

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Quadravest Inc., the manager of the issuer, at 77 King Street West, Suite 4500, Toronto, Ontario, M5K 1K7 or info@quadravest.com or by calling 1-877-478-2372 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

Warrant Offering

January 4, 2010



**Warrants to Subscribe for up to 8,872,379 Units
(each Unit consisting of consisting of one Class A Share and one Preferred Share)
at a Subscription Price of \$15.65**

Canadian Life Companies Split Corp. (the “Company”) will issue to the holders of record of outstanding Class A Shares of the Company at the close of business on January 15, 2010, 8,872,379 Warrants to subscribe for and purchase an aggregate of up to 8,872,379 Units. Each Unit consists of one transferable, redeemable Class A Share and one transferable, redeemable Preferred Share of the Company. This short form prospectus qualifies the distribution of the Warrants and the Class A Shares and the Preferred Shares issuable upon the exercise thereof. See “*Details of the Offering*”.

Record Date: January 15, 2010 (the “Record Date”), subject to obtaining all necessary regulatory and exchange approvals.

Commencement Date: Warrants may be exercised commencing on January 18, 2010.

Expiry Date and Time: Warrants not exercised by 5:00 p.m. (Toronto time) on the earlier of (a) October 27, 2010, or (b) the date which is 20 business days from the date the Warrants are called by the Company in accordance with their terms, will be void and of no value.

Subscription Price: The Subscription Price for the Warrants will be \$15.65 (which was the most recently calculated net asset value (“NAV”) per Unit prior to the date of the preliminary prospectus plus the estimated per Unit fees and expenses of the Offering).

Basic Subscription Privilege: Each holder (a “Shareholder”) of a Class A Share at the close of business (Toronto time) on the Record Date will receive one transferable Warrant for each Class A Share held. Each Warrant will entitle the holder thereof (a

“Warrantholder”) to acquire one Unit upon payment of the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “*Details of the Offering — Basic Subscription Privilege*”.

Additional Subscription Privilege: Warrantholders who exercise their Warrants in full under the Basic Subscription Privilege are entitled to purchase, on a pro rata basis, Units not issued pursuant to the exercise of the Basic Subscription Privilege by other Warrantholders, if any. See “*Details of the Offering — Additional Subscription Privilege*”.

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Company of any minimum amount of subscription proceeds.

The Class A Shares and the Preferred Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbols LFE and LFE.PR.A, respectively. On December 31, 2009, the closing price on the TSX of the Class A Shares was \$6.68 per Class A Share and of the Preferred Shares was \$9.90 per Preferred Share. The Company has applied to list the Warrants distributed under this short form prospectus and the Class A Shares and the Preferred Shares issuable upon the exercise thereof on the TSX. Listing will be subject to the Company fulfilling all of the requirements of the TSX on or before March 18, 2010.

| | <u>Subscription Price⁽¹⁾</u> | <u>Net Proceeds to the Company⁽²⁾⁽³⁾</u> |
|---------------|-----------------------------------------|-----------------------------------------------------|
| Per Unit..... | \$15.65 | \$15.40 |
| Total..... | \$138,852,731.30 | \$136,634,636.60 |

- (1) The Subscription Price for the Warrants will be will be \$15.65 (which was the most recently calculated NAV per Unit prior to the date of the preliminary prospectus plus the estimated per Unit fees and expenses of the Offering).
 (2) Assumes that all Warrants are exercised.
 (3) Before deducting the estimated expenses of the Offering of \$210,000, which will be paid by the Company.

The Company is a mutual fund corporation incorporated under the laws of the Province of Ontario by articles of incorporation filed on March 3, 2005, as amended March 24, 2005. Quadravest Inc. (the “Manager”) is the manager of the Company and Quadravest Capital Management Inc. (“Quadravest” or the “Investment Manager”) is the portfolio adviser. The principal office of the Company is located at 77 King Street West, Suite 4500, Toronto, Ontario, M5K 1K7. The Company invests in an actively managed portfolio of common shares (the “Portfolio”) which primarily includes shares of the following publicly traded Canadian life insurance companies (the “Portfolio Companies”), each of whose shares will generally represent no less than 10% and no more than 30% of the NAV of the Company:

- Great-West Lifeco Inc.
- Industrial Alliance Insurance and Financial Services Inc.
- Manulife Financial Corporation
- Sun Life Financial Inc.

In addition, up to 20% of the NAV of the Company may be invested in equity securities of foreign life insurance companies or other Canadian or foreign financial services corporations.

The investment objectives of the Company are:

- (a) to provide holders of Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share (representing a yield of 5.25% per annum based upon the original issue price of \$10.00 per Preferred Share);
- (b) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.10 per Class A Share, (representing a yield of 8.0% per annum based upon the original issue price of \$15.00 per Class A Share); and
- (c) to return the original issue price of \$10.00 and \$15.00 to holders of Preferred Shares and Class A Shares, respectively, at the time of the redemption of such shares on December 1, 2012 or such other date as the Company may terminate (the “Termination Date”).

There is no assurance that the Company will be able to achieve its investment objectives. See “Risk Factors” for a discussion of certain factors that should be considered by Warrantholders.

The value of a Unit will be reduced if the NAV per Unit exceeds \$15.40 and one or more Warrants is exercised. If a Shareholder does not exercise Warrants in such circumstances, such Shareholder’s pro rata interest in the assets of the Company will be diluted. To maintain the Shareholder’s pro rata interest in the assets of the Company, the Shareholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Shareholder may sell the Shareholder’s Warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution. Holders of Preferred Shares will not receive any Warrants under the Offering. While the exercise of Warrants should not dilute the interests of the holders of Preferred Shares, such exercise could reduce the then-current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the asset coverage ratio that will apply immediately following the closing of the Offering. See “*Details of the Offering — Warrant Considerations*”.

Subscriptions for Units made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted. Warrant certificates will not be issued to Shareholders in connection with the Offering.

