

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered by this prospectus have not been and will not be registered under the United States Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold in the United States of America or to U.S. persons. See “Plan of Distribution”.

PROSPECTUS

Initial Public Offering

March 28, 2007



**M SPLIT CORP.**

**\$150,000,000 (Maximum)**

**7,500,000 Priority Equity Shares and 7,500,000 Class A Shares**

M Split Corp. (the “Company”), a mutual fund corporation incorporated under the laws of the Province of Ontario, is offering up to 7,500,000 Priority Equity Shares and 7,500,000 Class A Shares (collectively, the “Offering”) under this prospectus at a price of \$10.00 per Priority Equity Share and \$10.00 per Class A Share. The Priority Equity Shares and the Class A Shares are offered separately, but will be issued only on the basis that there will be an equal number of Priority Equity Shares and Class A Shares (together, a “Unit”) issued.

The Company was created to provide exposure to the common shares of Manulife Financial Corporation (“Manulife”) through two classes of securities. Holders of the Priority Equity Shares will be provided with a stable yield and downside protection on the return of their initial investment, while holders of Class A Shares will be provided with leveraged exposure to Manulife including exposure to increases or decreases in the value of the common shares of Manulife and the benefit of increases in the dividends paid by Manulife on its common shares. **The Priority Equity Shares have not been rated by any rating organization.**

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; and
- (b) on or about December 1, 2014 (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; 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.

In order to achieve its objectives, the Company will invest the net proceeds of the Offering in common shares of Manulife. To supplement the dividends received on the common shares of Manulife held by the Company and to reduce risk, the Company may from time to time write covered call options in respect of some or all of such common shares. In addition, the Company has adopted a strategy 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. See “Investment Information — Priority Equity Portfolio Protection Plan”. The number of common shares of Manulife that are the subject of call options and the terms of such options will vary from time to time as determined by Quadravest Capital Management Inc. (“Quadravest”), the Company’s investment manager. Based on Manulife’s policy with respect to its common shares and current levels of options volatility, Quadravest expects that, initially, approximately 25% of the common shares of Manulife held by the Company may be subject to covered call options in order to meet the Company’s initial dividend objectives for the Priority Equity Shares and the Class A Shares.

Dividends payable to holders of Priority Equity Shares are expected to consist primarily of ordinary dividends. Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Based on Manulife’s current dividend policy, the Company is initially expected to generate dividend income of approximately 2.0% per annum which, after deduction of expenses, will be distributed to shareholders. The Company would be required to generate an additional return of approximately 5.0% per annum, including from dividend growth, capital appreciation and option premiums, in order for the Company to maintain its targeted distributions and maintain a stable net asset value, plus an additional 0.60% per annum to increase the Company’s net asset value to an amount sufficient to permit the Company to return the original issue prices of the Priority Equity Shares and the Class A Shares on the Termination Date.

**Prices: \$10.00 per Priority Equity Share and \$10.00 per Class A Share**

	Price to the Public <sup>(1)</sup>	Agents’ Fees	Net Proceeds to the Company <sup>(2)</sup>
Per Priority Equity Share . . . . .	\$ 10.00	\$ 0.30	\$ 9.70
Total Maximum Offering <sup>(3)</sup> . . . . .	\$75,000,000	\$2,250,000	\$72,750,000
Total Minimum Offering <sup>(4)</sup> . . . . .	\$20,000,000	\$ 600,000	\$19,400,000
Per Class A Share . . . . .	\$ 10.00	\$ 0.60	\$ 9.40
Total Maximum Offering <sup>(3)</sup> . . . . .	\$75,000,000	\$4,500,000	\$70,500,000
Total Minimum Offering <sup>(4)</sup> . . . . .	\$20,000,000	\$1,200,000	\$18,800,000

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- (1) The offering prices were established by negotiation between the Company and the Agents (as defined below).
- (2) Before deducting the expenses of issue which are estimated to be \$600,000 (but which will not exceed 1.5% of the gross proceeds of the Offering). Such expenses, together with the Agents' fee, will be paid out of the proceeds of the Offering.
- (3) The Company has granted the Agents an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the Offering, to offer up to 1,125,000 additional Priority Equity Shares and 1,125,000 additional Class A Shares on the same terms as set forth above, which additional Priority Equity Shares and Class A Shares are qualified for sale under this prospectus. If the Over-Allotment Option is exercised in full, the total price to the public under the Offering will be \$172,500,000, the Agents' fee will be \$7,762,500 and the net proceeds to the Company, before expenses of the Offering, will be \$164,737,500. See "*Plan of Distribution*".
- (4) There will be no closing unless a minimum of 2,000,000 Priority Equity Shares and 2,000,000 Class A Shares are sold. If subscriptions for a minimum of 2,000,000 Priority Equity Shares and 2,000,000 Class A Shares are not received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities authorities and those who have subscribed on or before that date.

In the opinion of counsel, the Priority Equity Shares and Class A Shares, if and when listed on a prescribed stock exchange, will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Prospective investors should consult their own tax advisors as to the effect of acquiring Priority Equity Shares or Class A Shares in a registered education savings plan.

Except as required by law or as provided in the conditions attaching to the Priority Equity Shares and the Class A Shares, holders of Priority Equity Shares or Class A Shares will not be entitled to vote at any meeting of the Company (see "*Shareholder Matters — Acts Requiring Shareholder Approval*"), and such holders will not have any voting rights with respect to the common shares of Manulife held by the Company from time to time.

The Priority Equity Shares and the Class A Shares will be redeemed by the Company on the Termination Date. The redemption price for each Priority Equity Share redeemed on that date will be equal to the lesser of (i) \$10.00 and (ii) the net asset value of the Company on that date, divided by the number of Priority Equity Shares then outstanding. The redemption price for each Class A Share redeemed on that date will be equal to the greater of (i) the net asset value per Unit on that date, minus \$10.00, and (ii) nil.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Priority Equity Shares and Class A Shares, subject to the Company fulfilling all of the requirements of the TSX on or before June 5, 2007, including distribution of such shares to a minimum number of public holders.

See "*Risk Factors*" for a discussion of certain factors that should be considered by prospective investors in the Priority Equity Shares and Class A Shares. **There is currently no market through which the Priority Equity Shares or the Class A Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus.** Although the Company is considered to be a mutual fund under the securities legislation of certain of the provinces of Canada, it has applied for an exemption from certain of the policies or rules of the Canadian securities regulators applicable to conventional mutual funds.

CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Desjardins Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Bieber Securities Inc., Blackmont Capital Inc., Laurentian Bank Securities Inc., and Wellington West Capital Inc. (the "Agents") conditionally offer the Priority Equity Shares and Class A Shares, subject to prior sale, on a best efforts basis, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the agency agreement among the Company, Quadvest Inc. as manager of the Company, Quadvest and the Agents, and subject to the approval of certain legal matters by Blake, Cassels & Graydon LLP, on behalf of the Company, and McCarthy Tétrault LLP, on behalf of the Agents. See "*Plan of Distribution*".

Subscriptions for the Priority Equity Shares and Class A Shares will be received subject to acceptance or rejection in whole or in part, and the right is reserved to close the subscription books at any time. Closing of this Offering is expected to occur on or about April 18, 2007, but in any event no later than May 31, 2007. Proceeds from subscriptions received by the Company will be held in segregated accounts until the minimum amount of the Offering has been obtained. Registrations and transfers of Priority Equity Shares and Class A Shares will be effected only through the book-based system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Priority Equity Shares and Class A Shares will not have the right to receive physical certificates evidencing their ownership. See "*Plan of Distribution*" and "*Details of the Offering — Book-Based System*".

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## PROSPECTUS SUMMARY

*The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. All dollar amounts in this prospectus are in Canadian currency.*

### The Offering

- Issuer:** M Split Corp. (the “Company”), a mutual fund corporation established under the laws of the Province of Ontario on February 12, 2007.
- Issue:** The Offering consists of Priority Equity Shares and Class A Shares. While the Priority Equity Shares and the Class A Shares are offered separately, they will be issued only on the basis that an equal number of Priority Equity Shares and Class A Shares (together, a “Unit”) will be issued.
- Amounts:** Maximum — \$75,000,000 (7,500,000 Priority Equity Shares)  
Minimum — \$20,000,000 (2,000,000 Priority Equity Shares)  
Maximum — \$75,000,000 (7,500,000 Class A Shares)  
Minimum — \$20,000,000 (2,000,000 Class A Shares)
- Prices:** \$10.00 per Priority Equity Share  
\$10.00 per Class A Share
- Minimum Purchase:** 100 Priority Equity Shares or 100 Class A Shares
- Rationale for the Company:** The Company was created to provide exposure to the common shares of Manulife Financial Corporation (“Manulife”) through two classes of securities. Holders of the Priority Equity Shares will be provided with a stable yield and downside protection on the return of their initial investment, while holders of Class A Shares will be provided with leveraged exposure to Manulife including exposure to increases or decreases in the value of the common shares of Manulife and the benefit of increases in the dividends paid by Manulife 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; and
  - (b) on or about December 1, 2014, or such other date as the Company may terminate (the “Termination Date”), to pay the holders of the Priority Equity Shares the original issue price of the Priority Equity Shares (the amount so required to effect such payment from time to time being 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; 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 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.

**Investment Strategy:**

In order to achieve its objectives, the Company will invest the net proceeds of the Offering in common shares of Manulife. To supplement the dividends or other distributions received on the common shares of Manulife held by the Company and to reduce risk, the Company may from time to time write covered call options in respect of some or all of such common shares. The number of common shares of Manulife that are the subject of call options and the terms of such options will vary from time to time as determined by Quadravest Capital Management Inc. (“Quadravest”), the Company’s investment manager. Based on Manulife’s current dividend policy for its common shares and current levels of options volatility, Quadravest expects that, initially, approximately 25% of the common shares of Manulife held by the Company may be subject to covered call options in order to meet the Company’s initial dividend objectives for the Priority Equity Shares and the Class A Shares.

**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 Manulife held by the Company and use the net proceeds to acquire (i) qualifying debt securities or (ii) certain securities and enter into a forward agreement (collectively, the “Permitted Repayment Securities”) in order to cover the Priority Equity Share Repayment Amount in the event of further declines in the net asset value of the Company. To qualify as Permitted Repayment Securities, debt securities must have a remaining term to maturity of less than one year and be issued or guaranteed by the government of Canada or a province or the government of the United States, or be short term commercial paper with a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited (“DBRS”) or the equivalent rating from another rating organization.

Under the Priority Equity Portfolio Protection Plan, the amount of the Company’s net assets, if any, to be allocated to Permitted Repayment Securities (the “Required Amount”) will be determined such that (i) the net asset value of the Company, less the value of the Permitted Repayment Securities held by the Company, is 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 Permitted Repayment Securities on the Termination Date.

The Company may unwind the Priority Equity Portfolio Protection Plan by selling Permitted Repayment Securities and using the net proceeds from such sale to purchase additional common shares of Manulife if, and then only to the extent, the value of the Permitted Repayment Securities exceeds the Required Amount. The Company may also implement the Priority Equity Portfolio Protection Plan at an earlier stage than the Plan calls for.



**Manager and Investment  
Manager:**

Quadravest Inc. (the “Manager”) is the manager of the Company. Quadravest, a subsidiary of the Manager, is the investment manager of the Company. The Manager will be responsible for managing all of the Company’s activities, other than the investment of its assets, which is Quadravest’s responsibility.

S. Wayne Finch, the Chief Executive and Chief Investment Officer of Quadravest, has over 21 years of experience in designing and managing investment portfolios, including a number of publicly traded investment vehicles. Laura L. Johnson, a Portfolio Manager and Managing Director, has over 13 years of experience in the financial services industry including extensive experience with structured products. Peter F. Cruickshank, the Chief Financial Officer and Managing Director, is a chartered accountant who has spent the last 20 years of his career in the investment industry.

Quadravest is the investment manager of 14 public mutual fund corporations and one public mutual fund trust that have completed public offerings with aggregate proceeds in excess of \$2 billion.

**Priority Equity Shares:**

*Dividend Entitlement*

Holders of Priority Equity Shares will be entitled to receive, as and when declared by the Board of Directors of the Company, 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. The initial dividend on the Priority Equity Shares will be payable to holders of record on May 31, 2007 and, based on an anticipated closing date of April 18, 2007, is expected to be \$0.06271 per Priority Equity Share.

*Retraction Rights*

Priority Equity Shares may be surrendered at any time for retraction and will be retracted on a monthly basis on the last business day of each month (a “Retraction Date”), provided such Priority Equity Shares are surrendered for retraction not less than 20 business days prior to the Retraction Date. Payment for any Priority Equity Shares so retracted will be made within 15 business days of the applicable Retraction Date.

Holders retracting a Priority Equity Share will be entitled to receive an amount per Priority Equity Share equal to the lesser of (i) \$10.00; and (ii) 96% 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 A Share in the market for cancellation. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share and commissions and costs, if any, related to the liquidation of any portion of the assets of the Company to fund the purchase of the Class A Share (to a maximum of 1% of the net asset value per Unit).

Shareholders who concurrently retract a Priority Equity Share and a Class A Share on the Retraction Date in the month of October in each year will be entitled to receive an amount equal to the net asset value per Unit calculated as of that date.

*Priority and Rating*

The Priority Equity Shares rank in priority to the Class A Shares with respect to the payment of dividends and in priority to the Class A Shares and the Class B Shares with respect to the repayment of capital on the dissolution,

liquidation or winding-up of the Company. The Priority Equity Shares have not been rated by any rating organization.

**Class A Shares:**

*Distribution Entitlement*

Although there can be no assurance that the Company will be able to pay dividends to holders of Class A Shares, the policy of the Board of Directors of the Company is to endeavour to declare and pay regular monthly dividends targeted to be \$0.05 per Class A Share to yield 6.0% per annum on the original issue price.

It is also the policy of the Board of Directors of the Company to pay dividends to the holders of Class A Shares in a year in an amount equal to all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Company in such year (net of expenses, taxes and loss carry-forwards) that are in excess of the dividends paid on the Priority Equity Shares. Accordingly, if any amounts remain available for the payment of dividends after payment of the dividends on the Priority Equity Shares and the regular monthly dividends on the Class A Shares, a special year-end dividend of such amount will be payable to holders of the Class A Shares of record on the last day of November in each year.

