

2009

M SPLIT CORP.

ANNUAL REPORT



This report may contain forward-looking statements about the Company. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Company action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Company currently anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not undertake to update any forward-looking statements.

M SPLIT CORP.**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**NOVEMBER 30, 2009

This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2009. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at www.m-split.com or by writing to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

These reports are available to view and download at www.m-split.com or www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGIES

M Split Corp. invests primarily in common shares of the Manulife Financial Corporation ("Manulife").

The Company offers two types of shares:

Priority Equity Shares

The investment objectives with respect to the Priority Equity shares are as follows:

1. To provide holders of Priority Equity shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Priority Equity share to yield 5.25% per annum on the original issue price; and
2. On or about December 1, 2014 (the termination date) to pay holders the original issue price (\$10) of those shares.

Class A Shares

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders with regular monthly cash distributions targeted to be \$0.05 per Class A share to yield 6.0% per annum on the original issue price; and
2. On or about December 1, 2014 (the termination date) to pay holders the original issue price (\$10) of those shares.

RISK

The risks of investing in the Company remain as discussed in the Annual Information form dated February 23, 2010. In addition, Note 3 of the annual financial statements ("Management of Risk") contains disclosure on specific types of risks related to the financial investments held by the Company.

RESULTS OF OPERATIONS

As discussed in previous reports, the significant decline in Manulife Financial common stock from \$41.08 when the Company commenced investment operations on April 18, 2007 to \$24.00 as at November 30, 2008 required the Company to implement the Priority Equity Portfolio Protection Plan in November 2008. Manulife Financial common stock hit a low of \$ 9.02 in early March 2009 (a decline of 78.0% since the commencement date of the Company) which required the Company to further reduce and almost eliminate the Company's holding of Manulife Financial common stock and use the proceeds to increase fixed income instruments held under the Priority Equity Portfolio Protection Plan. The objective of the Priority Equity Portfolio Protection Plan is to provide repayment of the original \$10 issue price of the Priority Equity shares.

As at November 30, 2009, the net asset value of the Company was \$8.54 per unit (a unit consisting of one Priority Equity shares and one Class A share). As a result of the significant liquidation of Manulife Financial common shares to facilitate the requirements of the Priority Equity Portfolio Protection Plan, the Company had 99% in fixed income securities (plus cash) and the remaining 1.0% in Manulife Financial common stock as at November 30, 2009. The fixed income securities held in the Priority Equity Portfolio Protection Plan consist of Canadian provincial government backed strip bonds. These fixed income instruments entitle the Company to receive a fixed payment on maturity as the effective interest component continues to compound until the final payment on maturity.

The original investment objectives of the Company were based on the assumptions that dividends received would be from a fully invested position in common shares of Manulife Financial and that there would be an active covered call writing program which would supplement those dividends in order to achieve the distribution objectives for both classes of shares. As mentioned above, the Company has had to almost completely reduce its exposure to the underlying common shares and implement the Priority Equity Portfolio Protection Plan. This has significantly impaired the Company's ability to achieve all of its distribution and capital repayment objectives for both classes of shares.

On December 23, 2008, the Company sent out a Notice of Special Meeting of Shareholders and Management Information circular which contained a Management initiated proposal that offered a reorganization of the Company's capital and provided both Priority Equity shareholders and Class A shareholders with the potential to elect an alternative structure going forward. This proposal did not, however, receive the requisite shareholder approvals at the Special Meeting held February 5, 2009, and accordingly was not implemented. Outside of certain larger shareholders, the remaining shareholders had voted overwhelmingly in support of this proposal.

On February 18, 2009, the Company announced that it was suspending its regular monthly dividends on the Priority Equity shares in order to preserve cash and to assist in rebuilding the net asset value in an attempt to achieve longer term objectives. Since the dividends on the Priority Equity shares are cumulative, the suspended dividends (and all subsequent dividends not paid) will be accrued to the benefit of the Priority Equity shareholders and are recorded as a liability in the Company's net asset value. Such amounts will be included as part of the retraction price paid on any Priority Equity shares redeemed.

