NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

Special Meeting to be held at 10:30 a.m. on Wednesday, February 3, 2010
At the offices of Blake, Cassels & Graydon LLP
199 Bay Street, 23rd Floor
Commerce Court West
Toronto, Ontario

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT a special meeting of the holders (the "Shareholders") of the Priority Equity Shares and the Class A Shares (the "Shares") of M Split Corp. (the "Company") will be held at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, 23rd Floor, Toronto, Ontario, on Wednesday, February 3, 2010 at 10:30 a.m. (Eastern time) for the following purposes:

(a) to consider and, if thought desirable, approve a special resolution to reorganize the share capital of the Company, as described in the Management Information Circular dated December 23, 2009 (the "Circular") accompanying this Notice of Meeting; and

(b) to transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof (the "Meeting").

Holders of Shares of each class will be entitled to vote separately as a class on the special resolution referred to above. The specific details of the capital reorganization, and the text of the special resolution in substantially the form in which it will be put to Shareholders at the Meeting, are set forth in the Circular.

All Shareholders are invited to attend the Meeting, but beneficial Shareholders will not be recognized at the Meeting for purposes of voting their Shares in person or by way of proxy unless they comply with certain procedures. If you are a beneficial Shareholder and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so. Shareholders that are unable to attend have the right to appoint a person other than the person specified in the form of proxy to attend and act on such Shareholder's behalf at the Meeting. Such right may be exercised by inserting the name of the person to be appointed in the space provided, or by completing another proper form of proxy. A person appointed as a proxyholder need not be a Shareholder of the Company.

The Shares were issued in "book-entry only" form; therefore CDS & Co., the nominee of CDS Clearing and Depository Services Inc., is the only registered holder of the Shares. Accordingly, all non-registered Shareholders who receive these materials through their broker or other intermediary and wish to vote on the special resolution must complete and send the form of proxy in accordance with the instructions provided by their broker or other intermediary. To be effective, a proxy must be received by the Proxy Department of Computershare Investor Services Inc. or by the Chairman of the Meeting not later than February 1, 2010 at 10:30 a.m. (Eastern time), or such later time, prior to the commencement of the Meeting, as the Company may accept, or in the case of any adjournment of the Meeting, not less than 48 hours (Saturdays, Sundays and holidays excepted) prior to the time of the adjourned Meeting.

DATED at Toronto, Ontario this 23rd day of December, 2009

M SPLIT CORP.

MANAGEMENT INFORMATION CIRCULAR FOR THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON FEBRUARY 3, 2010

This management information circular (the "Circular") is furnished in connection with the solicitation by the Board of Directors of M Split Corp. (the "Company") of proxies to be used at the special meeting of the holders (the "Shareholders") of the Priority Equity Shares and the Class A Shares (collectively, the "Shares") of the Company to be held on Wednesday, February 3, 2010 at 10:30 a.m. (Eastern time), or at any adjournment thereof (the "Meeting").

Shareholders are being asked at the Meeting to consider and, if thought advisable, to approve a special resolution to reorganize the capital of the Company.

VOTING RIGHTS, RECORD DATE, QUORUM AND PROXY INFORMATION

To be used at the Meeting, a proxy must be deposited with Computershare Investor Services Inc. ("Computershare") at 100 University Avenue, Toronto, Ontario M5J 2Y1 (or, if by facsimile, sent to: 416-263-9524 or 1-866-249-7775) or with the Chairman of the Meeting at any time up to 10:30 a.m. (Eastern time) on February 1, 2010 or such later time, prior to the commencement of the Meeting, as the Company may accept or, in the case of any adjourned Meeting, not less than 48 hours (Saturdays, Sundays and holidays excepted) prior to the time of the commencement of the adjourned Meeting.

Only holders of record of Priority Equity Shares or Class A Shares at the close of business on December 14, 2009 will be entitled to vote their Shares in respect of the matters to be voted at the Meeting. With respect to each matter properly brought before the Meeting, a Shareholder shall be entitled to one vote for each Share registered in the name of such Shareholder. Holders of Priority Equity Shares and Class A Shares will be entitled to vote separately as a class on the special resolution regarding the capital reorganization of the Company; and, to be effective, such resolution must be approved by not less than 66 2/3% of the votes cast by the holders of each such class at the Meeting.

Pursuant to the articles of incorporation of the Company, as amended (the "Articles"), a quorum at the Meeting will consist of two or more Shareholders present in person or represented by proxy holding not less than 10% of the outstanding Class A Shares or Priority Shares, as applicable. If the quorum requirement is not satisfied within one-half hour of the scheduled time

form. By completing and returning the enclosed proxy form, you can participate in the Meeting through the person or persons named on the form.

Discretionary Authority of Proxies

The proxy form confers discretionary authority upon the management appointees named therein with respect to such matters, including without limitation such amendment or variation to the special resolution, as, though not specifically set forth in the Notice of Special Meeting of Shareholders, may properly come before the Meeting. The Company does not know of any such matter which may be presented for consideration at the Meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the management appointees named in the proxy form.

On any ballot that may be called for at the Meeting, all Shares of the Company in respect of which the management appointees named in the accompanying proxy form have been appointed to act will be voted in accordance with the specification of the Shareholder signing the proxy form. If no such specification is made, then the Shares will be voted in favour of the matter identified in the Notice of Special Meeting of Shareholders.

Alternate Proxy

A Shareholder has the right to appoint a person other than the management appointees designated on the accompanying proxy form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy forms which appoint persons other than the management appointees whose names are printed on the form should be submitted to Computershare and the person so appointed should be notified. A person acting as proxy need not be a Shareholder.

On any ballot that may be called for at the Meeting, all Shares in respect of which the person named in a proxy form has been appointed to act shall be voted in accordance with the specification of the Shareholder signing such proxy form. If no such specification is made, then the Shares may be voted in accordance with the best judgment of the person named in the proxy form. Furthermore, the person named in the proxy form will have discretionary authority with respect to any other matters that may properly come before the Meeting and will be voted on such amendments and other matters in accordance with the best judgment of the person named in such proxy form.

Revocation of Proxies

A Shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the Shareholder or by the Shareholder's attorney, who is authorized in writing

Solicitation of Proxies and Meeting Costs

The costs of sending the Notice of Special Meeting of Shareholders and soliciting proxies for the Meeting, as well as the other costs of the Meeting, will be paid for by the Company. Solicitation of proxies will be by mail and may be supplemented by telephone or other personal contact by officers or employees of Quadravest Inc., the manager of the Company (the "Manager"). The Company will, as required by law, also reimburse brokers, custodians, nominees and fiduciaries for their proper charges and expenses incurred in forwarding this Circular and related materials to beneficial owners of Shares.

The Company will also pay dealers whose clients hold Shares of the Company a fee of $0.05 in respect of each Priority Equity Share and $0.03 in respect of each Class A Share voted in favour of the proposed capital reorganization (subject to a maximum payment of $1,500 in respect of Shares held by any one beneficial holder), such payments to be due and owing only if the capital reorganization is approved and implemented.

Advice to Beneficial Holders

The information set forth in this section is of significant importance to beneficial holders of Priority Equity Shares and Class A Shares of the Company, as the Shares are held in the name of CDS & Co., the nominee of CDS Clearing and Depository Services Inc. ("CDS"), and not in the name of the beneficial holders of the Shares. The Company utilizes the "book-entry only" system of registration and thus Shareholders do not hold their Shares in their own name (such Shareholders being "Beneficial Shareholders"). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Company as the registered holders of Shares can be recognized and acted upon at the Meeting. Shares held by brokers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, CDS & Co. and brokers/nominees are prohibited from voting Shares for their client(s). The Company does not know for whose benefit Shares registered in the name of CDS & Co. are held. Therefore, Beneficial Shareholders cannot be recognized at the Meeting for purposes of voting their Shares in person or by way of proxy unless they comply with the procedure designated below.

