sup>1</sup>		Cost		Fair Value	
	2006	2005	2006	2005	2006	2005
<i>thousands</i>						
Brookfield Class A Voting share	<b>26,481</b>	26,481	<b>\$ 354,829</b>	\$ 354,829	<b>\$ 1,308,706</b>	\$ 955,798

1 Reflects share split of Brookfield shares in 2006.

In determining fair value in the foregoing table, the quoted market price as at September 30, 2006 and 2005 on the Toronto Stock Exchange is used. The fair value determination excludes taxes, commissions and other potential costs associated with an actual disposition of the Brookfield shares by the company.

## 3. Class A Shares

The company is authorized to issue an unlimited number of Class A Voting shares (the "Class A shares") and on September 5, 2001, the company issued 100 Class A shares for nominal cash consideration. These shares remain outstanding as at September 30, 2006.

Holders of the Class A shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the company. However, holders of the Class A shares are not entitled to receive any dividends on the Class A shares at any time when there are any Capital shares or Preferred shares issued and outstanding.

Holders of Class A shares will be entitled to vote their pro rata share of the Brookfield shares held by the company. The company will appoint the holders of Class A shares as proxies. In the event that Brookfield does not provide its annual report and proxy materials relating to any meeting of Brookfield shareholders to the holders of the Class A shares, the company shall do so.

The Class A 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 A shares are redeemable by the company at any time for a redemption price equal to \$1.00 per share. The Class A shares are included in Accounts payable on the Statements of Net Assets.

## 4. Preferred Shares

The company is authorized to issue an unlimited number of Class A Preferred shares and Class AA Preferred shares. On September 5, 2001, the company issued 5,000,000 Class A Preferred shares for cash consideration of \$125 million. On March 18, 2004, the company issued 3,200,000 Class AA Preferred shares, Series 1 for cash consideration of \$80,000,000 through a public issue and 1,348,000 Class AA Preferred shares, Series 2, for consideration of \$33,700,000 through a private placement. These shares remain issued and outstanding as at September 30, 2006.

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On August 21, 2003 the company's shareholders approved amendments to the articles of incorporation to extend the mandatory redemption date of the Class A Preferred shares to September 30, 2010 (the "Redemption Date") and to increase the redemption price to amounts described under Redemption, below, and to create and allow for the issuance of an additional class of Preferred shares. The new class of Preferred shares, designated Class AA Preferred shares, are issuable in series and rank pari passu with existing Class A Preferred shares. The Board of Directors of the company has the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series. Any new series will be issued for a price of \$25.00 per share and the proceeds are to be used to finance the retraction or a redemption of outstanding Preferred shares without necessitating the sale of Brookfield shares or the acquisition of additional Brookfield shares.

Holders of Class A Preferred shares and Class AA Preferred shares are entitled to receive cumulative quarterly dividends of \$0.390625 and \$0.309375 per share respectively, payable on the 7th day of March, June, September and December in each year.

Class A and Class AA Preferred shares may be surrendered for retraction at any time. The Class A and Class AA Preferred share Retraction Price will be equal to the lesser of (i) 95% of Net Asset Value per Unit; and (ii) \$25.00 less 5% of the Net Asset Value per Unit, in either case less \$1.00. The "Net Asset Value per Unit" is defined as the fair value of the Portfolio shares held by the company plus (minus) the amount by which the value of the other assets of the company exceed (are less than) the liabilities (including any extraordinary liabilities) of the company and the redemption value of the Preferred shares, divided by the total number of Units outstanding. A "Unit" is considered to consist of one Capital share and one Preferred share of any class or series. For greater certainty, the Class A and Class AA Preferred shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit.

#### **Redemption**

The Class A Preferred shares issued, outstanding and as amended may be redeemed by the company at any time prior to the Redemption Date at a price (the "Class A Preferred share Redemption Price") which, at September 30, 2006, equals \$26.00 and which will decline by \$0.25 each year to be equal to \$25.00 after September 30, 2009. Any Class A Preferred shares outstanding on the Redemption Date, will be redeemed for the lesser of \$25.00 plus any accrued and unpaid dividends and the Net Asset Value per Unit.

The company will only redeem Class A Preferred shares prior to the Redemption Date if the Capital shares have been retracted, if there is a take-over bid for the Brookfield shares and the Board of Directors determines that such bid is in the best interest of the holders of the Capital shares, or if a further issue of Preferred shares is completed; the proceeds from which would be used to redeem outstanding Preferred shares.

The Class AA Preferred shares may be redeemed by the company at any time after March 25, 2009 and prior to the redemption date for the Class AA Preferred shares at a price which until March 25, 2013 will equal \$26.00 per share plus accrued and unpaid dividends and which will decline by \$0.25 each year thereafter to be equal to \$25.00 on March 25, 2016 (the "Class AA Redemption Date"). All Class AA Preferred shares outstanding on the Class AA Redemption Date will be redeemed for a cash amount equal to the lesser of \$25.00 plus any accrued and unpaid dividends and the Net Asset Value per Unit. Notwithstanding the first sentence of this paragraph, the company may redeem Class AA Preferred shares prior to March 25, 2009 for \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA Preferred shares prior to the Class AA Redemption Date unless: (i) Capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the Board of Directors of the company determines that such bid is in the best interest of the holders of the Capital shares. In addition, the company may redeem Class AA Preferred shares after March 25, 2009 but prior to the Class AA Redemption Date if the redemption of the then outstanding Class AA Preferred shares will occur using net proceeds from the issuance of Class AA or other class of preferred shares.