On September 18, 2009, the Company announced its intention to hold another shareholder meeting to vote on a proposed reorganization which would be similar in substance to the previous proposal. The full proposal was contained in the Management Information Circular sent to all shareholders of record on December 16, 2009. Subsequent to the end of the Company's fiscal year, the special shareholder meeting was held on February 3, 2010 and the proposed reorganization was approved. The reorganization will provide shareholders with the ability choose to have their existing Priority Equity and/or Class A shares reorganized into a new series of shares (the New Commerce Split Fund) that would potentially provide greater distribution and capital growth potential by re-establishing a full investment in Manulife common stock. Shareholders not wishing to participate in the new reorganized Fund were given a special retraction right. It is expected that the full implementation of the reorganization will occur in March 2010.

DISTRIBUTIONS

Class A Shares - Distributions

Class A shareholders are entitled to receive regular monthly cash dividends initially targeted to be \$0.05 per Class A Share to yield 6% per annum on the original issue price. Due to the net asset value remaining below \$12.50 per unit during the period, there were no distributions paid during the period. A total of \$0.90 per share in dividends have been paid since inception.

Priority Equity Shares - Distributions

Priority Equity shareholders are entitled to receive regular monthly cash dividends in the amount of \$0.04375 per Priority Equity Share to yield 5.25% per annum on the original issue price. Two monthly dividends for a total of \$0.0875 per share were paid during the year while the remaining 10 months were accrued. A total of \$0.9377 in dividends per share have been paid since inception.

RECENT DEVELOPMENTS

Adoption of new accounting standards:

During 2009, the Company adopted two new accounting standards: Amendment to Section 3862 - Financial Instruments - Disclosures and Emerging Issues Committee (EIC-173) - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. Detailed information on the impact of these standards can be found in Note 3 of the annual audited financial statements.

RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. (the "Investment Manager") and Quadravest Inc. (the "Manager") earn fees from the Company as described below in the Management Fees section.

MANAGEMENT FEES

The Investment Manager is entitled to a base 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

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the transactional net assets of the Company, which includes the outstanding Priority Equity shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum. 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.

Total management fees of \$229,414 paid for the period ended November 30, 2009 include the base management fee and the administration fee. The base management fee was used by the Investment Manager to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company which includes all operational services, financial accounting, shareholder reporting and regulatory reporting.

FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's audited annual financial statements. The Net Assets included in the Net Assets per unit table is from the Company's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental data Table is for Transactional pricing purposes and calculated using closing prices (see Note 2 in the financial statements).

The Company's Net Assets per unit

	Years ended November 30		
	2009	2008	2007 ⁽²⁾
Net assets per unit, beginning of year ⁽¹⁾	9.55	19.32	18.97 ⁽³⁾
Increase (decrease) from operations			
Total revenue	0.25	0.41	0.30
Total expenses	(0.11)	(0.18)	(0.13)
Realized gains (losses) for the year	(3.04)	(6.27)	0.08
Unrealized gains (losses) for the year	2.31	(2.64)	0.77
Total increase (decrease) from operations ⁽⁴⁾	<u>(0.59)</u>	<u>(8.68)</u>	<u>1.02</u>
Distributions ⁽⁵⁾			
Taxable Dividends	(0.09)	(1.07)	(0.59)
Capital gains	-	-	(0.09)
Total annual distributions	<u>(0.09)</u>	<u>(1.07)</u>	<u>(0.68)</u>
Net assets per unit at end of year	8.54	9.55	19.32
Net assets per Priority Equity share	8.54	9.55	10.00
Net assets per Class A share	<u>-</u>	<u>-</u>	<u>9.32</u>
Net assets per unit at end of year	8.54	9.55	19.32

- (1) Net asset per unit is the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding the Priority Equity shares of the Company on that date divided by the number of units then outstanding.
- (2) Results for the period April 18, 2007 (inception) to November 30, 2007.
- (3) Initial net asset value per unit is after deducting all agents' fees and filing costs in connection with the initial public offering.
- (4) Total increase from operations is before the payment of Priority Equity Shares and Class A share distributions and is calculated based on the weighted average number of units outstanding during the period.
- (5) Distributions to Priority Equity shares and Class A shares are based on the number of Priority Equity shares and Class A shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

RATIOS AND SUPPLEMENTAL DATA

	Years ended November 30		
	2009	2008	2007 ⁽¹⁾
Net assets (millions)	\$27.2	\$42.7	\$91.8
Number of units outstanding ⁽²⁾	3,188,402	4,429,246	4,753,400
Base Management expense ratio ⁽³⁾	1.22%	1.09%	1.08%
Management expense ratio including one time initial offering expenses ⁽⁴⁾	1.22%	1.09%	6.27%
Management expense ratio per Class A share ⁽⁵⁾	N/A	11.22%	15.92%
Portfolio turnover rate ⁽⁶⁾	24.9%	39.1%	5.0%
Trading expense ratio ⁽⁷⁾	0.08%	0.11%	0.11%
Closing market price (TSX): Priority Equity shares	\$7.50	\$6.51	\$10.10
Closing market price (TSX): Class A shares	\$0.33	\$0.88	\$7.30

(1) Results for the period April 18, 2007 (inception) to November 30, 2007.