The Company utilizes the book-entry only system with respect to the Class A Shares and the Preferred Shares and the book-based system with respect to the Warrants, both of which are administered by CDS Clearing and Depository Services Inc. (“CDS”). The Company may also utilize the non-certificated issue system or another system administered by CDS. A Warrantholder may subscribe for Units by instructing the participant in CDS (a “CDS Participant”) holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and concurrently forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. See “*Details of the Offering — Basic Subscription Privilege*”.

Warrantholders wishing to subscribe for additional Units (“Additional Units”) under the Additional Subscription Privilege must forward their request to their CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date, along with payment for the Additional Units requested. Any excess funds will be returned by mail or credited to the subscriber’s account with its CDS Participant without interest or deduction. See “*Details of the Offering — Additional Subscription Privilege*”.

Warrantholders that wish to acquire Units pursuant to the Offering must provide the CDS Participant holding their Warrants with instructions and the required payment sufficiently in advance of the Expiry Date to permit the proper exercise of their Warrants. CDS Participants will have an earlier deadline for receipt of instructions and payment.

Computershare Trust Company of Canada (the “Warrant Agent”) has been appointed the warrant agent of the Company to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “*Details of the Offering — Exercise of Warrants and Warrant Agent*”.

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, provided that the Warrants are listed on a “designated stock exchange” for purposes of the *Income Tax Act* (Canada) (the “Tax Act”) (which currently includes the TSX), the Warrants will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts (each, a “registered plan”). Provided that either the Class A Shares or the Preferred Shares are listed on a “designated stock exchange” for purposes of the Tax Act (which currently includes the TSX), the Class A Shares and Preferred Shares issued as a result of the exercise of Warrants will be qualified investments under the Tax Act for a registered plan. Warrantholders should consult their own tax advisors as to the effect of acquiring Preferred Shares or Class A Shares in a registered education savings plan.

The Warrants and the Class A Shares and Preferred Shares issued as a result of the exercise of Warrants will not be “prohibited investments” for a trust governed by a tax-free savings account at a particular time provided the holder of the tax-free savings account deals at arm’s length with the Company for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Company or in any person or partnership with which the Company does not deal at arm's length for purposes of the Tax Act at that time.

No underwriter has been involved in the preparation of this short form prospectus or has performed any review of the contents of this short form prospectus.

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GLOSSARY

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|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1933 Act | the United States <i>Securities Act of 1933</i> , as may be amended from time to time. |
| business day | any day on which the Toronto Stock Exchange is open for business. |
| Class A Share | a transferable, redeemable Class A Share of the Company. |
| Class B Share | a transferable Class B Share of the Company. |
| Expiry Date | means the earlier of (a) October 27, 2010; or (b) the date which is 20 business days from the date the Warrants are called by the Company in accordance with their terms. |
| NAV or NAV of the Company | the net asset value of the Company which, on any date, will be equal to (a) the total value of the assets of the Company, less (b) the aggregate amount of the liabilities of the Company. |
| NAV per Unit | in general, the net asset value of the Company divided by the number of Units then outstanding. See “ <i>Details of the Offering — Warrant Considerations</i> ”. |
| NI 81-102 | National Instrument 81-102 – <i>Mutual Funds</i> (or any successor policy, rule or national instrument), as it may be amended from time to time. |
| Offering | the offering of 8,872,379 Warrants and up to 8,872,379 Units issuable upon the exercise thereof, as contemplated in this short form prospectus. |
| Preferred Share | a transferable, redeemable Preferred Share of the Company. |
| Tax Act | the <i>Income Tax Act</i> (Canada) and the regulations thereunder, as the same may be amended from time to time. |
| Unit | a notional unit consisting of one Class A Share and one Preferred Share. The number of Units outstanding at any time is equal to the sum of the number of Class A Shares and Preferred Shares then outstanding divided by two. |
| United States | the United States of America, its territories and possessions. |
| U.S. person | has the meaning given to such term in Regulation S under the 1933 Act. |
| Warrant | a transferable Warrant of the Company to be issued to Shareholders (as defined below) of record on the Record Date (as defined below) on the terms and conditions of the Warrant Indenture (as defined below). |
| \$ | means Canadian dollars unless otherwise indicated. |

FORWARD-LOOKING STATEMENTS

Certain statements in this short form prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company (as defined below), the Manager (as defined below) or the Investment Manager (as defined below). Forward-looking statements are not historical facts but reflect the current expectations of the Company, the Manager and the Investment Manager regarding future results or events. Such forward-looking statements reflect the Company’s, the Manager’s and the Investment Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this short form prospectus under “*Risk Factors*”. Although the forward-looking statements contained in this short form prospectus are based upon assumptions that the Company, the Manager and the Investment Manager believe to be reasonable, neither the Company, the Manager nor the Investment Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the Company and may not be appropriate for other purposes. Neither the Company, the Manager nor the Investment Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference and form an integral part of this short form prospectus:

- (a) the annual information form (the “Annual Information Form”) of the Company dated February 23, 2009 in respect of the fiscal year of the Company ended November 30, 2008;
- (b) the annual financial statements of the Company, together with the accompanying report of the auditors, for the year ended November 30, 2008 and the related management report of fund performance; and
- (c) the interim financial statements of the Company for the six-month period ended May 31, 2009 and the related interim management report of fund performance.

Any of the documents of the type referred to above including annual information forms, financial statements and related management reports of fund performance filed by the Company with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the distribution hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. Information on any of the websites maintained by the Company or the Manager does not constitute a part of this short form prospectus. The modifying or superseding statement need not state that it has modified or

superseded a prior statement or include any other information set forth in the document it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

THE COMPANY

Canadian Life Companies Split Corp. (the “Company”) is a mutual fund corporation incorporated under the laws of the Province of Ontario by articles of incorporation filed on March 3, 2005, as amended March 24, 2005. Quadravest Inc. (the “Manager”) is the manager of the Company and Quadravest Capital Management Inc. (“Quadravest” or the “Investment Manager”) is the portfolio adviser. The principal office of the Company is located at 77 King Street West, Suite 4500, Toronto, Ontario, M5K 1K7.