No regular monthly dividends or other distributions will be paid in any year on the Class A Shares so 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. Additionally, it is currently intended that no special year-end dividends will be paid if after payment of such a special dividend the net asset value per Unit would be less than \$20.00.

Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Based on the current dividend policy of Manulife with respect to its common shares, the Company is expected to generate dividend income of approximately 2.0% per annum which, after deduction of expenses, will be distributed to shareholders. The Company would be required to generate an additional return of approximately 5.0% per annum, including from dividend growth, capital appreciation and option premiums, in order for the Company to maintain its targeted distributions and maintain a stable net asset value, plus an additional 0.6% per annum to increase the Company's net asset value to an amount sufficient to permit the Company to return the original issue prices of the Priority Equity Shares and the Class A Shares on the Termination Date.

*Retraction Rights*

Class A Shares may be surrendered at any time for retraction and will be retracted on a monthly basis on the last business day of each month (a "Retraction Date"), provided such shares are surrendered for retraction not less than 20 business days prior to the Retraction Date. Payment for any shares so retracted will be made within 15 business days of the applicable Retraction Date.

Holders retracting a Class A Share will be entitled to receive an amount per Class A Share equal to 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Company of the purchase of a Priority Equity Share in the market for cancellation. For this purpose, the

cost of the purchase of a Priority Equity Share will include the purchase price of the Priority Equity Share and commissions and costs, if any, related to the liquidation of any portion of the assets of the Company to fund the purchase of the Priority Equity Share (to a maximum of 1% of the net asset value per Unit).

Shareholders who concurrently retract a Priority Equity Share and a Class A Share on the Retraction Date in the month of October in each year will be entitled to receive an amount equal to the net asset value per Unit calculated as of that date.

*Priority*

The Class A Shares rank subordinate to the Priority Equity Shares with respect to the payment of dividends and subordinate to the Priority Equity Shares and the Class B Shares with respect to the repayment of capital on the dissolution, liquidation or winding-up of the Company.

**Eligibility for Investment:**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents, the Priority Equity Shares and Class A Shares, if and when listed on a prescribed stock exchange, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Prospective investors should consult their own tax advisors as to the effect of acquiring Priority Equity Shares or Class A Shares in a registered education savings plan.



### **Risk Factors**

An investment in the Priority Equity Shares or the Class A Shares is subject to certain risk factors. There can be no assurance that the Company will be successful in meeting its objectives, and the Priority Equity Shares and Class A Shares may trade in the market at a premium or discount to their net asset value. Risk factors include:

- (i) the Company's lack of operating history and the current absence of a public trading market for the Priority Equity Shares and the Class A Shares;
- (ii) the risks associated with the assets of the Company being concentrated in the securities of a single issuer;
- (iii) the risks associated with an investment in the common shares of Manulife;
- (iv) the effect of the financial performance of Manulife on the net asset value of the Company;
- (v) the Class A Shares represent a leveraged investment and therefore the potential returns on such Class A Shares is amplified both to the benefit and detriment of the Class A shareholders;
- (vi) the risks associated with the Company's application for exemption from certain of the rules applicable to public mutual funds;
- (vii) there can be no assurance that the Company will be able to meet its monthly dividend and other objectives;
- (viii) the effect on the trading value of the Priority Equity Shares or the Class A Shares caused by fluctuations in prevailing interest rates;
- (ix) the risks associated with the use of options and forward contracts;
- (x) the risks to the holders of the Class A Shares of the Company's Priority Equity Portfolio Protection Plan, including a potential reduction in the exposure to the common shares of Manulife, as well as the effect on the holders of the Priority Equity Shares of a dramatic, single-day, decline in the value of Manulife's common shares;
- (xi) the Company's reliance on its investment manager, Quadravest;
- (xii) conflicts of interest that may arise in connection with other business activities of Quadravest;
- (xiii) the Priority Equity Shares or the Class A Shares may trade in the market at a premium or a discount to their proportionate share of the net asset value per Unit;
- (xiv) the risks associated with retractions and with the suspension of retractions;
- (xv) the risks associated with possible changes in legislation;
- (xvi) the risks associated with the treatment of the proceeds of disposition and option premiums for tax purposes; and
- (xvii) the risks associated with a change in the Company's status as a mutual fund corporation.

See "*Risk Factors*".

## Canadian Federal Income Tax Considerations

### *Taxation of the Company*

At the date of the closing of the Offering, provided that the Priority Equity Shares or the Class A Shares are listed on a prescribed stock exchange in Canada, the Company will qualify, and intends to continue to qualify, as a mutual fund corporation under the Tax Act. As a mutual fund corporation, the Company will be entitled in certain circumstances to capital gains refunds in respect of its net realized capital gains. To the extent that the Company earns income (other than certain dividends from taxable Canadian corporations and taxable capital gains) including interest or dividends from corporations other than taxable Canadian corporations, the Company will be subject to income tax on such income and no refund of such tax will be available.

### *Taxation of Shareholders Resident in Canada*

*Distributions:* Dividends other than capital gains dividends (“Ordinary Dividends”) received by individuals on the Priority Equity Shares and Class A Shares will generally be subject to the normal gross-up and dividend tax credit rules for dividends received from a taxable Canadian corporation. An enhanced gross-up and dividend tax credit is available on “eligible dividends” received from a corporation resident in Canada that are so designated by the corporation.

Ordinary Dividends received by corporations (other than specified financial institutions) on the Priority Equity Shares and Class A Shares (prior to the Company entering into any forward agreements in connection with the Priority Equity Portfolio Protection Plan) will generally be deductible in computing taxable income. Ordinary Dividends received by specified financial institutions on the Priority Equity Shares and Class A Shares will be deductible in computing taxable income provided certain conditions generally applicable to retractable shares, such as the 10% ownership restriction, are met. The entering into of forward agreements under the Priority Equity Portfolio Protection Plan may result in Ordinary Dividends received by corporations after such time not being deductible in computing taxable income. Ordinary Dividends received by corporations (other than private corporations and certain other corporations) on the Priority Equity Shares will be subject to a 10% tax under Part IV.1 of the Tax Act to the extent such dividends are deductible in computing taxable income. Such corporations should consult their own tax advisors with respect to whether Ordinary Dividends on the Class A Shares are subject to Part IV.1 tax when received by such corporations.

The amount of any capital gains dividend received by a shareholder from the Company will be considered to be a capital gain of the shareholder from the disposition of capital property in the taxation year of the shareholder in which the capital gains dividend is received.

The Company may make returns of capital in respect of the Class A Shares. A return of capital in respect of a Class A Share will not be included in the income of the holder of the share, but will reduce the adjusted cost base of such share. To the extent that the adjusted cost base of a Class A Share would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the shareholder from the disposition of the share and the adjusted cost base will be increased by the amount of such deemed capital gain.

*Dispositions:* A disposition, whether by way of redemption, retraction or otherwise, of a Priority Equity Share or Class A Share held as capital property will generally result in a capital gain or capital loss to the holder thereof.

See “Canadian Federal Income Tax Considerations”.

### Summary of Fees and Expenses Payable by the Company

The following table contains a summary of the fees and expenses payable by the Company (see “*Fees and Expenses*”).

<u>Type of Charge</u>	<u>Description</u>
Fees payable to the Agents:	\$0.30 (3.0%) for each Priority Equity Share and \$0.60 (6.0%) for each Class A Share sold.
Expenses of issue:	The Company will pay the expenses incurred in connection with the Offering, which are estimated to be \$600,000; provided, however, that the expenses of the Offering to be borne by the Company shall not exceed 1.5% of the gross proceeds of the Offering.
Fees payable to the Manager:	The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.10% of the Company’s net asset value calculated monthly, plus an amount equal to the service fee (the “Service Fee”) payable to dealers.
Fees payable to Quadravest:	Quadravest is entitled to a management fee payable monthly in arrears at an annual rate equal to 0.55% of the Company’s net asset value, calculated as at each month-end Valuation Date.
Operating expenses of the Company:	The Company will pay all ordinary expenses incurred in connection with the operation and administration of the Company, estimated to be \$300,000 per annum. The Company will also be responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Company which may be incurred from time to time.
Service Fee:	The Manager will pay the Service Fee to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be 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 net asset value per Unit less \$10.00. No Service Fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A Shares in respect of each month in such calendar quarter.

## FORWARD LOOKING STATEMENTS

Certain statements contained in this prospectus constitute forward looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intent” and similar expressions to the extent they relate to the Manager, Investment Manager or the Company. These forward looking statements are not historical facts but reflect the current expectations of the Manager, Investment Manager or Company 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 matters discussed under “*Risk Factors*” and in other sections of this prospectus.

## M SPLIT CORP.

M Split Corp. (the “Company”) is a mutual fund corporation incorporated under the *Business Corporations Act* (Ontario) on February 12, 2007 which is offering up to 7,500,000 Priority Equity Shares and 7,500,000 Class A Shares (the “Offering”) under this prospectus. The principal office address of the Company is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7. The website address of the Company is [www.M-Split.com](http://www.M-Split.com).

Although the Company is considered to be a mutual fund under applicable securities legislation, it has been exempted from certain of the requirements of National Instrument 81-102 Mutual Funds (“NI 81-102”) and National Instrument 81-106 Investment Fund Continuous Disclosure (“NI 81-106”) of the Canadian Securities Administrators.

## INVESTMENT INFORMATION

### Rationale for the Company

The Company was created to provide exposure to the common shares of Manulife Financial Corporation (“Manulife”) through two classes of securities. Holders of the Priority Equity Shares will be provided with a stable yield and downside protection on the return of their initial investment, while holders of Class A Shares will be provided with leveraged exposure to Manulife including exposure to increases or decreases in the value of the common shares of Manulife and the benefit of increases in the dividends paid by Manulife 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; 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; 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 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.

## **Investment Strategy**

The Company will invest the net proceeds of the Offering in common shares of Manulife. To supplement the dividends earned on those common shares and to reduce risk, the Company will from time to time write covered call options in respect of all or a part of common shares of Manulife 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 Capital Management Inc. (“Quadravest”), the Company’s investment manager. 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 Manulife 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 Manulife held by the Company and use the net proceeds to acquire (i) qualifying debt securities or (ii) certain securities and enter into a forward agreement (collectively, the “Permitted Repayment Securities”) in order to cover the Priority Equity Share Repayment Amount in the event of further declines in the net asset value of the Company. To qualify as Permitted Repayment Securities, debt securities must have a remaining term to maturity of less than one year and be issued or guaranteed by the government of Canada or a province or the government of the United States, or be short term commercial paper with a rating of at least R-1 (mid) by Dominion Bond Rating Service Limited (“DBRS”) or the equivalent rating from another rating organization.

Under the Priority Equity Portfolio Protection Plan, the amount of the Company’s net assets, if any, required to be allocated to Permitted Repayment Securities (the “Required Amount”) will be determined such that (i) the net asset value of the Company, less the value of the Permitted Repayment Securities held by the Company, is 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 Permitted Repayment Securities on the Termination Date.

The Company may unwind the Priority Equity Portfolio Protection Plan by selling Permitted Repayment Securities and using the net proceeds from such sale to purchase additional common shares of Manulife if, and then only to the extent, the value of the Permitted Repayment Securities exceeds the Required Amount. The Company may also implement the Priority Equity Portfolio Protection Plan at an earlier stage than the Plan calls for.

If the Company enters into a forward agreement (a “Forward Agreement”) in connection with the Priority Equity Portfolio Protection Plan, the counterparty to such agreement (the “Counterparty”) will agree to pay to the Company on the Termination Date an amount (the “Forward Amount”) in exchange for the Company agreeing to deliver to the Counterparty on the Termination Date certain equity securities agreed upon by the Company and the Counterparty (all of which constitute “Canadian securities” as defined in subsection 39(6) of the *Income Tax Act* (Canada) (the “Tax Act”)) and purchased by the Company with the net proceeds of the sale of common shares of Manulife held by the Company. The Counterparty to a Forward Agreement is expected to be, or be an affiliate of, one of the Agents (as defined under “*Plan of Distribution*” below). The long term debt of the Counterparty, or of a guarantor of its obligations to the Company, will be rated at least A by DBRS, or have an equivalent rating from another major rating organization. In connection with any such Forward Agreement, the Company will either pledge to the Counterparty the securities sold to the Counterparty under the Forward Agreement or deposit other acceptable securities with the Counterparty as security for the obligations of the Company under the Forward Agreement in accordance with industry practice for this type of transaction. A Forward Agreement will provide for partial dispositions of the Permitted Repayment Securities subject to the Forward Agreement so as to permit the Company to unwind the Priority Equity Portfolio Protection Plan when permitted to do so by its terms, or in the case of retractions of Priority Equity Shares and Class A Shares occurring prior to the Termination Date.

## Investment Restrictions

The Company is subject to certain investment restrictions that, among other things, limit the securities the Company may acquire. The Company's investment restrictions may not be changed without the approval of the holders of the Priority Equity Shares and the Class A Shares by a two-thirds majority vote at a meeting called for such purpose. See "*Shareholder Matters — Acts Requiring Shareholder Approval*". The Company's investment restrictions provide that the Company may not:

- (a) purchase securities of any issuer unless such securities are common shares of Manulife or are Permitted Repayment Securities;
- (b) make any investment or conduct any activity that would result in the Company failing to qualify as a "mutual fund corporation" within the meaning of the Tax Act;
- (c) write a call option in respect of a common share of Manulife unless such share is held by the Company at the time the option is written or dispose of such a share that is subject to a call option written by the Company unless that option has either been terminated or has expired;
- (d) enter into any arrangement (including the acquisition of securities and the writing of covered call options in respect thereof) where the main reason for entering into the arrangement is to enable the Company to receive a dividend on such securities in circumstances where, under the arrangement, someone other than the Company bears the risk of loss or enjoys the opportunity for gain or profit with respect to such securities in any material respect; and
- (e) acquire or continue to hold any security that is a "specified property" as defined in subsection 18(1) of the legislative proposals to amend the Tax Act released by the Minister of Finance (Canada) on September 16, 2004 if the total of all amounts each of which is the fair market value of a specified property would exceed 10% of the total of all amounts each of which is the fair market value of a property of the Company.

The Company has also adopted the standard investment restrictions and practices set forth in NI 81-102 to the extent such restrictions and practices are not inconsistent with the foregoing (in which event the foregoing provisions shall prevail).