(2) This information is provided as at November 30.

(3) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding the one time initial offering expenses and performance fees. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net assets, which includes the outstanding Preferred shares, during the period.

(4) Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company.

(5) Management expense ratio for Class A shares is based on the requirements of National Instrument 81-106. This policy requires that all Split share companies produce an expense ratio which allocates all operating expenses of the Fund, all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of net assets applicable only to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Fund or the Class A share to cover the operating expenses of the Fund. This calculation is based only on a portion of the Fund's assets whereas the Fund utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Fund to achieve growth in net asset value per unit.

(6) The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a year, the greater the trading costs payable by the Company in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Company.

(7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the period.

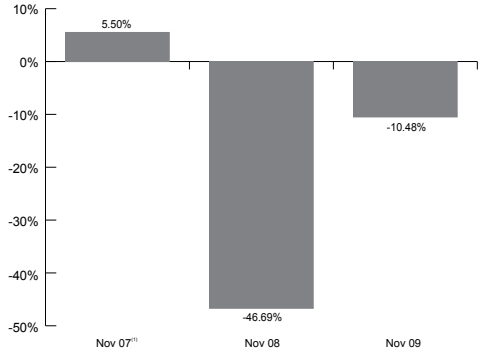
PAST PERFORMANCE

Year-by-Year Returns

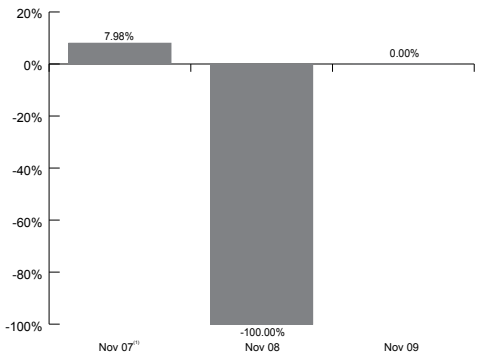
The past performance of 1) the net asset value per unit (1 Priority Equity share and 1 Class A share); 2) the Priority Equity share on net asset value basis; and 3) the Class A share on a net asset value basis for each 12 month period ended November 30 since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a Unit, a Priority Equity share or a Class A share would have increased or decreased during the applicable period. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the years shown were reinvested in the applicable additional securities of the Company,
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and,
- Past performance of the Company does not necessarily indicate how it will perform in the future.

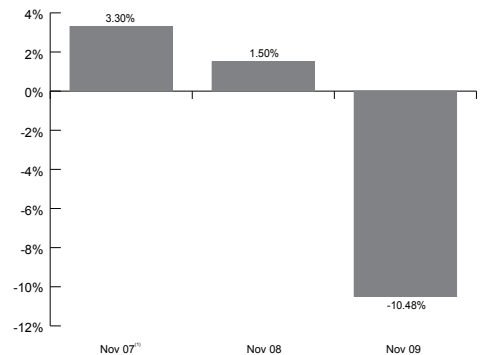
NET ASSET VALUE PER UNIT



CLASS A SHARE



PRIORITY EQUITY SHARE



⁽¹⁾ Based on initial year from April 18, 2007 to November 30, 2007

Annual Compound Performance

The following table shows the Company's annual compound return for the period ended November 30, 2009:

	One year	Since inception
M-Split Corp. - Unit	-10.48%	-23.27%
M-Split Corp. - Priority equity share	-10.48%	-2.39%
M-Split Corp. - Class A share	0.00%	-100.00%

MARKET INDEX⁽¹⁾

S&P TSX Financial index	28.96%	-6.56%
-------------------------	--------	--------

- (1) As a result of the Company being limited to specific stock and a covered call writing program that is implemented to generate additional income, and the impact of the Priority Equity Portfolio Protection Plan, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