While the Company is considered to be a mutual fund corporation under the securities legislation of certain provinces of Canada, the Company is not a conventional mutual fund and has received exemptions from certain requirements of National Instrument 81-102 – Mutual Funds (“NI-81-102”) of the Canadian Securities Administrators.

Summary Description of the Company

Investment Objectives

The investment objectives of the Company are:

- (a) to provide holders of Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share (representing a yield of 5.25% per annum based upon the original issue price of \$10.00 per Preferred Share);
- (b) to provide holders of Class A Shares with regular monthly cash distributions targeted to be \$0.10 per Class A Share, (representing a yield of 8.0% per annum based upon the original issue price of \$15.00 per Class A Share); and
- (c) to return the original issue price of \$10.00 and \$15.00 to holders of Preferred Shares and Class A Shares, respectively, at the time of the redemption of such shares on December 1, 2012 or such other date as the Company may terminate (the “Termination Date”).

Investment Strategies

The assets of the Company are invested in an actively managed portfolio of common shares (the “Portfolio”) which primarily includes shares of the following publicly traded Canadian life insurance companies (the “Portfolio Companies”), each of whose shares will generally represent no less than 10% and no more than 30% of the net asset value (“NAV”) of the Company:

Great-West Lifeco Inc.
Industrial Alliance Insurance and Financial Services Inc.
Manulife Financial Corporation
Sun Life Financial Inc.

Up to 20% of the NAV of the Company may be invested in equity securities of foreign life insurance companies or other Canadian or foreign financial services corporations. The Company may from time to time, based on Quadrainvest's assessment of market conditions, liquidity considerations, maintenance of the rating on the Preferred Shares and other considerations, hold short term debt instruments issued by the government of Canada or a province or short term commercial paper issued by Canadian corporations with a rating of at least R-1 (mid) by DBRS Limited ("DBRS") or the equivalent from another rating organization selected by Quadrainvest.

To supplement the dividends earned on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of all or part of the Portfolio. The individual securities within the Portfolio which are subject to call options and the terms of such options will vary from time to time based on Quadrainvest's assessment of the market. The Company may also write cash covered put options or purchase call options with the effect of closing out existing call options written by the Company and may also purchase put options in order to protect the Company from declines in the market prices of the securities in the Portfolio. The Company may enter into trades to close out positions in such permitted derivatives. The Company may also use derivatives for hedging purposes or otherwise as permitted under NI 81-102. Such permitted derivatives may include exchange traded options, futures contracts or options on futures (subject to Quadrainvest obtaining any necessary registrations under the *Commodity Futures Act* (Ontario)), over-the-counter options and forward contracts.

Current Portfolio

As of December 17, 2009, the primary holdings of the Company were as follows:

| Portfolio Company | Percentage of the Portfolio |
|-----------------------------------------------------------|------------------------------------|
| Great-West Lifeco Inc. | 26.2% |
| Industrial Alliance Insurance and Financial Services Inc. | 14.3% |
| Manulife Financial Corporation | 20.3% |
| Sun Life Financial Inc. | 19.8% |

Management and Investment Management

Quadrainvest Inc. is the manager of the Company. The principal office of the Manager is located at 77 King Street West, Suite 4500, Toronto, Ontario, M5K 1K7. Quadrainvest Capital Management Inc. is the investment manager of the Company and the largest issuer of split share structure investments using a covered call option strategy. The Investment Manager manages 14 other public mutual fund corporations and one public mutual fund trust with total assets under management of \$1.2 billion. The Investment Manager implements the investment strategy of the Company from its principal office at 77 King Street West, Suite 4500, Toronto, Ontario, M5K 1K7. The Manager owns all of the voting shares of Quadrainvest.

RATIONALE FOR THE OFFERING

The exercise of Warrants by holders will provide the Company with additional capital that can be used to take advantage of attractive investment opportunities and is also expected to increase the trading liquidity of the Class A Shares and the Preferred Shares and to reduce the management expense ratio of the Company.

DETAILS OF THE OFFERING

The following is a summary only and is subject to, and is qualified in its entirety by reference to the detailed provisions of the master warrant indenture (the “Warrant Indenture”) to be dated as of the date of the closing of the Offering between the Manager, in its capacity as manager of the Company and Computershare Trust Company of Canada (“Computershare”).

Warrants

Subject to the Company obtaining all necessary regulatory and exchange approvals, Shareholders at the close of business (Toronto time) on January 15, 2010 (the “Record Date”) will be issued 8,872,379 Warrants to subscribe for and purchase an aggregate of up to 8,872,379 Units. Each Shareholder will receive one transferable Warrant for each Class A Share held. Each Warrant will entitle the holder thereof (a “Warrantholder”) to acquire one Unit upon payment of \$15.65 (the “Subscription Price”) prior to 5:00 p.m. (Toronto time) on the Expiry Date. Each Unit consists of one transferable, redeemable Class A Share and one transferable, redeemable Preferred Share.

Exercise of Warrants and Warrant Agent

Warrants may be exercised at any time during the period (the “Exercise Period”) commencing at market open (Toronto time) on January 18, 2010 and ending at 5:00 p.m. (Toronto time) on the Expiry Date.

The Company will have the right, but not the obligation, to call the Warrants at any time (the “Call Option”). The Company must issue a press release when it decides to exercise the Call Option and deliver a notice within five business days to all Warrantholders if it decides to exercise the Call Option.

The Expiry Date for the Warrants will be October 27, 2010 unless the Warrants are called by the Company, in which case the Expiry Date will be 20 business days from the date the Call Option is exercised by the Company. **Warrants not exercised prior to 5:00 p.m. (Toronto time) on the Expiry Date will be void and of no value.** If a Shareholder does not exercise, or sells, the Warrants, then the value of the Shareholder’s investment may be diluted as a result of the exercise of Warrants by others. See “*Details of the Offering — Warrant Considerations*”.