Applicable securities laws or policies require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to that provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholders. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge

If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so.

Forward Looking Information

Certain statements included in this Circular constitute forward-looking statements. The forward-looking statements are not historical facts but reflect the Company's or the Manager's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the future net asset value of the Company or the ability of the Company to pay dividends. Although the Company and the Manager believe that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Neither the Company nor the Manager undertakes any obligation to update publicly or otherwise revise any forward-looking statement or information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

DESCRIPTION OF M SPLIT CORP.

The Company is a mutual fund corporation incorporated under the laws of Ontario by articles of incorporation dated February 12, 2007, as amended April 12, 2007. The Manager acts as the manager of the Company and Quadravest Capital Management Inc. ("Quadravest") is the portfolio adviser of the Company. The principal office address of the Company is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7.

The Company is authorized to issue an unlimited number of Priority Equity Shares, an unlimited number of Class A Shares and 1,000 Class B Shares. The Priority Equity Shares and the Class A Shares are issued only on the basis that an equal number of Priority Equity Shares and Class A Shares (together, a "Unit") will be issued and outstanding at all times. On April 18, 2007 and May 3, 2007, the Company completed its initial public offering of 4,820,000 Priority Equity Shares and 4,820,000 Class A Shares pursuant to a prospectus dated March 28, 2007 (the "Prospectus"). The Priority Equity Shares and the Class A Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbols XMF.PR.A and XMF, respectively. As at the date of this Circular, there are issued and outstanding 1,000 Class B Shares, 3,188,402 Priority Equity Shares and 3,188,402 Class A Shares.

The attributes of the Priority Equity Shares and Class A Shares are described under "*Description of the Shares of the Company"* in the current Annual Information Form of the Company dated February 23, 2009 in respect of the fiscal year of the Company ended November

investment, while the Class A Shares were intended to provide holders with leveraged exposure to MFC including exposure to increases or decreases in the value of the common shares of MFC and the benefit of increases, if any, in the dividends paid by MFC on its common shares.

Investment Objectives

The Company's investment objectives with respect to the Priority Equity Shares are (a) to provide holders of the Priority Equity Shares with fixed cumulative preferential monthly cash dividends in the amount of $0.04375 per Priority Equity Share to yield 5.25% per annum on the original issue price of the Priority Equity Shares; and (b) on or about December 1, 2014, or such other date as the Company may be terminated (the "Termination Date"), to pay the holders of the Priority Equity Shares the original issue price of the Priority Equity Shares (the "Priority Equity Share Repayment Amount").

The Company's investment objectives with respect to the Class A Shares are (a) to provide holders of Class A Shares with regular monthly cash dividends targeted to be $0.05 per Class A Share to yield 6.0% per annum on the original issue price of the Class A Shares; and (b) on or about the Termination Date, to pay the holders of Class A Shares at least the original issue price of the Class A Shares. Holders of the Class A Shares will also be entitled to receive, on at the time of the final redemption of such shares on the Termination Date, the balance, if any, of the value of the Company remaining after returning the original issue price to the holders of each class of shares of the Company. No regular monthly dividends or other distributions will be paid on the Class A Shares in any month as long as any dividends on the Priority Equity Shares are then in arrears or so long as the net asset value per Unit is equal to or less than $12.50.

The Company invests in common shares of MFC. To supplement the dividends earned on those common shares and to reduce risk, the Company from time to time writes covered call options in respect of all or a part of the common shares of MFC that it holds. The number of such common shares that are the subject of call options and the terms of such options will vary from time to time as determined by Quadravest. In addition, 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 common shares of MFC that it holds.

Priority Equity Portfolio Protection Plan

The Company has adopted a strategy (the "Priority Equity Portfolio Protection Plan") intended to provide that the Priority Equity Share Repayment Amount will be paid in full to holders of the Priority Equity Shares on the Termination Date. The Priority Equity Portfolio Protection Plan provides that if the net asset value of the Company declines below a specified level, Quadravest will liquidate a portion of the common shares of MFC held by the Company and

of the Priority Equity Portfolio Protection Plan Securities held by the Company, must be at least 125% of (ii) the Priority Equity Share Repayment Amount, less the amount anticipated to be received by the Company in respect of its Priority Equity Portfolio Protection Plan Securities on the Termination Date. The Company may unwind the Priority Equity Portfolio Protection Plan by selling Priority Equity Portfolio Protection Plan Securities and using the net proceeds from such sale to purchase additional common shares of MFC if, and then only to the extent, the value of the Priority Equity Portfolio Protection Plan Securities exceeds the Required Amount.

Management

For a description of the Manager and Quadravest, see "*Management of the Company*" in the AIF.

MATTERS TO BE VOTED ON AT THE MEETING

The Meeting is being held for the purpose of considering a capital reorganization of the Company.

Company Status

Since the Company commenced investment operations on April 18, 2007, the price of the common shares of MFC declined from $41.08 to a low of $9.02 on March 6, 2009. The sharp decline in the value of MFC's common shares (a decline of approximately 78%) resulted in the Company's net asset value being reduced significantly, and required the Company to implement the Priority Equity Portfolio Protection Plan in accordance with its terms. The Company first implemented the Priority Equity Portfolio Protection Plan in October 2008, and it has been maintained ever since that time.

The objective of the Priority Equity Portfolio Protection Plan was to provide that the holders of the Priority Equity Shares would receive $10.00 per Share on the Termination Date. Almost all of the common shares of MFC previously held in the portfolio of the Company have been liquidated and the proceeds then used to purchase Priority Equity Portfolio Protection Plan Securities with maturity dates in 2014. The Priority Equity Portfolio Protection Plan Securities purchased were Canadian provincial government backed strip coupons.

As at December 15, 2009, the Company had approximately 99% of its net assets in these fixed income securities (plus cash) and only the remaining 1% was in common shares of MFC. The net asset value per Unit was $8.41 as at December 15, 2009.

Implementing the Priority Equity Portfolio Protection Plan, as it had indicated it would do in the Prospectus, thus caused the Company to almost eliminate its exposure to the common shares of MFC, which in turn has had the effect of materially limiting the impact future price

Implementing the Priority Equity Portfolio Protection Plan has also eliminated the ability of the Company to generate income from dividends and the writing of covered call options, and this has made it impossible for the Company to meet its dividend and distribution objectives to Shareholders. While regular monthly dividends were paid to holders of the Class A Shares during the first 11 months of the Company's fiscal year ended November 30, 2008, dividends were suspended in November 2008 and no dividends were paid on the Class A Shares during the Company's fiscal year ended November 30, 2009. On February 18, 2009, the payment of dividends on the Priority Equity Shares was suspended, and no dividend payments have been made on the Priority Equity Shares since that date. Such dividends are cumulative, and to date the amount of the Priority Equity Share dividends in arrears is $0.4375 per Priority Equity Share (the "Cumulative Dividend Arrears").

February 2009 Special Meeting of Shareholders

As a result of the difficulties facing the Company, in November and December 2008 the Manager and the Company reviewed options to maximize Shareholder value, and called a special meeting of Shareholders for February 5, 2009. The purpose of this special meeting was to consider a capital reorganization of the Company, which offered Shareholders an alternative investment option from their current holdings. Shareholders would have had the ability to maintain the current investment characteristics of their existing shares (a status quo option) or to choose to have their existing Priority Equity Shares and/or Class A Shares reorganized into new classes of shares that were intended to provide greater distribution and capital growth potential. The results of the voting at such special meeting were as follows: Priority Equity Shares voted in favour, 777,223 (65.70%); Priority Equity Shares voted against, 405,851 (34.3%); Class A Shares Voted in favour, 663,706 (81.01%); and Class A Shares voted against, 155,600 (18.99%).