SUMMARY OF INVESTMENT PORTFOLIO

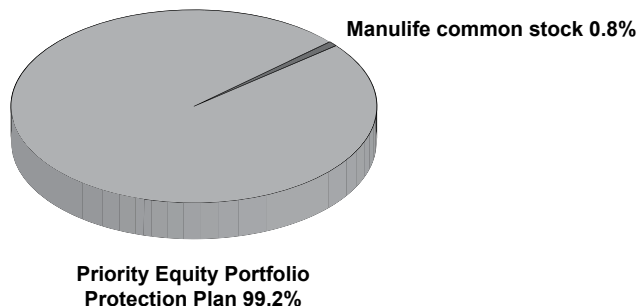
All holdings as at November 30, 2009

Name	Weighting (%)
Manulife Financial Corporation	0.8
Priority Equity Protection Plan securities	
Quebec Provincial coupon June 1, 2014	51.6
Ontario Hydro coupon October 15, 2014	36.0
Ontario Hydro coupon January 13, 2014	14.6
Total Priority Equity Portfolio Protection Plan securities	102.2
Total long positions as a percentage of net assets	103.0
Other net assets	(3.0)

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company and the implementation of a capital reorganization of the Company. Updates are available quarterly.

PORTFOLIO BREAKDOWN

The following pie chart shows the division of the Company's holdings between Manulife common stock and Priority Equity Portfolio Protection Plan investments.



M SPLIT CORP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of M Split Corp. (the "Company") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with Canadian generally accepted accounting principles and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in Note 2 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Company with the approval of its Board of Directors, has appointed the external firm PricewaterhouseCoopers LLP as the auditors of the Company. They have audited the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

AUDITORS' REPORT

FEBRUARY 23, 2010

Auditors' Report

To the Shareholders of M Split Corp.

We have audited the statements of portfolio investments of **M Split Corp.** (the Company) as at November 30, 2009, the statements of financial position as at November 30, 2009 and 2008 and the statements of operations and deficit, changes in shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2009 and 2008 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

M SPLIT CORP.
STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30

	2009 (\$)	2008 (\$)
ASSETS		
Investments - at fair value (note 2)	28,034,146	39,632,501
Cash	620,374	2,572,072
Interest, dividends and other receivables	1,560	319,670
Total Assets	<u>28,656,080</u>	<u>42,524,243</u>
LIABILITIES		
Fees and other accounts payable	39,291	48,863
Dividends payable	1,394,926	193,780
Priority Equity shares (note 1b and 4)	27,221,863	42,281,600
	<u>28,656,080</u>	<u>42,524,243</u>
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	28,761,915	39,952,653
Deficit	(28,761,915)	(39,952,653)
	-	-
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>28,656,080</u>	<u>42,524,243</u>
Number of units (1 Priority Equity share and 1 Class A share) outstanding		
	3,188,402	4,429,246
Net assets per unit (note 2)	\$8.54	\$9.55
Net assets per Priority Equity share (note 2)	\$8.54	\$9.55
Net assets per Class A share (note 2)	-	-

Approved on behalf of the Board of Directors



WAYNE FINCH
Chairman and
Chief Investment Officer



PETER CRUICKSHANK
Managing Director and
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

M SPLIT CORP.
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED NOVEMBER 30

	2009 (\$)	2008 (\$)
INCOME		
Dividends	17,108	1,894,020
Interest	<u>1,012,331</u>	<u>24,685</u>
	<u>1,029,439</u>	<u>1,918,705</u>
EXPENSES (note 6)		
Management fees	229,414	505,514
Service fees	-	141,398
Audit fees	19,815	19,145
Directors' fees	20,513	20,537
Independent Review Committee fees	3,531	3,531
Custodian fees	16,536	21,659
Legal fees	41,135	17,104
Shareholder reporting costs	42,049	9,611
Other operating expenses	41,438	54,714
Goods and services tax	<u>20,802</u>	<u>32,431</u>
	<u>435,233</u>	<u>825,644</u>
Net investment income		
before distributions on Priority Equity shares	594,206	1,093,061
Distributions on Priority Equity shares (note 4 and 7)	<u>(1,780,866)</u>	<u>(2,462,615)</u>
Net investment loss for the year	<u>(1,186,660)</u>	<u>(1,369,554)</u>
Realized and unrealized gain (loss)		
on investments and options and transaction costs		
Net realized loss on investments and options	(12,524,114)	(29,400,312)
Change in unrealized appreciation (depreciation) of investments	9,506,766	(12,364,762)
Transaction costs on purchase and sale of investments (note 2)	<u>(28,729)</u>	<u>(84,744)</u>
Net loss on investments and options for the year	<u>(3,046,077)</u>	<u>(41,849,818)</u>
Change in Value of Priority Equity shares	2,651,297	2,010,860
Net allocation on retractions of Priority Equity shares	<u>1,581,440</u>	<u>(478,635)</u>
Increase (decrease) in net assets from operations for the year	-	(41,687,147)
Retained earnings (deficit) - Beginning of year	(39,952,653)	1,402,982
Net allocations on retractions	11,190,738	2,923,932
Distributions on Class A shares (note 5 and 7)	-	<u>(2,592,420)</u>
Deficit - End of year	<u>(28,761,915)</u>	<u>(39,952,653)</u>
Increase (decrease) in net assets from operations		
per Class A share	-	(8.89)