## Covered Call Option Writing

A call option is a right, but not an obligation, of the holder of the call option to purchase a security from the writer of the call option at a specified purchase or "strike" price at any time during a specified time period. The Company may write call options in respect of the common shares of Manulife that it holds. The call options may be either exchange traded options or over-the-counter options. As call options are written only in respect of shares that the Company holds and the investment restrictions of the Company prohibit the sale of shares subject to an outstanding option, the options will be "covered" at all times.

By writing call options, the Company will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option the market price of the underlying common shares of Manulife is above the strike price, such that the call option is "in-the-money", the holder of the option may exercise the option and the Company will be obligated to sell the shares to the holder at the strike price per share. Alternatively, the Company may repurchase a call option which is in-the-money by paying the market value of the call option. However, if at expiration of a call option the strike price is greater than the current market price of the underlying share such that the option is "out-of-the-money", the holder of the option will likely not exercise the option and the option will expire. In each case, the Company will retain the option premium.

If a call option is written on a common share of Manulife, the amounts that the Company will be able to realize on the share during the term of the call option will be limited to the dividends received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In essence, the Company will forego potential returns resulting from any price appreciation of the share above the strike price in favour of the certainty of receiving the option premium.



## Dividend Coverage Ratios — Priority Equity Shares

The dividend coverage ratio for Priority Equity Shares is the ratio of the income of the Company available for the payment of dividends on the Priority Equity Shares to the amount of the dividends required to be paid. The higher the ratio, the more likely it is that the Company will have sufficient income available to pay the dividends. Based on current market conditions, dividends payable to holders of the Priority Equity Shares are expected to be funded from dividends received by the Company on the common shares of Manulife. The chart below provides estimated dividend coverage ratios for the annual dividend requirements on the Priority Equity Shares, based on the following assumptions:

1. the gross proceeds from the Offering are \$150 million, which is fully invested in common shares of Manulife;
2. an equal number of Priority Equity Shares and Class A Shares are issued;
3. all common shares of Manulife held by the Company are subject to 30 day call options throughout the relevant period (note that this assumption is for illustrative purposes only and is not indicative of the extent to which covered call options will or are intended to be written by the Company);
4. all call options are exercisable at any time during their term and are written at the same percentage out-of-the-money;
5. the risk-free or benchmark interest rate is 4.20%;
6. the average return from the dividends paid on the common shares of Manulife is 2.0%;
7. the range of volatility shown in the table encompasses the range of the historical average volatility of common shares of Manulife;
8. there are no capital gains or losses on the common shares of Manulife held by the Company for the period during which the call options are outstanding (note that this assumption is for illustrative purposes only and the Company expects that there will be capital gains and losses which may have a positive or negative effect on the value of the Company);
9. annual expenses of the Company (ordinary and extraordinary) are \$300,000 plus the fees payable to Quadrainvest and the Manager (as defined below) and the service fee payable to dealers described under “Fees and Expenses”; and
10. the holders of the Priority Equity Shares are entitled to a monthly dividend of \$0.04375 per Priority Equity Share (to yield 5.25% per annum on the original issue price).

The range of percentage out-of-the-money shown in the table below is based on the range generally expected to be utilized by Quadrainvest in writing call options. During the five year period ended February 16, 2007, the average volatility (expressed in percentage terms on an annual basis) of 30-day options on Manulife’s common shares ranged from a low of 8.0% to a high of 59.0%, with an average of 18.9%.

### Dividend Coverage Ratios for the Priority Equity Shares

% Out-of-the-Money	Average Volatility of Manulife Common Shares								
	12%	14%	16%	18%	20%	22%	24%	26%	28%
4% .....	1.4x	2.0x	2.7x	3.4x	4.2x	5.1x	5.9x	6.8x	7.7x
2% .....	3.2x	4.1x	5.0x	5.9x	6.9x	7.8x	8.8x	9.8x	10.7x
0% .....	6.6x	7.6x	8.6x	9.6x	10.6x	11.6x	12.6x	13.6x	14.6x

**The information set forth above is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns from call option writing upon which the estimated net income of the Company has been based will be realized.**

## Sensitivity Analysis — Class A Shares

The table below represents an assessment of the sensitivity of the net return to holders of the Class A Shares from dividends and option premiums of the Company (excluding any gains or losses on Portfolio investments, dividend increases or decreases and any amounts paid to close out in-the-money options) to (i) the average volatility of Manulife’s common shares; and (ii) the excess of the strike price over the market price of the securities expressed as a percentage of such market price at the time the option is written (or percentage out-of-the-money) using a modified Black-Scholes Model. The table is based on the same assumptions set forth above under “—Dividend Coverage Ratios — Priority Equity Shares”. The range of percentage out-of-the-money shown in the table below is based on the range generally expected to be utilized by Quadravest in writing call options.

### Return (Net of Expenses) on Class A Shares from Dividends and Option Premiums (Annualized %)

% Out-Of-The-Money	Average Volatility of the Common Shares of Manulife								
	12%	14%	16%	18%	20%	22%	24%	26%	28%
4% . . . . .	2.0%	5.2%	8.8%	12.7%	16.9%	21.3%	25.8%	30.4%	35.2%
2% . . . . .	11.4%	16.1%	20.9%	25.8%	30.8%	35.8%	40.9%	46.0%	51.1%
0% . . . . .	29.7%	34.9%	40.1%	45.3%	50.5%	55.7%	60.9%	66.1%	71.3%

The information in the table is provided for illustrative purposes only and should not be construed as a forecast or projection. No assurance can be given that the returns shown in this sensitivity analysis will ever be available or realized.

## INFORMATION ABOUT MANULIFE FINANCIAL CORPORATION

### Additional Available Information

The information contained in this prospectus relating to Manulife and its subsidiaries has been taken from the following documents, each of which has been filed with the Canadian Securities Administrators:

- Manulife’s Annual Information Form dated March 19, 2007 (the “2007 AIF”);
- Manulife’s audited consolidated financial statements for the year ended December 31, 2006, together with the auditors’ report for its 2006 fiscal year;
- Manulife’s Management’s Discussion and Analysis of results of operations for the year ended December 31, 2006;
- Manulife’s Management Proxy Circular dated March 14, 2007 regarding its annual meeting of shareholders held on May 3, 2007; and
- the press release issued by Manulife in February 13, 2007 reporting on Manulife’s financial results for its fiscal year ended December 31, 2006 (the “2006 Earnings Release”).

The foregoing reports and other documents, including material change reports (the “Manulife Public Documents”), are available electronically through SEDAR at [www.sedar.com](http://www.sedar.com). More comprehensive financial and other information is contained in such reports and other documents and this summary is qualified by reference to such reports and other documents and all other financial information and notes contained therein. Investors and their financial advisers are strongly urged to review these documents before investing in Priority Equity Shares or Class A Shares of the Company.

Manulife has not participated in the establishment of the Company, nor in the preparation of this prospectus, and takes no responsibility and assumes no liability for the accuracy or completeness of any information contained in this prospectus. See “Risk Factors — Risks Associated with an Investment in the Common Shares of Manulife”.

The Company and the Agents have had no access to any information about Manulife other than the information contained in the Manulife Public Documents and any other publicly available information about Manulife. Further, the Company and the Agents have not had an opportunity to verify the accuracy or completeness of any information contained in the Manulife Public Documents or such other publicly available information to determine if any such materials contain a misrepresentation, as defined in applicable securities laws. The Priority Equity Shares and Class A Shares of the Company will primarily derive their value from the value of the common shares of Manulife held by the Company and investors and their financial advisers need to form a view of the merits of an indirect investment in the common shares of Manulife before investing in the Priority Equity Shares or the Class A Shares.

### Manulife Financial Corporation

Manulife was incorporated under the *Insurance Companies Act* (Canada) (the “ICA”) on April 26, 1999 for the purpose of becoming the holding company of Manufacturers Life following its demutualization. Manufacturers Life was incorporated on June 23, 1887 by a Special Act of Parliament of the Dominion of Canada. Pursuant to the provisions of the *Canadian and British Insurance Companies Act* (Canada), the predecessor legislation to the ICA, Manufacturers Life undertook a plan of mutualization and become a mutual life insurance company on December 19, 1968. As a mutual life insurance corporation, Manufacturers Life had no common shareholders and its board of directors was elected by its participating policyholders in accordance with the ICA. Pursuant to Letters Patent of Conversion, effective September 23, 1999, Manufacturers Life implemented a plan of demutualization under the ICA and converted to a life insurance company with common shares and became the wholly-owned subsidiary of Manulife. Manulife’s head office and registered office is located at 200 Bloor Street East, Toronto, Ontario M4W 1E5.

Manulife is a leading financial services group serving millions of customers in 19 countries and territories worldwide. Operating as Manulife Financial in Canada and Asia, and primarily through John Hancock in the United States, Manulife offers clients a diverse range of financial protection products and wealth management services through its extensive network of employees, agents and distribution partners.

On February 13, 2007 Manulife issued its 2006 Earnings Release, announcing shareholders’ net income of \$3,985 million for 2006, an increase of 21% over the full year 2005; earnings per share of \$2.53, an increase of 23% over the full year 2005; and return on common shareholders’ equity of 16.8% for 2006, up from 14.1% in 2005.

### Selected Financial Information

The following represents a historical summary of selected financial data pertaining to Manulife which has been derived from the Manulife Public Documents.

	Years Ended December 31		
	2006	2005	2004
Common share information <sup>(1)</sup>			
— Diluted earnings per share . . . . .	\$ 2.51	\$ 2.03	\$ 1.81
— Shares outstanding <sup>(2)</sup> . . . . .	1,563	1,597	1,396
— Return on common shareholders’ equity . . . . .	16.8%	14.1%	13.7%
Financial results (\$ millions)			
— Total revenue . . . . .	\$ 34,194	\$ 32,689	\$ 27,498
— Net income . . . . .	\$ 3,970	\$ 3,291	\$ 2,551
Balance sheet information (\$ millions)			
— Total assets . . . . .	\$186,169	\$182,651	\$184,246
— Segregated funds net assets . . . . .	\$172,937	\$140,361	\$117,890

Notes:

- (1) On June 2, 2006, Manulife paid a stock dividend of one common share on each of its issued and outstanding common shares. The effect of this stock dividend is the same as a two-for one split of Manulife’s common shares. All common share and per share information has been retroactively adjusted to reflect this stock dividend.
- (2) Weighted average number of common shares outstanding, in millions.

## Trading History of the Common Shares

The common shares of Manulife are listed on the Toronto Stock Exchange (the “TSX”), the New York Stock Exchange and the Philippines Stock Exchange under the symbol “MFC” and on the Stock Exchange of Hong Kong under “0945”. The following table shows the market price range<sup>(1)</sup> and trading volume of the common shares of Manulife on the TSX for the calendar periods indicated.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Average Daily Volume</u>
2005			
First Quarter . . . . .	\$29.25	\$26.85	3,113,376
Second Quarter . . . . .	\$30.19	\$28.10	3,069,404
Third Quarter . . . . .	\$31.88	\$29.18	2,823,453
Fourth Quarter . . . . .	\$34.74	\$29.81	3,019,974
2006			
First Quarter . . . . .	\$37.45	\$33.96	2,865,980
Second Quarter . . . . .	\$37.24	\$34.46	3,006,081
Third Quarter . . . . .	\$37.00	\$34.87	2,462,486
October . . . . .	\$37.10	\$35.35	2,604,004
November . . . . .	\$38.55	\$36.79	2,323,247
December . . . . .	\$39.50	\$37.80	1,954,764
2007			
January . . . . .	\$39.86	\$38.97	1,920,571
February . . . . .	\$41.12	\$39.00	2,418,122
March 1 - 23 . . . . .	\$40.36	\$38.88	2,565,873

(1) On June 2, 2006, Manulife paid a stock dividend of one common share on each of its issued and outstanding common shares. The effect of this stock dividend is the same as a two-for one split of Manulife’s common shares. Share prices have been adjusted for this stock split.

On March 23, 2007, the closing price of the common shares of Manulife on the TSX was \$40.09.

The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to the future trading levels of the common shares of Manulife.

## Dividend History and Other Information Regarding the Common Shares

The following table sets forth the dividend history of the common shares of Manulife on the dates indicated below:

	<u>Dividends for the year ended December 31<sup>(1)</sup></u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Manulife Financial Corporation . . . . .	\$0.725	\$0.58	\$0.47	\$0.39	Nil

(1) On June 2, 2006, Manulife paid a stock dividend of one common share on each of its issued and outstanding common shares. The effect of this stock dividend is the same as a two-for one split of Manulife’s common shares. Dividends have been adjusted for this stock split.

Manulife currently pays a quarterly dividend of \$0.20 per common share.

The information set forth above is historical and is not intended to be, nor should it be construed as, an indication as to the future dividends which may be paid on the common shares of Manulife.

The following table sets forth a summary of the recent closing market prices, annual dividends or distributions paid, dividend or distribution yield and average annual total return of the common shares of Manulife:

	<u>Closing Price<sup>(1)</sup></u>	<u>Annual Dividend<sup>(2)</sup></u>	<u>Dividend Yield</u>	<u>Average Annual Total Return<sup>(3)</sup></u>
Manulife Financial Corporation . . . . .	\$40.09	\$0.80	2.00%	15.3%

(1) As of March 23, 2007.

(2) Based on the last declared quarterly dividend per share, annualized.

(3) From March 23, 2002 to March 23, 2007 (source: Bloomberg).

**Manulife’s Dividend Policy**

The holders of Manulife’s common shares are entitled to receive dividends as and when declared by the board of directors, subject to the preference of the preferred shares. The declaration and payment of dividends and the amount thereof is subject to the discretion of Manulife’s board of directors and is dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, Manulife and other factors deemed relevant by such board of directors.

Since Manulife is a holding company that conducts all of its operations through regulated insurance subsidiaries (or companies owned directly or indirectly by these subsidiaries), its ability to pay future dividends will depend on the receipt of sufficient funds from its regulated insurance subsidiaries. These subsidiaries are also subject to certain regulatory restrictions under laws in Canada, the United States and certain other countries that may limit their ability to pay dividends or make other upstream distributions.

**Voting Rights in the Common Shares**

Holders of Priority Equity Shares or Class A Shares will not have any voting rights in respect of the common shares of Manulife held by the Company. Quadrainvest will determine whether and how to vote such shares from time to time, and is responsible for advising the Company as to any voting rights it may have. Quadrainvest does not make a distinction between routine and non-routine corporate matters in respect of such voting rights. It evaluates each proposed matter on its merits and makes its recommendations as to how the Company should vote, or to refrain from voting such securities, as it determines would be in the best interest of the Company. Quadrainvest will ensure that proxies are duly signed by the Company and submitted on behalf of the Company in a timely manner.

