



## Premium Income Corporation II

**PIB  
PIB.PR.A**

Press Release

### Announces Exchange Ratios

**Toronto, July 19, 2007:** Premium Income Corporation II (the “Company”), a split share corporation offering an investment in the common shares of the six largest Canadian banks through its Class A Shares and Preferred Shares, is pleased to announce the exchange ratios for the Company’s exchange option (the “Exchange Option”) with respect to its initial public offering. Under the Exchange Option, prospective purchasers had the opportunity to exchange common shares of Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada and The Toronto-Dominion Bank (“Bank Shares”) for Class A Shares and Preferred Shares together in Units (each consisting of one Class A Share and one Preferred Share) or for Class A Shares.

Under the Exchange Option for Units, the number of Class A Shares and Preferred Shares issuable in exchange for Bank Shares deposited by prospective purchasers was determined by dividing the volume-weighted average trading price of Bank Shares on the Toronto Stock Exchange (the “TSX”) during the three consecutive trading days ending on July 18, 2007, adjusted to reflect dividends declared on such Bank Shares that will not be received by the Company (the “Exchange Price”) by \$25.00 (being the sum of the issue price of one Class A Share and one Preferred Share).

Under the Exchange Option for Class A Shares, prospective purchasers will receive Class A Shares in exchange for Bank Shares and \$0.01 in cash per Class A Share. The number of Class A Shares issuable in exchange for Bank Shares deposited was determined by dividing the Exchange Price by \$15.00 (being the issue price of a Class A Share). This exchange ratio was adjusted to reflect the \$0.01 per Class A Share to be received by prospective purchasers.

The following table sets out each Exchange Price and exchange ratio, which represents the number of Units or Class A Shares to be received by prospective purchasers for each Bank Share deposited.

Bank Share	Units		Class A Shares	
	Exchange Price	Exchange Ratio	Exchange Price	Exchange Ratio
Bank of Montreal	\$68.7208	2.7488	\$69.4008	4.5783
The Bank of Nova Scotia	\$51.6768	2.0671	\$51.6768	3.4428
Canadian Imperial Bank of Commerce	\$97.7559	3.9102	\$97.7559	6.5127
National Bank of Canada	\$62.5261	2.5010	\$62.5261	4.1656
Royal Bank of Canada	\$57.2459	2.2898	\$57.2459	3.8139
The Toronto-Dominion Bank	\$72.7232	2.9089	\$72.7232	4.8450

Neither fractional Units nor fractional Class A Shares will be issued. The Exchange Option expired at 5:00 p.m. (Toronto time) on July 17, 2007.

Premium Income Corporation II will invest in a portfolio consisting of Bank Shares. Investors in the Company's Class A Shares will receive leveraged exposure to the performance of the Bank Shares, including increases or decreases in the value of Bank Shares and increases or decreases in the dividends paid on Bank Shares. Investors in the Company's Preferred Shares will receive monthly distributions on a fixed, cumulative and preferential basis. The Preferred Shares have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited.

The TSX has conditionally approved the listing of the Class A Shares under the symbol PIB and the Preferred Shares under the symbol PIB.PR.A.

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