The accompanying notes are an integral part of these financial statements.

M SPLIT CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEARS ENDED NOVEMBER 30

	2009 (\$)	2008 (\$)
Shareholders' equity - Beginning of year	-	44,279,567
Decrease in net assets from operations for the year	-	(41,687,147)
Class A share redemptions	(11,190,738)	(2,923,932)
Net allocation on retractions	11,190,738	2,923,932
Distributions on Class A shares		
From return of capital	-	(2,592,420)
Decrease in net assets for the year	<u>-</u>	<u>(44,279,567)</u>
Shareholders' equity - End of year	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

M SPLIT CORP.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED NOVEMBER 30

	2009 (\$)	2008 (\$)
Cash flow from Operating activities		
Net investment (loss) for the year	(1,186,660)	(1,369,554)
Proceeds from sale of investments	17,555,879	36,380,155
Purchase of investments	(9,003,604)	(29,200,524)
Net change in interest, dividends and other receivable balances	318,110	184,690
Net change in fees, other accounts payable and dividends payable on Priority Equity shares	<u>1,191,574</u>	<u>(76,581)</u>
Cash flow from operations	8,875,299	5,918,186
Cash flow from Shareholder activities		
Amount paid on redemption of Class A shares and Priority Equity shares	(10,826,997)	(3,720,175)
Distributions on Class A shares	<u>-</u>	<u>(2,830,090)</u>
Cash flow from Shareholder activities	<u>(10,826,997)</u>	<u>(6,550,265)</u>
Decrease in cash for the year	(1,951,698)	(632,079)
Cash, beginning of year	<u>2,572,072</u>	<u>3,204,151</u>
Cash, end of year	<u>620,374</u>	<u>2,572,072</u>

The accompanying notes are an integral part of these financial statements.

M SPLIT CORP.
STATEMENT OF PORTFOLIO INVESTMENTS
AS AT NOVEMBER 30, 2009

No. of shares	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	Core Holding		
	Canadian Common Equities		
12,000	Manulife Financial Corporation	440,715	221,160
	Total Canadian Common Equities in Core Holding (0.8%)	<u>440,715</u>	<u>221,160</u>
	Priority Equity Portfolio Protection Plan securities		
11,300,000	Ontario Hydro coupon October 15, 2014	9,577,980	9,808,103
4,400,000	Ontario Provincial coupon January 13, 2014	3,766,460	3,942,726
16,000,000	Quebec Provincial coupon June 1, 2014	<u>13,428,691</u>	<u>14,062,157</u>
	Total Priority Equity Portfolio Protection Plan (99.2%)	<u>26,773,131</u>	<u>27,812,986</u>
		<u>27,213,846</u>	<u>28,034,146</u>
	less adjustment for transaction costs	(444)	
	Total Investments (100%)	<u>27,213,402</u>	<u>28,034,146</u>

The Statement of Portfolio Investments is at November 30, 2009 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

The accompanying notes are an integral part of these financial statements.

M SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

1. Incorporation

M Split Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on February 12, 2007 and began investment operations on April 18, 2007. The manager of the Company is Quadrainvest Inc. (the "Manager") and the investment manager is Quadrainvest Capital Management Inc. ("Quadrainvest"). All shares outstanding on December 1, 2014, the termination date of the Company, will be redeemed by the Company on that date.