In order for these changes to be approved, the special resolution to approve the capital reorganization was required to be passed by at least two-thirds of the votes cast at this meeting by each class of Shareholders. Accordingly, as the special resolution was not carried by two-thirds of the votes cast by holders of the Priority Equity Shares of the Company as required, the special resolution did not pass at the meeting, and the proposed capital reorganization was not implemented.

Although the special resolution did not achieve the necessary level of support, measured by number of Shares voted, it did receive substantial support from Shareholders, as the Manager estimates that over 90% of the number of Class A Shareholders voting, and over 85% of the number of Priority Equity Shareholders voting, supported the proposed capital reorganization.

Current Outlook for the Company

As a consequence of the current composition of the portfolio as mentioned above, the

commercial forward agreements because they are more cost effective, pay a higher effective compound interest rate and do not involve any exposure to non-government counterparty risk.

The original investment objectives developed for the Company were based on the assumptions that dividends received would be from a fully invested position in common shares of MFC and that there would be an active covered call writing program which would supplement those dividends in order to achieve the distribution objectives for both classes of Shares. As mentioned above, the Company has had to dramatically reduce its exposure to MFC's common shares. This "active" component of the portfolio is now only 1% of the net assets of the Company compared to an almost 100% fully invested position at the inception of the Company.

Therefore, in order to restore the ability of the Company to achieve meaningful levels of future dividend payments and to potentially grow the net asset value per Unit should the share price of the common shares of MFC increase during the remaining term of the Company, and having regard to the substantial support enjoyed by the reorganization proposal put forward by the Company earlier this year, the Manager has presented to the Board of Directors of the Company a further proposal for the capital reorganization of the Company which it believes offers potentially much greater Shareholder value for both classes of Shares, especially in the event of a further recovery in the price of MFC's common shares. If this proposal is rejected, it is not intended that any further proposals to reorganize the Company be put to Shareholders prior to its termination.

The following are the details of this capital reorganization which is being brought before the Shareholders at the Meeting for their consideration and approval.

Creation of New Capital Structure

Summary of the Proposal

If the special resolution is approved by Shareholders at the meeting, the Company would create three new classes of shares designated as the Preferred Shares, Class I (the "Class I Preferred Shares"), the Preferred Shares, Class II (the "Class II Preferred Shares") and the Capital Shares, such shares having attached thereto the rights, privileges, restrictions and conditions described below. The Company would also create two series of warrants (the "Warrants") to acquire one Class I Preferred Share, one Class II Preferred Share and one Capital Share, as more particularly described below. A "Unit" would consist of one Class I Preferred Share, one Class II Preferred Share and one Capital Share.

The Company would not have a Priority Equity Portfolio Protection Plan associated with it, but would rather hold only common shares of MFC, to provide full exposure to any potential recovery in the value of an investment in MFC. The amount of the Cumulative Dividend Arrears

4% to 3% and this reduced fee would be paid to Quadravest and not retained by the Company. These measures are intended to lower ongoing expenses of the Fund and improve trading prices relative to the net asset value for the Fund.

The Company would be terminated if the Class I Preferred Shares, Class II Preferred Shares or Capital Shares are delisted by the TSX or if notice of an impending delisting is received from the TSX, or if the net asset value of the Company declines to less than $5,000,000, a level the Manager views as constituting the Company uneconomic to maintain. This would protect investors from retaining an investment the assets of which were insufficient from a cost and efficiency standpoint for it to continue as an effective investment option. On such a termination, each holder would receive its pro rata share of the net asset value of the Company at the date of termination, plus (in the case of the Class I Preferred Shares and the Class II Preferred Shares) any arrears of dividends. The pro rata share of the net asset value of the Company payable to a holder of any Class of Shares would be equal to a fraction, the numerator of which is the volume weighted average trading price (the "VWAP") of the Shares of that class on the TSX calculated over the 20 trading days ending immediately prior to the announcement by the Manager of the termination of this Fund and the denominator of which is the aggregate VWAP of all three classes of Shares on the TSX calculated over the 20 trading days ending immediately prior to the announcement by the Manager of the termination of the Company.

Alternatives Considered

At the February 2009 special meeting of Shareholders, a capital reorganization was proposed that would, in effect, have created two separate investment funds within the Company, one with classes of shares designed to replicate the investment characteristics of the current Priority Equity Shares and Class A Shares, and one with classes of shares similar to the shares now proposed to be issued on the current reorganization.

The Manager has concluded that it is not possible to again create two funds within the Company and offer Shareholders a choice, due to the size of the Company, and the need both to meet TSX listing requirements and to have sufficient assets in each fund for each to operate on a cost effective basis. Subsequent to the February 2009 special meeting, the Company suffered significant redemptions, mostly pursuant to the concurrent annual retraction right arising in October of each year. As at November 30, 2009, a cumulative total of 1,631,598 Priority Equity Shares and 1,631,598 Class A Shares have been retracted, representing approximately 33.8% of the outstanding Shares of each class. As at December 15, 2009, the net assets of the Company were $26.8 million. These retractions, taken together with the likelihood of further retractions pursuant to the exercise of the monthly retraction rights or the exercise of the annual concurrent retraction right in future years, could severely diminish the net asset value of the Company, and thus the division of the assets of the Company into two separate funds was considered uneconomic and would make it difficult for each such fund to meet the listing requirements of

What Shareholders Would Receive under the Proposal

Holders of the existing Priority Equity Shares would receive the following securities for each Priority Equity share held:

One $5.00 Class I Preferred Share – paying fixed cumulative preferential monthly dividends to yield 7.50% per annum on the $5.00 nominal issue price and having a repayment objective on the Termination Date of $5.00;

One $5.00 Class II Preferred Share – paying distributions to yield 7.50% per annum on the $5.00 notional issue price if and when the net asset value per Unit exceeds $12.50 and having a repayment objective on the Termination Date of $5.00;

One 2011 Warrant – each 2011 Warrant can be exercised to purchase one Unit (consisting of one Class I Preferred Share, one Class II Preferred Share and one Capital Share) for an exercise price of $10.00 at specified times until February 28, 2011; and

One 2012 Warrant – each 2012 Warrant can be exercised to purchase one Unit for an exercise price of $12.50 at specified times until February 28, 2012.

Holders of the existing Class A Shares would receive the following security for each Class A Share held:

One Capital Share – Capital Shares would continue to participate in any net asset value growth over $10.00 per Unit and dividends would be reinstated only if and when the net asset value per Unit exceeds $15.00. The dividend rate on the Capital Shares would be set by the Board of Directors at its discretion based on market conditions. The increased exposure to the common shares of MFC would offer much greater capital appreciation potential, especially if the value of such common shares were to increase over the remaining life of the Company. No dividend payments would be made on Capital shares unless all dividends on Class I Preferred Shares of Class II Preferred Shares have been declared and paid.

Attributes of the Shares

The Class I Preferred Shares would have a notional issue price of $5.00 per share. The Company's investment objectives with respect to the Class I Preferred Shares would be to provide holders of the Class I Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of $0.03125 per Preferred Share to yield 7.50% per annum on the notional issue price; and on the Termination Date to pay the sum of $5.00 per share to the holders of the Class I Preferred Shares.

The Class II Preferred Shares would also have a notional issue price of $5.00 per share. The Company's investment objectives with respect to the Class II Preferred Shares would be to

The Capital Shares would have a notional issue price of $10.00 per share. The Company's investment objectives with respect to the Capital Shares would be (a) to provide holders of Capital Shares with such cash dividends as the board of directors of the Company would declare from time to time in its discretion; and (b) on or about the Termination Date, to pay the holders of Capital Shares any amounts remaining after paying to the holders of the Class I Preferred Shares and the Class II Preferred Shares the amounts owing to such holders. No dividends or other distributions would be paid on the Capital Shares in any month as long as any dividends on the Class I Preferred Shares or (if payable) on the Class II Preferred Shares were then in arrears, and the policy of the Board of Directors would be not to pay any such dividends or other distributions so long as the net asset value per Unit is equal to or less than $15.00.