Quadrainvest will maintain on behalf of the Company a proxy voting record which includes, each time it receives proxy voting materials, the stock exchange on which Manulife shares are listed and the ticker symbol for such securities; the CUSIP number for such shares; the meeting date and whether the meeting was called by management or otherwise; a brief identification of the matters to be voted on at the meeting; whether, and if so how, the Company voted on such matters; and whether the votes cast were for or against the recommendations of management of Manulife.

The Company will prepare a proxy voting record for the period ending on June 30 of each calendar year. The first such record will relate to the period from inception of the Company to June 30, 2007 and will be completed by August 31, 2007. Upon request made by a shareholder, the Company will deliver a copy of its proxy voting record to such shareholder without charge.

**Extraordinary Events Affecting Manulife**

If Manulife is a party to or affected by any reorganization, amalgamation, plan of arrangement, securities exchange take-over bid, merger or sale of material assets or any other business combination (a “Business Combination”), the securities of Manulife or any successor thereto received by the Company in respect of such Business Combination will, together with any residual, be treated as part of the assets of the Company for all purposes relating to the Priority Equity Shares and the Class A Shares, including the prices payable on

redemption and retraction of the Priority Equity Shares and the Class A Shares. In the event of a cash take-over bid for Manulife or other Business Combination that results in the Company receiving cash rather than securities for the common shares of Manulife that it holds, the Company will, in the discretion of Quadravest, use the cash proceeds so received to purchase shares of the financial institution acquiring Manulife, or the common shares of another major Canadian life insurance company, if Quadravest believes such purchase would permit the Company to meet its investment objectives, and otherwise the Company will be wound up.

Upon any subdivision, consolidation, reclassification or other similar change to the common shares of Manulife (a “Reclassification”), the securities received as a result of such Reclassification will, together with any residual, also be treated as part of the assets of the Company for all purposes relating to the Priority Equity Shares and the Class A Shares.

If Manulife makes any distribution of securities in respect of its common shares other than a cash dividend or a stock dividend paid in the ordinary course (an “Extraordinary Distribution”), any securities or other property received by the Company in respect of such Extraordinary Distribution will either be sold, in which case the Company will use the net proceeds to acquire additional common shares of Manulife, or be held by the Company, in the discretion of Quadravest, in which event such securities will also be treated as part of the assets of the Company for all purposes relating to the Priority Equity Shares and the Class A Shares. Any transferable rights issued to the Company pursuant to a rights offering by Manulife may be exercised or may be sold and the net proceeds of such sale used to purchase additional common shares of Manulife.

## **MANAGEMENT OF THE COMPANY**

### **Directors and Officers of the Company**

The Board of Directors of the Company currently consists of six members. The following are the names, municipalities of residence, office and principal occupations of the directors and officers of the Company.

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
S. WAYNE FINCH <sup>(1)</sup> . . . . . Brampton, Ontario	Chairman, President, Chief Executive Officer and Director	Chief Executive and Chief Investment Officer, Quadravest Capital Management Inc.
LAURA L. JOHNSON . . . . . Oakville, Ontario	Secretary and Director	Managing Director and Portfolio Manager, Quadravest Capital Management Inc.
PETER F. CRUICKSHANK . . . . . Brampton, Ontario	Chief Financial Officer and Director	Managing Director and Chief Financial Officer, Quadravest Capital Management Inc.
WILLIAM C. THORNHILL . . . . . Mississauga, Ontario	Director	Consultant
MICHAEL W. SHARP <sup>(1)</sup> . . . . . Toronto, Ontario	Director	Partner, Blake, Cassels & Graydon LLP
JOHN D. STEEP <sup>(1)</sup> . . . . . Scarborough, Ontario	Director	Consultant <sup>(2)</sup>

(1) Member of the Audit Committee.

(2) Mr. Steep was Senior Vice President Retail Sales & Service with a Canadian chartered bank between October, 1999 and April, 2002.

All of the directors and officers of the Company have held the same principal occupation for the five years preceding the date hereof, except as indicated in the notes above.



## **The Manager**

Pursuant to an agreement between the Company and Quadravest Inc. dated March 28, 2007 (the “Management Agreement”), Quadravest Inc. (the “Manager”) is the manager of the Company and, as such, is responsible for providing or arranging for administrative services required by the Company including, without limitation, authorizing the payment of operating expenses incurred on behalf of the Company; preparing financial statements and financial and accounting information as required by the Company; ensuring that shareholders are provided with such financial statements (including semi-annual and annual financial statements) as they have requested and such other reports as are from time to time required by applicable law; ensuring that the Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Company’s reports to shareholders and the Canadian securities regulatory authorities; determining the amount of dividends to be paid by the Company; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

The Manager is required to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of shareholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in or diminution in the value of any of the securities held by the Company if it has satisfied the standard of care, diligence and skill set forth above. The Manager will incur liability for wilful misconduct, bad faith, negligence or other breach of this standard of care.

The Manager may resign upon 60 days notice to shareholders and the Company or such lesser notice as the Company may accept. If the Manager resigns it may appoint its successor, but its successor must be approved by shareholders unless it is an affiliate of the Manager. If the Manager commits certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Management Agreement and such breach or default has not been cured within 30 days after notice of same has been given to the Manager, the Company shall give notice thereof to shareholders and the shareholders may remove the Manager and appoint a successor manager. Except as described above, the Manager cannot be terminated as manager of the Company.

The Manager is entitled to fees for its services under the Management Agreement as described under “*Fees and Expenses*” and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of the Company. In addition, the Manager and each of its directors, officers, employees and agents will be indemnified by the Company from and against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred by the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, unless those fees, judgments or amounts paid in settlement were incurred as a result of a breach by the Manager of the standard of care described above and provided the Company has reasonable grounds to believe that the action or inaction that caused the payment of fee, judgment or amount paid in settlement was in the best interests of the Company.

The management services of the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Company) or from engaging in other activities. For a list of the directors and officers of the Manager, see “— *The Investment Manager*”.

The principal office address of the Manager is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7. The Manager is controlled by S. Wayne Finch.

## **The Investment Manager**

Quadravest manages the Company’s investment portfolio in a manner consistent with the investment objectives, strategy and restrictions of the Company pursuant to an agreement (the “Investment Management Agreement”) between the Company and Quadravest dated March 28, 2007. Investment assets are generally managed by Quadravest to meet specific absolute return objectives rather than taking on the additional risk of targeting relative returns. As a result of the dual focus of absolute returns and capital preservation, Quadravest is able to adopt a more defensive approach in implementing its investment strategies than would be the case if it

focused on relative returns. Quadravest relies on fundamental analysis in managing equity portfolios, such that it focuses on a company's earnings history, relative price-earnings multiple, cash flow, dividend yield, market position and growth prospects.

Quadravest is the investment manager of 14 public mutual fund corporations and one public mutual fund trust that have completed public offerings with aggregate proceeds in excess of \$2 billion. The principal office address of Quadravest is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7, and its website address is www.quadravest.com. The Manager owns all of the voting shares of Quadravest.

*Directors and Officers of Quadravest*

The name and municipality of residence of each of the directors and officers of Quadravest, who also hold similar positions with the Manager, are as set out below.

<u>Name and Municipality of Residence</u>	<u>Office</u>
S. WAYNE FINCH . . . . . Brampton, Ontario	Chairman, President, Secretary, Chief Executive Officer, Chief Investment Officer and Director
LAURA L. JOHNSON . . . . . Oakville, Ontario	Managing Director and Portfolio Manager
PETER F. CRUICKSHANK . . . . . Brampton, Ontario	Managing Director and Chief Financial Officer

Wayne Finch is the Chairman and Chief Investment Officer of Quadravest. Mr. Finch has over 21 years of experience in designing and managing investment portfolios. Prior to forming Quadravest in 1997, Mr. Finch was Vice-President at another investment management firm where he was a portfolio manager of a number of publicly traded investment vehicles, and prior to that was a portfolio manager in the treasury operations of a major Canadian trust company where he managed a number of common and preferred share portfolios. Mr. Finch was also the portfolio manager for the Canada Trust Everest Dividend Fund from 1994 to 1996.

Laura L. Johnson is the Portfolio Manager and Managing Director of Quadravest. Ms. Johnson has over 13 years of experience in the financial services industry including extensive experience with structured products. Prior to forming Quadravest with Mr. Finch, Ms. Johnson was employed in the structured finance, equity and fixed income areas at another investment management firm where she worked extensively on investment products.

Peter F. Cruickshank is the Chief Financial Officer and Managing Director of Quadravest. Mr. Cruickshank is a chartered accountant who has spent the last 20 years of his career in the investment industry. From 1986 to 1999, when he joined Quadravest, he was a director and the chief financial officer of another investment management firm.

*Investment Management Agreement*

The services to be provided by Quadravest pursuant to the Investment Management Agreement will include the making of all investment decisions for the Company and managing the Company's covered call option writing in accordance with the investment objectives, strategy and restrictions of the Company. Decisions as to the purchase and sale of securities for the Company and as to the execution of all portfolio and other transactions will be made by Quadravest. In the purchase and sale of securities for the Company and the writing of options contracts, Quadravest will seek to obtain overall services and prompt execution of orders on favourable terms.

Under the Investment Management Agreement, Quadravest is required to act at all times on a basis which is fair and reasonable to the Company, to act honestly and in good faith with a view to the best interests of the shareholders of the Company and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that Quadravest will not be liable in any way for any default, failure or defect in or diminution in the value of any of the securities held by the Company if it has satisfied the standard of care,

diligence and skill set forth above. Quadravest will incur liability for wilful misconduct, bad faith, negligence or other breach of this standard of care.

The Investment Management Agreement, unless terminated as described below, will continue in effect until the termination of the Company. The Company may terminate the Investment Management Agreement if Quadravest has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions of the agreement and such breach has not been cured within 30 days after notice of the breach has been given to Quadravest. Otherwise, Quadravest cannot be terminated as investment manager of the Company without shareholder approval.

Except as set out below, Quadravest may not terminate the Investment Management Agreement or assign the same except to an affiliate of Quadravest, without shareholder approval. Quadravest may terminate the Investment Management Agreement if the Company is in material breach or default of the provisions thereof and such breach or default has not been cured within 30 days of notice of the breach or default to the Company or if there is a material change in the fundamental investment objectives, strategy or restrictions of the Company.

If the Investment Management Agreement is terminated, the Manager will promptly appoint a successor investment manager to carry out the activities of Quadravest until a meeting of shareholders of the Company is held to confirm such appointment.

Quadravest is entitled to fees for its services under the Investment Management Agreement as described under “*Fees and Expenses*” and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of the Company. In addition, Quadravest and each of its directors, officers, employees and agents will be indemnified by the Company from and against all costs or losses incurred or suffered by Quadravest or any of its officers, directors, employees or agents in the exercise of its duties as investment manager, unless those costs or losses were incurred or suffered as a result of the wilful misconduct, bad faith or negligence of Quadravest or other breach a breach by Quadravest of the standard of care described above and provided the Company has reasonable grounds to believe that the action or inaction that caused the payment of fee, judgment or amount paid in settlement was in the best interests of the Company.

#### *Conflicts of Interest*

Quadravest is engaged in a variety of investment management, investment advisory and other business activities. The services of Quadravest under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents Quadravest or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. Quadravest’s investment decisions for the Company will be made independently of those made for its other clients and independently of its own investments. However, on occasion, Quadravest may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of Quadravest are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

#### **Independent Review Committee**

National Instrument 81-107 Independent Review Committee for Investment Funds came into force on November 1, 2006, and will require the Company to establish an independent review committee (“IRC”) no later than April 30, 2007. The Company anticipates that Messrs. Thornhill and Steep, two of the independent directors of the Company, will serve as members of the IRC, along with a third member to be selected by the Company.

#### **DESCRIPTION OF SHARE CAPITAL**

The Company is authorized to issue an unlimited number of Priority Equity Shares and Class A Shares and 1,000 Class B Shares of which, before giving effect to the offering of Priority Equity Shares and Class A Shares

under this prospectus, there are issued and outstanding 1,000 Class B Shares. The attributes of the Priority Equity Shares and Class A Shares are described under “*Details of the Offering*”.

The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares will be entitled to one vote per share. The Class B Shares are retractable at a price of \$1.00 per share and have a liquidation entitlement of \$1.00 per share. The Class B Shares rank subsequent to the Priority Equity Shares and prior to the Class A Shares with respect to such nominal liquidation entitlement on the dissolution, liquidation or winding-up of the Company. M Split Corp. Holding Trust (the “Holding Trust”), an Ontario trust of which S. Wayne Finch is the trustee, owns all of the issued and outstanding Class B Shares of the Company. See “*Principal Shareholder*”.

The Company has no current intention of issuing additional Priority Equity Shares or Class A Shares following completion of the Offering, but is not precluded from doing so in the future. The Company will not issue additional Class B Shares.

## DETAILS OF THE OFFERING

### Valuation of Assets

The net asset value of the Company will be calculated by RBC Dexia Investor Services Trust (“RBC Dexia”) as of each Retraction Date (as defined below) and as of the fifteenth day of each month or if the fifteenth day of each month is not a Business Day then the immediately preceding Business Day (each, a “Valuation Date”) by subtracting the aggregate amount of the Company’s liabilities from its total assets. The Company’s assets are valued in accordance with any requirements of law, including NI 81-106. The net asset value per Unit is the amount obtained by dividing the net asset value of the Company as of a particular Valuation Date by the total number of Units outstanding on that date. The net asset value per Unit, as of the most recent mid-month or month-end Valuation Date, will be provided by QuadraVest to shareholders on request and will be available at any time to shareholders via the Company’s website at [www.M-Split.com](http://www.M-Split.com).

### Certain Provisions of the Priority Equity Shares

#### *Dividends*

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 Priority Equity Share (to yield 5.25% per annum) to holders of Priority Equity Shares on the last day of each month (each a “Dividend Record Date”). The initial dividend on the Priority Equity Shares is expected to be paid to holders of record on May 31, 2007 and, based on an anticipated closing date of April 18, 2007, is expected to be \$0.06271 per Priority Equity Share.