1b. Sufficiency of Assets

The Company has 3,188,402 Priority Equity shares outstanding as at November 30, 2009 with a principal repayment of \$10 per Priority Equity share for a total of \$31,884,020 due on the termination date, December 1, 2014. As at November 30, 2009, the Company has net assets equivalent to \$8.54 per Priority Equity share for a total of \$27,221,863. This represents a deficiency as at November 30, 2009 of \$1.46 per Priority Equity share for a total deficiency of \$4,662,157. The Company has activated the Priority Equity Protection Plan and purchased fixed income securities with the goal of achieving the repayment of \$10 per Priority Equity share upon termination. The Priority Equity Portfolio Protection Plan provides that if the net asset value of the Company declines below a specified level, the Company will liquidate a portion of its holdings in common shares of Canadian Imperial Bank of Commerce ("CIBC") and use the net proceeds to acquire fixed income securities.

2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting years. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

Amendment to Section 3862- Financial Instruments Disclosure

During 2009, CICA handbook section 3862, Financial Instruments-Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including the classification with a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

Emerging Issues Committee ("EIC-173")

For the year ended November 30, 2009, the Company adopted EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". EIC-173 clarifies that credit risk and counterparty risk should be considered in determining the fair value of financial instruments. The adoption of this new standard did not have an impact on the Company's financial statements.

M SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

Valuation of investments

In accordance with Accounting Guideline 18, Investment Companies, investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined in CICA Handbook-Accounting Section 3855, Financial Instruments-Recognition and Measurement ("Section 3855") for purposes of determining the Net Assets per unit reflected in the financial statements.

The fair value of investments as at the financial reporting date is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing bid price
- Call options written are valued at closing ask prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

Section 14.2 of amended National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators, that came into force on September 8, 2008, requires an investment fund to calculate its net asset value for the purposes of any purchases or redemption of units based on the fair value of the investment fund's assets and liabilities (Net Asset Value or NAV). The Company has not changed its methodology in this respect.

The fair value of investments for purposes of calculating the bi monthly net asset value published on the Company's website and also used for the purposes of calculating the price paid on any redemptions received is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the last traded market price
- Call options written are valued at the last traded prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

In accordance with Section 3.6 (1) 5 of NI 81-106, the Net Asset Value per unit is compared to the Net Assets per unit and the difference is required to be disclosed in the notes to the financial statements. The following table is presented to show the differences between these amounts:

	Net Assets (GAAP NAV) per unit	Difference	Net Asset Value (Published NAV) per unit
November 30, 2009	\$8.54	-	\$8.54
November 30, 2008	\$9.55	\$0.08	\$9.63

Transaction costs

- Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company are recognized as an expense in the Statement of Operations and Retained Earnings (Deficit). The transaction costs for investments held at November 30, 2009 are shown separately on the Statement of Portfolio Investments.

Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Written call option income received is deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the statements of operations.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

Redeemable Priority Equity shares

Each redeemable Priority Equity share is valued for financial statement purposes at the lesser of: (i) \$10.00; and (ii) the net assets of the Company divided by the number of Priority Equity shares outstanding. The net assets are equal to the difference between the aggregate value of the assets of the Company and the aggregate value of its liabilities, excluding Priority Equity shares of the Company.

Recent Accounting Pronouncements

The Canadian Accounting Standards Board (“AcSB”) has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, for entities with fiscal years beginning on or by January 1, 2011. In accordance with Canadian GAAP and AcSB’s plan, the Company will adopt the International Financial Reporting Standards (IFRS). The Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact in the 2010 annual financial statements, the disclosure of the quantitative impact, if any, in the 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures and potentially different presentation of shareholder interests and other items in the financial statements of the Company.

M SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

3. Management of Risk of Financial Instruments

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at November 30, 2009:

Financial assets at fair value as at November 30, 2009

	Level 1	Level 2	Level 3	Total
Equities	\$221,160	-	-	\$221,160
Bonds	-	\$27,812,986	-	\$27,812,986
	<u>\$221,160</u>	<u>\$27,812,986</u>	<u>-</u>	<u>\$28,034,146</u>

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

Market Price Risk

All securities investments present a risk of loss of capital.

The market price risk is affected by three main components: price movements, interest rate risk and foreign currency movements.

Price risk

The Company's core holding of Manulife common stock has almost been eliminated as a result of the Priority Equity Portfolio Protection Plan. As at November 30, 2009, the Company's exposure to Manulife common shares has been reduced to 0.8% of the net assets of the Company.