The retraction rights associated with the Class I Preferred Shares and the Class II Preferred Shares, on the one hand, and with the Capital Shares, on the other hand, would be substantially the same as the corresponding rights currently associated with the existing Priority Equity Shares or Class A Shares, respectively. The holders of the Class I Preferred Shares, Class II Preferred Shares or Capital Shares would be permitted to surrender such shares at any time to Computershare for retraction, but like the existing Priority Equity Shares and Class A Shares, such shares will be retracted only as of the last business day of each month (a "Retraction Date"). Class I Preferred Shares, Class II Preferred Shares or Capital Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date would be retracted and the holder would receive payment on or before the 15th business day following such Retraction Date (the "Retraction Payment Date"). If a holder of Class I Preferred Shares, Class II Preferred Shares or Capital Shares makes such surrender after 5:00 p.m. (Eastern time) on the 20th business day immediately preceding a Retraction Date, the Class I Preferred Shares, Class II Preferred Shares or Capital Shares, as the case may be, would be retracted on the Retraction Date in the following month and the holder would receive payment for the retracted shares as of the Retraction Payment Date in respect of the Retraction Date in the following month.

Holders of Class I Preferred Shares or Class II Preferred Shares whose shares are surrendered for retraction would be entitled to receive a price per share (the "Class I Preferred Shares Retraction Price" or the "Class II Preferred Share Retraction Price", as the case may be) equal to the lesser of (i) $5.00; and (ii) 97% of the net asset value per Unit determined as of the Retraction Date less the cost to the Company of the purchase of a Class II Preferred Share and a Capital Share (in the case of the retraction of a Class I Preferred Share) or a Class I Preferred Share and a Capital Share (in the case of the retraction of a Class II Preferred Share) in the market for cancellation. For this purpose, the cost of the purchase of a Class I Preferred Share, a Class II Preferred Share or a Capital Share, as applicable, will include the purchase price of the Class I Preferred Share or the Class II Preferred Share, as applicable, and the Capital Share, and commissions and costs, if any, related to the liquidation of any portion of the common shares of MFC to fund the purchase of the Class I Preferred Share or the Class II Preferred Share, as the case may be, and the Capital Share (to a maximum of 1% of the net asset value per Unit). The

the cost of the purchase of a Class I Preferred Share and a Class II Preferred Share would include the purchase price of the Class I Preferred Share and the Class II Preferred Share and commissions and costs, if any, related to the liquidation of any portion of the common shares of MFC to fund the purchase of the Class I Preferred Share and the Class II Preferred Share (to a maximum of 1% of the net asset value per Unit). The discount of 3% of the net asset value per Unit not paid to Shareholders would also be paid to the Manager.

Shareholders would also continue to have an annual retraction right under which they would be permitted to concurrently retract an equal number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares on the October Retraction Date in each year. The price paid by the Company for such a concurrent retraction would be equal to the net asset value per Unit calculated as of such date.

If at any time while any 2011 Warrants are outstanding the net asset value per Unit is in excess of $10.00, or while any 2012 Warrants are outstanding the net asset value per Unit is in excess of $12.50, a diluted net asset value per Unit will be calculated in addition to the basic net asset value per Unit, and any payment of retraction proceeds will be based on the diluted net asset value per Unit. The diluted net asset value per Unit of the Fund at any such time shall be calculated by dividing (a) the net asset value at that time plus the product of the number of 2011 Warrants then outstanding and $10.00 plus (if the net asset value per Unit exceeds $12.50) the product of the number of 2012 Warrant then outstanding and $12.50, by (b) the number of Units then outstanding plus the number of Units to be issued on the exercise of all 2011 Warrants then outstanding plus (if the net asset value per Unit exceeds $12.50), the number of Units to be issued on the exercise of all 2012 Warrants then outstanding. The diluted net asset value per Unit shall be deemed to be the resulting quotient. If the Company were to issue additional warrants in the future, it would similarly calculate a diluted net asset value at any time when such warrants were "in the money".

The Class I Preferred Shares of the Fund will rank in priority to the Class II Preferred Shares and the Capital Shares with respect to the payment of dividends and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. The Class I Preferred Shares will not be rated by any rating organization. The Class II Preferred Shares of the Company will rank subordinate to the Class I Preferred Shares and in priority to the Capital Shares with respect to the payment of dividends and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. The Class II Preferred Shares will not be rated by any rating organization. The Capital Shares of the Company will rank subordinate to the Class I Preferred Shares and the Class II Preferred Shares with respect to the payment of dividends and the repayment of capital on the dissolution, liquidation or winding-up of the Fund.

On the Conversion Date, the Company will cause certificates for the Class I Preferred Shares, Class II Preferred Shares and Capital Shares to be delivered to or electronically deposited

accordance with the practices and procedures of a CDS Participant. CDS will be responsible for establishing and maintaining book-based accounts for CDS Participants with clients holding Class I Preferred Shares, Class II Preferred Shares and Capital Shares.

None of the Company, the Manager, Quadravest or the Transfer Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Class I Preferred Shares, Class II Preferred Shares and Capital Shares or the book-based accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Class I Preferred Shares, Class II Preferred Shares and Capital Shares, or (iii) 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 the Class I Preferred Shares, Class II Preferred Shares and Capital Shares 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.

Creation and Issuance of Warrants

The special resolution regarding the reorganization of the capital of the Company would authorize the Board of Directors of the Company to create two series of Warrants to purchase Units of the Fund, to be designated the 2011 Warrants and the 2012 Warrants. Each Shareholder holding Priority Equity Shares would be issued one 2011 Warrant and one 2012 Warrant for each Priority Equity Share held on the date the Priority Equity Shares are changed into Class I Preferred Shares and Class II Preferred Shares.

Each 2011 Warrant will entitle the holder thereof (the "Warrantholder") to acquire one Unit at a price of $10.00 (the "2011 Warrant Subscription Price") on May 31, 2010, August 31, 2010, November 30, 2010 and February 28, 2011 (the "2011 Warrant Exercise Dates"). **2011 Warrants may only be exercised on a 2011 Warrant Exercise Date, and a Warrantholder wishing to exercise 2011 Warrants on a 2011 Warrant Exercise Date must do so before 4:00 p.m. (Eastern time) on that date. Warrants not exercised by such time on the final 2011 Warrant Exercise Date of February 28, 2011 (the "2011 Warrant Expiry Date") will be void and of no value following the 2011 Warrant Expiry Date.**

Each 2012 Warrant will entitle the Warrantholder to acquire one Unit at a price of $12.50 (the "2012 Warrant Subscription Price") on each of the last business days in the months of February, May, August and November in each year, commencing with May 31, 2010 and ending February 28, 2012 (the "2012 Warrant Exercise Dates"). **2012 Warrants may only be exercised on a 2012 Warrant Exercise Date, and a Warrantholder wishing to exercise 2012 Warrants on a 2012 Warrant Exercise Date must do so before 4:00 p.m. (Eastern time) on that date. Warrants not exercised by such time on the final 2012 Warrant Exercise Date of February 28, 2012 (the "2012 Warrant Expiry Date") will be void and of no value following**

The interest of a holder of a Capital Share in the portfolio assets of the Company may be diluted as a result of the exercise of Warrants by the holders thereof, and the interests of a holder of a Class I Preferred Share or a Class II Preferred Share in such portfolio assets may be diluted as a result of the exercise of Warrants by others.

Computershare Trust Company of Canada (the "Warrant Agent") will be appointed the 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 pursuant to a warrant indenture (the "Warrant Indenture") to be entered into with the Company prior to the Conversion Date. The Company will pay for the services of the Warrant Agent.