Dividends that are declared by the Board of Directors of the Company will be payable to holders of Priority Equity Shares of record at 5:00 p.m. (Eastern Standard Time) on the applicable Dividend Record Date, with payment being made within 15 days thereafter. Each holder of Priority Equity Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year. See “*Canadian Federal Income Tax Considerations*”.

#### *Payments on Termination*

All Priority Equity Shares outstanding on the Termination Date will be redeemed by the Company on such date. Immediately prior to the Termination Date, the Company will, to the extent possible, convert the assets of the Company to cash and will pay or make adequate provision for all of the Company’s liabilities. The Company will, to the extent possible, after receipt of the net cash proceeds of the liquidation of its assets, distribute the Priority Equity Share Repayment Amount of \$10.00 per Priority Equity Share to holders of Priority Equity Shares through the redemption of the Priority Equity Shares as soon as practicable after the Termination Date.

## *Retraction Privileges*

Priority Equity Shares may be surrendered at any time for retraction to Computershare Investor Services Inc. (“Computershare”), the Company’s registrar and transfer agent, but will be retracted only as of the last business day of each month (a “Retraction Date”). Priority Equity Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date will be retracted and the holder will receive payment on or before the 15<sup>th</sup> business day following such Retraction Date (the “Retraction Payment Date”). If a holder of Priority Equity Shares makes such surrender after 5:00 p.m. (Eastern Standard Time) on the 20th business day immediately preceding a Retraction Date, the Priority Equity Shares will be retracted on the Retraction Date in the following month and the holder will receive payment for the retracted shares as of the Retraction Payment Date in respect of the Retraction Date in the following month.

Except as noted below, holders of Priority Equity Shares whose shares are surrendered for retraction will be entitled to receive a price per share (the “Priority Equity Share Retraction Price”) equal to the lesser of (i) \$10.00; and (ii) 96% 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 A Share in the market for cancellation. For this purpose, the cost of the purchase of a Class A Share will include the purchase price of the Class A Share and commissions and costs, if any, related to the liquidation of any portion of the common shares of Manulife or Permitted Repayment Securities to fund the purchase of the Class A Share (to a maximum of 1% of the net asset value per Unit). Any accrued or declared and unpaid dividends payable on or before a Retraction Date in respect of Priority Equity 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 an equal number of Priority Equity Shares and Class A Shares on the October Retraction Date in each year. The price paid by the Company for such a concurrent retraction will be equal to the net asset value per Unit calculated as of such date.

As disclosed below under “— *Resale of Priority Equity Shares Tendered for Retraction*”, if a holder of Priority Equity Shares tendered for retraction has not withheld his or her consent thereto in the manner provided in the retraction notice delivered to CDS Clearing and Depository Services Inc. (“CDS”) through a participant in the CDS book-based system (a “CDS Participant”), the Company may, but is not obligated to, require the Recirculation Agent (as defined below) to use its best efforts to find purchasers for any Priority Equity Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement (as defined below). In such event, the amount to be paid to the holder of the Priority Equity Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Priority Equity Shares less any applicable commission. Such amount will not be less than the Priority Equity Share Retraction Price. Holders of Priority Equity Shares are free to withhold their consent to such treatment and to require the Company to retract their Priority Equity Shares in accordance with their terms.

Subject to the Company’s right to require the Recirculation Agent (as defined below) to use its best efforts to find purchasers prior to the relevant Retraction Payment Date for any Priority Equity Shares tendered for retraction, any and all Priority Equity Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the Priority Equity Share Retraction Price is not paid on the Retraction Payment Date, in which event such Priority Equity Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “*Details of the Offering — Book-Based System*”. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Priority Equity Shares which are not retracted by the Company on the relevant Retraction Date.

If any Priority Equity Shares are tendered for retraction and are not resold in the manner described below under “— *Resale of Priority Equity Shares Tendered for Retraction*”, the Company will, prior to the Retraction Payment Date, purchase for cancellation that number of Class A Shares which equals the number of Priority Equity Shares so retracted. Any Class A Shares so purchased for cancellation will be purchased in the market.



### *Resale of Priority Equity Shares Tendered for Retraction*

The Company has entered into an agreement dated March 28, 2007 (the “Recirculation Agreement”) with CIBC World Markets Inc. (the “Recirculation Agent”) and Computershare whereby the Recirculation Agent has agreed to use its best efforts to find purchasers for any Priority Equity Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the holder of the Priority Equity Shares so tendered has not withheld consent thereto. The Company is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Priority Equity Shares is found in this manner, the notice of retraction shall be deemed to have been withdrawn prior to the relevant Retraction Date and the Priority Equity Shares shall remain outstanding. The amount to be paid to the holder of the Priority Equity Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Priority Equity Shares less any applicable commission. Such amount will not be less than the applicable Priority Equity Share Retraction Price.

### *Priority and Rating*

The Priority Equity Shares rank in priority to the Class A Shares with respect to the payment of dividends and in priority to the Class A Shares and the Class B Shares with respect to the repayment of capital on the dissolution, liquidation or winding-up of the Company. The Priority Equity Shares have not been rated by any rating organization.

### **Certain Provisions of the Class A Shares**

#### *Dividends and other Distributions*

Although there can be no assurance that the Company will be able to pay dividends to holders of Class A Shares, the initial policy of the Board of Directors of the Company is to endeavour to declare and pay regular monthly dividends targeted to be \$0.05 per Class A Share to yield 6.0% per annum on the original issue price.

It is also the policy of the Board of Directors of the Company to pay dividends to the holders of Class A Shares in a year in an amount equal to all net realized capital gains, dividends and option premiums (other than option premiums in respect of options outstanding at year end) earned by the Company in such year (net of expenses, taxes and loss carry-forwards) that are in excess of the dividends paid on the Priority Equity Shares. Accordingly, if any amounts remain available for the payment of dividends after payment of the dividends on the Priority Equity Shares and the regular monthly dividends on the Class A Shares, a special year-end dividend of such amount will be payable to holders of the Class A Shares of record on the last day of November in each year.

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. 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 \$20.00.

The amount of dividends or other distributions in any particular month will be determined by the Board of Directors of the Company on the advice of Quadravest, having regard to the investment objectives of the Company, the net income and net realized capital gains of the Company during the month and in the year to date, the net income and net realized capital gains of the Company anticipated in the balance of the year, the net asset value per Unit and dividends or distributions paid in previous monthly periods.

Distributions paid on the Class A Shares may consist of ordinary dividends, capital gains dividends and non-taxable returns of capital. Based on Manulife’s current dividend policy with respect to its common shares, the Company is expected to generate dividend income of approximately 2.0% per annum which, after deduction of expenses, will be distributed to shareholders. The Company would be required to generate an additional return of approximately 5.0% per annum, including from dividend growth, capital appreciation and option premiums, in order for the Company to maintain its targeted distributions and maintain a stable net asset value, plus an additional 0.60% per annum to increase the Company’s net asset value to an amount sufficient to permit the Company to return the original issue prices of the Priority Equity Shares and the Class A Shares on the Termination Date.



Dividends or other distributions declared by the Board of Directors of the Company on the Class A Shares will be payable to holders of Class A Shares of record at 5:00 p.m. (Eastern Standard Time) on the applicable Dividend Record Date with payment being made within 15 days thereafter. Each holder of Class A Shares will be mailed annually, no later than February 28, information necessary to enable such shareholder to complete an income tax return with respect to amounts paid or payable by the Company in respect of the preceding calendar year. See “*Canadian Federal Income Tax Considerations*”.

#### *Payments on Termination*

All Class A Shares outstanding on the Termination Date will be redeemed by the Company on such date. Immediately prior to the Termination Date, the Company will, to the extent possible, convert the common shares of Manulife or other assets of the Company to cash and pay or make provision for all of the Company’s liabilities and will, to the extent possible, distribute to holders of the Priority Equity Shares the original investment amount for each Priority Equity Share then outstanding through the redemption of the Priority Equity Shares and return to holders of Class B Shares their aggregate initial investment amount of \$1,000 (\$1.00 per Class B Share). The Company will thereafter distribute to holders of the Class A Shares, the remaining assets of the Company, if any, as soon as practicable after the Termination Date.

#### *Retraction Privileges*

Class A Shares may be surrendered at any time for retraction to Computershare, but will be retracted only as of a Retraction Date. Class A Shares surrendered for retraction by a shareholder at least 20 business days prior to a Retraction Date will be retracted and the holder will receive payment on or before the Retraction Payment Date. If a holder of Class A Shares makes such surrender after 5:00 p.m. (Eastern Standard Time) on the 20<sup>th</sup> business day immediately preceding a Retraction Date, the Class A Shares will be retracted as of the Retraction Date in the following month and the holder will receive payment for the retracted shares on the Retraction Payment Date in respect of the Retraction Date in the following month.

Except as noted below, holders of Class A Shares whose shares are surrendered for retraction will be entitled to receive a retraction price per share (“Class A Share Retraction Price”) equal to 96% of the net asset value per Unit determined as of the Retraction Date less the cost to the Company of the purchase of a Priority Equity Share in the market for cancellation. For this purpose, the cost of the purchase of a Priority Equity Share will include the purchase price of the Priority Equity Share and commissions and costs, if any, related to the liquidation of any portion of the common shares of Manulife or Permitted Repayment Securities to fund the purchase of the Priority Equity Share (to a maximum of 1% of the net asset value per Unit). Any declared and unpaid dividends payable on or before a Retraction Date in respect of Class A 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 one Priority Equity Share and one Class A Share on the October Retraction Date in each year. The price paid by the Company for such a concurrent retraction will be equal to the net asset value per Unit calculated as of such date.

As disclosed below under “—*Resale of Class A Shares Tendered for Retraction*”, if the holder of Class A Shares tendered for retraction has not withheld his consent thereto in the manner provided in the retraction notice delivered to CDS through a CDS Participant, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date pursuant to the Recirculation Agreement. In such event, the amount to be paid to the holder of the Class A Shares on the Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the Class A Share Retraction Price. Holders of Class A Shares are free to withhold their consent to such treatment and to require the Company to retract their Class A Shares in accordance with their terms.

Subject to the Company’s right to require the Recirculation Agent to use its best efforts to find purchasers prior to the relevant Retraction Payment Date for any Class A Shares tendered for retraction, any and all Class A Shares which have been surrendered to the Company for retraction are deemed to be outstanding until (but not after) the close of business on the relevant Retraction Date, unless the Class A Share Retraction Price is not paid on the Retraction Payment Date, in which event such Class A Shares will remain outstanding.

The retraction right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “*Details of the Offering — Book-Based System*”. Such surrender will be irrevocable upon the delivery of notice to CDS through a CDS Participant, except with respect to those Class A Shares which are not retracted by the Company on the relevant Retraction Date.

If any Class A Shares are tendered for retraction and are not resold in the manner described below under “—*Resale of Class A Shares Tendered for Retraction*”, the Company will, prior to the Retraction Payment Date, purchase for cancellation that number of Priority Equity Shares which equals the number of Class A Shares so retracted. Any Priority Equity Shares so purchased for cancellation will be purchased in the market.

#### *Resale of Class A Shares Tendered for Retraction*

Under the Recirculation Agreement, the Recirculation Agent has agreed to use its best efforts to find purchasers for any Class A Shares tendered for retraction prior to the relevant Retraction Payment Date, provided that the holder of the Class A Shares so tendered has not withheld consent thereto. The Company is not obligated to require the Recirculation Agent to seek such purchasers but may elect to do so. In the event that a purchaser for such Class A Shares is found in this manner, the notice of retraction shall be deemed to have been withdrawn prior to the relevant Retraction Date and the Class A Shares shall remain outstanding. The amount to be paid to the holder of the Class A Shares on the relevant Retraction Payment Date will be an amount equal to the proceeds of the sale of the Class A Shares less any applicable commission. Such amount will not be less than the applicable Class A Share Retraction Price.

#### *Priority*

The Class A Shares rank subordinate to the Priority Equity Shares with respect to the payment of dividends and subordinate to the Priority Equity Shares and the Class B Shares with respect to the repayment of capital on the dissolution, liquidation or winding-up of the Company.

#### **Book-Based System**

Registration of interests in and transfers of the Priority Equity Shares and Class A Shares will be made only through a book-based system administered by CDS (the “book entry only system”). On the closing of the Offering, the Company will deliver to CDS certificates evidencing the aggregate Priority Equity Shares and Class A Shares subscribed for under the Offering. Priority Equity Shares and Class A Shares must be purchased, transferred and surrendered for retraction or redemption through a CDS Participant. All rights of an owner of Priority Equity Shares or Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Priority Equity Shares or Class A Shares. Upon purchase of any Priority Equity Shares or Class A Shares, the owner will receive only the customary confirmation. References in this prospectus to a holder of Priority Equity Shares or Class A Shares means, unless the context otherwise requires, the owner of the beneficial interest in such shares.

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

An owner of Priority Equity Shares or Class A Shares who desires to exercise retraction privileges thereunder must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner’s intention to retract shares, no later than 5:00 p.m. (Eastern Standard Time) on the relevant notice date. An owner who desires to retract Priority Equity Shares or Class A Shares should ensure that the CDS Participant is provided with notice (the “Retraction Notice”) of his intention to exercise his retraction privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Retraction Notice will be available from a CDS Participant or Computershare, the Company’s transfer agent and registrar. Any expense associated with the preparation and delivery of Retraction Notices will be for the account of the owner exercising the retraction privilege.

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

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

The Company has the option to terminate registration of the Priority Equity Shares or Class A Shares through the book entry only system, in which case certificates for Priority Equity Shares or Class A Shares, as the case may be, in fully registered form would be issued to beneficial owners of such shares, or their nominees.

### **Suspension of Retractions or Redemptions**

The Company may suspend the retraction or redemption of Priority Equity Shares and Class A Shares or payment of retraction or redemption proceeds during any period when normal trading is suspended on one or more stock exchanges on which the common shares of Manulife are listed or, with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Company determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of the assets of the Company. The suspension may apply to all requests for retraction received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All shareholders making such requests shall be advised by the Company of the suspension and that the retraction will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such shareholders shall have and shall be advised that they have the right to withdraw their requests for retraction. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Company, any declaration of suspension made by the Company shall be conclusive.

## **SHAREHOLDER MATTERS**

### **Meetings of Shareholders**

Except as required by law or set out below, holders of Priority Equity Shares and Class A Shares will not be entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company.