A 10% increase / decrease in Manulife common shares would currently increase/decrease net assets by \$22,116 (2008-\$1,322,886).

Interest rate risk

The majority of the Company's financial assets are now invested in fixed income securities as part of the Priority Equity Protection Plan. As at November 30, 2009 approximately 102.2% of the net assets of the Company are invested in Canadian provincial government strip coupons with maturity dates in 2014. As a result, this portion of the portfolio is subject to interest rate risk. As at November 30, 2009, had prevailing interest rates increased or decreased by 0.25%, assuming a parallel shift in the yield curve and all other variables held constant, the fair value of the fixed income securities would have decreased or increased by approximately \$309,612 (2008-\$347,977).

Currency risk

The portfolio holding and other net assets are denominated in Canadian dollars and therefore there is no currency risk.

M SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

Other risks

Credit risk

Credit risk is defined as the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker.

The Company purchased Canadian provincial government strip coupons as part of the Priority Equity Protection Plan. The Company considers the risk of default as low in connection with these fixed income instruments.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company is exposed to liquidity risk primarily through its monthly and annual retractions of Class A shares and Priority Equity shares. The Company receives adequate notice for all redemption requests. The Company's Portfolio is invested in Manulife which is a highly liquid large capitalization stock that trades on the Toronto Stock Exchange ("TSX") and government bonds. All Class A shares and Priority Equity shares outstanding are redeemable on demand but are scheduled to be redeemed upon termination of the Fund on December 1, 2014. All other financial liabilities are payable within three months from year-end (except for accrued dividends which will become payable once declared by the Board).

Concentration risk

The Company's only equity holding is concentrated in the common stock of Manulife and as such will be exposed to the specific factors that affect this stock.

4. Priority Equity shares

The Company is authorized to issue an unlimited number of Priority Equity shares.

<u>Issued and outstanding</u>	November 30, 2009	November 30, 2008
3,188,402 Priority Equity shares (2008-4,429,246)	\$31,884,020	\$44,292,460
less reduction in value of Priority Equity shares	<u>(4,662,157)</u>	<u>(2,010,860)</u>
	\$27,221,863	\$42,281,600

Priority Equity share transactions

Beginning of year	4,429,246	4,753,400
Redemptions during the year	<u>(1,240,844)</u>	<u>(324,154)</u>
End of year	3,188,402	4,429,246

Priority Equity shares are entitled to cumulative monthly cash dividends of \$0.04375 per Priority Equity share. All Priority Equity shares outstanding on December 1, 2014 will be redeemed by the Company on that date. For accounting purposes, the Priority Equity shares have been presented as liabilities in the financial statements in accordance with Section 3863 of the CICA Handbook.

Priority Equity shares trade under the symbol "XMF.A" on the TSX. Priority Equity shares trading price on the TSX was \$7.50 as at November 30, 2009 (November 30, 2008 - \$6.51). Priority Equity shares may be surrendered at any time for retraction at specified retraction amounts, but

M SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

will be retracted only on the last day of each month. Shareholders who concurrently retract a Priority Equity share and a Class A share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the transactional net asset value per unit calculated on the last day of October. Priority Equity shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Priority Equity shares or Class A shares tendered for retraction.

The Priority Equity shares rank in priority to the Class A shares with respect to the payment of dividends. Priority Equity shares rank in priority to the Class A shares upon termination of the Company. Upon termination of the Company, Priority Equity shareholders will receive the lower of the net asset value or \$10 per Priority Equity share.

5. Class A shares and Class B shares

Authorized

An unlimited number of Class A shares

1,000 Class B shares

Issued and outstanding

3,188,402 Class A shares (2008-4,429,246)

1,000 Class B shares

	November 30, 2009	November 30, 2008
	\$28,760,915	\$39,951,653
	<u>\$1,000</u>	<u>\$1,000</u>
	<u>\$28,761,915</u>	<u>\$39,952,653</u>

Class A share transactions

Beginning of year

Redemptions during the year

End of year

4,429,246	4,753,400
<u>(1,240,844)</u>	<u>(324,154)</u>
3,188,402	4,429,246

As at November 30, 2009, the Company received retraction requests of 40,300 Class A shares for the November monthly retraction.

Class A shares were issued at \$10 per share. Class A distributions are targeted at \$0.05 per month per share. All Class A shares outstanding on December 1, 2014 will be redeemed by the Company on that date.