On the Conversion Date, the Company will cause Warrant Certificates to be delivered to or electronically deposited to CDS via CDS' book-based system on an NCI basis and registered in the name of CDS or its nominee. Beneficial Shareholders holding Priority Equity Shares through a CDS Participant will not receive physical certificates evidencing ownership of Warrants except as required to process the exercise of the Warrants. The Company expects that such Beneficial Shareholders will receive a confirmation of the number of Warrants issued to them from their CDS Participant in accordance with the practices and procedures of a CDS Participant. CDS will be responsible for establishing and maintaining book-based accounts for CDS Participants with clients holding Warrants.

None of the Company, the Manager, Quadravest or the Warrant Agent will have any liability for (i) the records maintained by CDS or CDS Participants relating to the Warrants or the book-based accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Warrants, or (iii) 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.

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the relevant Company and the Warrant Agent, exercise Warrants on behalf of its accounts. A subscriber holding Warrants may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the CDS Participant holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding the applicable Warrant Subscription Price for each Unit subscribed for to the CDS Participant which holds the subscriber's Warrants. **Subscription for Units will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.**

Participant must deliver its payment and instructions sufficiently in advance of the expiry time on the applicable Warrant Exercise Date to allow the CDS Participant to properly exercise the Warrants on its behalf.

Warrantholders in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Warrantholders who wish to sell or transfer their Warrants must do so in the same manner in which they sell or transfer Shares of the Company; namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant.

Information for United States Warrantholders

The Warrants may only be exercised by a Warrantholder who represents at the time of exercise that the holder is not located in the United States, did not acquire Warrants while in the United States, is not a U.S. person as defined in Rule 902 of Regulation S under the United States Securities Act of 1933, as amended (a "U.S. Person"), and is not exercising the Warrants for the account or benefit of or for resale to a U.S. Person or a person resident in the United States. Payment of the Warrant Subscription Price will be deemed to constitute a representation to the Company and CDS Participant to this effect.

The Warrants will nevertheless be freely tradable under U.S. federal securities laws, except by Warrantholders who are "affiliates" of the Company. Persons who may be deemed to be "affiliates of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of an issuer as well as its principal shareholders.

This Circular contains no discussion of the United States tax consequences of the acquisition, holding or disposition of the Warrants or the Units (or the Shares of which the Units are comprised) issuable upon the exercise thereof. Warrantholders should be aware that the acquisition, holding and disposition of Warrants or the Units issuable upon the exercise thereof (or the Shares of which the Units are comprised) will have both Canadian and United States tax consequences for investors that are U.S. persons or residents within the meaning of applicable tax legislation. Consequently, such Warrantholders are advised to consult their own tax advisors regarding the application of these laws to their particular circumstances. Investors should be aware that the financial information incorporated by reference into this Circular has been prepared in accordance with Canadian generally accepted accounting principles, and thus may not be comparable to financial statements (or information derived from financial statements) of United States companies.

The Company is organized under the laws of the Province of Ontario, Canada and the entities responsible for its management (and their directors and officers) are also in Canada. Most if not all of the assets of the Company and such persons or companies are located outside

represent to the Company and such CDS Participant that the receipt, sale or transfer of Warrants by them and the issuance of Units (and the Shares of which the Units are comprised) to them, as applicable, will not be in violation of the laws of their jurisdiction of residence. By exercising a Warrant, a Warrantholder will be deemed to be confirming to the Company and CDS Participant that the Warrantholder was eligible to receive and exercise the Warrant.

Adjustments and Amendments

The Warrants will contain certain anti-dilution provisions. The subscription option in effect under the Warrants for Units issuable upon the exercise of the Warrants shall be subject to adjustment from time to time if, prior to the expiry time on the applicable Warrant Expiry Date, the Company shall (i) subdivide, redivide or change its outstanding Class I Preferred Shares, Class II Preferred Shares or Capital Shares into a greater number of shares; (ii) reduce, combine or consolidate its outstanding Class I Preferred Shares, Class II Preferred Shares or Capital Shares into a smaller number of shares; (iii) distribute to existing holders of Class I Preferred Shares, Class II Preferred Shares or Capital Shares any other securities of the Company including rights, options or warrants to acquire such shares or securities convertible into or exchangeable for such shares, or other property or assets, including evidence of indebtedness attributable to the holders of the Class I Preferred Shares, Class II Preferred Shares or Capital Shares; (iv) reclassify the Class I Preferred Shares, Class II Preferred Shares or Capital Shares or reorganize the capital of the Company; or (v) consolidate, amalgamate, or merge the Company with or into any other corporation or other entity, or sell or convey the property and assets of the Company as an entirety or substantially as an entirety (other than in connection with a redemption or retraction of Class I Preferred Shares, Class II Preferred Shares or Capital Shares).

In any such case, the Company shall make such adjustment, if any, as the Board of Directors of the Company shall consider appropriate to the applicable Warrant Subscription Price and the number and type of security into which the Warrants are exercisable. Any determination as to such adjustment shall be made by the Company, in its sole and absolute discretion, shall be subject to the prior approval of the TSX, and shall for all purposes be conclusive and binding on all Warrantholders.

The Warrant Indenture will provide that, from time to time, the Company and the Warrant Agent, without the consent of the Warrantholders, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that is necessary or advisable provided it is not prejudicial to the interests of Warrantholders. Any amendment or supplement to the Warrant Indenture that is prejudicial to the interests of the Warrantholders may only be made by extraordinary resolution (requiring the approval of not less than two-thirds of the Warrantholders voting on the resolution).

Special Retraction Right

Equity Share would receive the lesser of (i) 96% of the net asset value per Unit of the Company at the retraction date, and (ii) the VWAP of the Priority Equity Shares on the TSX for the 20 trading days ending immediately prior to the Meeting; while holders of Class A Shares would receive the lesser of (i) 4% of the net asset value per Unit of the Company and (ii) the VWAP of the Class A Shares on the TSX for the 20 trading days ending immediately prior to the Meeting. (For greater certainty, the net asset value of the Company for this purpose would not include the amount of the Cumulative Dividend Arrears.)

The special retraction right is, of course, in addition to the dissent rights which all Shareholders have under the *Business Corporations Act* (Ontario) (the "OBCA") and which are discussed under "*Dissent Rights*" below. The primary differences between the special retraction right and the dissent rights are that (i) Shareholders wishing to rely on the dissent rights must vote against the proposed reorganization, and the dissent rights will only be available if reorganization passes and is implemented despite their negative votes, whereas the special retraction right will be available to all Shareholders, whether they voted in favour or against the proposed reorganization or failed to cast a vote, so long as the reorganization is approved and implemented; and (ii) exercising the special retraction right will involve fewer procedures, take less time, and produce a more certain financial result, than exercising the dissent rights.

By voting for the capital reorganization and the resulting special retraction right, Shareholders would also be approving a share consolidation, whereby the outstanding Priority Equity Shares (if more Class A Shares are tendered for retraction under the special retraction right) or of the outstanding Class A Shares (if more Priority Equity Shares are tendered for retraction under the special retraction right) would be consolidated immediately following the retraction of Shares pursuant to the special retraction right, so that immediately thereafter there would be an equal number of Priority Equity Shares and Class A Shares outstanding.

INVESTMENT CONSIDERATIONS

The objective of proposed reorganization is to provide holders of both the Priority Equity Shares and the Class A Shares with improved distribution and capital appreciation potential by re-establishing higher levels of exposure to the common shares of MFC than is currently the case with the Company. The higher levels of exposure would result from the liquidation of the fixed income securities (and the elimination of the requirement to maintain the Priority Equity Portfolio Protection Plan) and a reinvestment in common shares of MFC. The increased exposure to such common shares would create higher dividend income and the potential for much higher levels of income through the covered call writing program. In addition, the increased exposure to such common shares would offer much greater capital growth potential for both classes of investors if the common shares of MFC increase in value over the remaining life of the Company.