### **Acts Requiring Shareholder Approval**

The following matters require the approval of the holders of Priority Equity Shares and Class A Shares by a two-thirds majority vote (other than matters referred to in paragraphs (c), (f) and (g), which require approval of a simple majority vote) at a meeting called and held for such purpose:

- (a) a change in the fundamental investment objectives and strategy of the Company;
- (b) a change in the investment restrictions of the Company as described under "*Investment Information — Investment Restrictions*";
- (c) the entering into by the Company of transactions involving derivatives, other than the use of options or forward agreements as described in this prospectus;
- (d) any change in the basis of calculating fees or other expenses that are charged to the Company which could result in an increase in charges to the Company;
- (e) except as described in this prospectus, a change in the investment manager or manager of the Company, other than a change resulting in an affiliate of such person assuming such position;

- (f) a decrease in the frequency of calculating the net asset value;
- (g) a change of the auditors of the Company unless such change does not require shareholder approval under NI 81-102;
- (h) a termination of the Investment Management Agreement (except as described under “*Management of the Company — The Investment Manager — Investment Management Agreement*”);
- (i) any merger of the Company for which shareholder approval under NI 81-102 would be required;
- (j) any extension of the Termination Date to a date later than December 1, 2014; and
- (k) an amendment, modification or variation in the provisions or rights attaching to the Priority Equity Shares, Class A Shares or Class B Shares.

Each Priority Equity Share and Class A Share will have one vote at such a meeting and will not vote separately as a class in respect of any vote taken (except for a vote in respect of the matters referred to in paragraphs (a), (b), (i), (j) and (k) above and any other matters referred to above if a class is affected by the matter in a manner different from the other classes of shares of the Company). Ten per cent of the outstanding Priority Equity Shares and Class A Shares, respectively, represented in person or by proxy at the meeting will constitute a quorum. If no quorum is present, the holders of Priority Equity Shares and Class A Shares then present will constitute a quorum at an adjourned meeting.

### **Reporting to Shareholders**

The Company will deliver (or, to the extent permitted by law, make available) to each shareholder annual and semi-annual financial statements of the Company.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and McCarthy Tétrault LLP, counsel to the Agents (as defined below), the following is a summary of the principal Canadian federal income tax considerations generally relevant to investors who, for purposes of the Tax Act, are resident in Canada, deal at arm’s length with the Company, hold their Priority Equity Shares and Class A Shares as capital property, and are not affiliated with the Company. This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act, the regulations thereunder, and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) publicly available prior to the date hereof and relies as to certain factual matters on certificates of an officer of the Company, Quadravest and CIBC World Markets Inc.

This summary is based on the assumptions that:

- (a) the Priority Equity Shares and the Class A Shares will at all times be listed on a prescribed stock exchange in Canada (which currently includes the TSX);
- (b) 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 of the Company 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 of the Company;
- (c) the issuers of securities held by the Company will not be foreign affiliates of the Company or any shareholder;
- (d) the investment objectives and investment restrictions will at all relevant times be as set out under “*Investment Information*” and that the Company will at all times comply with such investment objectives and permitted investments; and
- (e) the securities held by the Company will not be participating interests in foreign investment entities within the meaning of the Notice of Ways and Means Motion to amend the Tax Act tabled by the Minister of Finance (Canada) in the House of Commons on November 9, 2006.

This summary also takes into account specific proposals to amend the Tax Act announced prior to the date hereof by the Minister of Finance (the “Proposed Amendments”) and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will become law.

**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 investor. Prospective investors are advised to consult their own tax advisors with respect to their individual circumstances and in particular the draft proposals to amend the Tax Act released on October 31, 2003 relating to the deductibility of interest and other expenses (the “October 31 Proposals”).**

### **Tax Treatment of the Company**

The Company will qualify, and intends at all relevant times to qualify, as a “mutual fund corporation” as defined in the Tax Act. The Company has informed counsel that it intends to file the necessary election under the Tax Act so that it will be deemed to be a “public corporation” and therefore can qualify as a mutual fund corporation throughout its first taxation year. As a mutual fund corporation, the Company is entitled in certain circumstances to a refund of tax paid by it in respect of its net realized capital gains. In certain circumstances where the Company has recognized a capital gain in a taxation year, it may elect not to pay capital gains dividends in that taxation year in respect thereof and instead pay refundable capital gains tax, which may in the future be fully or partially refundable upon the payment of sufficient capital gains dividends and/or capital gains redemptions. Also, as a mutual fund corporation, the Company maintains a capital gains dividend account in respect of capital gains realized by the Company and from which it may elect to pay dividends (“capital gains dividends”) which are treated as capital gains in the hands of the shareholders of the Company (see “— *Tax Treatment of Shareholders*” below).

The Company will be required to include in computing its income all dividends received. In computing its taxable income, the Company will generally be entitled to deduct all taxable dividends received on shares of taxable Canadian corporations (unless such shares are subject to a Forward Agreement with a specified financial institution). Dividends received by the Company on other shares will, however, be included in computing the income of the Company, and will not be deductible in computing its taxable income.

The Company is a “financial intermediary corporation” (as defined in the Tax Act) and, as such, is not subject to tax under Part IV.1 of the Tax Act on dividends received by the Company nor is it generally liable to tax under Part VI.1 of the Tax Act on dividends paid by the Company on “taxable preferred shares” (as defined in the Tax Act). As a mutual fund corporation (which is not an “investment corporation” as defined in the Tax Act), the Company will generally be subject to a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on taxable dividends received during the year to the extent such dividends are deductible in computing taxable income of the Company. This tax is fully refundable upon payment of sufficient dividends other than capital gains dividends (“Ordinary Dividends”) by the Company.

The Company will purchase common shares of Manulife with the objective of earning dividends thereon over the life of the Company, and intends to treat and report transactions undertaken in respect of such shares on capital account. Generally, the Company will be considered to hold such shares on capital account unless the Company is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Company has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade.

In computing the adjusted cost base of any particular security, the Company will generally be required to average the cost of that security with the adjusted cost base of all other identical securities owned by the Company at the time of acquisition.

The Company will write covered call options with the objective of increasing the yield on its assets beyond the dividends received on the common shares of Manulife. In accordance with CRA’s published administrative



practice, transactions undertaken by the Company in respect of such options will be treated and reported for purposes of the Tax Act on capital account.

Premiums received on call options written by the Company (to the extent such call options relate to securities actually owned by the Company at the time the option is written and such securities are held on capital account as discussed above) will constitute capital gains of the Company in the year received, and gains or losses realized upon dispositions of securities owned by the Company (whether upon the exercise of call options written by the Company or otherwise) will constitute capital gains or capital losses of the Company in the year realized. Where a call option is exercised the proceeds received by the Company for the option will be included in the proceeds of disposition of the securities sold pursuant to the option and the premium received for such option will not give rise to a capital gain at the time the option is written.

To the extent that the Company earns income (other than certain dividends from taxable Canadian corporations and taxable capital gains) including interest and dividends from corporations other than taxable Canadian corporations, the Company will be subject to income tax on such income and no refund will be available in respect thereof.

The Company has advised counsel that it intends to elect in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property. Such an election will ensure that gains or losses realized by the Company on dispositions of Canadian securities will be taxed as capital gains or capital losses.

The Company may acquire Permitted Repayment Securities in connection with the Priority Equity Portfolio Plan. The holding of Permitted Repayment Securities may result in the Company earning taxable income or gain.

The Company may enter into one or more Forward Agreements in connection with the Priority Equity Portfolio Protection Plan. The Company will not realize income, gain or loss as a result of entering into such a Forward Agreement. If the obligations of the Company and the Counterparty under such a Forward Agreement are settled by making cash payments, a payment made or received by the Company may be treated as an income outlay or receipt, as applicable. Gains or losses realized by the Company on the sale or other disposition of the Permitted Repayment Securities subject to a Forward Agreement will be treated as capital gains or capital losses.

Upon maturity of such a Forward Agreement, if the Company delivers underlying shares to the Counterparty and receives from the Counterparty the price stipulated in the Forward Agreement, then provided (i) all such shares are Canadian securities, as defined in subsection 39(6) of the Tax Act, and (ii) the Company files the election referred to above, any gains or losses realized by the Company upon disposition of such shares will be treated as capital gains or capital losses.

The October 31 Proposals were released by the Department of Finance for public comment and propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit” from a business or property in order for a taxpayer to deduct any loss incurred by the taxpayer from the business or property, and would provide that profit, for this purpose, does not include capital gains. The October 31 Proposals could potentially have an adverse effect on the deductibility by the Company of certain otherwise deductible expenses. On February 23, 2005, the Minister of Finance announced that an alternative proposal to replace the October 31 Proposals would be released for comment at an early opportunity. There can be no assurance that such alternative proposal will not adversely affect the Company.

### **Tax Treatment of Shareholders**

Shareholders must include in income Ordinary Dividends received from the Company. For individual shareholders, Ordinary Dividends will be subject to the usual gross-up and dividend tax credit rules with respect to taxable dividends paid by taxable Canadian corporations under the Tax Act. An enhanced gross-up and dividend tax credit is available on “eligible dividends” received from a corporation resident in Canada which are so designated by the corporation. Ordinary Dividends received by a corporation other than a “specified financial institution” (as defined in the Tax Act) will normally be deductible in computing its taxable income. The Company may enter into a Forward Agreement in connection with the Priority Equity Portfolio Protection Plan.



If the Counterparty under such an agreement is a specified financial institution, Ordinary Dividends received by a corporation following the entry into such Forward Agreement will not be deductible in computing the corporation's taxable income.

In the case of a holder that is a specified financial institution, Ordinary Dividends received on a particular class of shares will be deductible in computing its taxable income only if either (a) the specified financial institution did not acquire the shares in the ordinary course of its business; or (b) at the time of the receipt of the dividends by the specified financial institution the shares of that class are listed on a prescribed stock exchange in Canada, and dividends are received in respect of not more than 10% of the issued and outstanding shares of that class by (i) the specified financial institution, or (ii) the specified financial institution and persons with whom it does not deal at arm's length (within the meaning of the Tax Act). For these purposes, a beneficiary of a trust will be deemed to receive the amount of any dividend received by the trust and designated to that beneficiary, effective at the time the dividend was received by the trust, and a member of a partnership will be considered to have received that partner's share of a dividend received by the partnership, effective at the time the dividend was received by the partnership.

Ordinary Dividends on Priority Equity Shares will generally be subject to a 10% tax under Part IV.1 of the Tax Act when such dividends are received by a corporation (other than a "private corporation" or a "financial intermediary corporation", as defined in the Tax Act) to the extent that such dividends are deductible in computing the corporation's taxable income. Such corporations should consult their own tax advisors with respect to whether Ordinary Dividends on the Class A Shares are subject to Part IV.1 tax when received by such corporations.

A shareholder which is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on Ordinary Dividends received on Class A Shares or Priority Equity Shares, to the extent that such dividends are deductible in computing the corporation's taxable income. Where Part IV.1 tax also applies to an Ordinary Dividend received by a particular corporation, the rate of Part IV tax payable by such corporation on such dividend is reduced to 23 $\frac{1}{3}$ %.

The amount of any capital gains dividend received by a shareholder from the Company will be considered to be a capital gain of the shareholder from the disposition of capital property in the taxation year of the shareholder in which the capital gains dividend is received.

The initial policy of the Company is to pay monthly distributions and, in addition, to pay a special year-end dividend to holders of Class A Shares where the Company has net taxable capital gains upon which it would otherwise be subject to tax (other than taxable capital gains in respect of options that are outstanding at year end) or would not otherwise obtain a refund of refundable tax in respect of dividend income.

The Company may make returns of capital in respect of the Class A Shares. A return of capital in respect of a Class A Share will not be included in the income of the holder of the share, but will reduce the adjusted cost base of such share. To the extent that the adjusted cost base of a Class A Share would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the shareholder from the disposition of the share and the adjusted cost base will be increased by the amount of such deemed capital gain.

Upon the redemption, retraction or other disposition of a share, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the share exceed (or are less than) the aggregate of the adjusted cost base of the share and any reasonable costs of disposition. If the holder is a corporation, any capital loss arising on the disposition of a share may in certain circumstances be reduced by the amount of any Ordinary Dividends received on the share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. For purposes of computing the adjusted cost base of each share of a particular class, a shareholder must average the cost of such share with the adjusted cost base of any shares of that class already held as capital property.

One-half of a capital gain is included in computing income as a taxable capital gain and one-half of a capital loss may be deducted against taxable capital gains to the extent and under the circumstances prescribed in the Tax Act. A shareholder that is a Canadian-controlled private corporation will be subject to an additional

refundable tax of 6<sup>2</sup>/<sub>3</sub>% of aggregate investment income, which includes an amount in respect of taxable capital gains.

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

### ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP and McCarthy Tétrault LLP, the Priority Equity Shares and Class A Shares, if and when listed on a prescribed stock exchange, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Prospective investors should consult their own tax advisors as to the effect of acquiring Priority Equity Shares or Class A Shares in a registered education savings plan.

### USE OF PROCEEDS

The net proceeds from the issue of the Priority Equity Shares and Class A Shares offered hereby (after payment of the Agents' fee and expenses of the issue) are estimated to be \$37,600,000 (assuming the minimum Offering) and \$142,650,000 (assuming the maximum Offering and assuming in each case that the Over-Allotment Option (as defined under "*Plan of Distribution*" below) is not exercised). These net proceeds will be used to invest in the common shares of Manulife in accordance with the investment objectives, strategy and restrictions of the Company as described under "*Investment Information*".

The proceeds of the Offering (assuming the Over-Allotment Option (as defined below) is not exercised) will be as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Company . . . . .	\$40,000,000	\$150,000,000
Agents' fees . . . . .	\$ 1,800,000	\$ 6,750,000
Expenses of Issue <sup>(1)</sup> . . . . .	\$ 600,000	\$ 600,000
Net proceeds to the Company . . . . .	\$37,600,000	\$142,650,000

(1) The maximum expenses of the Offering to be borne by the Company are equal to 1.5% of the gross proceeds of the Offering.

The net proceeds will be used to purchase common shares of Manulife after closing.