Computershare (the “Warrant Agent”) has been appointed the warrant agent of the Company to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. The Company will pay for the services of the Warrant Agent. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date.

The Class A Shares and the Preferred Shares purchased pursuant to the Warrants so exercised shall be deemed to have been issued and the person or persons in whose name or names such shares are to be registered shall be deemed to have become the holder or holders of record of such shares on the date on which such shares are entered into the register maintained by the Company’s transfer agent for such shares. Units will only be issued pursuant to the Additional Subscription Privilege after all necessary calculations have been made following the Expiry Date as described under “*Details of the Offering — Additional Subscription Privilege*”.

Basic Subscription Privilege

A Warrantholder may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the participant (the “CDS Participant”) in CDS Clearing and Depository Services Inc. (“CDS”) holding the subscriber’s Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of the Offering and the Warrant Indenture to the CDS Participant that holds the subscriber’s Warrants. The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber’s brokerage account or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. **If mail is used for delivery of subscription funds, for the protection of the subscriber, “certified mail – return receipt requested” should be used and sufficient time should be allowed to avoid the risk of late delivery. A subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Warrants on such subscriber’s behalf. Warrantholders are encouraged to contact their broker or other CDS Participants as each CDS Participant may have a different cut-off time.**

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Company and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of such Warrants were holders of record on the Record Date.

Notwithstanding anything to the contrary in this short form prospectus, the Warrants may be exercised only by a Warrantholder who represents at the time of exercise that the Warrantholder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as may be amended from time to time (the “1933 Act”)) and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not located in the United States, did not acquire Warrants while in the United States, is not a U.S. person and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Warrantholders who wish to exercise their Warrants and receive Units are reminded that because Warrants must be exercised through a CDS Participant, there may be a delay between the date of exercise of the Warrants and the date the Units issuable upon the exercise thereof are issued to the subscriber.

Additional Subscription Privilege

Each Warrantholder that subscribes for all of the Units to which such holder is entitled pursuant to the Basic Subscription Privilege may, at any time during the Exercise Period, subscribe for additional Units (“Additional Units”) pursuant to the Additional Subscription Privilege, if applicable, at a price equal to the Subscription Price for each Additional Unit. Warrantholders must exercise all of their Warrants under the Basic Subscription Privilege to be eligible for the Additional Subscription Privilege.

The aggregate number of Additional Units available under the Additional Subscription Privilege for all additional subscriptions will be the difference, if any, between the total number of Units issuable upon exercise of the Warrants and the total number of Units subscribed and paid for prior to 5:00 p.m. (Toronto time) on the Expiry Date. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Units which that subscriber has subscribed for under the Additional Subscription Privilege, and (b) the product (disregarding fractions) obtained by multiplying the number of available Additional Units by a fraction, the numerator of which is the number of Warrants exercised by that subscriber under the Basic Subscription Privilege and the denominator of which is the aggregate number of Warrants exercised under the Basic Subscription Privilege by Warrantholders that have subscribed for Additional Units pursuant to the Additional Subscription Privilege. If any Warrantholder has subscribed for fewer Additional Units than such holder's pro rata allotment of Additional Units, the excess Additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for Additional Units under the Additional Subscription Privilege, a beneficial Warrantholder must forward the holder's request to a CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date. Payment for Additional Units, in the same manner as for Units, must accompany the request when it is delivered to the CDS Participant. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant without interest or deduction. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber's entitlement to such Units will terminate. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly apply for Additional Units under the Additional Subscription Privilege. Units issued pursuant to the Additional Subscription Privilege will only be issued after all necessary calculations have been made following the Expiry Date.

Sale or Transfer of Warrants

Warrantholders in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner as they sell or transfer Class A Shares or Preferred Shares, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The Company has applied to list the Warrants on the Toronto Stock Exchange (the "TSX"). Listing will be subject to the Company fulfilling all the listing requirements of the TSX.

Warrant Considerations

The value of a Unit will be reduced if the NAV per Unit exceeds \$15.40 (being the Subscription Price payable on the exercise of a Warrant less the Warrant Exercise Fee (as defined below)) and one or more Warrants is exercised. If the NAV per Unit exceeds \$15.40, then a Shareholder will face dilution of its investment to the extent Warrantholders exercise their Warrants and acquire Units. If a Shareholder does not exercise Warrants in such circumstances, such Shareholder's pro rata interest in the assets of the Company will be diluted.

As the number of Warrants equals the number the Units, the potential dilution per Unit is up to one-half of all gains in the NAV per Unit in excess of \$15.40. The potential dilution per Unit, assuming the Warrants are exercised in full, is illustrated in the following table:

| | | | | |
|---------------------------------------------------------------------|---------|---------|---------|---------|
| Non-diluted NAV of the Company before the Exercise of Warrants..... | \$16.00 | \$17.50 | \$19.00 | \$21.00 |
| Pro Forma Dilution per Unit..... | \$0.30 | \$1.05 | \$1.80 | \$2.80 |

Due to the dilutive effect on the value of the Units when Warrants are exercised, Shareholders should carefully consider the exercise of the Warrants or the sale of the Warrants prior to the Expiry Time. The failure to take either such action in the circumstances described above will result in the loss of value to the investor. To maintain the Shareholder's pro rata interest in the assets of the Company, the Shareholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While a Shareholder may sell the Shareholder's Warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution. The factors that would be expected to influence the price of a Warrant include the difference between the Subscription Price and the NAV per Unit calculated on a diluted basis, price volatility, distributions payable on the Class A Shares and the remaining time to expiry of the Warrant.

Holders of Preferred Shares will not receive any Warrants under the Offering. While the exercise of Warrants should not dilute the interests of the holders of Preferred Shares, such exercise could reduce the then-current asset coverage ratio applicable to the Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the asset coverage ratio that will apply immediately following the closing of the Offering.