Capital repayment objectives - As a result of the Priority Equity Portfolio Protection Plan, almost all of the portfolio has now been invested in fixed income securities in order to achieve the goal of returning $10.00 for each Priority Equity Share outstanding on December 1, 2014. As at December 15, 2009, the estimated future value of the cash and fixed income securities was approximately $10.14 per Priority Equity Share. Cumulative Dividend Arrears of an additional $0.4375 per Unit would also be available to meet this $10.00 repayment objective. The active portfolio, which consists of the common shares of MFC held in the Company, had a market value of $225,000 as at such date. This active portfolio will be required to fund the ongoing expenses of the Company for the next five years until maturity, and is not sufficient to pay these expenses for that entire period. Accordingly, the Company will need to use some or all of the Cumulative Dividend Arrears in order to meet this $10.00 repayment objective, but even if it does so there can be no assurances that the objective will be achieved, particularly if the Company experiences future retractions on the scale experienced to date.

In addition, changes in regulatory or other expense costs could further adversely impact the ability of the Company to meet its expenses out of the active portfolio and without requiring a liquidation of a portion of the fixed income securities in the Priority Equity Portfolio Protection Plan. Any such liquidation would impair the ability of the Company to meet its repayment objective in relation to the Priority Equity Shares.

In particular, if the net assets of the Company continue to decline as a result of ongoing retractions or other reasons, the management expense ratio of the Company is expected to rise and could have an adverse impact on the Company's ability to achieve its repayment goals. Given the extent to which the portfolio assets of the Company consists of Priority Equity Portfolio Protection Plan Securities, and the sensitivity of the value of such securities to changes in interest rates, a significant increase in interest rates could have a material adverse effect on the net asset value of the Company. That is, since the Company's portfolio is almost entirely composed of strip coupons with a five year maturity, the impact of any rise in interest rates from the current low historic and relative rates could adversely impact the net asset value over the next few years. Also, the Company could also become taxable on its interest income if such income exceeds the expenses of the Company for tax purposes. The payment of income tax could also have an adverse impact on the Company's ability to achieve its repayment goals.

Continued retractions could also lead to a delisting of the Priority Equity Shares and the Class A Shares on the TSX, if the Company is in the future unable to meet the continued listing requirements of the TSX. There are requirements in this regard as to a minimum number of shares of each class that must remain outstanding, a minimum aggregate value that those shares must have, and a minimum number of board lot holders that must continue to be investors in the Company. In addition, because of the implementation of the Priority Equity Portfolio Protection Plan and the subsequent sale of MFC common shares, it is within the discretion of the TSX to delist the Shares even if the minimum listing requirements are met.

Shares. If, therefore, the Shares were to be delisted, the Company might not be able to acquire the second class of shares, and would not then be able to honour the redemption request. Alternatively, the price the Company could be required to pay could be much more than would otherwise be the case with a listed security, thus providing certain Shareholders of one class with a windfall at the expense of Shareholders of the other class. Similarly, on an annual retraction, both classes of Shares must be submitted by a Shareholder, and the inability to acquire the other class of shares could deny shareholders the right to exercise such annual redemption right.

Second, if the Shares were to be delisted, both the Company and Shareholders could be subject to significant adverse Canadian federal income tax consequences, including the following. In order for the Company to qualify as a mutual fund corporation for purposes of the *Income Tax Act* (Canada) (the "Tax Act"), it must, among other conditions, be a Canadian public corporation, and the fair market value of its shares which are redeemable on demand must not be less than 95% of the fair market value of all of its issued shares. If the Shares were delisted, it could be open to Canada Revenue Agency in certain circumstances to revoke the Company's status as a public corporation, in which case the Company would lose its status as a mutual fund corporation. If the delisting resulted in the Company not being able to honour requests for redemptions as described above, the Shares there may be doubt as to whether the Shares should be considered to be redeemable on demand, in which case the Company could also lose its status as a mutual fund corporation. A summary of the key tax consequences of delisting, losing public corporation status and losing its status as a mutual fund corporation are as follows:

Loss of Mutual Fund Corporation Status: If the Company ceases to be a mutual fund corporation, either because its status as a public corporation is revoked, or because the Shares cease to be redeemable the adverse tax consequences to the Company and its Shareholders include:

(i) on a redemption, a Shareholder may be subject to deemed dividend treatment as opposed to capital gain/loss treatment;

(ii) on a redemption, the Company may be liable to tax under Part VI.1 of the Tax Act;

(iii) if the Company were to realize any capital gains on dispositions of portfolio securities, it would no longer be able to flow those gains out to Shareholders through capital gains dividends or capital gains redemptions; and

(iv) once delisted, the Shares will in all cases be "taxable Canadian property" as defined in the Tax Act and will no longer be "excluded property" for purposes of section 116 of the Tax Act and, as a result, dispositions of Shares by Shareholders who are non-residents of Canada (including on redemption by the Company) will be taxable in Canada (subject to any exemptions available to a particular

plans such as registered education savings plans, the consequences would be even more severe, as such a plan could be subject to de-registration. Further, the ability of the plan annuitant to deal with these consequences, by selling the now non-qualified Shares out of the plan, would be severely limited by the lack of a stock exchange listing.

On the other hand, as a result of terminating the Priority Equity Portfolio Protection Plan if the capital reorganization is approved, holders of Priority Equity Shares should be aware that there can be no assurances that the Company will be able to return the notional issue price of $5.00 in respect of a Class I Preferred Share or $5.00 in respect of a Class II Preferred Share on the Termination Date.

Class A Shareholders

Distribution objectives - Distributions on the Class A Shares were suspended in November, 2008, as a result of the net asset value per Unit of the Company declining below $12.50. The Company has almost no upside potential since the active portfolio has been reduced to $0.07 per Unit and the fixed income portfolio has a known and limited upside. In addition, Class A Shares will continue to rank behind the cumulative and preferred dividend payments owing to the holders of the Priority Equity Shares and the funding of the remaining operating expense payments for the remainder of the term. As such, there is almost no possibility for the reinstatement of dividend payments for Class A Shareholders.

Capital repayment objectives - The original target of returning $10.00 per Class A Share on maturity is no longer feasible given the decline in the value of the common shares of MFC and the activation of the Priority Equity Portfolio Protection Plan. Capital growth potential will be limited to the growth in the active portfolio, which at December 15, 2009 has been reduced to $0.07 per Unit. However, as stated above, the active portfolio will be required to fund any dividend payments on the Priority Equity Shares and the ongoing expenses of the Company. Given the projected expenses of the Company and the current size of the active portfolio, the Manager expects that any payments made to holders of Class A Shares on termination would be very minimal if at all.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations arising in connection with the proposed reorganization of the capital of the Company and share conversions described in this Circular that are generally applicable to Shareholders who, for purposes of the Tax Act and at all times, are resident in Canada, deal at arm's length with the Company, are not affiliated with the Company, hold or will hold their Priority Equity Shares, Class A Shares, Class I Preferred Shares, Class II Preferred Shares, Capital Shares and Warrants, as the case may, as capital property, and have not elected to compute their Canadian tax results using a currency other than Canadian dollars. Certain Shareholders to whom Shares might not

takes into account specific proposals to amend the Tax Act announced prior to the date hereof by the Minister of Finance (Canada) (the "Proposed Amendments") and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will be enacted in their current form or at all.

This summary assumes that the changes to the Company's capital structure discussed above are approved and implemented, as well as the additional assumptions that:

(a) the Company was not established and will not be maintained primarily for the benefit of non-residents of Canada and at no time will the total fair market value of the Shares held by persons who are non-residents of Canada and/or partnerships (other than Canadian partnerships within the meaning of the Tax Act) exceed 50% of the fair market value of all of the outstanding Shares;

(b) the Company will at all times comply with its investment objectives and investment restrictions as set out in this Circular and in the AIF;

(c) the existing Priority Equity Shares and Class A Shares, and the Class I Preferred Shares, Class II Preferred Shares, Capital Shares and Warrants, will at all relevant times be listed on a designated stock exchange in Canada (which currently includes the TSX);

(d) the issuers of securities owned by the Company will not be foreign affiliates of the Company or any Shareholder; and

(e) the securities owned by the Company will not be participating interests in foreign investment entities within the meaning of the Proposed Amendments to the Tax Act.