Holders of the Preferred shares are not entitled to vote at meetings of shareholders of the company other than meetings of holders of the Preferred shares.

#### **5. Capital Shares**

The company is authorized to issue an unlimited number of Capital shares and on September 5, 2001, issued 5,000,000 Capital shares for cash consideration of \$40,690,000 and 3,330,400 Brookfield shares. On March 25, 2004 the company's Capital shares were subdivided to reflect the issuance of 3.2 million Class AA, Series 1 Preferred shares and 1.3 million Class AA, Series 2 Preferred shares. As a result, at September 30, 2006 there are 9,548,000 Capital shares outstanding.

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Holders of Capital shares are entitled to receive dividends as declared by the Board of Directors of the company. The Board of Directors of the company has indicated that its policy is to pay dividends, if and to the extent that the dividends received on the Portfolio shares, less the administrative and operating expenses of the company, exceed the Preferred share dividends. During 2006, the company declared and paid dividends in the amount of \$3.2 million (2005 – \$0.7 million) to its Capital shareholders.

If the company undertakes any future issuance of Preferred shares, the articles of the company will be amended to either subdivide or consolidate, as applicable, such that the number of Capital shares outstanding after such subdivision or consolidation would be equal to the number of Preferred shares of all classes or series outstanding immediately after such issuance.

Capital shares may be surrendered for retraction at any time upon delivery of a retraction notice. The Capital share Retraction Price is equal to the amount by which 95% of the Net Asset Value per Unit calculated as at the applicable Valuation Date, less \$1.00, exceeds the Preferred share Redemption Price on such date.

If any Capital shares are retracted, the company will, as necessary and subject to applicable laws, redeem or purchase for cancellation in the open market Preferred shares in order to ensure that the number of preferred shares or any classes or series outstanding equals the number of Capital shares outstanding.

Capital shares may be redeemed by the company at any time at a price equal to the amount, if any, by which the Net Asset Value per Unit exceeds the Preferred Share Redemption Price of all outstanding classes and series.

Holders of the Capital shares are not entitled to vote at meetings of shareholders of the company other than meetings of holders of the Capital shares.

## **6. Income Taxes**

The company qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada) (the “Act”), and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances.

The company’s dividend income is not subject to income taxes under Part I of the Act; consequently, the company has no effective taxable income. However, the company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received. This tax is fully refundable upon payment of sufficient dividends.

As the company has the intention and ability to qualify as a mutual fund corporation to manage its affairs in such a way as to transfer any tax liability to its shareholders, no provision for income tax has been made.

The company has recorded a \$3.0 million future tax asset from the payment of a Part IV tax liability relating to the 2002 taxation year as this tax is refundable through dividend declarations. In addition, the company has recorded a \$0.7 million estimated expense and associated liability related to penalties and interest on the assessment of taxes related to dividend income earned for the 2002 taxation year.

The company has \$6.1 million (2005 – \$4.6 million) non-capital losses which expire in 2009, 2010, 2014, 2015 and 2026 and \$1.5 million (2005 – \$2.4 million) of undeducted share issue expenses available to offset taxable income, if any, in future years. The benefit of these losses and undeducted share issue expenses have not been recorded in these financial statements. The carrying value of the company’s investment in Brookfield shares exceeds its tax value by \$1,025.0 million (2005 – \$672.0 million).

## **7. Management Fees**

The company’s operations are managed by Brookfield, which is entitled to a fee of up to 10% of ordinary expenses of the company. For the year ended September 30, 2006, the company paid management fees of \$20,000 (2005 – \$20,000).

## **8. Other**

The company has a \$4.0 million credit facility with Brookfield. This facility is due on demand with interest at the prime rate. As at September 30, 2006 there was nil (2005 – nil) outstanding under this facility. Included in Accounts Payable is \$2.0 million (2005 – nil) due to a related party.

## Corporate Information

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### OFFICERS AND DIRECTORS

**John P. Baratt<sup>(1)</sup>**  
*Director*

**Loretta M. Corso**  
*Corporate Secretary*

**James L.R. Kelly<sup>(1)</sup>**  
*Director*

**Brian D. Lawson**  
*Director and Chairman*

**Frank R. Lewarne<sup>(1)</sup>**  
*Director*

**Sachin G. Shah**  
*Director and Chief Financial Officer*

**Bruce K. Robertson**  
*Director, President and Chief Executive Officer*

(1) Member of the Audit Committee

### AUDITORS

Deloitte & Touche LLP  
Chartered Accountants

### LEGAL COUNSEL

Torys LLP

### STOCK EXCHANGE LISTING

The company's Preferred shares trade on the Toronto Stock Exchange under the symbols BNA.PR.A and BNA.PR.B

### YEAR END

September 30

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## Enquiries

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Enquiries relating to the operations of the company should be directed to the company's Head Office:

**BAM Split Corp.**  
BCE Place, 181 Bay Street  
Suite 300, P.O. Box 770  
Toronto, Ontario  
M5J 2T3

Tel: (416) 363-9491  
Fax: (416) 365-9642  
Website: [www.bnnsplit.com](http://www.bnnsplit.com)

Enquiries relating to dividends, address changes and share certificates should be directed to the company's Transfer Agent:

**CIBC Mellon Trust Company**  
P.O. Box 7010  
Adelaide Street Postal Station  
Toronto, Ontario  
M5C 2W9

Tel: (416) 643-5500 or  
(800) 387-0825  
(toll free within North America)  
Fax: (416) 643-5501  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)  
E-mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)



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