### PLAN OF DISTRIBUTION

Pursuant to an agreement dated as of March 28, 2007 (the "Agency Agreement") between Quadravest, the Manager, the Company and CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Desjardins Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Bieber Securities Inc., Blackmont Capital Inc., Laurentian Bank Securities Inc., and Wellington West Capital Inc. (the "Agents"), the Agents have agreed to offer the Priority Equity Shares and Class A Shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The offering prices for the Priority Equity Shares and the Class A Shares were established by negotiation between the Company and the Agents. The Agents will receive a fee equal to \$0.30 (3.0%) for each Priority Equity Share and \$0.60 (6.0%) for each Class A Share sold and will be reimbursed for out of pocket expenses incurred. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fee. While the Agents have agreed to use their best efforts to sell the Priority Equity Shares and Class A Shares offered under this prospectus, the Agents will not be obligated to purchase Priority Equity Shares and Class A Shares which are not sold.

The Company has granted the Agents an option (the “Over-Allotment Option”) to offer up to 1,125,000 additional Priority Equity Shares and 1,125,000 additional Class A Shares, which Priority Equity Shares and Class A Shares are qualified for sale under this prospectus. The Agents may exercise the Over-Allotment Option in whole or in part at any time on or before the close of business on the 30th day following the closing of the Offering and, to the extent the Over-Allotment Option is exercised, the additional Priority Equity Shares and Class A Shares will be offered by the Agents at the offering price under this prospectus and the Agents will be entitled to receive a fee of \$0.30 (3.0%) for each Priority Equity Share and \$0.60 (6.0%) for each Class A Share sold.

Proceeds from subscriptions received by the Company will be held in trust in segregated accounts by Computershare until the minimum amount of the Offering has been obtained. In the event that the minimum amount is not obtained, and the closing does not occur, subscription proceeds received from prospective purchasers will be returned promptly without interest or deduction. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. Subscriptions for Priority Equity Shares and Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. Closing is expected to occur on April 18, 2007, but in any event no later than May 31, 2007.

The Priority Equity Shares and Class A Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “U.S. Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act. The Agents have agreed that, except as permitted by the Agency Agreement, they will not offer or sell the Priority Equity Shares or Class A Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Pursuant to policy statements of certain securities regulators, the Agents may not, throughout the period of distribution, bid for or purchase Priority Equity Shares and Class A Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Priority Equity Shares and Class A Shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Priority Equity Shares and Class A Shares at levels other than those which might otherwise prevail on the open market. In such event, an equal number of Priority Equity Shares and Class A Shares will be maintained. Such transactions, if commenced, may be discontinued at any time.

## CAPITALIZATION OF THE COMPANY

The capitalization of the Company at March 28, 2007 and at such date as adjusted to give effect to the issue and sale of the Priority Equity Shares and the Class A Shares offered under this prospectus, is set forth in the table below:

<u>Share Capital</u>	<u>Authorized</u>	<u>Outstanding as at March 28, 2007</u>	<u>To be outstanding as at March 28, 2007 after giving effect to these issues<sup>(1)</sup></u> (unaudited)
Priority Equity Shares . . . . .	Unlimited	Nil	\$ 75,000,000 (7,500,000 shares)
Class A Shares . . . . .	Unlimited	Nil	\$ 75,000,000 (7,500,000 shares)
Class B Shares . . . . .	1,000	\$1,000	\$ 1,000 (1,000 shares)
Issue Costs . . . . .		Nil	\$ (600,000)
Total Capitalization . . . . .		<u>\$1,000</u>	<u>\$149,401,000</u>

(1) Assumes the maximum amount of the Offering.

## PRINCIPAL SHAREHOLDER

All of the issued and outstanding Class B Shares of the Company are owned by the Holding Trust. S. Wayne Finch is the trustee of the Holding Trust and the beneficiaries are the holders of the Priority Equity Shares and Class A Shares outstanding from time to time. The Class B Shares will be held in escrow by RBC Dexia pursuant to an agreement dated March 28, 2007 (the “Escrow Agreement”) between the Holding Trust, RBC Dexia and the Company and will not be disposed of or dealt with in any manner until all the Priority Equity Shares and Class A Shares have been retracted or redeemed, except in certain circumstances contemplated by the Escrow Agreement.

## FEES AND EXPENSES

### Initial Expenses

The expenses of the Offering (including the costs of creating and organizing the Company, the costs of printing and preparing this prospectus, legal expenses of the Company, marketing expenses and legal and other out of pocket expenses incurred by the Agents and certain other expenses) will be paid by the Company out of the gross proceeds of the Offering to a maximum of 1.5% of such gross proceeds. In addition, the Agents’ fee will be paid to the Agents from the gross proceeds as described under “*Plan of Distribution*”.

### Management, Administration and Service Fees

Pursuant to the Management Agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the Company’s net asset value calculated as at the last Valuation Date in each month, plus an amount equal to the service fee (the “Service Fee”) payable to dealers. The Company will also pay any goods and services taxes applicable to this administration fee.

The Manager will pay the Service Fee to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be 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 at any time is the net asset value per Unit at such time less \$10.00. No Service Fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A Shares in respect of each month of such calendar quarter.

Pursuant to the terms of the Investment Management Agreement, Quadravest is entitled to a management fee payable monthly in arrears at an annual rate equal to 0.55% of the Company’s net asset value calculated as at the last Valuation Date in each month.

## Operating Expenses

The Company will pay for all other expenses incurred in connection with the operation and administration of the Company, estimated to be approximately \$300,000 per annum. These expenses are expected to include, without limitation, mailing and printing expenses for periodic reports to shareholders; fees payable to RBC Dexia for acting as custodian of the assets of the Company and performing certain administrative services under the Custodian Agreement (as defined below); fees payable to Computershare, as registrar and transfer agent with respect to the Priority Equity Shares and Class A Shares; fees payable to the independent directors of the Company and the fees and other expenses of the members of, and other expenses of maintaining, an independent review committee under National Instrument 81-107 Independent Review Committee for Investment Funds; fees payable to the auditors and legal advisors of the Company; regulatory filing and stock exchange fees (including any such fees payable by the Manager or Quadravest in respect of the services they provide to the Company); and expenditures incurred upon the dissolution of the Company. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager or Quadravest is entitled to indemnity by the Company. See “*Management of the Company*”. The Company will also be responsible for all commissions and other costs of portfolio transactions.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Quadravest and the Manager will receive the fees described under “*Fees and Expenses*” for their respective services to the Company and will be reimbursed by the Company for all expenses incurred in connection with the operation and administration of the Company. S. Wayne Finch controls the Manager, which in turn owns all of the voting shares of Quadravest. In accordance with the requirements of the provincial securities regulatory authorities in connection with the Offering, Quadravest and the Manager have each undertaken to file, and have agreed to cause their directors and senior officers to file, insider trading reports as if the Company was not a mutual fund, in accordance with applicable securities legislation in respect of trades made by it or those directors and senior officers in shares of the Company.

The senior officers and directors of the Company have also undertaken to file insider trading reports, as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation, for themselves. The Company has undertaken that it will not elect or appoint any person in the future as a senior officer or director unless such person undertakes to file insider trading reports as if the Company was not a mutual fund, in accordance with applicable provincial securities legislation and to deliver to each applicable provincial securities regulatory authority an undertaking to file insider trading reports in accordance with applicable provincial securities legislation. The foregoing undertakings shall remain in full force until such time as, in the case of the undertaking of Quadravest and the Manager, Quadravest ceases to hold voting shares of the Company; in the case of the undertakings of a director or senior officer of the Company, such person ceases to be a director or officer of the Company; or in each case all of the Priority Equity Shares and Class A Shares have been redeemed or retracted.

## MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Priority Equity Shares and Class A Shares:

- (a) the Management Agreement described under “*Management of the Company — The Manager*”;
- (b) the Investment Management Agreement described under “*Management of the Company — The Investment Manager — Investment Management Agreement*”;
- (c) the Agency Agreement described under “*Plan of Distribution*”;
- (d) the Recirculation Agreement described under “*Details of the Offering*”;
- (e) the Escrow Agreement described under “*Principal Shareholder*”; and
- (f) the Custodian Agreement described under “*Custodian, Registrar and Transfer Agent and Auditors*”.

Copies of the foregoing agreements, after they have been signed, may be inspected during business hours at the principal office of the Company during the course of distribution of the Priority Equity Shares and Class A Shares offered under this prospectus.

## **RISK FACTORS**

In addition to the risks discussed elsewhere in this prospectus, the following are certain considerations relating to an investment in Priority Equity Shares and Class A Shares which prospective investors should consider before purchasing such shares.

### **Operating History and Lack of Public Trading Market**

The Company is a newly organized investment fund with no previous operating history. There is currently no public market for the Priority Equity Shares or Class A Shares and there can be no assurance that an active public market will develop or be sustained after the completion of the Offering.

### **Concentration Risk**

The assets of the Company will initially consist exclusively of common shares of Manulife and, other than Permitted Repayment Securities potentially acquired by the Company under its Priority Equity Portfolio Protection Plan, will only consist of common shares of Manulife in the future. As a result, the Company's portfolio is highly concentrated and this lack of diversification could have a negative impact on the value of the Priority Equity Shares and the Class A Shares.

### **Risks Associated with an Investment in the Common Shares of Manulife**

Investors should review carefully the Manulife Public Documents, and in particular the 2007 AIF, for a discussion of the risk factors applicable to Manulife and its common shares.

Manulife may at any time decide to decrease or discontinue the payment of dividends on its common shares. Any decrease in the dividends received by the Company on the common shares of Manulife it holds will decrease the dividend coverage ratio for the Priority Equity Shares, and could mean that the monthly dividends paid by the Company on its Class A Shares could be reduced or discontinued, and ultimately could mean that the payment of dividends on the Priority Equity Shares would need to be reduced or discontinued or paid in a form other than ordinary dividends.

Manulife has not participated in the establishment of the Company, nor in the preparation of this prospectus, and takes no responsibility and assumes no liability for the accuracy or completeness of any information contained in this prospectus. None of Manulife or its directors, officers, auditors or agents will have any statutory liability to purchasers of the Company's Priority Equity Shares or Class A Shares with respect to the accuracy or completeness of the information contained in this prospectus.

An investment in the Priority Equity Shares or the Class A Shares does not constitute an investment in the common shares of Manulife. Holders of the Company's Priority Equity Shares or Class A Shares will not own the common shares of Manulife held by the Company and will not have any voting or other rights with respect to such shares.

### **Fluctuations in Net Asset Value**

The net asset value of the Company will vary primarily according to the value of the common shares of Manulife it holds. The value of such shares will be influenced by factors which are not within the control of the Company, including the financial performance of Manulife, its dividend payment policies and financial market and economic conditions generally. An investment in the Priority Equity Shares or Class A Shares is appropriate only for investors who have the capacity to absorb a loss of some, or in the case of the Class A Shares all, of that investment. The net asset value of the Company at any time may be more or less than the issue price of the Priority Equity Shares and Class A Shares or the price at which an investor can purchase Priority Equity Shares and Class A Shares on any stock exchange on which they may be listed following the closing of the Offering.



## **Class A Shares Represent a Leveraged Investment**

Holders of the Class A Shares will enjoy a form of leverage, in that any capital appreciation in the common shares of Manulife purchased with the net proceeds of the Offering representing the issue of both Priority Equity Shares and Class A Shares will be for the benefit of the holders of the Class A Shares once all accrued and unpaid dividends on the Priority Equity Shares and the Priority Equity Share Repayment Amount have each been paid on the Termination Date, together with any other liabilities of the Company. In the event that the value of the common shares of Manulife decreases, this leverage will work to the disadvantage of the holders of the Class A Shares, as any capital loss incurred by the Company on those shares will effectively first be for the account of the holders of the Class A Shares. If the net asset value of the Company on the Termination Date is equal to or less than \$10.00 plus the value of any accrued and unpaid dividends on the Priority Equity Shares, the Class A Shares will then have no value.

## **Applicability of Mutual Fund Rules**

Although the Company is considered to be a mutual fund under the securities legislation of certain provinces of Canada, it has been exempted from certain requirements of NI 81-102 and NI 81-106 of the Canadian Securities Administrators governing the disclosure and related requirements of public investment funds, so as to permit the Company to operate as described in this prospectus.

## **No Assurances of Achieving Objectives**

There is no assurance that the Company will be able to achieve its monthly distribution and long-term capital appreciation objectives. In particular, there can be no assurance that the Company will be able to pay, or in all cases be able to pay the full targeted, monthly dividends on the Priority Equity Shares and the Class A Shares. An investment in the Priority Equity Shares and Class A Shares is therefore appropriate only for investors who have the ability to withstand dividends not being paid on the Priority Equity Shares or the Class A Shares for any period of time.

## **Interest Rate Fluctuations**

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

## **Use of Options and Forward Contracts**

The Company is subject to the full risk of its investment position in the common shares of Manulife, including those shares that are subject to outstanding call options, should the market price of such shares decline. In addition, the Company will not participate in any gain on the shares that are subject to outstanding call options above the strike price of the options.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Company to write covered call options on desired terms or to close out option positions should Quadravest desire to do so. In purchasing call options, the Company is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments, or other third party in the case of over-the-counter instruments) may be unable to meet its obligations. The ability of the Company to close out its positions may also be affected by exchange-imposed daily trading limits on options. If the Company is unable to repurchase a call option which is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option becomes exercisable or expires.

The use of options may have the effect of limiting or reducing the total returns of the Company if Quadravest's expectations concerning future events or market conditions prove to be incorrect. If the value of the common shares of Manulife decreases, it may be difficult for the Company to recover losses on those shares and meet its annual targeted distributions. In such an event, the Company would have to increase the number of the common shares of Manulife that are subject to covered call options in order to meet its annual targeted distributions.

The Company may enter into one or more Forward Agreements with Counterparties pursuant to the Priority Equity Portfolio Protection Plan in order to provide for payment of the Priority Equity Share Repayment Amount on the Termination Date. The Company expects that, if it enters into any such Forward Agreement, the Forward Amount will be available for distribution to holders of the Priority Equity Shares on the Termination Date. The possibility exists, however, that the Counterparty or the guarantor of the obligations of the Counterparty pursuant to a Forward Agreement will default on their payment obligations thereunder or that the proceeds of such agreement will be used to satisfy other liabilities of the Company, which liabilities could include obligations to third-party creditors in the event that the Company has insufficient assets excluding the Forward Amount to pay its liabilities. If any of these eventualities should occur, holders of the Priority Equity Shares will not receive the Priority Equity Share Repayment Amount on the Termination Date.