Class A shares trade under the symbol "XM" on the TSX. Class A shares trading price on the TSX was \$0.33 as at November 30, 2009 (November 30, 2008 - \$0.88). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Priority Equity share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the transactional net asset value per unit calculated on the last day of October. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Priority Equity shares or Class A shares tendered for retraction.

The Priority Equity shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the transactional net asset value per unit less \$10 (the redemption value of the Priority Equity shares).

M SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On April 18, 2007, the Company issued \$1,000 Class B shares to M Split Corp. Holding Trust for cash consideration of \$1,000.

The Deficit in the Statement of Financial Position includes contributed surplus of \$14,114,670 (2008-\$2,923,932) in connection with amounts paid on the retractions of Class A shares. Contributed surplus arises when the amount of the retraction allocated to the Class A shares is less than the average cost of capital per share of the Class A shares.

6. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the transactional net assets of the Company, which includes the outstanding Priority Equity shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum. 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.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.55% of the transactional net assets of the Company, which includes the outstanding Priority Equity shares, calculated as at each monthly valuation date.

Total management fees of \$229,414 (2008-\$505,514) incurred during the year include the administration fee and base management fee.

The brokerage commissions paid during the year by the Company for its portfolio transactions were \$28,729 (2008 - 84,744).

7. Distributions

The Company's investment objectives are to provide steady monthly distributions to both the Priority Equity and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2014.

Distributions per share were as follows:

	November 30, 2009	November 30, 2008
Priority Equity shares	\$0.0875	\$0.525
Class A shares	-	\$0.55

M SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008

8. Capital Management

The Company considers its capital to consist of Class A, Class B and Priority Equity shares.

The Company's objectives in managing its capital are:

- i) to provide holders of Priority Equity shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Priority Equity share to yield 5.25% per annum on the original issue price and to return the original issue price to their holders on December 1, 2014; and
- ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be \$0.05 per Class A share to yield 6.0% on the original issue price and return the original issue price to their holders on December 1, 2014.

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

9. Income Taxes

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) (the Act) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

The Company is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable Priority Equity shares.

The Company has estimated accumulated non capital losses for tax purposes of \$3,074,477 (2008-\$2,663,975) that are available to lower taxable income in future years if required and expire after the scheduled termination date of the Company on December 1, 2014. The Company also has estimated accumulated capital losses for tax purposes of \$26,060,166 (2008-\$12,881,803) which may be used to lower future capital gains if required.

10. Subsequent Event

On December 16, 2009 the Company sent out a Management Information Circular to all shareholders that outlined a reorganization proposal to be voted on at a special shareholders meeting to be held on February 3, 2010. Subsequent to the end of the Company's fiscal year, the special shareholder meeting was held on February 3, 2010 and the proposed reorganization was approved. The reorganization will provide shareholders with the ability choose to have their existing Priority Equity and/or Class A shares reorganized into a new series of shares (the New Commerce Split Fund) that would potentially provide greater distribution and capital growth potential by re-establishing a full investment in Manulife common stock. Shareholders not wishing to participate in the new reorganized Fund were given a special retraction right. It is expected that the full implementation of the reorganization will occur in March 2010.

11. Comparative Financial Statements

Certain 2008 comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2009 financial statements.

QUADRAVEST CAPITAL MANAGEMENT INC.

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

BOARD OF DIRECTORS

Wayne Finch,
Chairman and
Chief Investment Officer

Laura Johnson,
Managing Director and
Portfolio Manager

Michael W. Sharp
Blake, Cassels & Graydon LLP

Peter Cruickshank,
Managing Director and
Chief Financial Officer

William Thornhill,
President, William C.
Thornhill Consulting Inc.

John Steep
President, S. Factor Consulting Inc.

CORPORATE DETAILS

Auditors

PricewaterhouseCoopers LLP
77 King Street West, P.O. Box 82
Toronto, Ontario M5K 1G8

Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario M5J 2Y1

Legal Counsel

Blake, Cassels & Graydon LLP
Commerce Court West
Toronto, Ontario M5L 1A9

Custodian

RBC Dexia Investor Services Trust
Royal Trust Tower, 77 King Street West
11th Floor, Toronto, Ontario M5W 1P9



77 King Street West,
P.O. Box 341, Toronto, ON
M5K 1K7

: 416.304.4443

Toll: 877.4QUADRA

or 877.478.2372

Fax: 416.304.4441

info@quadrainvest.com

www.quadrainvest.com