Anti-dilution Provisions

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Units issuable upon the exercise of the Warrants will be subject to adjustment from time to time if, prior to the expiry time (5:00 p.m. Toronto time) on the Expiry Date, the Company:

- (a) subdivides, re-divides or changes its outstanding Class A Shares or Preferred Shares into a greater number of shares;
- (b) reduces, combines or consolidates its outstanding Class A Shares or Preferred Shares into a smaller number of shares;
- (c) distributes to holders of all or substantially all of the outstanding Class A Shares or Preferred Shares any securities of the Company including rights, options or warrants to acquire Class A Shares or Preferred Shares or securities convertible into or exchangeable for Class A Shares or Preferred Shares or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Class A Shares or Preferred Shares or otherwise reorganizes the capital of the Company; or
- (e) consolidates, amalgamates or merges the Company with or into any other investment fund or other entity, or sells or conveys the property and assets of the Company as an entirety or substantially as an entirety (other than in connection with the retraction or redemption of Class A Shares or Preferred Shares).

Delivery Form and Denomination of Warrants

The Warrants will be evidenced by a warrant certificate registered in the name of CDS or its nominee pursuant to CDS' book-based system on a non-certificated inventory (NCI) basis. Shareholders hold their Class A Shares through a CDS Participant and will not receive physical certificates evidencing their ownership of Warrants. On the Record Date, a certificate representing the Warrants will be issued in registered form to CDS or its nominee.

All Warrantholders hold their Warrants through a CDS Participant, except where the issuance of physical certificates evidencing ownership in such securities is necessary to facilitate Warrant exercises. The Company expects that each Shareholder will receive a confirmation of the number of Warrants issued to it under the Offering from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-based accounts for its participants holding Warrants.

None of the Company, the Manager or the Warrant Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Warrants or the book-based accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Warrants; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate. Warrantholders must arrange purchases and transfers of, and for the issuance of Warrant certificates for the purpose of exercises of, Warrants through CDS Participants.

FEES AND EXPENSES

Expenses of the Offering

The expenses of the Offering (including the costs of preparing and printing this short form prospectus, legal expenses, expenses of the auditor and translation fees), which are estimated to be \$210,000 in the aggregate, will be paid by the Company.

Warrant Exercise Fee

Within 30 days of the proper exercise of a Warrant, the Company will pay a fee (the "Warrant Exercise Fee") of \$0.25 per Warrant to the dealer whose client exercised the Warrant.

Administration Fee

The Manager receives an administration fee equal to 0.2% per annum of the NAV, calculated and payable as at the last Valuation Date (the 15th day of each month or if the 15th day of each month is not a business day then the immediately preceding business day) in each month, plus applicable taxes plus an amount equal to the service fee (the "Service Fee") payable to dealers.

Management Fee

The Investment Manager receives a management fee equal to 0.65% per annum of the NAV, calculated and payable as at the last Valuation Date in each month, plus applicable taxes.

Service Fee

The Manager will pay the Service Fee to each dealer whose clients hold Class A Shares. The Service Fee is calculated and paid at the end of each calendar quarter and is equal to 0.50% annually of the value of the Class A Shares held by clients of the dealer. For these purposes, the value of a Class A Share is the NAV per Unit less \$10.00.

Performance Fee

The Investment Manager is also entitled to a performance fee equal to 20% of the total return per Unit of the Company for a financial year (which includes all cash distributions per Unit made during the year and any increase in the NAV per Unit from the beginning of the year after the deduction on a per Unit basis of all fees, other expenses and distributions) that exceeds 112% of the Bonus Threshold, plus applicable taxes. The “Bonus Threshold”, for any financial year immediately following a year for which a performance fee is payable, is equal to the NAV per Unit at the beginning of that financial year. The “Bonus Threshold”, for any financial year immediately following a year for which a performance fee is not payable, is equal to the greater of (i) the NAV per Unit at the end of the immediately prior financial year; and (ii) the Bonus Threshold for the prior year, minus the Adjustment Amount. The “Adjustment Amount” for any financial year is the amount, if any, by which the NAV per Unit at the end of the immediately prior financial year plus dividends paid in that prior year exceeds the Bonus Threshold for that prior year.

No performance fee may be paid in any year if, at the end of such year, (i) the NAV per Unit is less than \$25.00; (ii) if the rating on the Preferred Shares is rated by DBRS at less than Pfd-2 (or, if DBRS has not then rated such shares, then the equivalent rating of another rating agency that has rated such shares shall apply); or (iii) if the Company has not earned a total annual return of at least the “Base Return” on a cumulative basis since inception. The Base Return in any year is the greater of 5% and the annual total return for such year as measured by the Scotia Capital 91-day T-Bill Index.

The performance fee, if payable, will be deducted from the amount otherwise payable to the holders of the Class A Shares.

Ongoing Expenses

The Company pays for all fees and expenses incurred in connection with its operation and administration. In addition to those expenses described in the Annual Information Form incorporated by reference herein, these expenses will include fees payable to the Warrant Agent.

DESCRIPTION OF SHARE CAPITAL

The Company is authorized to issue an unlimited number of Class A Shares and Preferred Shares and 1,000 Class B Shares. A trust established for the benefit of shareholders owns all 1,000 outstanding Class B Shares (the “Trust”).

The Class A Shares and the Preferred Shares have been issued on the basis that an equal number of shares of each class will issued and outstanding at all times. As at December 31, 2009 there were 8,872,379 Class A Shares and 8,872,379 Preferred Shares outstanding. The Preferred Shares are rated Pfd-2 (low) by DBRS. The following is a summary of certain provisions of the Class A Shares and the Preferred Shares which are more fully described in the Annual Information Form.

