

# Press Release:



TSX SYMBOLS: XMF, XMF.PR.A

## M SPLIT CORP.

### Announces Details of Capital Reorganization

**TORONTO, ONTARIO – February 12, 2010** / Marketwire: M Split Corp. (the “Company”) previously announced that a proposed capital reorganization plan for the Company had been approved at the special meeting of Shareholders held on February 3, 2010. The purpose of the reorganization is to provide holders of Priority Equity and Class A shares with an opportunity to have their existing shares reorganized into a new series of shares that would provide greater distribution and capital growth potential by re-establishing higher levels of exposure to Manulife common shares than is the case with the current Fund. The higher levels of exposure will result from the liquidation of the fixed income securities (and the elimination of the requirement to maintain the Priority Equity Portfolio Protection Plan) and a reinvestment in common shares of Manulife. The reinvestment in common shares of Manulife will not occur until after the completion of the reorganization including the special retraction right afforded to shareholders, as discussed in more detail below.

The Company will be creating three new classes of shares to be designated as Preferred Shares, Class I (the “Class I Preferred Shares”), Preferred Shares, Class II (the “Class II Preferred Shares”) and Capital Shares. The Company will also be creating two series of warrants (the “2011 Warrants” and the “2012 Warrants”) to acquire one Class I Preferred Share, one Class II Preferred Share and one Capital Share (together, a “Unit”). It is intended that the Class I Preferred Shares, Class II Preferred Shares, Capital Shares, 2011 Warrants and 2012 Warrants will be listed and posted for trading on the TSX.

Holders of the existing Priority Equity Shares will receive the following securities for each Priority Equity Share held:

**One \$5.00 Class I Preferred Share** – paying fixed cumulative preferential monthly dividends to yield 7.50% per annum on the \$5.00 notional issue price and having a repayment objective on December 1, 2014 or such other date as the Company may be terminated (the “Termination Date”) of \$5.00;

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

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

**One 2012 Warrant** – each 2012 Warrant can be exercised to purchase one Class I Preferred Share, one Class II Preferred Share and one Capital Share for an exercise price of \$12.50 at specified times until February 28, 2012.

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

**One Capital Share** – Capital Shares will continue to participate in any net asset value growth over \$10.00 per Unit and dividends would be reinstated only if and when the net asset value per Unit exceeds \$15.00. The dividend rate on the Capital Shares will be set by the Board of Directors of the Company at its discretion, based on market conditions. No dividend payments will be made on the Capital Shares unless all dividends on the Class I Preferred Shares and, if applicable, Class II Preferred Shares have been declared and paid.

In connection with the reorganization, the Company’s investment manager, Quadravest Capital Management Inc. (“Quadravest”), will be lowering its annual management fee from 0.55% to 0.45% per annum of the net asset value of the Company. In addition, the discount to net asset value applicable to monthly redemptions of Class I Preferred Shares, Class II Preferred Shares and Capital Shares will be decreased from 4% to 3% and this discount will be paid

to Quadra and not retained by the Company. These measures are intended to lower ongoing expenses of the Company and improve trading prices of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares relative to net asset value for the Company.

Shareholders are being given a special retraction right as a result of the approval of this capital reorganization, which is in addition to the regular monthly retraction at the end of February and the dissent rights which Shareholders had in respect of the special meeting under the *Business Corporations Act* (Ontario).

Shareholders who do not wish to remain invested in the Company under its reorganized share structure will have until 5:00 p.m. (Toronto time) on February 26, 2010 to provide the Company with notice through their CDS participant that they wish to have their Priority Equity Shares or Class A Shares redeemed pursuant to this special retraction right. On such a special retraction, each holder of a Priority Equity Share will receive the lesser of (i) 96% of the net asset value per Unit of the Company at the retraction date, and (ii) \$7.63 per Priority Equity Share (representing the volume weighted average trading price ("VWAP") of the Priority Equity Shares on the Toronto Stock Exchange ("TSX") for the 20 trading days ending on February 2, 2010); while holders of Class A Shares will receive the lesser of (i) 4% of the net asset value per Unit of the Company at the retraction date, and (ii) \$0.46 per Class A Share (representing the VWAP of the Class A Shares on the TSX for the 20 trading days ending on February 2, 2010). Shareholders interested in exercising such retraction right should contact the CDS Participant through which they hold the Shares for further information and instructions as to how to exercise this right. Shareholders should note that the requirements of any particular CDS Participant may vary, and that Shareholders may need to inform their CDS Participant of any intention to exercise this retraction right in advance of the February 26 deadline.

If more Class A Shares are tendered for retraction under the special retraction right than Priority Equity Shares, the outstanding Priority Equity Shares will be consolidated so that following the retraction pursuant to this special retraction right there would be an equal number of Priority Equity Shares and Class A Shares outstanding. Similarly, if more Priority Equity Shares are tendered for retraction than Class A Shares, the outstanding Class A Shares will be consolidated so that again there would be an equal number of Priority Equity Shares and Class A Shares outstanding following implementation of the special retraction. The Company may implement this consolidation by adjusting the number of Class I Preferred Shares, Class II Preferred Shares, 2011 Warrants and 2012 Warrants to be issued to holders of Priority Equity Shares (in the event a consolidation of Priority Equity Shares is required) or by adjusting the number of Capital Shares to be issued to holders of Class A Shares (in the event a consolidation of Capital Shares is required).

The Company has the discretion not to proceed with this capital reorganization, notwithstanding it has been approved by Shareholders. The Company expects that it will exercise its discretion in this regard only if the number of Priority Equity Shares or Class A Shares being retracted pursuant to the special retraction right is such that the number of Shareholders remaining, or the number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares to be issued and outstanding following implementation of the capital reorganization, is insufficient to meet the listing requirements of the TSX in respect of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares.

Additional information regarding the capital reorganization is contained in the Management Information Circular dated December 23, 2009 prepared in respect of the special meeting, available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website. The Company will issue a further press release setting out details of the payment date in respect of Shares retracted pursuant to the special retraction and the date on which Class I Preferred Shares, Class II Preferred Shares and Capital Shares will be issued, once such details have been determined.

For further information please contact Investor Relations at 416-304-4443, or toll free at 1-877-4-Quadra (1-877-478-2372), or visit [www.M-Split.com](http://www.M-Split.com).