This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations. This summary does not apply to shareholders that are "financial institutions" as defined in section 142.2 of the Tax Act.

This summary is of a general nature only, and does not constitute legal or tax advice to any particular Shareholder. Shareholders are advised to consult their own tax advisors with respect to their individual circumstances and in particular in connection with the draft proposals to amend the Tax Act released on October 31, 2003 relating to the deductibility of interest and other expenses.

common shares of MFC, the Company may realize gains or losses on the disposition of such Priority Equity Portfolio Protection Plan Securities.

Taxation of Shareholders

If the proposed reorganization is completed, each Class A Share held by a Shareholder will be exchanged for one Capital Share, and each Priority Equity Share held by a Shareholder will be exchanged for one Class I Preferred Share, one Class II Preferred Share, one 2011 Warrant and one 2012 Warrant pursuant to the reorganization of the capital of the Company.

On this reorganization of capital, a holder of existing Class A Shares will be deemed to have disposed of each Class A Share for proceeds of disposition equal to the adjusted cost base to that Shareholder of the Class A Share, and to have acquired each Capital Share at a cost equal to such adjusted cost base. A holder of existing Priority Equity Shares will be deemed to have disposed of each Priority Equity Share for proceeds of disposition equal to the greater of the adjusted cost base to that Shareholder of the Priority Equity Share and the aggregate fair market value at the time of issuance of the 2011 Warrant and the 2012 Warrant received as partial consideration, and to have acquired (i) each 2011 Warrant at a cost equal to the fair market value of such 2011 Warrant at that time; (ii) each 2012 Warrant at a cost equal to the fair market value of such 2012 Warrant at that time; and (iii) each Class I Preferred Share and each Class II Preferred Share at a total cost equal to the amount, if any, by which the adjusted cost base of the Priority Equity Share disposed of exceeds the aggregate fair market value of the 2011 Warrant and the 2012 Warrant, such total cost to be apportioned between the Class I Preferred Share and the Class II Preferred Share in proportion to their relative fair market values at the time of issuance.

Accordingly, provided that the adjusted cost base to a Shareholder of each existing Priority Equity Shares is not less than the aggregate fair market value of the one 2011 Warrant and one 2012 Warrant to be received when such Share is changed pursuant to the reorganization of the capital of the Company, such Shareholder will not realize a capital gain or a capital loss for purposes of the Tax Act on such reorganization. The Company will advise holders who participate in the reorganization of capital and receive Warrants as to the Company's position regarding the fair market value of each one 2011 Warrant and one 2012 Warrant issued on the reorganization at the time of issuance. Such position is not binding on the CRA and there can be no assurance that the CRA will accept this position.

Tax Treatment of the Company Following the Proposed Reorganization

Subject to certain exceptions described in the following paragraphs, the tax treatment of the Company following the proposed reorganization of its capital will be substantially the same as before the reorganization. Please see the description under "*Canadian Federal Income Tax*

Tax Treatment of Shareholders Following the Proposed Reorganization

The tax treatment of Shareholders following the proposed reorganization will be substantially the same as before the reorganization. Please see the description under "*Canadian Federal Income Tax Considerations – Tax Treatment of Shareholders*" in the AIF. In reading the tax disclosure in the AIF, all references to Priority Equity Shares should be read as references to the Class I Preferred Shares or the Class II Preferred Shares, as the case may be. Similarly, references in the AIF to Class A Shares should be read as references to Capital Shares.

Warrants

Upon exercise of a Warrant, the holder (each a "Warrantholder") must allocate the total of the exercise price of the Warrant and the adjusted cost base of the Warrant to the holder among the underlying Class I Preferred Share, Class II Preferred Share, and Capital Share acquired pursuant to such exercise on a reasonable basis.

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 on the exercise of Warrants. Shares acquired by a Warrantholder upon the exercise of a Warrant will have a cost to the Warrantholder equal to the aggregate of the portion of the exercise price and the portion of the adjusted cost base of the exercised Warrant allocated to such Share. For the purpose of determining the adjusted cost base to a holder of Shares of a particular Class acquired upon the exercise of Warrants at a particular time, the cost of the newly acquired Shares will be averaged with the adjusted cost base to the holder of all of the Shares of that Class owned by the holder as capital property immediately before that time.

Upon the disposition of a Warrant by a Warrantholder, other than pursuant to the exercise thereof, the Warrantholder will realize a capital gain (or capital loss) to the extent that the Warrantholder's proceeds of disposition (net of any reasonable costs of disposition), exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Warrantholder. Any such capital gain (or capital loss) will be treated as described in the AIF under "*Canadian Federal Income Tax Considerations – Tax Treatment of Shareholders*".

Upon the expiry of an unexercised Warrant, a Warrantholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Warrantholder. Any such capital loss will be treated as described in the AIF under "*Canadian Federal Income Tax Considerations – Tax Treatment of Shareholders*".

Dissenting Shareholders

A Shareholder who dissents will be considered to have disposed of the Shareholder's Shares to the Company for an amount equal to the fair value of such Shares. Such a Shareholder

Company in respect of interest will be included in the Shareholder's income in accordance with the rules in the Tax Act. Dissenting Shareholders are urged to contact their own tax advisors.

ELIGIBILITY FOR INVESTMENT

Based on the assumptions set out under "*Canadian Federal Income Tax Considerations*" above, the Class I Preferred Shares, the Class II Preferred Shares, the Capital Shares and the Warrants, and the Class I Preferred Shares, the Class II Preferred Shares and the Capital Shares issuable on exercise of the Warrants,will each be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, deferred profit sharing plan or tax free savings account. Warrantholders should consult their own tax advisors as to the effect of acquiring Class I Preferred Shares, Class II Preferred Shares and Capital Shares in a registered education savings plan.

The Class I Preferred Shares, the Class II Preferred Shares, the Capital Shares and the Warrants, and the Class I Preferred Shares, the Class II Preferred Shares and the Capital 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.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has unanimously determined that the reorganization of the Company as contemplated in this Circular is in the best interests of Shareholders. Shareholders will therefore be asked at the Meeting to pass a special resolution substantially in the form attached hereto as Appendix "A", to approve that capital reorganization and all steps necessary to accomplish that reorganization, including the filing of amendments to the Articles of the Company. This resolution, to be effective, requires the approval of not less than two-thirds of the votes cast by Shareholders of each Class of the Company present in person or by proxy at the Meeting, voting separately as a Class.

REFERRAL TO THE INDEPENDENT REVIEW COMMITTEE

As required by National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"), the Manager established an independent review committee ("IRC") for the Company consisting of Mr. William C. Thornhill and Mr. John D. Steep, two of the independent directors of the Company, and Mr. Gordon A. M. Currie, who acts as the chair

DISSENT RIGHTS

Shareholders have the right to dissent from the special resolution to be voted on at the Meeting pursuant to the OBCA.

Pursuant to the provisions of Section 185 of the OBCA, a Shareholder is entitled to dissent and be paid the fair value of the Shares held by the Shareholder if the Shareholder objects to the special resolution to be voted on at the Meeting and such special resolution becomes effective. A Shareholder may dissent only with respect to all of the Shares of a class of the Company held by the Shareholder on behalf of any one beneficial owner and registered in the Shareholder's name. However, a Shareholder is not entitled to dissent from the special resolution with respect to any Shares beneficially owned by one owner if the Shareholder votes any such Shares beneficially owned by that owner in favour of the special resolution.