Distributions

The current policy of the Board of Directors of the Company is to pay monthly non-cumulative distributions of at least \$0.10 to the holders of Class A Shares of record on the last day of each month (each a “Dividend Record Date”). In addition, if any amounts remain available for the payment of dividends, a special year-end dividend of such amount will be payable to Class A Shareholders of record on the last day of November in each year. No regular monthly distributions will be paid on the Class A Shares in any month as long as any dividends on the Preferred Shares are then in arrears or so long as the Net Asset Value per Unit is equal to or less than \$15.00. Additionally, it is currently intended that no special year-end dividends will be paid if after payment of such a dividend the Net Asset Value per Unit would be less than \$25.00.

The Company will pay, as and when declared by the Board of Directors of the Company, a fixed cumulative preferential monthly dividend of \$0.04375 per Preferred Share to holders of Preferred Shares on each Dividend Record Date.

Retractions

Class A Shares and Preferred Shares may be surrendered at any time for retraction to Computershare Investor Services Inc., the Company’s registrar and transfer agent, but will be retracted only as of last business day of each month (a “Retraction Date”). Holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share equal to 96% of the NAV per Unit determined as of the Retraction Date, less the cost to the Company of the purchase of a Preferred Share in the market for cancellation and less any other applicable costs. Holders of Preferred Shares whose shares are surrendered for retraction will be entitled to receive a price per share equal to the lesser of (i) \$10.00 and (ii) 96% of the NAV per Unit determined as of the Retraction Date, less the cost to the Company of the purchase of a Class A Share in the market for cancellation and less any other applicable costs. Any accrued or declared and unpaid dividends payable on or before a Retraction Date in respect of shares tendered for retraction on such Retraction Date will also be paid on the Retraction Payment Date.

Shareholders also have an annual retraction right under which they may concurrently retract a Preferred Share and a Class A Share on the March Retraction Date in each year. The price paid by the Company for such a concurrent retraction will be equal to the NAV per Unit calculated as of that date, less any related commissions and other costs (to a maximum of 1% of the NAV per Unit) related to liquidating the Portfolio to pay such redemption amount.

Redemptions

The Class A Shares and the Preferred Shares outstanding on the Termination Date will be redeemed by the Company on such date. The Company will distribute the original investment amount of \$10.00 per Preferred Share to holders of Preferred Shares through the redemption of the Preferred Shares as soon as practicable after the Termination Date. The Company will return the initial investment amount of \$1,000 (\$1.00 per Class B Share) to the Trust which holds such shares for the benefit of the holders of the Preferred Shares and Class A Shares upon the redemption of the Class B Shares on the Termination Date. Thereafter, the Company will distribute to holders of the Class A Shares the remaining assets of the Company, if any, as soon as practicable after the Termination Date.

CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited capitalization of the Company before and after giving effect to the Offering:

| | <u>Authorized</u> | <u>Outstanding as at December 31, 2009</u> | <u>Outstanding as at December 31, 2009 after giving effect to the Offering⁽¹⁾</u> |
|---------------------------|-------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Liabilities | | | |
| Preferred Shares | Unlimited | \$88,723,790 (8,872,379 shares) | \$177,447,580 (17,744,758 shares) |
| Share Capital | | | |
| Class A Shares | Unlimited | \$50,306,389 (8,872,379 shares) | \$100,612,778 (17,744,758 shares) |
| Class B Shares..... | 1000 | <u>\$1,000</u> | <u>\$1,000</u> |
| Total Capitalization..... | | \$139,031,179 | \$278,061,358 |

⁽¹⁾ Based on the number of Class A Shares and Preferred Shares outstanding as at December 31, 2009, and the NAV of the Company of such date, less the payment of the Warrant Exercise Fee and the expenses of the Offering estimated to be \$210,000, and assuming the exercise of all Warrants issued hereunder at the Subscription Price.

NET ASSET VALUE, TRADING PRICE AND VOLUME

The Class A Shares and the Preferred Shares are listed on the TSX under the symbols LFE and LFE.PR.A, respectively. On December 31, 2009, the closing price on the TSX of the Class A Shares was \$6.68 per Class A Share and of the Preferred Shares was \$9.90 per Preferred Share.

The following table sets forth the NAV per Unit and the market price range and trading volume of the Class A Shares and the Preferred Shares on the TSX for the twelve-month period prior to the date of this short form prospectus. All such information, other than the NAV per Unit, was obtained from Bloomberg and the Company, the Manager, the Investment Manager and the Warrant Agent do not assume any responsibility for the accuracy of such information.

| | <u>NAV per Unit⁽¹⁾</u> | <u>Class A Shares</u> | | | <u>Preferred Shares</u> | | |
|---------------|---------------------------------------|-----------------------|------------|---------------|-------------------------|------------|---------------|
| | | <u>Market Price</u> | | | <u>Market Price</u> | | |
| | | <u>High</u> | <u>Low</u> | <u>Volume</u> | <u>High</u> | <u>Low</u> | <u>Volume</u> |
| Period | | | | | | | |
| 2008 | | | | | | | |
| October | \$16.44 | \$10.98 | \$5.85 | 399,500 | \$9.75 | \$8.10 | 127,500 |
| November | \$16.62 | \$7.85 | \$4.00 | 318,100 | \$9.40 | \$5.01 | 209,100 |
| December | \$14.72 | \$4.99 | \$3.22 | 694,100 | \$9.15 | \$6.50 | 267,900 |
| 2009 | | | | | | | |
| January | \$13.06 | \$4.69 | \$2.20 | 479,100 | \$9.88 | \$8.99 | 479,200 |
| February | \$10.50 | \$3.60 | \$1.84 | 325,600 | \$9.45 | \$7.26 | 182,800 |