In addition, in the event of an early termination of a Forward Agreement in accordance with the terms thereof, the Company may be unable to pay holders of the Priority Equity Shares the Priority Equity Share Repayment Amount on the Termination Date. It is expected that a Counterparty's termination rights under a Forward Agreement would include a right to terminate if the Counterparty is unable to hedge its obligations under that agreement. It is not possible to assess the likelihood of early termination due to the Counterparty's inability to hedge over the term of a Forward Agreement. In certain circumstances, the Company may be obligated by the requirements of the Canadian securities regulatory authorities to undertake a partial termination of a Forward Agreement to reduce the Company's exposure to a Counterparty. In the event of an early termination of a Forward Agreement, or its partial termination, the Company will seek to enter into additional forward, derivative or other transactions or purchase Permitted Repayment Securities in order to further its ability to pay to holders of the Priority Equity Shares the Priority Equity Share Repayment Amount on or before the Termination Date, but it is not possible to assess the Company's ability to do so.

#### **Risks Associated with the Priority Equity Portfolio Protection Plan**

In the event of a dramatic decline in the value of the common shares of Manulife, the Company could as a result of the terms of the Priority Equity Portfolio Protection Plan be forced to invest primarily in Permitted Repayment Securities, and the ability of the Company to generate dividend or other income for the holders of the Priority Equity Shares would thereby be impaired. If the decline in the value of the common shares of Manulife on a single day was greater than 30%, the ability of the Company to implement the Priority Equity Portfolio Protection Plan in full could be impaired, such that it might not be possible for the Company to acquire sufficient Permitted Repayment Securities to ensure the repayment of the Priority Equity Repayment Amount in full on the Termination Date.

Furthermore, in the event that it is necessary for the Company to purchase Permitted Repayment Securities, the portion of the Company's assets that are invested in common shares of Manulife will decrease. In such circumstances, the exposure of the holders of the Class A Shares to the common shares of Manulife would decrease, resulting in a decrease in the extent to which the holders of the Class A Shares have a leveraged investment in those common shares. The sale of common shares of Manulife and purchase of Permitted Repayment Securities may make it more difficult for the Company to meet its annual targeted distributions, particularly with respect to the Class A Shares. In such an event, the Company would have to increase the number of common shares of Manulife that are subject to covered call options in order to meet its annual targeted distributions. If the Company continues to be required to liquidate common shares of Manulife and purchase Permitted Repayment Securities, its ability to pay dividends on the Class A Shares at the targeted rate, or at all, could be compromised.

#### **Reliance on the Investment Manager**

Quadravest will manage the assets of the Company in a manner consistent with the investment objectives, strategy and restrictions of the Company. The officers of Quadravest who will be primarily responsible for the management of the Company have extensive experience in managing investment portfolios. There is no certainty that such individuals will continue to be employees of Quadravest throughout the term of the Company.

## **Conflicts of Interest**

Quadravest is engaged in a variety of investment management, investment advisory and other business activities. The services of Quadravest under the Investment Management Agreement are not exclusive and nothing in the Investment Management Agreement prevents Quadravest or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives, strategies and policies are similar to those of the Company) or from engaging in other activities. Quadravest's investment decisions for the Company will be made independently of those made for its other clients and independently of its own investments. However, on occasion, Quadravest may make the same investment for the Company and for one or more of its other clients. If the Company and one or more of the other clients of Quadravest are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

## **Trading Prices of Shares**

The Priority Equity Shares and the Class A Shares may trade in the market at a premium or discount to the price implied by the net asset value per Unit, and there can be no assurance that such shares will together trade at a price equal to such amount. This risk is separate and distinct from the risk that the net asset value per Unit may decrease, or possibly be zero.

## **Retractions; Suspension of Retractions**

If holders of a substantial number of Priority Equity Shares or Class A Shares exercise their retraction rights, the number of such shares outstanding and the net asset value of the Company could be significantly reduced with the effect of decreasing the liquidity of the Priority Equity Shares and Class A Shares in the market and increasing the management expense ratio of the Company. The Company may suspend the retraction of Priority Equity Shares and Class A Shares or payment of redemption proceeds during any period when normal trading is suspended on any stock exchange on which the common shares of Manulife are listed, or with the prior permission of the Ontario Securities Commission, for any period not exceeding 120 days during which the Company determines that conditions exist which render impractical the sale of assets of the Company or which impair the ability of the Company to determine the value of the assets of the Company. In the event of a suspension of retractions, Shareholders would experience reduced liquidity. See "*Details of the Offering — Suspension of Retractions*".

## **Changes in Legislation**

There can be no assurance that income tax laws relating to the treatment of a mutual fund corporation under the Tax Act will not be changed in a manner which adversely affects the distributions received by the shareholders and/or the value of the Priority Equity Shares or Class A Shares.

## **Treatment of Proceeds of Disposition and Option Premiums**

In determining its income for tax purposes, the Company will treat gains and losses realized on the disposition of securities held by it, option premiums received on the writing of covered call options and any losses sustained on closing out options as capital gains and capital losses in accordance with CRA's published administrative practice. Gains or losses on the disposition of Permitted Repayment Securities upon delivery under a Forward Agreement will be treated as capital gains or capital losses. CRA's practice is not to grant advance income tax rulings on the character of items as capital or income and no advance income tax ruling has been applied for or received from CRA.

If, contrary to CRA's published administrative practice, some or all of the transactions undertaken by the Company in respect of options and securities (other than Permitted Repayment Securities) were treated on income rather than capital account, or if contrary to the advice of counsel or as a result of a change of law, the character and timing of the gain under a Forward Agreement were other than a capital gain on sale of the Permitted Repayment Securities thereunder, after-tax returns to holders of Class A Shares and Priority Equity Shares could be reduced and the Company may be subject to non-refundable income tax in respect of income

from such transactions, and the Company may be subject to penalty taxes in respect of excessive capital gains dividend elections.

### **Tax Proposals Regarding Mutual Fund Corporation Status**

The tax treatment of the Company and its shareholders depends in part upon the Company being a “mutual fund corporation” for tax purposes. On September 16, 2004, the Minister of Finance for Canada released certain proposals to amend the Tax Act (the “September Tax Proposals”) pursuant to which a corporation, such as the Company, would lose its status as a mutual fund corporation if at any time after 2004 the aggregate fair market value of all issued and outstanding shares of the corporation held by one or more non-resident persons and/or by partnerships which are not Canadian partnerships for purposes of the Tax Act is more than 50% of the aggregate fair market value of all the issued and outstanding shares of the corporation unless no more than 10% (based on fair market value) of the corporation’s property is at any time taxable Canadian property and certain other types of specified property. The September Tax Proposals currently do not provide any means of rectifying the loss of mutual fund corporation status. On December 6, 2004, such Minister tabled a Notice of Ways and Means Motion to implement measures proposed in the 2004 Budget. Such Motion was incorporated into Bill C-33, which received Royal Assent on May 13, 2005. Such Notice did not include the September Tax Proposals and this fact was specifically referred to in the accompanying release.

The Priority Equity Shares and Class A Shares of the Company are marketed only in Canada, and provided the Company complies with its investment criteria and restrictions, it is not anticipated that more than 10% of the fair market value of the Company’s assets will at any time consist of taxable Canadian property and such other specified property, with the result that the Manager does not anticipate that the September Tax Proposals (even if enacted in their current form) would lead to a loss of mutual fund corporation status for the Company.

### **LEGAL OPINIONS**

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

### **PROMOTER**

Quadravest has taken the initiative in organizing the Company and accordingly is a “promoter” of the Company within the meaning of applicable securities legislation. Quadravest will receive fees from the Company and will be entitled to reimbursement of expenses incurred in relation to the Company as described under “*Fees and Expenses*”.

### **CUSTODIAN, REGISTRAR AND TRANSFER AGENT AND AUDITORS**

Pursuant to an agreement (the “Custodian Agreement”) to be entered into on or before the closing of this Offering, RBC Dexia will be the custodian of the assets of the Company and is also responsible for certain aspects of the day-to-day administration of the Company, including processing retractions, calculating net asset value and maintaining the fund valuation books and records of the Company. The address of RBC Dexia is 77 King Street West, 11th Floor, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5W 1P9 Attention: International Investment Products. RBC Dexia will not have any responsibility or liability for any assets of the Company which it does not directly hold or have control over (including through its sub-custodians), including, without limitation, any assets of the Company pledged to a counterparty pursuant to derivatives transactions entered into by the Company, if any. RBC Dexia is entitled to receive fees from the Company and to be reimbursed for all expenses and liabilities which are properly incurred by RBC Dexia in connection with the activities of the Company.

Pursuant to a Transfer Agent, Registrar and Dividend Disbursing Agent Agreement to be entered into on or before the closing of this Offering, Computershare, at its principal office in Toronto has been appointed the registrar and transfer agent for the Priority Equity Shares and the Class A Shares.

The auditors of the Company are PricewaterhouseCoopers LLP, 77 King Street West, Toronto, Ontario, M5K 1G8.

### **PURCHASER'S STATUTORY RIGHTS**

Securities legislation in several of the provinces of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided such remedies for rescission 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 prospectus of M Split Corp. (the "Company") dated March 28, 2007 relating to an offer of up to 7,500,000 Priority Equity Shares and up to 7,500,000 Class A Shares. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Board of Directors of the Company on the statement of financial position of the Company as at March 28, 2007. Our report is dated March 28, 2007.

Toronto, Ontario  
March 28, 2007

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants



## AUDITORS' REPORT

To the Board of Directors of

M SPLIT CORP.:

We have audited the statement of financial position of M Split Corp. (the "Company") as at March 28, 2007. This statement of financial position is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial position based on our audit.

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

In our opinion, this statement of financial position presents fairly, in all material respects, the financial position of the Company as at March 28, 2007 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
March 28, 2007

(Signed) PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants

**M SPLIT CORP.**  
**STATEMENT OF FINANCIAL POSITION**  
**March 28, 2007**

<b>ASSETS</b>	
Cash .....	\$1,000.00
<b>SHAREHOLDER'S EQUITY</b>	
Class B Shares (1,000 shares) (Note 1) .....	\$1,000.00

*The accompanying notes are an integral part of this statement of financial position*

Approved by the Board of Directors:

(Signed) S. WAYNE FINCH  
Director

(Signed) PETER F. CRUICKSHANK  
Director

**M SPLIT CORP.**  
**NOTES TO STATEMENT OF FINANCIAL POSITION**  
**As at March 28, 2007**

**1. ORGANIZATION AND SHARE CAPITAL**

M Split Corp. (the “Company”) was established under the laws of the Province of Ontario by articles of incorporation dated February 12, 2007.

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. On February 12, 2007, the Company issued 1,000 Class B Shares to M Split Corp. Holding Trust, a 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, for \$1,000 cash.

**2. AGENCY AND CUSTODIAN AGREEMENTS**

The Company has engaged CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., TD Securities Inc., National Bank Financial Inc., Desjardins Securities Inc., Canaccord Capital Corporation, Dundee Securities Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Bieber Securities Inc., Blackmont Capital Inc., Laurentian Bank Securities Inc., and Wellington West Capital Inc. to offer for sale to the public pursuant to a prospectus dated March 28, 2007 the Priority Equity Shares and the Class A Shares referred to in Note 1.

The Company will retain RBC Dexia Investor Services Trust (the “Custodian”) under a custody agreement to act as custodian of the assets of the Company and to be responsible for certain aspects of the Company’s day-to-day operations. In consideration for the services provided by the Custodian, the Company will pay the Custodian a monthly fee as set out in the custody agreement.

**3. MANAGEMENT AND INVESTMENT MANAGEMENT AGREEMENTS**

The Company has retained Quadravest Inc. (the “Manager”) under a management agreement dated as of March 28, 2007 to act as the manager of the Company and has retained Quadravest Capital Management Inc. (“Quadravest”), under an investment management agreement dated as of March 28, 2007 to act as the investment manager of the Company. Pursuant to such agreements, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.1% of the net asset value of the Company calculated as at the last valuation date in each month, plus an amount equal to the service fee (the “Service Fee”) discussed below.

Quadravest is entitled to a management fee payable monthly in arrears at an annual rate of 0.55% of the net asset value of the Company calculated as at the last valuation date in each month.

In addition to the administration fee, the Company will pay to the Manager an amount equal to the Service Fee, to be paid by the Manager to each dealer whose clients hold Class A Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and will be 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 net asset value per Unit less \$10.00. No Service Fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A Shares in respect of each month in such calendar quarter.

## CERTIFICATES OF THE COMPANY AND THE PROMOTER

Dated: March 28, 2007

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

(Signed) S. WAYNE FINCH  
President and Chief Executive Officer

(Signed) PETER F. CRUICKSHANK  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) LAURA L. JOHNSON  
Director

(Signed) WILLIAM C. THORNHILL  
Director

QUADRAVEST CAPITAL MANAGEMENT INC.  
As Promoter

(Signed) S. WAYNE FINCH  
President and Chief Executive Officer

## CERTIFICATE OF THE AGENTS

Dated: March 28, 2007

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

**CIBC WORLD MARKETS INC.**

(Signed) RONALD W.A. MITCHELL

**RBC DOMINION SECURITIES INC.**

(Signed) EDWARD V. JACKSON

**SCOTIA CAPITAL INC.**

(Signed) BRIAN D. MCCHESENEY

**BMO NESBITT BURNS INC.**

(Signed) DAVID R. THOMAS

**TD SECURITIES INC.**

(Signed) CAMERON GOODNOUGH

**NATIONAL BANK FINANCIAL INC.**

(Signed) MICHAEL D. SHUH

**DESJARDINS SECURITIES INC.**

(Signed) BETH SHAW

**CANACCORD CAPITAL  
CORPORATION**

(Signed) BINA N. PATEL

**DUNDEE SECURITIES  
CORPORATION**

(Signed) BRETT WHALEN

**HSBC SECURITIES  
(CANADA) INC.**

(Signed) JAY LEWIS

**RAYMOND JAMES LTD.**

(Signed) SARA MINATEL

**BIEBER SECURITIES INC.**

(Signed) CLAUDE  
TÉTRAULT

**BLACKMONT  
CAPITAL INC.**

(Signed) CHARLES A.V.  
PENNOCK

**LAURENTIAN BANK  
SECURITIES INC.**

(Signed) PIERRE  
GODBOUT

**WELLINGTON WEST  
CAPITAL INC.**

(Signed) CHARLIE  
SPIRING