In order to dissent, a Shareholder must send a written objection (an "Objection Notice") to the special resolution to the Company on or before the date of the Meeting. A vote against the special resolution or an abstention in respect thereof does not constitute such an Objection Notice, but a Shareholder need not vote his or her Shares against the special resolution in order to dissent in respect of the special resolution. Within 10 days following the date of the Meeting, assuming the special resolution is passed with the requisite majority at the Meeting, the Company will deliver to each Shareholder who has filed an Objection Notice in respect of the special resolution, at the address specified for such purpose in such Shareholder's Objection Notice, a notice stating that the special resolution has been adopted (the "Company Notice"). A Company Notice is not required to be sent to any dissenting Shareholder who voted for the special resolution or who has withdrawn an Objection Notice.

Within 20 days after receipt by a Shareholder of the Company Notice or, if no Company Notice is received by the dissenting Shareholder, within 20 days after such Shareholder learns that the special resolution has been adopted, the dissenting Shareholder is required to send a written notice to the Company containing the Shareholder's name and address, the number of Shares held in respect of which such Shareholder dissents and a demand for payment of the fair value of such Shares (the "Demand for Payment"). Within 30 days thereafter, the Shareholder must send the share certificates representing such Shares to the Company. Such share certificates will be endorsed by the Company with a notice that the holder is a dissenting Shareholder and will be returned to the dissenting Shareholder. A Shareholder who fails to send the Objection Notice or Demand for Payment or fails to forward share certificates, in each case within the time required, loses any right to make a claim for payment of the fair value of such Shareholder's Shares.

On sending a Demand for Payment to the Company, a dissenting Shareholder ceases to have any rights as a Shareholder except the right to be paid the fair value of his or her Shares

Not later than seven days after the later of the day on which the action approved by the special resolution becomes effective and the date the Company receives the Demand for Payment, the Company will send to each dissenting Shareholder a written offer (the "Offer to Pay"') to pay for the Shares which are the subject of the Objection Notice in an amount considered by the Board of Directors of the Company to be the fair value of such Shares as of the close of business on the day before the day on which the action approved by the special resolution becomes effective accompanied by a statement showing how the fair value was determined. Dissenting Shareholders who accept the Offer to Pay will be paid by the Company within 10 days of acceptance by the dissenting Shareholders of such offer, provided share certificates representing the Shares held by such dissenting Shareholder have been delivered to the Company. The Offer to Pay lapses if the Company does not receive an acceptance of the Offer to Pay within 30 days after the date on which the Offer to Pay was made. The Company believes that fair value for the Priority Equity Shares or Class A Shares, as the case may be, is the payment they would be entitled to receive on the early termination of the Company, as described above, calculated based on the net asset value of the Company and the average trading prices of the Priority Equity Shares and Class A Shares immediately prior to the Meeting.

If the Company fails to make the Offer to Pay or a dissenting Shareholder fails to accept the Offer to Pay within the time limit prescribed therefor, the Company may apply under the OBCA to a court to fix a fair value for the Shares within 50 days after the day on which the action approved by the special resolution becomes effective or within such further period as the court may allow.

INTEREST OF MANAGEMENT AND OTHERS IN THE PROPOSAL

The Manager receives a management fee and Quadravest receives investment management fees as more fully described in the AIF. For the fiscal year ended November 30, 2009, the Manager and Quadravest received, respectively, fees of $35,294 and $194,120.

Certain of the officers and directors of the Company are also officers and directors of Quadravest and/or the Manager. These directors and officers do not receive any additional compensation from the Company for acting as directors and officers of the Company.

TERMINATION OF THE PROPOSED REORGANIZATION

The special resolution may, by its terms, at any time before or after the holding of the Meeting be terminated by the Board of Directors of the Company without further notice to, or action on the part of, the Shareholders if the Board of Directors determines in its sole judgment that it would be inadvisable for the Company to proceed with matters approved in such special resolution.

DOCUMENTS INCORPORATED BY REFERENCE AND ADDITIONAL

- the AIF dated February 23, 2009 in respect of the fiscal year of the Company ended November 30, 2008;

- the annual audited financial statements of the Company for the fiscal year ended November 30, 2008;

- the annual management report of fund performance of the Company for the fiscal year ended November 30, 2008;

- the unaudited interim financial statements of the Company for the six month period ended May 31, 2009; and

- the interim management report of fund performance of the Company for the six month period ended May 31, 2009.

Any documents of the type referred to above and any material change reports or other continuous disclosure documents filed by the Company pursuant to the requirements of applicable legislation after the date of this Circular and prior to the Meeting shall be deemed to be incorporated by reference herein.

Pertinent information concerning the Company, including information regarding: (i) investment guidelines, (ii) distributions, (iii) valuation of Units, and (iv) redemption of Shares, are set out in the documents incorporated by reference herein. Additional information about the Company is available on SEDAR at www.sedar.com as well as at www.msplit.com. You may obtain copies of the documents incorporated by reference herein from the Manager at 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7.

The text of the proposed amendments to the Articles of the Company are available on request to the Manager at 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7.

VOTING SECURITIES AND PRINCIPAL HOLDERS

All of the issued and outstanding Class B Shares of the Company are owned by M Split Corp. Holding Trust, of which S. Wayne Finch is the trustee and the holders of the Priority Equity Shares and Class A Shares from time to time are the beneficiaries. On December 21, 2009, the holder of the Class B Shares signed a written resolution consenting to the reorganization of the Company as contemplated in this Circular.

As of December 23, 2009, to the knowledge of the directors and officers of the Company, no person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting rights attached to the Preferred Shares or the Class A Shares of the Company.

APPROVAL BY THE BOARD OF DIRECTORS

The contents and mailing to Shareholders of this Circular have been approved by the Board of Directors of the Company.

DATED at Toronto, Ontario this 23rd day of December, 2009.

S. WAYNE FINCH
President and Chief Executive Officer
of Commerce Split Corp.

APPENDIX "A"

SPECIAL RESOLUTION OF THE SHAREHOLDERS OF M SPLIT CORP.

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

The articles of incorporation, as amended (the "Articles") of M Split Corp. (the "Company") be further amended (through the filing of one or more articles of amendment) to:

(a) provide that the authorized capital of the Company shall, in addition to the existing 1,000 Class B Shares, consist of an unlimited number of shares issuable in three classes, to be created and designated as the Preferred Shares, Class I (the "Class I Preferred Shares"), the Preferred Shares, Class II (the "Class II Preferred Shares") and the Capital Shares, such shares to have attached thereto the rights, privileges, restrictions and conditions described in the Circular;

(b) permit the Company to create warrants (the "Warrants") of two series, one series designated as the "2011 Warrants" and providing the holders thereof with the right to acquire one Class I Preferred Share, one Class II Preferred Share and one Capital Share on specified exercise dates on or before February 28, 2011, for an exercise price of $10.00, and one series designated as the "2012 Warrants" and providing the holders thereof with the right to acquire one Class I Preferred Share, one Class II Preferred Share and one Capital Share on specified exercise dates on or before February 28, 2012, for an exercise price of $12.50, all as more particularly described in the Circular;

(c) provide that each existing Priority Equity Share or Class A Share would be converted into, in the case of a Priority Equity Share, one Class I Preferred Share, one Class II Preferred Share, one 2011 Warrant and one 2012 Warrant or, in the case of a Class A Share, one Capital Share, as the case may be, all as more particularly described in the Circular;

(d) approve the implementation of these conversions on the terms set forth in the Circular;

(e) provide for a special retraction right in advance of the implementation of the capital reorganization, on the terms set out in the Circular;

(f) provide for the consolidation of the outstanding Priority Equity Shares (if more

(g) provide for the automatic early termination of the Company on the terms set out in the Circular;

(h) approve the amendment of the investment management agreement between the Company and Quadravest dated March 28, 2007 to reduce the management fee, and amend the Articles to decrease the discount on monthly redemptions and to make the amount of such discount payable to Quadravest and not the Fund, all as described in the Circular; and

(i) effect such other changes as may be necessary or desirable to implement the capital reorganization of the Company as described in the Circular.