| | NAV per Unit ⁽¹⁾ | Class A Shares | | | Preferred Shares | | |
|-----------|-----------------------------|----------------|--------|-----------|------------------|--------|-----------|
| | | Market Price | | | Market Price | | |
| | | High | Low | Volume | High | Low | Volume |
| March | \$11.69 | \$3.50 | \$1.40 | 360,700 | \$7.90 | \$5.73 | 253,300 |
| April | \$14.19 | \$5.15 | \$3.05 | 1,167,500 | \$8.50 | \$7.03 | 1,182,700 |
| May | \$15.37 | \$5.87 | \$4.14 | 172,500 | \$9.25 | \$8.31 | 103,100 |
| June | \$15.11 | \$5.75 | \$4.17 | 593,600 | \$9.88 | \$9.16 | 173,600 |
| July | \$17.39 | \$7.48 | \$4.04 | 644,000 | \$9.57 | \$8.60 | 423,500 |
| August | \$16.48 | \$7.47 | \$6.35 | 368,700 | \$9.99 | \$9.28 | 336,700 |
| September | \$16.51 | \$8.49 | \$6.88 | 293,300 | \$10.00 | \$9.80 | 185,500 |
| October | \$14.94 | \$8.35 | \$7.35 | 219,900 | \$9.99 | \$9.70 | 292,600 |
| November | \$14.93 | \$8.20 | \$5.05 | 546,300 | \$10.00 | \$9.85 | 266,900 |
| December | \$15.67 | \$6.80 | \$4.90 | 690,800 | \$10.00 | \$9.52 | 512,200 |

⁽¹⁾ The NAV per Unit shown is that calculated and published as at the last business day in each month.

USE OF PROCEEDS

The net proceeds from the exercise of the Warrants offered hereby are estimated to be \$136,424,636.60. (assuming that all Warrants are exercised and after payment of the fees and expenses of the Offering including all applicable Warrant Exercise Fees). Such proceeds will be invested by the Company in accordance with its investment objectives, strategy and restrictions. For further information on the anticipated use of proceeds, see “*The Company — Summary Description of the Company*”.

PLAN OF DISTRIBUTION

The Warrants and Units issuable upon the exercise thereof are being distributed in reliance on an exemption from the applicable dealer registration requirements. The Company will deliver a copy of the final short form prospectus, in accordance with applicable securities laws, to Shareholders of record on the Record Date. The Company will also deliver a copy of this final short form prospectus to holders of Warrants of record on a date that is not less than 10 Business Days and not more than 20 Business Days prior to the Expiry Date.

The Company has applied to list the Warrants distributed under this short form prospectus and the Class A Shares and the Preferred Shares issuable upon the exercise thereof on the TSX. Listing will be subject to the Company’s fulfilling all the listing requirements of the TSX.

Shareholders Outside of Canada

Each Shareholder whose recorded address is outside Canada will be advised by letter that the Shareholder’s Warrants will be held by the Shareholder’s CDS Participant for the account of such Shareholder, as set out below.

The Class A Shares and the Preferred Shares are not registered under the 1933 Act. The Offering is made in Canada and not outside of Canada. The Offering is not, and under no circumstances is to be construed as, an offering of any Class A Shares or Preferred Shares for sale in the United States or an offering to or for the account or benefit of any U.S. person or a solicitation therein of any offer of shares. Accordingly, neither a subscription for Units pursuant to the Basic Subscription Privilege nor an application for Additional Units pursuant to the Additional Subscription Privilege will be accepted from any person, or his agent, who appears to be, or who the Company has reason to believe is, a national or resident of the United States.

Each CDS Participant for a Shareholder resident outside of Canada will, prior to the Expiry Date, attempt to sell the Warrants allotable to such Shareholder at the price or prices it determines in its discretion. Neither the Company nor any CDS Participant will be subject to any liability for the failure to sell any Warrants for such a Shareholder or as a result of the sale of any Warrants at a particular price on a particular day. Any proceeds received by the CDS Participant with respect to the sale of Warrants, net of brokerage fees and costs incurred and, if applicable, of Canadian tax required to be withheld, will be delivered by mailing cheques (in Canadian funds and without payment of any interest) as soon as practicable to such Shareholder whose Warrants were sold, at the Shareholder's last recorded address. Amounts of less than \$1.00 will not be forwarded. There is a risk that the proceeds received from the sale of Warrants will not exceed the brokerage fees and costs of or incurred by the CDS Participant in connection with the sale of such Warrants and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

Warrantheolders who are Shareholders resident outside of Canada are cautioned that the acquisition and disposition of Warrants, Class A Shares and Preferred Shares may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager and the Investment Manager receive the fees described under "*Fees and Expenses*" for their services to the Company and will be reimbursed by the Company for all expenses incurred in connection with their roles in the operation and administration of the Company.

RISK FACTORS

Certain risk factors relating to the Company, the Warrants, the Class A Shares and the Preferred Shares are described below. In addition to the risks described in this short form prospectus, the Annual Information Form contains a detailed discussion of risks and other considerations relating to an investment in the Company of which investors should be aware.

Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Company. If any such risk actually occurs, the business, financial condition, liquidity or results of the operations of the Company and the ability of the Company to make distributions on the Class A Shares and the Preferred Shares could be materially adversely affected.

Dilution to Existing Shareholders

The value of a Unit will be reduced if the NAV per Unit exceeds \$15.40 and one or more Warrants is exercised. If a Shareholder does not exercise Warrants in such circumstances, such Shareholder's pro rata interest in the assets of the Company will be diluted. To maintain the Shareholder's pro rata interest in the assets of the Company, the Shareholder will be required to pay in connection with the exercise of a

Warrant an additional amount equal to the Subscription Price. While a Shareholder may sell the Shareholder's Warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution.

No Public Market for Warrants

The Company has applied to list the Warrants distributed under this short form prospectus on the TSX. Listing will be subject to the Company's fulfilling all the listing requirements of the TSX. There is currently no public market for the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of the Company or the Company's investments, or that such tax rules will not be administered in a way that is less advantageous to the Company or its securityholders.

The Province of Ontario has recently announced that it plans to harmonize its existing provincial sales tax with the federal goods and services tax ("GST") effective July 1, 2010. If this tax proposal is implemented as announced, investment funds that are subject to the new Ontario harmonized sales tax may be required to pay a harmonized sales tax of 13% on fees such as management fees, rather than the currently imposed 5% GST, which may increase the costs borne by the Company.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, the following is a general summary of the principal Canadian federal income tax considerations arising for certain Class A Shareholders in respect of the receipt of Warrants under the Offering. This summary is only applicable to Class A Shareholders who, for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), are resident in Canada, deal at arm's length with, and are not affiliated with, the Company, hold their Class A Shares, and will hold the Warrants, and the Class A Shares and Preferred Shares issued pursuant to the exercise of the Warrants, as capital property and have not elected to compute their Canadian tax results in a currency other than Canadian dollars. This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") made publicly available prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), but does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, or the CRA's administrative policies or assessing practices. No assurances can be given that the Proposed Amendments will be enacted as proposed or at all.

This summary does not apply to a Class A Shareholder that is a "financial institution" as defined in section 142.2 of the Tax Act or a "specified financial institution" as defined for purposes of the Tax Act, nor does it apply to a taxpayer an interest in which is a tax shelter investment for the purposes of the Tax Act.

This summary is of a general nature only and does not take into account or consider the tax laws of any province or territory or of any jurisdiction outside Canada. This is a general summary of the principal Canadian federal income tax considerations arising for certain holders in respect of the receipt of Warrants under the Offering. Class A Shareholders should consult the Company's

annual information form dated February 23, 2009, for a summary of the principal Canadian federal income tax considerations relating to the Class A Shares and Preferred Shares. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Class A Shareholder, and no representations concerning the tax consequences to any particular shareholder are made. Class A Shareholders should consult their own tax advisers regarding the income tax considerations applicable to them having regard to their particular circumstances.

Receipt of Warrants

No amount will be required to be included in computing the income of a Class A Shareholder as a consequence of acquiring Warrants under the Offering. The cost of a Warrant received under the Offering will be nil. The cost of a Warrant acquired by a Class A Shareholder will be averaged with the adjusted cost base to the Class A Shareholder of any other Warrants held at that time as capital property to determine the adjusted cost base of each such Warrant to the Class A Shareholder.

Exercise of Warrants

The exercise of Warrants will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Warrants. For its purposes, the Company intends to issue each Class A Share for \$5.65 and each Preferred Share for \$10.00. Although the Company believes that such allocation of the aggregate Subscription Price per Unit is reasonable, such allocation is not binding on the CRA. A Class A Share or Preferred Share acquired by a Class A Shareholder upon the exercise of Warrants will each have a cost to the Class A Shareholder equal to the aggregate of the portion of the Subscription Price allocated to such Class A Share or Preferred Share, as the case may be, and the portion of the adjusted cost base, if any, to the Class A Shareholder of such Warrants that has been allocated to the Class A Share or Preferred Share, as the case may be. Such allocation of cost must be made on a reasonable basis. The cost of a Class A Share or a Preferred Share acquired by a Class A Shareholder upon the exercise of Warrants will be averaged with the adjusted cost base to the Class A Shareholder of all other Class A Shares or Preferred Shares, as the case may be, held at that time as capital property to determine the adjusted cost base of each such Class A Share or Preferred Share to the Class A Shareholder.

Disposition of Warrants

Upon the disposition of a Warrant by a Class A Shareholder, other than pursuant to the exercise thereof, the Class A Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Class A Shareholder. One half of a capital gain (a "taxable capital gain") will be included in the Class A Shareholder's income, and one half of a capital loss may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard. Capital gains realized by a Class A Shareholder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

Expiry of Warrants

Upon the expiry of an unexercised Warrant on the Expiry Date, a Class A Shareholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Class A Shareholder.

REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT

Computershare Investor Services Inc. provides the Company with registrar, transfer and distribution agency services in respect of the Class A Shares and the Preferred Shares from its principal offices in

Toronto, Ontario. Under the Warrant Indenture, the warrant agent and the registrar and transfer agent for the Warrants is Computershare at its principal office in Toronto, Ontario.

AUDITORS

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, Toronto, Ontario.

INTERESTS OF EXPERTS

The matters referred to under “*Canadian Federal Income Tax Considerations*” and certain other legal matters relating to the Offering and the Warrants and the Class A Shares and the Preferred Shares issuable upon the exercise of the Warrants to be distributed pursuant to this short form prospectus will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Company. As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than one percent of the outstanding Class A Shares and less than one percent of the outstanding Preferred Shares of the Company.

The Company’s auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors’ report dated February 12, 2009 in respect of the Company’s financial statements as at November 30, 2008 and November 30, 2007 and for each of the years ended November 30, 2008 and November 30, 2007. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus (the prospectus) of Canadian Life Companies Split Corp. (the Company) dated January 4, 2010, relating to the issue of Warrants to subscribe for Units of the Company (each Unit consisting of one Class A Share and one Preferred Share of the Company). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the prospectus, of our report to the shareholders of the Company on the statement of portfolio investments as at November 30, 2008, the statements of financial position as at November 30, 2008 and 2007 and the statements of operations and retained earnings (deficit) and changes in shareholders' equity and of cash flow for the years then ended. Our report is dated February 12, 2009.

Toronto, Ontario
January 4, 2010

(signed) PricewaterhouseCoopers LLP
Chartered Accountants
Licensed Public Accountants

CERTIFICATE OF THE COMPANY AND THE MANAGER

Dated: January 4, 2010

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

**CANADIAN LIFE COMPANIES SPLIT
CORP.**

(Signed) WAYNE FINCH
President and Chief Executive
Officer

(Signed) PETER
CRUICKSHANK
Chief Financial Officer

On behalf of the Board of Directors

(Signed) LAURA L.
JOHNSON
Director

(Signed) WILLIAM C.
THORNHILL
Director

QUADRAVEST INC.
(as manager of Canadian Life Companies
Split Corp.)

(Signed) WAYNE FINCH
President and Chief Executive Officer